

WEBSTER FINANCIAL CORP

Form 10-Q

November 09, 2005

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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, 2005.**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____ .**

**Commission File Number: 001-31486
WEBSTER FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)**

Delaware

06-1187536

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

Webster Plaza, Waterbury, Connecticut

06702

(Address of principal executive offices)

(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 outstanding as of October 31, 2005 was 53,677,412.

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Table of Contents**ITEM 1. INTERIM FINANCIAL STATEMENTS****CONSOLIDATED STATEMENTS OF CONDITION (unaudited)**

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------------------|----------------------------------|
| <i>(In thousands, except share and per share data)</i> | | |
| Assets: | | |
| Cash and due from depository institutions | \$ 269,859 | 248,825 |
| Short-term investments | 9,224 | 17,629 |
| Securities (Note 4): | | |
| Trading, at fair value | 1,901 | |
| Available for sale, at fair value | 2,668,226 | 2,494,406 |
| Held to maturity (fair value of \$1,156,239 and \$1,234,629) | 1,161,507 | 1,229,613 |
| Loans held for sale (Note 5) | 247,365 | 147,211 |
| Loans, net (Notes 6 and 7) | 12,042,186 | 11,562,663 |
| Accrued interest receivable | 73,253 | 63,406 |
| Goodwill (Note 8) | 643,086 | 623,298 |
| Cash surrender value of life insurance | 235,467 | 228,120 |
| Premises and equipment | 179,463 | 149,069 |
| Intangible assets (Note 8) | 60,654 | 70,867 |
| Deferred tax asset (Note 9) | 70,752 | 70,988 |
| Other assets | 144,113 | 114,502 |
| Total assets | \$ 17,807,056 | 17,020,597 |
| Liabilities and Shareholders Equity: | | |
| Deposits (Note 10) | \$ 11,662,192 | 10,571,288 |
| Federal Home Loan Bank advances (Note 11) | 2,064,963 | 2,590,335 |
| Securities sold under agreement to repurchase and other short-term borrowings (Note 12) | 1,633,906 | 1,428,483 |
| Other long-term debt | 673,999 | 680,015 |
| Accrued expenses and other liabilities | 126,537 | 196,925 |
| Total liabilities | 16,161,597 | 15,467,046 |
| Preferred stock of subsidiary corporation | 9,577 | 9,577 |
| Commitments and contingencies (Notes 5 and 6) | | |
| Shareholders equity (Note 13): | | |
| Common stock, \$.01 par value; Authorized 200,000,000 shares at September 30, 2005 and December 31, 2004 | | |
| Issued 53,949,929 shares at September 30, 2005 and 53,639,467 shares at December 31, 2004 | 540 | 536 |
| Paid-in capital | 618,198 | 605,696 |
| Retained earnings | 1,043,905 | 942,830 |

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| | | |
|---|---------------|------------|
| Less: Treasury stock, at cost; 140,603 shares at September 30, 2005 and 11,000 shares at December 31, 2004 | (6,503) | (547) |
| Accumulated other comprehensive loss | (20,258) | (4,541) |
| Total shareholders' equity | 1,635,882 | 1,543,974 |
| Total liabilities and shareholders' equity | \$ 17,807,056 | 17,020,597 |

See accompanying Notes to Consolidated Interim Financial Statements.

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Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

| <i>(In thousands, except per share data)</i> | Three months ended | | Nine months ended | |
|--|---------------------------|----------------|--------------------------|----------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Interest Income: | | | | |
| Loans | \$ 175,680 | 145,456 | \$ 501,434 | 393,131 |
| Securities and short-term investments | 43,775 | 45,541 | 127,358 | 135,311 |
| Loans held for sale | 3,686 | 1,755 | 9,382 | 4,964 |
| Total interest income | 223,141 | 192,752 | 638,174 | 533,406 |
| Interest Expense: | | | | |
| Deposits (Note 10) | 51,338 | 32,611 | 131,305 | 87,613 |
| Federal Home Loan Bank advances and other borrowings | 30,993 | 29,292 | 87,155 | 78,520 |
| Other long-term debt | 11,198 | 9,561 | 32,035 | 26,712 |
| Total interest expense | 93,529 | 71,464 | 250,495 | 192,845 |
| Net interest income | 129,612 | 121,288 | 387,679 | 340,561 |
| Provision for loan losses (Note 7) | 2,000 | 4,000 | 7,500 | 14,000 |
| Net interest income after provision for loan losses | 127,612 | 117,288 | 380,179 | 326,561 |
| Noninterest Income: | | | | |
| Deposit service fees | 22,182 | 20,596 | 63,058 | 57,031 |
| Insurance revenue | 10,973 | 10,924 | 33,337 | 33,158 |
| Loan fees | 7,739 | 6,893 | 23,942 | 20,847 |
| Wealth and investment services | 5,554 | 6,044 | 16,977 | 17,009 |
| Gain on sale of loans and loan servicing, net | 3,703 | 4,467 | 9,251 | 10,813 |
| Increase in cash surrender value of life insurance | 2,341 | 2,421 | 6,881 | 6,552 |
| Gain on sale of securities, net | 1,141 | 5,843 | 2,607 | 16,959 |
| Financial advisory services | | | | 3,808 |
| Other income | 2,347 | 1,912 | 6,603 | 4,724 |
| Total noninterest income | 55,980 | 59,100 | 162,656 | 170,901 |
| Noninterest Expenses: | | | | |
| Compensation and benefits | 60,808 | 55,406 | 176,564 | 162,192 |
| Occupancy | 10,482 | 9,144 | 32,151 | 25,911 |
| Furniture and equipment | 13,009 | 10,103 | 35,418 | 26,737 |
| Intangible assets amortization (Note 8) | 5,001 | 4,827 | 14,912 | 13,501 |
| Professional services | 3,626 | 4,294 | 11,368 | 10,131 |
| Marketing | 3,339 | 4,233 | 10,286 | 10,847 |
| Conversion and infrastructure costs | 2,217 | 200 | 6,857 | 200 |
| Other expenses | 16,450 | 15,562 | 48,655 | 43,570 |

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| | | | | |
|----------------------------|------------------|---------------|-------------------|----------------|
| Total noninterest expenses | 114,932 | 103,769 | 336,211 | 293,089 |
| Income before income taxes | 68,660 | 72,619 | 206,624 | 204,373 |
| Income taxes | 22,058 | 23,258 | 66,269 | 66,846 |
| Net Income | \$ 46,602 | 49,361 | \$ 140,355 | 137,527 |

See accompanying Notes to Consolidated Interim Financial Statements.

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Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (unaudited), continued**

| <i>(In thousands, except per share data)</i> | Three months ended | | Nine months ended | |
|--|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Net income | \$ 46,602 | 49,361 | \$ 140,355 | 137,527 |
| Basic earnings per share | \$ 0.87 | 0.93 | \$ 2.62 | 2.77 |
| Diluted earnings per share | 0.86 | 0.92 | 2.59 | 2.73 |
| Dividends paid per common share | 0.25 | 0.23 | 0.73 | 0.67 |
| Average shares outstanding: | | | | |
| Basic | 53,648 | 52,938 | 53,612 | 49,606 |
| Diluted | 54,310 | 53,767 | 54,269 | 50,448 |

See accompanying Notes to Consolidated Interim Financial Statements.

