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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010.

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)

Delaware	**06-1187536**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
145 Bank Street (Webster Plaza), Waterbury, Connecticut	**06702**
(Address of principal executive offices)	**(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. þ 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). þ 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	þ	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 þ

The number of shares of common stock, par value $.01 per share, outstanding as of October 25, 2010 was 78,507,624.

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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 and per share data)	September 30, 2010 (Unaudited)	December 31, 2009
Assets:		
Cash and due from banks	$ 174,971	$ 171,184
Interest bearing deposits	65,255	390,310
Trading securities, at fair value	9,991	
Securities available for sale, at fair value	2,258,380	2,126,043
Securities held to maturity (fair value of $3,233,772 and $2,720,180)	3,097,515	2,658,869
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	143,874	140,874
Loans held for sale	13,024	12,528
Loans	10,908,183	11,036,709
Allowance for loan losses	(340,341)	(341,184)
Loans, net	10,567,842	10,695,525
Deferred tax asset, net	113,145	121,733
Premises and equipment, net	160,774	178,422
Goodwill	529,887	529,887
Other intangible assets, net	22,674	26,865
Cash surrender value of life insurance policies	295,516	289,486
Prepaid FDIC premiums	62,813	79,241
Accrued interest receivable and other assets	284,597	318,230
Total assets	$ 17,800,258	$ 17,739,197
Liabilities and Equity:		
Deposits:		
Non-interest bearing deposits	$ 1,840,937	$ 1,664,958
Interest bearing deposits	11,733,098	11,967,169
Total deposits	13,574,035	13,632,127
Federal Home Loan Bank advances	473,512	544,651
Securities sold under agreements to repurchase and other short-term borrowings	1,048,362	856,846
Long-term debt	584,727	588,419
Accrued expenses and other liabilities	213,126	159,120
Total liabilities	15,893,762	15,781,163
Shareholders equity:		
Preferred stock, $.01 par value; Authorized - 3,000,000 shares;		
Series A issued and outstanding - 28,939 shares	28,939	28,939
Series B issued and outstanding - 300,000 shares and 400,000 shares (net of discount $4,141 and $6,830)	295,859	393,170

Common stock, $.01 par value; Authorized - 200,000,000 shares issued - 81,983,263 shares and 81,963,734 shares	820	820
Paid-in capital	1,008,377	1,007,740
Retained earnings	723,450	708,024
Less: Treasury stock, (at cost; 3,838,956 shares and 4,067,057 shares)	(151,180)	(161,911)
Accumulated other comprehensive loss, net	(9,414)	(28,389)
Total Webster Financial Corporation shareholders equity	1,896,851	1,948,393
Non controlling interests	9,645	9,641
Total equity	1,906,496	1,958,034
Total liabilities and equity	$ 17,800,258	$ 17,739,197

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(In thousands, except per share data)	**2010**	**2009**	**2010**	**2009**
Interest Income:				
Interest and fees on loans and leases	$ 123,042	$ 131,266	$ 368,839	$ 409,566
Taxable interest and dividends on securities	45,709	45,117	140,268	129,060
Non-taxable interest and dividends on securities	7,473	7,858	22,513	23,541
Loans held for sale	79	716	537	1,713
Total interest income	176,303	184,957	532,157	563,880
Interest Expense:				
Deposits	26,409	41,977	88,842	144,867
Borrowings	15,160	16,308	44,855	54,856
Total interest expense	41,569	58,285	133,697	199,723
Net interest income	134,734	126,672	398,460	364,157
Provision for loan losses	25,000	85,000	100,000	236,000
Net interest income after provision for loan losses	109,734	41,672	298,460	128,157
Non-interest Income:				
Deposit service fees	26,822	30,844	83,951	88,787
Loan related fees	6,119	5,557	19,349	18,389
Wealth and investment services	6,220	6,160	18,273	17,991
Mortgage banking activities	1,658	1,406	1,947	5,445
Increase in cash surrender value of life insurance policies	2,677	2,692	7,867	7,949
Gain on the exchange of trust preferreds for common stock				24,336
Gain on early extinguishment of subordinated notes				5,993
Net unrealized gain on securities classified as trading	1,205		9,789	
Net gain (loss) on sale of investment securities	1,027	(4,728)	9,709	(13,863)
Total other-than-temporary impairment losses on securities	(5,314)	(1,545)	(14,445)	(35,179)
Portion of the loss recognized in other comprehensive income	4,344	255	8,607	6,779
Net impairment loss recognized in earnings	(970)	(1,290)	(5,838)	(28,400)
Other income	2,510	3,517	14,757	7,024
Total non-interest income	47,268	44,158	159,804	133,651
Non-interest Expense:				
Compensation and benefits	60,231	59,772	181,894	175,430
Occupancy	13,777	13,572	41,763	41,461
Technology and equipment expense	15,886	15,199	46,811	45,627
Intangible assets amortization	1,397	1,421	4,191	4,334
Marketing	4,634	3,802	14,651	10,104
Professional and outside services	4,038	3,628	10,206	10,806