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Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)**

| <i>(In thousands)</i> | Three months ended September 30, | |
|---|---|-------------|
| | 2005 | 2004 |
| Net Income | \$ 46,602 | 49,361 |
| Other comprehensive (loss) income, net of tax: | | |
| Unrealized net holding (loss) gain on securities available for sale arising during the period (net of income tax (benefit) expense of \$(4,974) and 14,672 for 2005 and 2004, respectively) | (9,199) | 27,249 |
| Reclassification adjustment for net security gains included in net income (net of income tax expense of \$288 and \$2,042 for 2005 and 2004, respectively) | (535) | (3,791) |
| Reclassification adjustment for amortization of cash flow hedge gain included in net income | (43) | (42) |
| Reclassification adjustment for amortization of unrealized loss (gain) upon transfer of securities to held to maturity (net of income tax) | 232 | (86) |
| Total other comprehensive (loss) income | (9,545) | 23,330 |
| Comprehensive income | \$ 37,057 | 72,691 |

| <i>(In thousands)</i> | Nine months ended September 30, | |
|---|--|-------------|
| | 2005 | 2004 |
| Net Income | \$ 140,355 | 137,527 |
| Other comprehensive loss, net of tax: | | |
| Unrealized net holding loss on securities available for sale arising during the period (net of income tax benefit of \$8,002 and \$9,651 for 2005 and 2004, respectively) | (14,860) | (14,181) |
| Reclassification adjustment for net security gains included in net income (net of income tax expense of \$773 and \$6,057 for 2005 and 2004, respectively) | (1,437) | (11,249) |
| Reclassification adjustment for amortization of cash flow hedge gain included in net income | (127) | (126) |
| Reclassification adjustment for amortization of unrealized loss (gain) upon transfer of securities to held to maturity (net of income tax) | 707 | (222) |
| Total other comprehensive loss | (15,717) | (25,778) |
| Comprehensive income | \$ 124,638 | 111,749 |

See accompanying Notes to Consolidated Interim Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (unaudited)**

| | Common | Paid-in | Retained | Treasury | Accumulated Other Comprehensive Income (loss) | Total |
|---|--------|---------|-----------|-----------|---|-----------|
| <i>(In thousands, except per share data)</i> | Stock | Capital | Earnings | Stock | | |
| Nine months ended September 30, 2004: | | | | | | |
| Balance, December 31, 2003 | \$ 495 | 412,020 | 833,357 | (112,713) | 19,736 | 1,152,895 |
| Net income for the nine months ended September 30, 2004 | | | 137,527 | | | 137,527 |
| Dividends paid: | | | | | | |
| \$.67 per common share | | | (32,126) | | | (32,126) |
| Exercise of stock options | 2 | 3,873 | | 6,452 | | 10,327 |
| Common stock repurchased | | | | (2,438) | | (2,438) |
| Common stock issued in acquisition | 36 | 164,110 | 1 | 108,650 | | 272,797 |
| Stock-based compensation | | 4,706 | | 49 | | 4,755 |
| Net unrealized loss on securities available for sale, net of taxes | | | | | (25,430) | (25,430) |
| Amortization of deferred hedging gain | | | | | (126) | (126) |
| Amortization of unrealized gain on securities transferred to held to maturity, net of taxes | | | | | (222) | (222) |
| Other | (1) | 24 | | | | 23 |
| Balance, September 30, 2004 | \$ 532 | 584,733 | 938,759 | | (6,042) | 1,517,982 |
| Nine months ended September 30, 2005: | | | | | | |
| Balance, December 31, 2004 | \$ 536 | 605,696 | 942,830 | (547) | (4,541) | 1,543,974 |
| Net income for the nine months ended September 30, 2005 | | | 140,355 | | | 140,355 |
| Dividends paid: | | | | | | |
| \$.73 per common share | | | (39,280) | | | (39,280) |
| Exercise of stock options | 4 | 7,404 | | 91 | | 7,499 |
| Common stock repurchased | | | | (8,676) | | (8,676) |
| Stock-based compensation | | 5,098 | | 2,629 | | 7,727 |
| Net unrealized loss on securities available for sale, net of taxes | | | | | (16,297) | (16,297) |
| Amortization of deferred hedging gain | | | | | (127) | (127) |
| Amortization of unrealized loss on securities transferred to held to maturity, net of taxes | | | | | 707 | 707 |
| Balance, September 30, 2005 | \$ 540 | 618,198 | 1,043,905 | (6,503) | (20,258) | 1,635,882 |

See accompanying Notes to Consolidated Interim Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

| <i>(In thousands)</i> | Nine months ended September | |
|--|------------------------------------|---------------------|
| | 2005 | 30, 2004 |
| Operating Activities: | | |
| Net income | \$ 140,355 | 137,527 |
| Adjustments to reconcile net income to net cash (used) provided by operating activities: | | |
| Provision for loan losses | 7,500 | 14,000 |
| Depreciation and amortization | 23,089 | 20,003 |
| Amortization of intangible assets | 14,912 | 13,501 |
| Stock-based compensation | 7,727 | 4,755 |
| Net gain on sale of foreclosed properties | (85) | (298) |
| Net gain on sale of securities | (2,210) | (17,306) |
| Net gain on sale of loans and loan servicing | (9,251) | (10,813) |
| Increase in cash surrender value of life insurance | (6,881) | (6,552) |
| Net (gain) loss on trading securities | (397) | 347 |
| Increase in trading securities | (1,504) | (2,427) |
| Loans originated for sale | (1,365,670) | (927,044) |
| Proceeds from sale of loans originated for sale | 1,274,767 | 995,907 |
| Increase in interest receivable | (8,910) | (13,056) |
| Increase in prepaid expenses and other assets | (22,962) | (137,102) |
| Increase (decrease) in accrued expenses and other liabilities | (71,867) | 7,733 |
| Proceeds from surrender of life insurance contracts | 792 | |
| Net cash (used) provided by operating activities | (20,595) | 79,175 |
| Investing Activities: | | |
| Purchases of available for sale securities | (788,703) | (1,888,932) |
| Purchases of held to maturity securities | (54,648) | (154,100) |
| Proceeds from maturities and principal payments of available for sale securities | 358,655 | 751,524 |
| Proceeds from maturities and principal payments of held to maturity securities | 121,787 | 3,739 |
| Proceeds from sales of available for sale securities | 233,805 | 1,937,797 |
| Proceeds from sale of held to maturity securities | 743 | |
| Net decrease in short-term investments | 116,881 | 19,206 |
| Net increase in loans | (499,473) | (814,287) |
| Proceeds from sale of foreclosed properties | 2,561 | 3,843 |
| Net purchases of premises and equipment | (47,645) | (30,400) |
| Net cash received (paid) for acquisition and sale transactions | 16,869 | (162,767) |
| Net cash used by investing activities | (539,168) | (334,377) |
| Financing Activities: | | |
| Net increase in deposits | 949,900 | 553,055 |
| Proceeds from FHLB advances | 30,686,000 | 62,116,771 |

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| | | |
|--|--------------|--------------|
| Repayment of FHLB advances | (31,204,008) | (62,353,864) |
| Net increase (decrease) in federal funds purchased and securities sold under agreement to repurchase | 199,362 | (161,308) |
| Other long-term debt issued | | 150,000 |
| Repayment of other long-term debt | (10,000) | |
| Cash dividends to common shareholders | (39,280) | (32,126) |
| Exercise of stock options | 7,499 | 10,327 |
| Common stock repurchased | (8,676) | (2,438) |
| Net cash provided by financing activities | 580,797 | 280,417 |
| Increase in cash and cash equivalents | 21,034 | 25,215 |
| Cash and cash equivalents at beginning of period | 248,825 | 209,234 |
| Cash and cash equivalents at end of period | \$ 269,859 | 234,449 |

See accompanying Notes to Consolidated Interim Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited), continued**

| <i>(In thousands)</i> | Nine months ended September | |
|---|------------------------------------|---------------------|
| | 2005 | 30, 2004 |
| Supplemental Disclosures: | | |
| Income taxes paid | \$ 65,813 | 35,546 |
| Interest paid | 243,528 | 188,077 |
| Supplemental Schedule of Noncash Investing and Financing Activities: | | |
| Transfer of loans to foreclosed properties | \$ 1,075 | 1,274 |
| Purchase Transactions: | | |
| Fair value of noncash assets acquired | \$ 235,693 | 2,639,353 |
| Fair value of liabilities assumed | 210,786 | 2,568,359 |
| Fair value of common stock issued | | 272,797 |
| Sale Transactions: | | |
| Fair value of noncash assets sold | \$ 105,656 | 4,562 |
| Fair value of liabilities sold | 56,237 | 983 |

See accompanying Notes to Consolidated Interim Financial Statements.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1: Basis of Presentation and Principles of Consolidation

The Consolidated Interim Financial Statements include the accounts of Webster Financial Corporation (Webster or the Company) and its subsidiaries. The Consolidated Interim Financial Statements and Notes thereto have been prepared in conformity with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany transactions have been eliminated in consolidation. The results of operations for the nine months ended September 30, 2005 are not necessarily indicative of the results which may be expected for the year as a whole.

The preparation of the Consolidated Interim Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the Consolidated Interim Financial Statements, and the reported amounts of revenues and expenses for the periods presented. Actual results could differ from those estimates. Material estimates that are susceptible to near-term changes include the determination of the allowance for loan losses and the valuation allowance for the deferred tax asset. These Consolidated Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in Webster s Annual Report on Form 10-K for the year ended December 31, 2004.

NOTE 2: Stock-Based Compensation

At September 30, 2005 and 2004, Webster had a fixed stock-based compensation plan that covered employee and non-employee directors. Effective January 1, 2002, the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, were adopted on a prospective basis, for all stock options granted January 1, 2002 and thereafter. Prior to this date, the provisions of APB No. 25 and related interpretations were applied for option grant accounting. Therefore, the expense related to stock-based compensation for the quarter and nine months ended September 30, 2004 differs from the expense that would have been recognized if the fair value based method had been applied to all option grants since the original effective date of SFAS No. 123. Awards under the plan, in general, vest over periods ranging from 3 to 4 years. As of January 1, 2005, all stock options granted prior to the implementation of SFAS No. 123 are fully vested.

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The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all stock option awards.

| <i>(In thousands, except per share data)</i> | Three months ended | | Nine months ended | |
|---|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Net income, as reported | \$ 46,602 | 49,361 | \$ 140,355 | 137,527 |
| Add: Stock option compensation expense included in reported net income, net of related tax effects | 1,066 | 966 | 3,346 | 2,365 |
| Deduct: Total stock option compensation expense determined under fair value based method for all awards, net of related tax effects | (1,066) | (1,178) | (3,346) | (2,670) |
| Pro forma net income | \$ 46,602 | 49,149 | \$ 140,355 | 137,222 |
| Earnings per share: | | | | |
| Basic as reported | \$ 0.87 | 0.93 | \$ 2.62 | 2.77 |
| pro forma | 0.87 | 0.93 | 2.62 | 2.77 |
| Diluted as reported | \$ 0.86 | 0.92 | \$ 2.59 | 2.73 |
| pro forma | 0.86 | 0.91 | 2.59 | 2.72 |

Webster also grants restricted stock to senior management and directors. The cost of restricted stock granted is also included in compensation and benefits expense and totaled \$404,000 and \$295,000, net of taxes, for the three months ended September 30, 2005 and 2004, respectively, and \$1.1 million and \$878,000, net of taxes for the nine months ended September 30, 2005 and 2004, respectively.

See Note 17, Recent Accounting Pronouncements, for information regarding a newly released pronouncement concerning stock-based compensation accounting.

NOTE 3: Purchase and Sale Transactions

The following purchase and sale transactions have been completed during 2005. The results of operations of the acquired companies are included in the Consolidated Statements of Income subsequent to the date of the completion of the acquisition.

Eastern Wisconsin Bancshares, Inc.

On September 7, 2004, Webster announced its entry into the health savings account business through a definitive agreement to acquire Eastern Wisconsin Bancshares, Inc. (EWBI), the holding company for State Bank of Howards Grove (State Bank), headquartered in Howards Grove, Wisconsin. This transaction closed on February 28, 2005. The acquisition makes Webster one of the largest custodians and administrators of health savings accounts in the United States. The purchase price was approximately \$27 million in cash. The State Bank had \$163 million in assets and \$144 million in deposits, including \$95 million in health savings account deposits at the time of the agreement. A definitive agreement was announced on February 8, 2005 whereby Webster would divest State Bank's two retail branches and related loans and deposits and retain the health savings account operation. The health savings account division operates under the name of HSA Bank, a division of Webster Bank. The branch sale closed on April 15, 2005.

J. Bush & Co.

On June 29, 2005, Webster announced the completion of its acquisition of the assets of J. Bush & Co., a New Haven based investment management firm. J. Bush & Co., which will retain its current name and operate as a division of Webster's wealth and investment advisors group, brings to Webster over \$200 million in assets under management.

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 4: Securities**

A summary of trading, available for sale and held to maturity securities follows:

| <i>(In thousands)</i> | September 30, 2005 | | | December 31, 2004 | | | | |
|--------------------------------|--------------------|---------------------|----------------------|-------------------------|-------------------|---------------------|----------------------|-------------------------|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| Trading: | | | | | | | | |
| Municipal bonds and notes | | | | \$ 1,901 | | | | \$ |
| Available for sale: | | | | | | | | |
| Municipal bonds and notes | \$ | | | | \$ 390 | | | 390 |
| Corporate bonds and notes | 191,160 | 5,204 | (1,896) | 194,468 | 192,076 | 6,192 | (1,895) | 196,373 |
| Equity securities (a) | 245,641 | 6,410 | (941) | 251,110 | 262,776 | 9,893 | (18) | 272,651 |
| Mortgage-backed securities | 2,260,880 | | (38,232) | 2,222,648 | 2,043,666 | 212 | (18,886) | 2,024,992 |
| Total available for sale | \$ 2,697,681 | 11,614 | (41,069) | 2,668,226 | \$ 2,498,908 | 16,297 | (20,799) | 2,494,406 |
| Held to maturity: | | | | | | | | |
| Municipal bonds and notes | \$ 385,856 | 8,225 | (977) | 393,104 | \$ 342,264 | 7,494 | (550) | 349,208 |
| Mortgage-backed securities | 775,651 | | (12,516) | 763,135 | 887,349 | 196 | (2,124) | 885,421 |
| Total held to maturity | \$ 1,161,507 | 8,225 | (13,493) | 1,156,239 | \$ 1,229,613 | 7,690 | (2,674) | 1,234,629 |

(a) As of September 30, 2005, the fair value of equity securities consisted of FHLB stock of \$150.0 million, FRB stock of \$37.9 million,

common stock of \$43.2 million and preferred stock of \$20.0 million.