Deposit insurance	5,882	5,942	19,128	24,491
Litigation reserve and settlement	2,800		22,476	
Other expenses	21,076	23,750	69,892	62,926
Total non-interest expense	129,721	127,086	411,012	375,179
Income (loss) from continuing operations before income tax expense (benefit)	27,281	(41,256)	47,252	(113,371)
Income tax expense (benefit)	4,597	(22,014)	5,502	(51,143)
Income (loss) from continuing operations	22,684	(19,242)	41,750	(62,228)
Income (loss) from discontinued operations, net of tax				313
Consolidated net income (loss)	22,684	(19,242)	41,750	(61,915)
Less: Net (loss) income attributable to non controlling interests	(3)	8	4	21
Net income (loss) attributable to Webster Financial Corporation	22,687	(19,250)	41,746	(61,936)
Preferred stock dividends, accretion of preferred stock discount and gain on extinguishment	(4,908)	(6,850)	(17,305)	31,082
Net income (loss) available to common shareholders	$ 17,779	$ (26,100)	$ 24,441	$ (30,854)
Net income (loss) per common share:				
Basic				
Income (loss) from continuing operations	$ 0.23	$ (0.39)	$ 0.31	$ (0.55)
Net income (loss) available to common shareholders	0.23	(0.39)	0.31	(0.54)
Diluted				
Income (loss) from continuing operations	0.22	(0.39)	0.30	(1.36)
Net income (loss) available to common shareholders	0.22	(0.39)	0.30	(1.35)

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Unaudited)

	Nine months ended September 30, 2009							
(In thousands, except share and per share data)	**Preferred Stock**	**Common Stock**	**Paid-In Capital**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive (Loss) Income**	**Non Controlling Interests**	**Total**
Balance, December 31, 2008	$ 616,326	$ 566	$ 733,487	$ 783,875	$ (154,225)	$ (105,910)	$ 9,619	$ 1,883,738
Cumulative effect of change in accounting principle				11,431		(11,431)		
Comprehensive income:								
Net (loss) income				(61,936)			21	(61,915)
Other comprehensive income (loss), net of taxes:								
Net change in unrealized gain on securities available for sale						84,172		84,172
Net change in non-credit related other than temporary impairment on securities						(3,928)		(3,928)
Amortization of unrealized loss on securities transferred to held to maturity						200		200
Net unrealized gain on derivative instruments						1,110		1,110
Net actuarial gain and prior service cost for pension and other postretirement benefits						1,646		1,646
Other comprehensive income, net of taxes						83,200		83,200
Total comprehensive income, net of taxes								21,285
Dividends paid on common stock of $.03 per share				(1,736)				(1,736)
Dividends paid on Series A preferred stock $63.75 per share				(10,757)				(10,757)
Dividends incurred on Series B preferred stock $37.50 per share				(15,006)				(15,006)
Subsidiary preferred stock dividends $0.65 per share				(646)				(646)
Net shares acquired related to employee share-based compensation plans					(152)			(152)
Stock-based compensation expense			1,612					1,612
Accretion of preferred stock discount	1,308			(1,308)				
Restricted stock grants and expense			7,414	222	(3,129)			4,507
Conversion of Series A preferred stock	(168,500)	60	48,906	58,792				(60,742)

Extinguishment of Trust Preferred Securities		53	36,780					36,833
Issuance of common stock and warrants		40	38,206	(479)	695			38,462
Additional costs associated with the issuance of the Series B preferred stock and warrant			(24)					(24)
Balance, September 30, 2009	$ 449,134	$ 719	$ 866,381	$ 762,452	$ (156,811)	$ (34,141)	$ 9,640	$ 1,897,374

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Unaudited), continued

(In thousands, except share and per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Non Controlling Interests	Total
				Nine months ended September 30, 2010				
Balance, December 31, 2009	$ 422,109	$ 820	$ 1,007,740	$ 708,024	$ (161,911)	$ (28,389)	$ 9,641	$ 1,958,034
Comprehensive income:								
Net income				41,746			4	41,750
Other comprehensive income (loss), net of taxes:								
Net change in unrealized gain on securities available for sale						26,369		26,369
Net change in non-credit related other than temporary impairment on securities						(2,754)		(2,754)
Amortization of unrealized loss on securities transferred to held to maturity						262		262
Net unrealized loss on derivative instruments						(6,064)		(6,064)
Net actuarial gain and prior service cost for pension and other postretirement benefits						1,162		1,162
Other comprehensive income, net of taxes						18,975		18,975
Total comprehensive income, net of taxes								60,725
Dividends paid on common stock of $.03 per share				(2,351)				(2,351)
Dividends paid on Series A preferred stock $63.75 per share				(1,845)				(1,845)
Dividends incurred on Series B preferred stock $37.50 per share				(12,125)				(12,125)
Redemption of Preferred Stock	(98,365)			(1,635)				(100,000)
Subsidiary preferred stock dividends $0.65 per share				(647)				(647)
Exercise of stock options			(426)		749			323
Net shares acquired related to employee share-based compensation plans					(884)			(884)
Stock-based compensation expense			975	(4,651)	7,254			3,578
Accretion of preferred stock discount	1,054			(1,054)				
Issuance of common stock			88	(2,012)	3,612			1,688

Balance, September 30, 2010	$ 324,798	$ 820	$ 1,008,377	$ 723,450	$ (151,180)	$ (9,414)	$ 9,645	$ 1,906,496