The fair value of equity securities at December 31, 2004 consisted of FHLB stock of \$190.0 million, FRB stock of \$37.9 million and common stock of \$44.8 million.

The following table depicts temporarily impaired investment securities as of September 30, 2005, segregated by length of time in a continuous unrealized loss position.

| <i>(In thousands)</i> | Less Than Twelve Months | | Twelve Months or Longer | | Total | |
|----------------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Available for sale: | | | | | | |
| Corporate bonds and notes | \$ 30,891 | (569) | 15,075 | (1,327) | 45,966 | (1,896) |
| Equity securities | 8,062 | (941) | | | 8,062 | (941) |
| Mortgage-backed securities | 1,053,045 | (12,632) | 1,169,603 | (25,600) | 2,222,648 | (38,232) |
| Total available for sale | \$ 1,091,998 | (14,142) | 1,184,678 | (26,927) | 2,276,676 | (41,069) |
| Held to maturity: | | | | | | |
| Municipal bonds and notes | \$ 54,311 | (692) | 10,623 | (285) | 64,934 | (977) |
| Mortgage-backed securities | 763,135 | (12,516) | | | 763,135 | (12,516) |
| Total held to maturity | \$ 817,446 | (13,208) | 10,623 | (285) | 828,069 | (13,493) |

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The following table similarly identifies temporarily impaired investment securities as of December 31, 2004.

| <i>(In thousands)</i> | Less Than Twelve Months | | Twelve Months or Longer | | Total | |
|----------------------------|------------------------------------|----------------------|------------------------------------|----------------------|---------------|----------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Available for sale: | | | | | | |
| Corporate bonds and notes | \$ 32,319 | (320) | 15,321 | (1,575) | 47,640 | (1,895) |
| Equity securities | 409 | (18) | | | 409 | (18) |
| Mortgage-backed securities | 1,862,393 | (18,886) | | | 1,862,393 | (18,886) |
| Total available for sale | \$ 1,895,121 | (19,224) | 15,321 | (1,575) | 1,910,442 | (20,799) |
| Held to maturity: | | | | | | |
| Municipal bonds and notes | \$ 39,279 | (550) | | | 39,279 | (550) |
| Mortgage-backed securities | 648,664 | (2,124) | | | 648,664 | (2,124) |
| Total held to maturity | \$ 687,943 | (2,674) | | | 687,943 | (2,674) |

Unrealized losses on fixed income and equity securities result from the cost basis of securities being greater than current market value. This can be caused by an increase in interest rates since the time of purchase or from deterioration in credit quality of the issuer. Eighty securities had an unrealized loss for twelve consecutive months or longer due to interest rates being higher at September 30, 2005 than at the time of purchase. Approximately 98 percent of the unrealized loss was concentrated in forty mortgage-backed and three corporate securities. Mortgage-backed securities are rated AAA or carry an implied AAA credit rating. Two corporate securities are unrated but have undergone an internal credit review. One corporate security is A rated, but has never been downgraded. As a result of our credit review of the issuers, we have determined that there has been no deterioration in credit quality subsequent to purchase. Based on our experience with these types of investments and our financial strength, we have the ability to hold these investments to maturity or full recovery of the unrealized loss.

Management will continue to evaluate impairments, whether caused by adverse interest rate or credit movements, to determine if they are other-than-temporary. The determination will be based on the severity of unrealized loss, length of time of impairment and the financial condition and near-term prospects of the issuer.

NOTE 5: Loans Held for Sale

Loans held for sale totaled \$247.4 million and \$147.2 million at September 30, 2005 and December 31, 2004, respectively. Included in the September 30, 2005 balance are approximately \$1.1 million of consumer loans. Included in December 31, 2004 balance is approximately \$534,000 of commercial loans. The remainder of the loans held for sale at September 30, 2005 and December 31, 2004 are residential mortgages.

At September 30, 2005 and December 31, 2004, residential mortgage origination commitments totaled \$431.5 million and \$284.4 million, respectively. Residential commitments outstanding at September 30, 2005 consisted of adjustable rate and fixed rate mortgages of \$79.1 million and \$352.4 million, respectively, at rates ranging from 1.0% to 13.5%. Residential commitments outstanding at December 31, 2004 consisted of adjustable rate and fixed rate mortgages of \$55.1 million and \$229.3 million, respectively, at rates ranging from 1.0% to 8.5%. Commitments to originate loans generally expire within 60 days. At September 30, 2005 and December 31, 2004, Webster also had outstanding

commitments to sell residential mortgage loans of \$410.9 million and \$305.3 million, respectively.

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 6: Loans, net**

A summary of loans follows:

| <i>(In thousands)</i> | September 30, 2005 | | December 31, 2004 | |
|---------------------------------|---------------------------|--------|--------------------------|--------|
| | Amount | % | Amount | % |
| Residential mortgage loans | \$ 4,812,298 | 39.4% | \$ 4,775,344 | 40.8% |
| Commercial loans: | | | | |
| Commercial non-mortgage | 1,528,005 | 12.5 | 1,409,155 | 12.0 |
| Asset-based lending | 718,110 | 5.9 | 547,898 | 4.7 |
| Equipment financing | 732,422 | 6.0 | 627,685 | 5.4 |
| Total commercial loans | 2,978,537 | 24.4 | 2,584,738 | 22.1 |
| Commercial real estate | 1,666,384 | 13.7 | 1,715,047 | 14.6 |
| Consumer loans: | | | | |
| Home equity credit loans | 2,706,093 | 22.2 | 2,606,161 | 22.2 |
| Other consumer | 33,926 | 0.3 | 31,485 | 0.3 |
| Total consumer loans | 2,740,019 | 22.5 | 2,637,646 | 22.5 |
| Total loans | 12,197,238 | 100.0% | 11,712,775 | 100.0% |
| Less: allowance for loan losses | (155,052) | | (150,112) | |
| Loans, net | \$ 12,042,186 | | \$ 11,562,663 | |

At September 30, 2005, loans included \$24.3 million of net premiums and \$35.7 million of net deferred costs, compared with \$20.5 million of net premiums and \$32.1 million of net deferred costs at December 31, 2004. The unadvanced portions of residential and commercial construction loans totaled \$466.7 million and \$523.3 million at September 30, 2005 and December 31, 2004, respectively.

At September 30, 2005 and December 31, 2004, unused portions of home equity credit lines extended were \$1.4 billion and \$1.2 billion, respectively. Unused commercial and commercial real estate lines of credit, letters of credit, standby letters of credit, equipment financing commitments and outstanding commercial loan commitments totaled \$2.7 billion at September 30, 2005 and \$2.9 billion at December 31, 2004. Consumer loan commitments totaled \$54.1 million and \$53.3 million at September 30, 2005 and December 31, 2004, respectively.

At September 30, 2005 and December 31, 2004, Webster Bank serviced for others residential and commercial loans totaling \$1.4 billion and \$1.6 billion, respectively.

Webster is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and commitments to sell residential first mortgage loans and commercial loans. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the Consolidated Statements of Condition. See Note 15 for further discussion.

The estimated fair value of commitments to extend credit is considered insignificant at September 30, 2005 and December 31, 2004. Future loan commitments represent residential and commercial mortgage loan commitments, commercial loan and equipment financing commitments, letters of credit and commercial and home equity unused credit lines. The interest rates for these loans are generally established shortly before closing. The interest rates on home equity lines of credit adjust with changes in the prime rate.

A majority of the outstanding letters of credit are performance standby letters of credit within the scope of FASB Interpretation No. (FIN) 45. These are irrevocable undertakings by Webster, as guarantor, to make payments in the

event a specified third party fails to perform under a nonfinancial contractual obligation. Most of the performance standby letters of credit arise in connection with lending relationships and have a term of one year or less.

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. At September 30, 2005, Webster's standby letters of credit totaled \$208.8 million and their fair value is not material to the unaudited interim financial statements.

NOTE 7: Allowance for Loan Losses

The following table provides a summary of the activity in the allowance for loan losses:

| <i>(Dollars in thousands)</i> | Three months ended | | Nine months ended | |
|---|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Balance at beginning of period | \$ 154,822 | 146,511 | \$ 150,112 | 121,674 |
| Provisions charged to operations | 2,000 | 4,000 | 7,500 | 14,000 |
| Allowance for purchased loans | | | | 20,081 |
| Subtotal | 156,822 | 150,511 | 157,612 | 155,755 |
| Charge-offs | (2,719) | (3,843) | (6,994) | (11,005) |
| Recoveries | 949 | 1,511 | 4,434 | 3,429 |
| Net charge-offs | (1,770) | (2,332) | (2,560) | (7,576) |
| Balance at end of period | \$ 155,052 | 148,179 | \$ 155,052 | 148,179 |
| Ratio of net charge-offs to average loans outstanding during the period (annualized) | 0.06% | 0.08% | 0.03% | 0.10% |

Included in charge-offs for the nine months ended September 30, 2005 are \$775,000 of write-downs of loans transferred to held for sale.

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 8: Goodwill and Intangible Assets**

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

| <i>(In thousands)</i> | September 30, 2005 | December 31, 2004 |
|---|-----------------------------------|----------------------------------|
| Goodwill - not subject to amortization | \$ 643,086 | 623,298 |
| Intangible assets: | | |
| Balances subject to amortization: | | |
| Core deposit intangibles | \$ 52,030 | 61,734 |
| Other identified intangibles | 6,780 | 7,289 |
| Balances not subject to amortization: | | |
| Pension assets | 1,844 | 1,844 |
| Total intangible assets | \$ 60,654 | 70,867 |

Changes in the carrying amount of goodwill for the nine months ended September 30, 2005 are as follows:

| <i>(In thousands)</i> | Retail Banking | Commercial Banking | Total |
|-------------------------------|-------------------|-----------------------|---------|
| Balance at December 31, 2004 | \$ 596,715 | 26,583 | 623,298 |
| Purchase transactions | 13,838 | | 13,838 |
| Purchase price adjustments | 1,022 | 4,928 | 5,950 |
| Balance at September 30, 2005 | \$ 611,575 | 31,511 | 643,086 |

During the first quarter of 2005, \$9.0 million of core deposit intangibles with an amortization period of 7 years were added as a result of the Eastern Wisconsin Bancshares acquisition described in Note 3. Approximately \$4.4 million of this amount relates to deposits held in the two retail branches that were divested on April 15, 2005, resulting in a net addition of \$4.6 million with respect to this acquisition.

Amortization of intangible assets for the three and nine months ended September 30, 2005, totaled \$5.0 million and \$14.9 million, respectively. Estimated annual amortization expense of current intangible assets with finite useful lives, absent any impairment or change in estimated useful lives, is summarized below.

(In thousands)

For years ending December 31,

| | |
|------------------|-----------|
| 2005 (full year) | \$ 19,913 |
| 2006 | 15,833 |
| 2007 | 7,777 |
| 2008 | 4,915 |
| 2009 | 4,741 |
| Thereafter | 20,543 |

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 9: Deferred Tax Asset**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2005 and December 31, 2004 are summarized below. Temporary differences result from the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A 100% valuation allowance has been applied to the deferred tax assets applicable to Connecticut, Massachusetts and Rhode Island due to uncertainties of realization.

| <i>(In thousands)</i> | September 30, 2005 | December 31, 2004 |
|--|-----------------------------------|----------------------------------|
| Deferred tax assets: | | |
| Allowance for loan losses | \$ 61,476 | 59,865 |
| Net operating loss and tax credit carry forwards | 14,819 | 13,800 |
| Net unrealized loss on securities available for sale | 10,100 | 1,325 |
| Compensation and employee benefit plans | 6,706 | 10,005 |
| Intangible assets | 6,030 | 5,611 |
| Deductible acquisition costs | 2,957 | 5,128 |
| Purchase accounting and fair-value adjustments | | 991 |
| Other | 5,136 | 4,337 |
| Total deferred tax assets | 107,224 | 101,062 |
| Less: valuation allowance | (19,022) | (17,578) |
| Deferred tax assets, net of valuation allowance | 88,202 | 83,484 |
| Deferred tax liabilities: | | |
| Equipment financing leases | 5,213 | 3,386 |
| Purchase accounting and fair-value adjustments | 5,478 | |
| Mortgage servicing rights | 2,948 | 3,619 |
| Loan discounts | 1,390 | 2,642 |
| Other | 2,421 | 2,849 |
| Total deferred tax liabilities | 17,450 | 12,496 |
| Deferred tax asset | \$ 70,752 | 70,988 |

Management believes it is more likely than not that Webster will realize its net deferred tax asset, based upon its recent historical and anticipated future levels of pre-tax income. There can be no absolute assurance, however, that any specific level of future income will be generated.

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 10: Deposits**

The following table summarizes the composition of deposits:

| <i>(In thousands)</i> | September 30, 2005 | | December 31, 2004 | |
|----------------------------------|---------------------------|------------|--------------------------|------------|
| | Amount | % of total | Amount | % of total |
| Demand deposits | \$ 1,431,642 | 12.3% | \$ 1,409,682 | 13.4% |
| NOW accounts | 1,600,481 | 13.7 | 1,368,213 | 12.9 |
| Money market deposit accounts | 1,971,075 | 16.9 | 1,996,918 | 18.9 |
| Savings accounts | 2,032,927 | 17.4 | 2,253,073 | 21.3 |
| Retail certificates of deposit | 4,118,765 | 35.3 | 3,376,718 | 31.9 |
| Treasury certificates of deposit | 507,302 | 4.4 | 166,684 | 1.6 |
| Total | \$ 11,662,192 | 100.0% | \$ 10,571,288 | 100.0% |

Interest expense on deposits is summarized as follows:

| <i>(In thousands)</i> | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------------|---|-------------|--|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| NOW accounts | \$ 2,155 | 859 | \$ 5,442 | 2,272 |
| Money market deposit accounts | 11,816 | 7,882 | 28,727 | 20,151 |
| Savings accounts | 4,049 | 3,962 | 12,991 | 10,720 |
| Retail certificates of deposit | 29,270 | 19,139 | 75,930 | 52,952 |
| Treasury certificates of deposit | 4,048 | 769 | 8,215 | 1,518 |
| Total | \$ 51,338 | 32,611 | \$ 131,305 | 87,613 |