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Nine months ended September 30, 2010	2009
Operating Activities:		
Consolidated net income (loss)	$ 41,750	$ (61,915)
Income from discontinued operations, net of tax		313
Income from continuing operations Income (loss) from continuing operations	41,750	(62,228)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:		
Provision for loan losses	100,000	236,000
Deferred tax benefit	5,584	(543)
Depreciation and amortization	67,423	46,951
Gain on early extinguishment of subordinated notes		(4,504)
Gain on exchange of trust preferred securities for common stock		(24,336)
Stock-based compensation	3,578	6,119
Foreclosed and repossessed asset write-downs	5,110	8,354
Write-down of premises and equipment	135	661
Loss on write-down of investments to fair value	5,838	28,400
Gain on fair value adjustment of direct investments	(1,264)	
Loss on fair value adjustment of derivative instruments	2,504	
Net (gain) loss on the sale of investment securities	(9,709)	13,863
Net gain on assets classified as trading	(9,789)	
Net (increase) decrease in trading securities	(202)	76
Increase in cash surrender value of life insurance policies	(7,867)	(7,949)
Gain from life insurance policies	(1,972)	(1,106)
Net decrease (increase) in loans held for sale	(496)	(12,481)
Net decrease (increase) in accrued interest receivable and other assets	56,797	(84,449)
Net increase (decrease) in accrued expenses and other liabilities	27,975	(32,115)
Net cash provided by operating activities	285,395	110,713
Investing Activities:		
Net decrease (increase) in interest-bearing deposits	325,055	(338,464)
Purchases of available for sale securities	(929,273)	(1,236,643)
Proceeds from maturities and principal payments of available for sale securities	482,170	174,989
Proceeds from sales of available for sale securities	341,059	417,317
Purchases of held-to-maturity securities	(836,094)	(355,801)
Proceeds from maturities and principal payments of held-to-maturity securities	389,531	375,913
Purchases of FHLB and FRB stock	(3,000)	(6,000)
Net (increase) decrease in loans	(12,755)	467,747
Proceeds from life insurance policies	2,237	2,056
Proceeds from sale of foreclosed properties	21,195	24,548
Proceeds from sale of premises and equipment	675	
Purchases of premises and equipment	(10,873)	(21,967)
Net cash used for investing activities	(230,073)	(496,305)

Financing Activities:		
Net (decrease) increase in deposits	(58,092)	1,730,915
Proceeds from Federal Home Loan Bank advances	749,000	9,452,286
Repayments of Federal Home Loan Bank advances	(819,320)	(10,121,767)
Net increase (decrease) in securities sold under agreements to repurchase and other short-term debt	192,718	(697,501)
Redemption of preferred stock	(100,000)	
Conversion of Series A Preferred Stock		(58,975)
Repayment of long-term debt		(15,928)
Issuance of Preferred Stock, net of issuance costs		(24)
Cash dividends paid to common shareholders	(2,351)	(1,736)
Cash dividends paid to preferred shareholders of consolidated affiliate	(647)	(646)
Cash dividends paid to preferred shareholders	(13,970)	(25,426)
Exercise of stock options	323	
Common stock issued	1,688	38,462
Common stock repurchased	(884)	(152)
Net cash (used for) provided by financing activities	(51,535)	299,508
Cash Flows from Discontinued Operations:		
Operating Activities		313
Net cash provided by discontinued operations		313
Net increase (decrease) in cash and due from banks	3,787	(85,771)
Cash and due from banks at beginning of period	171,184	259,208
Cash and due from banks at end of period	$ 174,971	$ 173,437
Supplemental disclosure of cash flow information:		
Interest paid	$ 134,711	$ 204,580
Income taxes paid	15,009	2,805
Noncash investing and financing activities:		
Gain on early extinguishment of fair value hedge of subordinated debt		1,489
Transfer of loans and leases, net to repossessed assets	30,184	40,400

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

NOTE 1: Summary of Significant Accounting Policies

Nature of Operations. Webster Financial Corporation (Webster or the Company) is a financial holding company and a bank holding company headquartered in Waterbury, Connecticut that delivers, through its subsidiaries, financial services to individuals, families and businesses throughout New England and into Westchester County, New York. Webster also offers equipment financing, asset-based lending, commercial real estate lending, health savings accounts and, prior to November 2009, insurance premium financing (BIC) on a national basis.

Basis of Presentation. The Condensed Consolidated Financial Statements include the accounts of Webster and all other entities in which Webster has a controlling financial interest (collectively referred to as Webster or the Company). All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and financial reporting policies Webster follows conform, in all material respects, to accounting principles generally accepted in the United States (GAAP) and to general practices within the financial services industry.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under accounting principles generally accepted in the United States. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity s activities. Subsidiaries of the Company that have issued trust preferred securities are not consolidated.

The Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q have not been audited by an independent registered public accounting firm, but, in the opinion of management, reflect all adjustments necessary for a fair presentation of the Company s financial position and results of operations. All such adjustments were of a normal and recurring nature. The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission (SEC). Accordingly, the Condensed Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company s Consolidated Financial Statements, and notes thereto, for the year ended December 31, 2009, included in Webster s Annual Report on Form 10-K filed with the SEC on March 1, 2010 (the 2009 Form 10-K). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Use of Estimates. The preparation of the Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements. Actual results could differ from those estimates. The allowance for loan losses, the fair value of financial instruments, the deferred tax asset valuation allowance, status of contingencies and the status of goodwill evaluation are particularly subject to change.

Earnings Per Share. Earnings per share is computed using the two-class method prescribed under FASB ASC Topic 260, Earnings Per Share, which provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share. The Company has determined that its outstanding non-vested restricted stock awards are participating securities. Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per common share is computed using the weighted average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method. A reconciliation of the weighted average shares used in calculating basic earnings per common share and the weighted average common shares used in calculating diluted earnings per common share for the reported periods is provided in Note 11 Earnings Per Common Share.

Comprehensive Income. Comprehensive income includes all changes in shareholders equity during a period, except those resulting from transactions with shareholders. Besides net income, other components of Webster s comprehensive income include the after-tax effect of changes in the net unrealized gain/loss on securities available for sale, change in non-credit related other than temporary impairment on securities, amortization of unrealized losses on securities transferred to held to maturity, changes in the net actuarial gain/loss on defined benefit post-retirement benefit plans and changes in the accumulated gain/loss on effective cash flow hedging instruments. Comprehensive income for the nine months ended September 30, 2010 and 2009 is reported in the accompanying condensed consolidated statements of shareholders equity.

Reclassifications. Certain items in prior financial statements have been reclassified to conform to current presentation.

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There have been no other changes to our significant accounting policies that were disclosed in the 2009 Form 10-K.

Accounting Standards Updates

ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures About Fair Value Measurements. ASU 2010-06 requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers, (ii) the reasons for transfers of assets or liabilities in or out of Level 3 of the fair value hierarchy, with significant transfers disclosed separately, (iii) the policy for determining when transfers between levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchases, sales, issuances and settlements. ASU 2010-06 further clarifies that (i) fair value measurement disclosures should be provided for each class of assets and liabilities (rather than major category), which would generally be a subset of assets or liabilities within a line item in the statement of financial position and (ii) companies should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. The disclosures related to the gross presentation of purchases, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy will be required for the Company beginning January 1, 2011. The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective for the Company on January 1, 2010. See Note 13 Fair Value Measurements.

ASU No. 2010-11, Derivatives and Hedging (Topic 815) - Scope Exception Related to Embedded Credit Derivatives. ASU 2010-11 clarifies that the only form of an embedded credit derivative that is exempt from embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The provisions of ASU 2010-11 became effective for the Company on July 1, 2010 and did not have a significant impact on the Company s Condensed Consolidated Financial Statements.

ASU No. 2010-18, Receivables (Topic 310) - Effect of a Loan Modification When the Loan is Part of a Pool That is Accounted for as a Single Asset. ASU 2010-18 clarifies the accounting for acquired loans that have evidence of deterioration in credit quality since origination (referred to as Subtopic 310-30 Loans). An entity may not apply troubled debt restructuring (TDR) accounting guidance to individual Subtopic 310-30 Loans that are part of a pool, even if the modification of those loans would otherwise be considered a troubled debt restructuring. Once a pool is established, individual loans should not be removed from the pool unless the entity sells, forecloses, or writes off the loan. Entities would continue to consider whether the pool of loans is impaired if expected cash flows for the pool change. Subtopic 310-30 Loans that are accounted for individually would continue to be subject to TDR accounting guidance. A one-time election to terminate accounting for loans as a pool, which may be made on a pool-by-pool basis, is provided upon adoption of ASU 2010-18. ASU 2018-10 is effective for the period ending September 30, 2010. Adoption of this ASU did not significantly impact the Company s Condensed Consolidated Financial Statements.

ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. On July 21, 2010, the FASB issued ASU No. 2010-20 which requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables by disclosing an evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings will also be required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio s risk and performance. ASU 2010-20 will be effective for the Company s consolidated financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for the Company s consolidated financial statements that include periods beginning on or after January 1, 2011.

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NOTE 2: Investment Securities

A summary of the amortized cost, carrying value, and fair value of Webster s investment securities, excluding trading securities, is presented below.

	September 30, 2010						
		Recognized in OCI			Not Recognized in OCI		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Available for Sale:							
U.S. Treasury Bills	$ 200	$	$	$ 200	$	$	$ 200
Agency notes - GSE	130,080	102	(34)	130,148			130,148
Agency collateralized mortgage obligations (CMOs) - GSE	905,669	18,983	(524)	924,128			924,128
Pooled trust preferred securities [a]	68,252	2,604	(17,245)	53,611			53,611
Single issuer trust preferred securities	50,815		(10,070)	40,745			40,745
Equity securities-financial institutions [b]	6,510	378	(440)	6,448			6,448
Mortgage-backed securities - GSE	761,537	36,995		798,532			798,532
Mortgage-backed securities - Private Label	299,058	18,526	(13,016)	304,568			304,568
Total available for sale	$ 2,222,121	$ 77,588	$ (41,329)	$ 2,258,380	$	$	$ 2,258,380
Held to Maturity:							
Municipal bonds and notes	$ 668,113	$	$	$ 668,113	$ 25,557	$ (476)	$ 693,194
Agency collateralized mortgage obligations (CMOs) - GSE	680,270			680,270	16,802		697,072
Mortgage-backed securities - GSE	1,707,773			1,707,773	93,136	(115)	1,800,794
Mortgage-backed securities - Private Label	41,359			41,359	1,353		42,712
Total held to maturity	$ 3,097,515	$	$	$ 3,097,515	$ 136,848	$ (591)	$ 3,233,772
	$ 5,319,636	$ 77,588	$ (41,329)	$ 5,355,895	$ 136,848	$ (591)	$ 5,492,152

(a) Amortized cost is net of $38.3 million of credit related other-than-temporary impairments at September 30, 2010.
(b) Amortized cost is net of $21.7 million of other-than-temporary impairments at September 30, 2010.