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 11: Federal Home Loan Bank Advances**

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

| <i>(In thousands)</i> | September 30, 2005 | | December 31, 2004 | |
|------------------------------------|---------------------------|----------|--------------------------|----------|
| | Total Outstanding | Callable | Total Outstanding | Callable |
| Fixed Rate: | | | | |
| 3.65% to 5.97% due in 2005 | \$ 695,500 | 45,000 | \$ 1,607,368 | 45,000 |
| 2.18% to 6.31% due in 2006 | 364,800 | | 368,695 | |
| 3.62% to 7.45% due in 2007 | 442,965 | | 244,648 | |
| 3.93% to 5.93% due in 2008 | 175,235 | 74,000 | 75,571 | 74,000 |
| 4.98% to 5.96% due in 2009 | 138,000 | 123,000 | 138,000 | 123,000 |
| 3.76% to 8.44% due in 2010 | 135,326 | 35,000 | 35,370 | 35,000 |
| 3.99% to 6.60% due in 2011 | 41,476 | 40,000 | 41,635 | 40,000 |
| 5.22% to 5.49% due in 2013 | 49,000 | 49,000 | 49,000 | 49,000 |
| 0.00% to 6.00% due in 2015 to 2023 | 1,332 | | 1,355 | |
| | 2,043,634 | 366,000 | 2,561,642 | 366,000 |
| Unamortized premium | 21,329 | | 28,693 | |
| Total advances | \$ 2,064,963 | 366,000 | \$ 2,590,335 | 366,000 |

Webster Bank had additional borrowing capacity of approximately \$1.2 billion from the FHLB at September 30, 2005 and \$651.6 million at December 31, 2004. Advances are secured by a blanket security agreement against certain qualifying assets, principally residential mortgage loans. At September 30, 2005 and December 31, 2004, Webster Bank had unencumbered investment securities available to secure additional borrowings. If these securities had been used to secure FHLB advances, borrowing capacity at September 30, 2005 and December 31, 2004 would have been increased by an additional \$650.7 million and \$913.6 million, respectively. At September 30, 2005, Webster Bank was in compliance with the FHLB collateral requirements.

Table of Contents**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOTE 12: Securities Sold Under Agreement to Repurchase and Other Short-term Debt**

The following table summarizes balances for other borrowings:

| <i>(In thousands)</i> | September 30, 2005 | December 31, 2004 |
|---|-----------------------------------|----------------------------------|
| Securities sold under agreement to repurchase | \$ 967,960 | 1,117,040 |
| Federal funds purchased | 239,081 | 133,780 |
| Treasury tax and loan | 416,676 | 164,592 |
| Other | 85 | 1,286 |
| | 1,623,802 | 1,416,698 |
| Unamortized premium | 10,104 | 11,785 |
| Total | \$ 1,633,906 | |

New York, NY 10019

Senior Vice President, Finance and Treasurer

CBS Corporation

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New York, NY 10019

Walter Berger

Executive Vice President and Chief Financial Officer

CBS Radio Inc.

1515 Broadway

New York, NY 10036

Executive Vice President and Chief Financial Officer

CBS Radio Inc.

1515 Broadway

New York, NY 10036

Martin D. Franks

Executive Vice President

CBS Corporation

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New York, NY 10019

Executive Vice President, Planning, Policy and Government Relations

CBS Corporation

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Angeline C. Straka

Senior Vice President and Secretary

CBS Corporation

51 West 52nd Street

New York, NY 10019

Senior Vice President, Deputy General Counsel and Secretary

CBS Corporation

51 West 52nd Street

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Susan C. Gordon

Senior Vice President and Controller

CBS Corporation

51 West 52nd Street

New York, NY 10019

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Senior Vice President, Controller and Chief Accounting Officer

CBS Corporation

51 West 52nd Street

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Richard M. Jones

Senior Vice President and General Tax Counsel

CBS Corporation

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New York, NY 10019

Senior Vice President and General Tax Counsel

CBS Corporation

51 West 52nd Street

New York, NY 10019

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SCHEDULE IV

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

CBS Broadcasting Inc.

DIRECTORS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|---------------------|--|--|
| Louis J. Briskman | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Executive Vice President and General Counsel CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Susan C. Gordon | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Senior Vice President, Controller and Chief Accounting Officer CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Joseph R. Ianniello | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Senior Vice President, Finance and Treasurer CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Fredric G. Reynolds | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Executive Vice President and Chief Financial Officer CBS Corporation 51 West 52 nd Street New York, NY 10019 |

EXECUTIVE OFFICERS

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| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|--|---|--|
| Leslie Moonves | CBS Corporation | President and Chief Executive Officer |
| President | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Anthony G. Ambrosio | CBS Corporation | Executive Vice President, Human Resources and Administration |
| Executive Vice President, Human Resources and Administration | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Louis J. Briskman | CBS Corporation | Executive Vice President and General Counsel |
| Executive Vice President and Assistant Secretary | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Harry Isaacs | CBS Broadcasting Inc. | Senior Vice President, Industrial Relations |
| Executive Vice President | 7800 Beverly Boulevard Los Angeles, CA 90036 | CBS Broadcasting Inc. 51 West 52 nd Street New York, NY 10019 |

SCHEDULE IV**(Continued)**

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

CBS Broadcasting Inc.**EXECUTIVE OFFICERS**

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|---|---|--|
| Fredric G. Reynolds | CBS Corporation | Executive Vice President and Chief Financial Officer |
| Executive Vice President | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Jonathan H. Anshell | CBS Broadcasting Inc. | Executive Vice President and General Counsel |
| Executive Vice President, General Counsel and Assistant Secretary | 7800 Beverly Boulevard Los Angeles, CA 90036 | CBS Broadcasting Inc. 51 West 52 nd Street New York, NY 10019 |
| Sean McManus | CBS News and Sports | President, CBS News and Sports |
| Executive Vice President | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Armando Nunez | CBS Paramount International Television | President, CBS Paramount International Television |
| Executive Vice President | 5555 Melrose Avenue Los Angeles, CA 90038 | CBS Corporation 5555 Melrose Avenue Los Angeles, CA 90038 |
| Bruce C. Taub | CBS Television | Executive Vice President Operations, CFO, CBS Television |
| Executive Vice President and Chief Financial Officer | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street |

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New York, NY 10019

| | | |
|---|---|---|
| Nancy Tellem | CBS Paramount Network Television President Entertainment Group | |
| Executive Vice President | 7800 Beverly Boulevard Los Angeles, CA 90036 | CBS Paramount Network Television Entertainment Group 7800 Beverly Boulevard Los Angeles, CA 90036 |
| Susan C. Gordon | CBS Corporation | Senior Vice President, Controller and Chief Accounting Officer |
| Senior Vice President and Controller | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Joseph R. Ianniello | CBS Corporation | Senior Vice President, Finance and Treasurer |
| Senior Vice President and Treasurer | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |

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SCHEDULE IV

(Continued)

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

CBS Broadcasting Inc.