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	December 31, 2009						
		Recognized in OCI			Not Recognized in OCI		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Available for Sale:							
U.S. Treasury Bills	$ 200	$	$	$ 200	$	$	$ 200
Agency notes - GSE	130,343		(196)	130,147			130,147
Agency collateralized mortgage obligations (CMOs) - GSE	320,682	260	(2,085)	318,857			318,857
Pooled trust preferred securities [(a)]	76,217	5,288	(10,816)	70,689			70,689
Single issuer trust preferred securities	50,692		(11,978)	38,714			38,714
Equity securities - financial institutions [(b)]	6,826	251	(478)	6,599			6,599
Mortgage-backed securities - GSE	1,365,005	45,782	(845)	1,409,942			1,409,942
Mortgage-backed securities - Private Label	178,870	1,113	(29,088)	150,895			150,895
Total available for sale	$ 2,128,835	$ 52,694	$ (55,486)	$ 2,126,043	$	$	$ 2,126,043
Held to Maturity:							
Municipal bonds and notes	$ 686,495	$	$	$ 686,495	$ 14,663	$ (4,018)	$ 697,140
Mortgage-backed securities - GSE	1,919,882			1,919,882	55,109	(4,151)	1,970,840
Mortgage-backed securities - Private Label	52,492			52,492		(292)	52,200
Total held to maturity	$ 2,658,869	$	$	$ 2,658,869	$ 69,772	$ (8,461)	$ 2,720,180
	$ 4,787,704	$ 52,694	$ (55,486)	$ 4,784,912	$ 69,772	$ (8,461)	$ 4,846,223

(a) Amortized cost is net of $43.5 million of credit related other-than-temporary impairments at December 31, 2009.
(b) Amortized cost is net of $21.6 million of other-than-temporary impairments at December 31, 2009.

Securities with a carrying value totaling $2.7 billion at September 30, 2010 and $2.2 billion at December 31, 2009 were pledged to secure public funds, trust deposits, repurchase agreements and for other purposes, as required or permitted by law.

The amortized cost and fair value of debt securities at September 30, 2010, by contractual maturity, are set for the below.

	Available for Sale		Held to Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 80,279	$ 80,382	$ 8,967	$ 8,966
Due after one year through five years	50,000	49,966	3,129	3,172
Due after five years through ten years	45,318	38,498	361,504	382,838
Due after ten years	2,040,014	2,083,086	2,723,915	2,838,796
Totals	$ 2,215,611	$ 2,251,932	$ 3,097,515	$ 3,233,772

For the purposes of the maturity schedule, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the expected maturity of the underlying collateral. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. At September 30, 2010, the Company had $741.9 million of callable securities in its investment portfolio.

At September 30, 2010 and December 31, 2009, the Company had no investments in obligations of individual states, counties, or municipalities, which exceed 10% of consolidated shareholders equity.

Management evaluates securities for other than temporary impairment (OTTI) on a quarterly basis. All securities classified as held to maturity or available for sale that are in an unrealized loss position are evaluated for OTTI. Consideration is given to, among other qualitative factors; current market conditions, fair value in relationship to cost, extent and nature of change in fair value, issuer rating changes and trends, volatility of earnings, current analysts evaluations, and all available information relevant to the collectability of debt securities. If the Company intends to sell the security or, if it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized cost basis, the security s amortized cost is written down to fair value and the respective loss is recorded as non-interest expense in the Consolidated Statement of Operations. If the Company does not intend to sell the security and if it is more likely than not that the Company will not be required to sell the security prior to recovery of its amortized cost basis, only the credit component of any non-credit related impairment charge of a debt security is recognized as a loss in non-interest income in the Consolidated Statement of Operations. The remaining impairment is recorded in other comprehensive income (OCI). A decline in the value of an equity security that is considered OTTI is recorded as a loss in non-interest income in the Consolidated Statements of Operations.

The following table provides information on the gross unrealized losses and fair value of the Company s investment securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment security category and length of time that individual investment securities have been in a continuous unrealized loss position at September 30, 2010.

		September 30, 2010					
		Less Than Twelve Months		Twelve Months or Longer		Total	
(Dollars in thousands)	# of Holdings	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale:							
Agency notes - GSE	1	$ 49,967	$ (34)	$	$	$ 49,967	$ (34)
Agency CMOs - GSE	2	77,079	(524)			77,079	(524)
Pooled trust preferred securities	10	45,166	(14,408)	2,701	(2,837)	47,867	(17,245)
Single issuer trust preferred securities	9			40,745	(10,070)	40,745	(10,070)
Equity securities	34	4,650	(440)			4,650	(440)
Mortgage-backed securities-Private Label	4			71,318	(13,016)	71,318	(13,016)
Total available for sale	60	$ 176,862	$ (15,406)	$ 114,764	$ (25,923)	$ 291,626	$ (41,329)
Held to maturity:							
Municipal bonds and notes	32	$ 12,605	$ (61)	$ 13,074	$ (415)	$ 25,679	$ (476)
Mortgage-backed securities-GSE	2	68,866	(115)			68,866	(115)
Total held to maturity	34	$ 81,471	$ (176)	$ 13,074	$ (415)	$ 94,545	$ (591)
Total investment securities	94	$ 258,333	$ (15,582)	$ 127,838	$ (26,338)	$ 386,171	$ (41,920)

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The following table provides information on the gross unrealized losses and fair value of the Company s investment securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment security category and length of time that individual investment securities have been in a continuous unrealized loss position at December 31, 2009.

		December 31, 2009					
		Less Than Twelve Months		Twelve Months or Longer		Total	
(Dollars in thousands)	# of Holdings	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale:							
Agency notes - GSE	4	$ 130,147	$ (196)	$	$	$ 130,147	$ (196)
Agency CMOs - GSE	4	168,383	(2,085)			168,383	(2,085)
Pooled trust preferred securities	11	60,154	(10,816)			60,154	(10,816)
Single issuer trust preferred securities	5			38,714	(11,978)	38,714	(11,978)
Equity securities - financial institutions	26	969	(134)	2,411	(344)	3,380	(478)
Mortgage-backed securities-GSE	4	40,705	(845)			40,705	(845)
Mortgage-backed securities-Private Label	8	43,840	(1,118)	56,313	(27,970)	100,153	(29,088)
Total available for sale	62	$ 444,198	$ (15,194)	$ 97,438	$ (40,292)	$ 541,636	$ (55,486)
Held-to-maturity:							
Municipal bonds and notes	164	$ 142,028	$ (2,841)	$ 13,072	$ (1,177)	$ 155,100	$ (4,018)
Mortgage-backed securities-GSE	8	314,003	(4,151)			314,003	(4,151)
Mortgage-backed securities-Private Label	3	52,200	(292)			52,200	(292)
Total held to maturity	175	$ 508,231	$ (7,284)	$ 13,072	$ (1,177)	$ 521,303	$ (8,461)
Total investment securities	237	$ 952,429	$ (22,478)	$ 110,510	$ (41,469)	$ 1,062,939	$ (63,947)

The following summarizes, by investment security type, the basis for evaluating if the applicable investment securities within the Company s available for sale portfolio were other-than-temporarily impaired at September 30, 2010.

Trust Preferred Securities Pooled Issuers At September 30, 2010, the fair value of the pooled trust preferred securities was $53.6 million, a decrease of $17.1 million from the fair value of $70.7 million at December 31, 2009. The gross unrealized loss of $17.2 million, at September 30, 2010 is primarily attributable to changes in interest rates including a liquidity spread premium to reflect the inactive and illiquid nature of the trust preferred securities market at this time. For the three and nine months ended September 30, 2010, respectively, the Company recognized $1.0 million and $5.8 million in credit related OTTI for these securities, reflective of payment deferrals and credit deterioration of the underlying collateral. Non credit related OTTI of $4.3 million and $8.6 million on securities not expected to be sold and for which it is not more likely than not that we will be required to sell the securities before recovery of their amortized cost basis, was recognized in OCI during the three and nine months ended September 30, 2010, respectively. The pooled trust preferred portfolio consists of collateralized debt obligations (CDOs) containing predominantly bank and insurance collateral that are investment grade and below investment grade. The Company employs an internal CDO model for projection of future cash flows and discounting those cash flows to a net present value. An internal model is used to value the securities due to the continued inactive market and illiquid nature of pooled trust preferred in the entire capital structure. Each underlying issuer in the pools is rated internally using the latest financial data on each institution, and future deferrals, defaults and losses are then estimated on the basis of continued stress in the financial markets. Further, all current and projected deferrals are not assumed to cure, and all current and projected defaults are assumed to have no recovery value. The resulting net cash flows are then discounted at current market levels for similar types of products that are actively trading. To determine potential OTTI due to credit losses, management compares the amortized cost to the present value of expected cash flows adjusted for deferrals and defaults using the discount margin at the time of purchase. Other factors considered include an analysis of excess subordination and temporary interest shortfall coverage. Based on the valuation analysis as of September 30, 2010, management expects to fully recover the remaining amortized cost of those securities not deemed to be other-than-temporarily impaired. However, additional interest deferrals, defaults, or ratings changes could result in future OTTI charges.

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The following table summarizes pertinent information that was considered by management in evaluating Trust Preferred Securities Pooled Issuers for OTTI.