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|--|---|--|
| Richard M. Jones | CBS Corporation | Senior Vice President and General Tax Counsel |
| Senior Vice President and General Tax Counsel | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Angeline C. Straka | CBS Corporation | Senior Vice President, Deputy General Counsel and Secretary |
| Senior Vice President and Secretary | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |

SCHEDULE V

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

Westinghouse CBS Holding Company, Inc.

DIRECTORS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|---------------------|--|--|
| Louis J. Briskman | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Executive Vice President and General Counsel CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Susan C. Gordon | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Senior Vice President, Controller and Chief Accounting Officer CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Joseph R. Ianniello | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Senior Vice President, Finance and Treasurer CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Fredric G. Reynolds | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Executive Vice President and Chief Financial Officer CBS Corporation 51 West 52 nd Street New York, NY 10019 |

EXECUTIVE OFFICERS

Name Business Address

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**Present Principal Occupation or Employment and
Name and Principal Address of Corporation in which Employment is
Conducted**

| | | |
|--|---|--|
| Leslie Moonves | CBS Corporation | President and Chief Executive Officer |
| Chairman | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Fredric G. Reynolds | CBS Corporation | Executive Vice President and Chief Financial Officer |
| President | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Anthony G. Ambrosio | CBS Corporation | Executive Vice President, Human Resources and Administration |
| Executive Vice President, Human Resources and Administration | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |

SCHEDULE V**(Continued)**

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

Westinghouse CBS Holding Company, Inc.

EXECUTIVE OFFICERS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|---|---|--|
| Louis J. Briskman | CBS Corporation | Executive Vice President and General Counsel |
| Executive Vice President and Assistant Secretary | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
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| Susan C. Gordon | CBS Corporation | Senior Vice President, Controller and Chief Accounting Officer |
| Senior Vice President | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Joseph R. Ianniello | CBS Corporation | Senior Vice President, Finance and Treasurer |
| Senior Vice President and Treasurer | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Richard M. Jones | CBS Corporation | Senior Vice President and General Tax Counsel |
| | 51 West 52 nd Street | CBS Corporation |

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Senior Vice President, Deputy General Counsel and Secretary

Senior Vice President and
Secretary

51 West 52nd Street

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New York, NY 10019

51 West 52nd Street

New York, NY 10019

SCHEDULE VI

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

CBS Corporation

DIRECTORS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|-------------------------|---|---|
| Sumner M. Redstone | CBS Corporation 1515 Broadway New York, NY 10036 | Executive Chairman of the Board of CBS Corporation, Chairman and Chief Executive Officer of National Amusements, Inc. and Chairman and President of NAIRI, Inc. CBS Corporation 1515 Broadway New York, NY 10036 |
| David R. Andelman | Lourie and Cutler, P.C. 60 State Street Boston, MA 02109 | Attorney Lourie and Cutler, P.C. 60 State Street Boston, MA 02109 |
| Joseph A. Califano, Jr. | The National Center on Addiction and Substance Abuse at Columbia University 633 Third Avenue, 19 th Floor New York, NY 10017 | Chairman and President The National Center on Addiction and Substance Abuse at Columbia University 633 Third Avenue, 19 th Floor New York, NY 10017 |
| William S. Cohen | The Cohen Group 1200 19 th Street, N.W. Suite 400 Washington, D.C. 20036 | Chairman and Chief Executive Officer The Cohen Group 1200 19 th Street, N.W. Suite 400 |

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Boston, MA 02110

100 Federal Street

Boston, MA 02110

Leonard Goldberg

Mandy Films

President

9201 Wilshire Boulevard, Suite 206

Mandy Films

Beverly Hills, CA 90210

9201 Wilshire Boulevard, Suite 206

Beverly Hills, CA 90210

SCHEDULE VI

(Continued)

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

CBS Corporation**DIRECTORS**

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|-----------------|--|---|
| Bruce S. Gordon | c/o CBS Corporation 51 West 52 nd Street New York, NY 10019 | Former President and Chief Executive Officer of National Association for the Advancement of Colored People c/o CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Linda M. Griego | Griego Enterprises, Inc. 644 South Figueroa Street Los Angeles, CA 90017 | President and Chief Executive Officer Griego Enterprises, Inc. 644 South Figueroa Street Los Angeles, CA 90017 |
| Arnold Kopelson | Kopelson Entertainment 1900 Avenue of the Stars, Suite 500 Los Angeles, CA 90067 | Co-Chairman & President Kopelson Entertainment 1900 Avenue of the Stars, Suite 500 Los Angeles, CA 90067 |
| Doug Morris | Universal Music Group 1755 Broadway 7th Floor New York, NY 10019 | Chairman & CEO 1755 Broadway 7th Floor New York, NY 10019 |
| Leslie Moonves | CBS Corporation | President and Chief Executive Officer |

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51 West 52nd Street

CBS Corporation

New York, NY 10019

51 West 52nd Street

New York, NY 10019

Shari E. Redstone

National Amusements, Inc.

President of National Amusements, Inc. and Executive Vice President
of NAIRI, Inc.

200 Elm Street

National Amusements, Inc.

Dedham, MA 02026

200 Elm Street

Dedham, MA 02026

SCHEDULE VI**(Continued)**

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

CBS Corporation**EXECUTIVE OFFICERS**

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|---|--|---|
| Sumner M. Redstone Executive Chairman of the Board | CBS Corporation 1515 Broadway New York, NY 10036 | Executive Chairman of the Board of CBS Corporation, Chairman and Chief Executive Officer of National Amusements, Inc. and Chairman and President of NAIRI, Inc. CBS Corporation 1515 Broadway New York, NY 10036 |
| Leslie Moonves President and Chief Executive Officer | CBS Corporation 51 West 52 nd Street New York, NY 10019 | President and Chief Executive Officer CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Anthony G. Ambrosio Executive Vice President, Human Resources and Administration | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Executive Vice President, Human Resources and Administration CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Louis J. Briskman Executive Vice President and General Counsel | CBS Corporation 51 West 52 nd Street New York, NY 10019 | Executive Vice President and General Counsel CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Martin D. Franks Executive Vice President, Planning, Policy and | CBS Corporation 51 West 52 nd Street | Executive Vice President, Planning, Policy and Government Relations CBS Corporation |

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| | | |
|--|---------------------------------|--|
| Government Relations | New York, NY 10019 | 51 West 52 nd Street |
| | | New York, NY 10019 |
| Susan C. Gordon | CBS Corporation | Senior Vice President, Controller and Chief Accounting Officer |
| Senior Vice President, Controller and Chief Accounting Officer | 51 West 52 nd Street | CBS Corporation |
| | New York, NY 10019 | 51 West 52 nd Street |
| | | New York, NY 10019 |

SCHEDULE VI**(Continued)**

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

CBS Corporation**EXECUTIVE OFFICERS**

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|---|---|--|
| Joseph R. Ianniello | CBS Corporation | Senior Vice President, Finance and Treasurer |
| Senior Vice President, Finance and Treasurer | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Richard M. Jones | CBS Corporation | Senior Vice President and General Tax Counsel |
| Senior Vice President and General Tax Counsel | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Fredric G. Reynolds | CBS Corporation | Executive Vice President and Chief Financial Officer |
| Executive Vice President and Chief Financial Officer | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Gil Schwartz | CBS Corporation | Executive Vice President, Corporate Communications |
| Executive Vice President, Corporate Communications | 51 West 52 nd Street New York, NY 10019 | CBS Corporation 51 West 52 nd Street New York, NY 10019 |
| Martin M. Shea | CBS Corporation | Executive Vice President, Investor Relations |
| Executive Vice President, Investor Relations | 51 West 52 nd Street | CBS Corporation |

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New York, NY 10019

51 West 52nd Street

Angeline C. Straka

CBS Corporation

New York, NY 10019

Senior Vice President, Deputy General Counsel and Secretary

Senior Vice President,
Deputy General Counsel and
Secretary

51 West 52nd Street

CBS Corporation

New York, NY 10019

51 West 52nd Street

New York, NY 10019

SCHEDULE VII

Name, business address and present principal occupation or employment of the directors and executive officers of

NAIRI, Inc.