Trust Preferred Securities - Pooled Issuers

Deal Name [d] (Dollars in thousands)	Class	Amortized Cost [b]	Unrealized Gains	Unrealized (Losses)	Fair Value	Lowest Credit Ratings as of September 30, 2010 [a]	Total Other-Than-Temporary Impairment thru September 30, 2010	% of Performing Bank/ Insurance Issuers	Current Deferrals/ Defaults (As a % of Original Collateral)
Security B	C	$ 920	$ 129	$	$ 1,049	CCC	$ (4,094)	94.1%	9.9%
Security E	B	2,140		(138)	2,002	C	(7,909)	71.4	29.2
Security F-1	C	2,219	2,475		4,694	C	(10,850)	83.7	22.1
Security F-2	C	619		(399)	220	C		83.7	22.1
Security G [d]	B	1,986		(955)	1,031	CC	(4,994)	66.2	28.7
Security H [c] [d]	B	3,483		(1,654)	1,829	B	(352)	100.0	
Security I [c] [d]	B	4,463		(2,120)	2,343	CCC	(365)	94.1	9.9
Security J	B	5,252		(2,654)	2,598	CCC	(806)	90.6	11.5
Security K [d]	A	7,309		(538)	6,771	CCC	(2,040)	69.9	32.6
Security L [c] [d]	B	8,716		(4,294)	4,422	B	(867)	100.0	6.6
Security M [d]	A	7,346		(1,159)	6,187	D	(4,942)	58.2	42.5
Security N [c] [d]	A	23,799		(3,334)	20,465	A	(1,104)	90.6	11.5
		$ 68,252	$ 2,604	$ (17,245)	$ 53,611		$ (38,323)		

(a) The credit rating relected as of September 30, 2010 is the lowest rating among those provided by Moody s, S&P and Fitch.
(b) For the securities deemed impaired, the amortized cost reflects previous OTTI recognized in earnings.
(c) Credit-related OTTI of $1.0 million was recognized on these 4 securities during the three months ended September 30, 2010.
(d) During the nine months ended September 30, 2010, OTTI of $5.8 million was recognized on these seven securities, in addition to Security D, which was sold during the three months ended June 30, 2010. Security A was sold during the three months ended September 30, 2010.

Trust Preferred Securities Single Issuers At September 30, 2010, the fair value of the single issuer trust preferred portfolio was $40.7 million, an increase of $2.0 million from the fair value of $38.7 million at December 31, 2009. The gross unrealized loss of $10.1 million at September 30, 2010 is primarily attributable to changes in interest rates and wider credit spreads over the holding period of these securities. The single issuer portfolio consists of five investments issued by three large capitalization, money center financial institutions, which continued in their ability to service debt and indications of stabilization in their capital structures. Based on the review of the qualitative and quantitative factors presented above, these securities were not deemed to be other-than-temporarily impaired at September 30, 2010 as the Company does not intend to sell these investments and has determined, based upon available evidence, that it is more likely than not that the Company will not be required to sell the security before the recovery of its amortized cost.

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The following table summarizes pertinent information that was considered by management in determining if OTTI existed within the single issuer trust preferred securities portfolio in the current reporting period.

Trust Preferred Securities - Single Issuers

Deal Name (a) *(Dollars in thousands)*	**Amortized Cost**	**Unrealized Losses**	**Fair Value**	**Lowest Credit Ratings as of September 30, 2010**	**Total Other-Than-Temporary Impairment thru September 30, 2010**
Security B	$ 6,807	$ (1,554)	$ 5,253	BB	$
Security C	8,580	(1,425)	7,155	BBB	
Security D	9,540	(2,353)	7,187	BB	
Security E	11,657	(2,025)	9,632	BBB	
Security F	14,231	(2,713)	11,518	BBB	
	$ 50,815	$ (10,070)	$ 40,745		$

(a) Security A was sold during fourth quarter of 2009.

Agency notes GSE There were $34 thousand in unrealized losses in the Company s investment in agency notes at September 30, 2010 compared to $196 thousand at December 31, 2009. The contractual cash flows for these investments are performing as expected. With lower overall yields and higher prices during the quarter ended September 30, 2010, in aggregate, these securities are at unrealized gains.

Agency CMOs GSE There were $0.5 million in unrealized losses in the Company s investment in agency CMOs at September 30, 2010 compared to $2.1 million at December 31, 2009. The contractual cash flows for these investments are performing as expected. The Company does not consider these investments to be other-than-temporarily impaired at September 30, 2010.

Equity securities The unrealized losses on the Company s investment in equity securities decreased to $0.4 million at September 30, 2010 from $0.5 million at December 31, 2009. This portfolio consists primarily of investments in the common stock of small capitalization financial institutions based in New England ($5.2 million of the total fair value at September 30, 2010) and auction rate preferred securities ($1.3 million of the total fair value at September 30, 2010). When estimating the recovery period for equity securities in an unrealized loss position, management utilizes analyst forecasts, earnings assumptions and other company specific financial performance metrics. In addition, this assessment incorporates general market data, industry and sector cycles and related trends to determine a reasonable recovery period. The Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. The Company determined its holdings of equity securities were not deemed to be other-than-temporarily impaired at September 30, 2010.

Mortgage-backed securities GSE There were no unrealized losses in the Company s investment in residential mortgage-backed securities issued by the GSEs at September 30, 2010 compared to $0.8 million in unrealized losses at December 31, 2009. The contractual cash flows for these investments are performing as expected with the exception of unexpected principal prepayments resulting from GSE buyout programs initiated in 2010. With lower overall yields and higher prices during the third quarter ended September 30, 2010, these securities are all at unrealized gains.

Mortgage-backed securities Private Label The unrealized losses on the Company s investment in commercial mortgage-backed securities issued by entities other than GSEs decreased to $13.0 million at September 30, 2010 from $29.1 million at December 31, 2009. This decrease is primarily the result of improvement in credit spreads in 2010 compared to 2009, and the recent overall drop in yields and higher prices during the third quarter ended September 30, 2010. The contractual cash flows for these investments are performing as expected. As the decline in market value is attributable to cumulative changes in interest rates and not due to underlying credit deterioration, and because management does not have the intent to sell the securities, and based upon available evidence it is more likely than not that the Company will not be required to sell the securities before the recovery of its amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2010.

The following summarizes by investment security type the basis for the conclusion that the applicable investment securities within the Company s held to maturity portfolio were not other-than-temporarily impaired at September 30, 2010:

Municipal bonds and notes The unrealized losses on the Company s investment in municipal bonds and notes decreased to $0.5 million at September 30, 2010 from $4.0 million at December 31, 2009. This decrease is primarily the result of interest rate changes in 2010 compared to 2009. These securities are primarily insured AA and A rated general obligation bonds with stable ratings. The Company does not intend to sell these investments and has determined, based upon available evidence, it is more likely than not that the Company will not be required to sell the securities before the recovery of its amortized cost, therefore the Company has determined that these investments were not other-than-temporarily impaired at September 30, 2010.

Agency collateralized mortgage obligations GSE There were no unrealized losses on the Company s investment in agency CMOs at September 30, 2010. The contractual cash flows for these investments are performing as expected. With lower overall yields and higher prices during the third quarter ended September 30, 2010, these securities are all at unrealized gains.

Mortgage-backed securities GSE The unrealized losses on the Company s investment in residential mortgage-backed securities issued by the GSEs decreased to $0.1 million at September 30, 2010 from $4.2 million at December 31, 2009. The contractual cash flows for these investments are performing as expected with the exception of unexpected principal prepayments resulting from GSE buyout programs initiated in 2010. As the increase in market value is attributable to cumulative changes in interest rates versus underlying credit deterioration, and because management does not have the intent to sell the securities and based upon available evidence, it is more likely than not that the Company will not be required to sell the securities before the recovery of its amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2010.

Mortgage-backed securities Private Label There were no unrealized losses on the Company s investment in residential mortgage-backed securities issued by entities other than GSEs at September 30, 2010 compared to $0.3 million at December 31, 2009. These securities carry AAA ratings and are currently performing as expected.

There were no significant credit downgrades on held to maturity securities during the three and nine months ended September 30, 2010, which are currently performing as anticipated. The Company does not intend to sell these investments and has determined, based upon available evidence, that it is more likely than not that the Company will not be required to sell the securities before the recovery of its amortized cost

For the three and nine months ended September 30, 2010 and 2009, proceeds from sale of available for sale securities were $73.8 million and $341.0 million and $7.0 million and $417.3 million, respectively. Gross gains realized from the sale of available for sale securities were $1.2 million and $0.5 million, and $9.9 million and $6.5 million for the three and nine months ended September 30, 2010 and 2009, respectively. Gross losses realized from the sale available for sale securities were $0.1 million and $5.2 million, and $0.1 million and $20.3 million for the three and nine months ended September 30, 2010 and 2009, respectively. When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale.

The following tables summarize the impact of net realized gains and losses on sales of securities, excluding trading securities, and the impact of the recognition of other-than-temporary impairments for the three and nine months ended September 30, 2010 and 2009.

	Three months ended September 30,							
	2010				2009			
(In thousands)	Gains	Losses	OTTI Charges	Net	Gains	Losses	OTTI Charges	Net
Available for sale:								
Agency notes - GSE	$	$	$	$	$	$	$	$
Agency CMOs - GSE	1,173			1,173				
Pooled trust preferred securities		(146)	(970)	(1,116)	11	(4,821)	(1,246)	(6,056)
Single issuer trust preferred securities								
Equity securities					476	(394)	(44)	38
Mortgage-backed securities-GSE								
Mortgage-backed securities-Private Label								
Total available for sale	$ 1,173	$ (146)	$ (970)	$ 57	$ 487	$ (5,215)	$ (1,290)	$ (6,018)

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	Nine months ended September 30,							
	2010				2009			
(In thousands)	Gains	Losses	OTTI Charges	Net	Gains	Losses	OTTI Charges	Net
Available for sale:								
Agency notes - GSE	$	$	$	$	$	$	$	$
Agency CMOs - GSE	1,173			1,173				
Pooled trust preferred securities	340	(146)	(5,772)	(5,578)	11	(16,732)	(24,856)	(41,577)
Single issuer trust preferred securities								
Equity securities			(66)	(66)	779	(3,616)	(3,544)	(6,381)
Mortgage-backed securities-GSE	8,342			8,342	5,696			5,696
Mortgage-backed securities-Private Label								
Total available for sale	$ 9,855	$ (146)	$ (5,838)	$ 3,871	$ 6,486	$ (20,348)	$ (28,400)	$ (42,262)

The following is a roll forward of the amount of credit related OTTI recognized in earnings for the three and nine months ended September 30, 2010:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Balance of credit related OTTI, beginning of period	$ 39,220	$ 105,871	$ 43,492	