DIRECTORS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|--------------------|---|---|
| George S. Abrams | Winer & Abrams 60 State Street Boston, MA 02109 | Attorney Winer & Abrams 60 State Street Boston, MA 02109 |
| David R. Andelman | Lourie and Cutler, P.C. 60 State Street Boston, MA 02109 | Attorney Lourie and Cutler, P.C. 60 State Street Boston, MA 02109 |
| Philippe P. Dauman | Viacom Inc. 1515 Broadway New York, NY 10036 | President and Chief Executive Officer Viacom Inc. 1515 Broadway New York, NY 10036 |
| Shari E. Redstone | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | President of National Amusements, Inc. and Executive Vice President of NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Sumner M. Redstone | National Amusements, Inc. | |

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200 Elm Street
Dedham, MA 02026

Executive Chairman of the Board of CBS Corporation, Chairman and
Chief Executive Officer of National Amusements, Inc. and Chairman
and President of NAIRI, Inc.

National Amusements, Inc.

200 Elm Street

Dedham, MA 02026

SCHEDULE VII

(Continued)

**Name, business address and present principal occupation or
employment of the directors and executive officers of**

NAIRI, Inc.

EXECUTIVE OFFICERS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|---|---|--|
| Sumner M. Redstone Chairman and President | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | Executive Chairman of the Board of CBS Corporation, Chairman and Chief Executive Officer of National Amusements, Inc. and Chairman and President of NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Shari E. Redstone Executive Vice President | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | President of National Amusements, Inc. and Executive Vice President of NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Jerome Magner Vice President and Treasurer | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | Vice President and Treasurer of National Amusements, Inc. and NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Richard Sherman | National Amusements, Inc. 200 Elm Street | Vice President of National Amusements, Inc. and NAIRI, Inc. National Amusements, Inc. |

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Vice President and Assistant Secretary Dedham, MA 02026 200 Elm Street
Dedham, MA 02026

Tilly Berman National Amusements, Inc. Secretary
Secretary 200 Elm Street National Amusements, Inc.
Dedham, MA 02026 200 Elm Street
Dedham, MA 02026

SCHEDULE VIII

Name, business address and present principal occupation or employment of the directors and executive officers of

National Amusements, Inc.

DIRECTORS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|--------------------|---|---|
| George S. Abrams | Winer & Abrams 60 State Street Boston, MA 02109 | Attorney Winer & Abrams 60 State Street Boston, MA 02109 |
| David R. Andelman | Lourie and Cutler, P.C. 60 State Street Boston, MA 02109 | Attorney Lourie and Cutler, P.C. 60 State Street Boston, MA 02109 |
| Philippe P. Dauman | Viacom Inc. 1515 Broadway New York, NY 10036 | President and Chief Executive Officer Viacom Inc. 1515 Broadway New York, NY 10036 |
| Shari E. Redstone | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | President of National Amusements, Inc. and Executive Vice President of NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Sumner M. Redstone | National Amusements, Inc. | |

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200 Elm Street
Dedham, MA 02026

Executive Chairman of the Board of CBS Corporation, Chairman and
Chief Executive Officer of National Amusements, Inc. and Chairman
and President of NAIRI, Inc.

National Amusements, Inc.

200 Elm Street

Dedham, MA 02026

SCHEDULE VIII

(Continued)

Name, business address and present principal occupation or employment of the directors and executive officers of

National Amusements, Inc.

EXECUTIVE OFFICERS

| Name | Business Address | Present Principal Occupation or Employment and Name and Principal Address of Corporation in which Employment is Conducted |
|--|---|--|
| Sumner M. Redstone Chairman and Chief Executive Officer | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | Executive Chairman of the Board of CBS Corporation, Chairman and Chief Executive Officer of National Amusements, Inc. and Chairman and President of NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Shari E. Redstone President | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | President of National Amusements, Inc. and Executive Vice President of NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Jerome Magner Vice President and Treasurer | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | Vice President and Treasurer of National Amusements, Inc. and NAIRI, Inc. National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |
| Richard Sherman | National Amusements, Inc. 200 Elm Street | Vice President of National Amusements, Inc. and NAIRI, Inc. National Amusements, Inc. |

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| | | |
|--|---|--|
| Vice President and Assistant Secretary | Dedham, MA 02026 | 200 Elm Street Dedham, MA 02026 |
| Tilly Berman Secretary | National Amusements, Inc. 200 Elm Street Dedham, MA 02026 | Secretary National Amusements, Inc. 200 Elm Street Dedham, MA 02026 |

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JOINT FILING AGREEMENT

The undersigned hereby agree that the Statement on Schedule 13D, dated April 16, 2007 (the Schedule 13D), with respect to the Common Stock, par value \$.01 per share, of Westwood One, Inc. is, and any amendments executed by us shall be, filed on behalf of each of us pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, and that this Agreement shall be included as an exhibit to the Schedule 13D and each such amendment. Each of the undersigned agrees to be responsible for the timely filing of the Schedule 13D and any amendments thereto, and for the completeness and accuracy of the information concerning itself contained therein. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 16th day of April 2007.

CBS RADIO NETWORK INC.

By: /s/ WALTER BERGER
Name: Walter Berger
Title: Executive Vice President and Chief Financial Officer

CBS RADIO MEDIA CORPORATION

By: /s/ WALTER BERGER
Name: Walter Berger
Title: Executive Vice President and Chief Financial Officer

CBS RADIO INC.

By: /s/ WALTER BERGER
Name: Walter Berger
Title: Executive Vice President and Chief Financial Officer

CBS BROADCASTING INC.

By: /s/ ANGELINE C. STRAKA
Name: Angeline C. Straka
Title: Senior Vice President and Secretary

WESTINGHOUSE CBS HOLDING COMPANY, INC.

By: /s/ ANGELINE C. STRAKA
Name: Angeline C. Straka
Title: Senior Vice President and Secretary

CBS CORPORATION

By: /s/ ANGELINE C. STRAKA
Name: Angeline C. Straka
Title: Senior Vice President, Deputy General Counsel and Secretary

NAIRI, INC.

By: /s/ SUMNER M. REDSTONE
Name: Sumner M. Redstone
Title: Chairman and President

NATIONAL AMUSEMENTS, INC.

By: /s/ SUMNER M. REDSTONE
Name: Sumner M. Redstone
Title: Chairman and Chief Executive Officer

/s/ SUMNER M. REDSTONE
Name: Sumner M. Redstone
Individually

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