James C. Smith
Chairman and
Chief Executive Officer

145 Bank Street
Waterbury, CT 06702
[redacted]
WebsterOnline.com

Webster
Financial Corporation

February 27, 2009

Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220
Re: Webster Financial Corporation
UST Sequence No. 50

Dear Mr. Barofsky:

Included herein, please find Webster Financial Corporation's ("Webster") response to your request on TARP recipients' use of funds and compliance with EESA's executive compensation requirements. As detailed below, Webster is committed to helping consumers and businesses in our region with their credit needs, even more so in these times of economic uncertainty.

On November 7, 2008, we received notice of preliminary acceptance to issue $400 million of preferred shares to the Treasury as a participant in the Capital Purchase Program (CPP). Since that time, we have been tracking lending and investing activity on a monthly basis. The capital we raised via the CPP significantly bolstered our capital ratios and gave us the confidence to continue lending and investing in the face of the country's most serious recession in recent memory.

On November 21, 2008, Webster Financial Corporation, the holding company for Webster Bank, National Association ("Bank"), received the funds and initially invested the proceeds in a certificate of deposit at the Bank. This provided the Bank with additional funding to make loans to support local consumers and businesses and to purchase residential mortgage backed securities to support the national mortgage market. We down streamed $100 million of capital to the Bank on December 29, 2008 and another $100 million on January 23, 2009 to strengthen bank level capital ratios to support lending and investing activity.

Without the preferred shares, it is likely that our balance sheet, in general, and our loan portfolio, in particular, would have contracted as is typical of a bank during a recession. It should also be noted that in December 2008, Webster completed a long planned residential loan securitization for $468 million. Although our loan portfolio appears to have declined between September 30 and December 31, our assets actually increased since the securitized loans (which we continue to service) remained on our books as investment securities.

Between November 7, 2008 and January 31, 2009 we have originated or modified $614 million of loans broken out as follows:

- $133 million of residential mortgages
- $57 million of consumer loans
- $424 million of commercial loans

Of the total, (b) (4) [redacted] (b) (4) [redacted] 62% or $378 million were new loans with the remaining 38% or $236 million being modifications and renewals. In addition, during this time we purchased $446 million of U.S. agency residential mortgage backed securities (not including the aforementioned loan securitization). This is an action similar in effect to policy moves taken by the Federal Reserve to support low mortgage rates (naturally on a smaller scale).

We have also taken other proactive steps to make a positive contribution to support our regional economy. On November 19, 2008 we announced a program to suspend home foreclosures for qualified homeowners with Webster-owned mortgages for 90 days. Webster was one of the first banks in the country to implement a temporary foreclosure moratorium, and we recently announced an extension of this program to March 31, 2009. To date, Webster has modified or is in the process of negotiating modifications to mortgages totaling over $27 million in balances.

Attached as requested you will find press releases, internal communications and newspaper articles concerning our intended and actual use of CPP funds. As we move ahead in 2009, Webster continues to pursue prudent asset growth by making good loans to qualified borrowers instead of shrinking assets to increase capital ratios. We do this knowing that we have a stronger capital base in part due to the preferred stock issued pursuant to the CPP.

With respect to our plans for addressing executive compensation requirements, Webster has already taken the following steps to comply with the TARP guidelines according to regulations received at the time that funding was granted:

- Webster's senior executive officers (SEOs) have each signed a special consent form that recognizes necessary changes to related compensation and severance plans. Please see the attached "Resolution and Amendment" adopted at the November 10, 2008 meeting of the Board of Directors, to the extent, and for the period, required by the provisions of Section 111 of the Emergency Economic Stabilization Act of 2008. The amendment confirms that each financial incentive performance plan and involuntary separation pay arrangement will now comply with Section 111 of EESA.

- Webster's senior risk officers completed a risk assessment of the SEO incentive compensation program in order to identify any features that would lead SEOs to take unnecessary or excessive risks that could threaten the value of the financial institution. As required, the senior risk officers completed the review within 90 days of the investment funding date, and reviewed the risk assessment with the Compensation Committee of the Board of Directors on February 18, 2009, noting there were no identifiable features that would lead SEOs to take unnecessary or excessive risk. This initial incentive compensation review and risk assessment relates to 2008 compensation arrangements and other outstanding long term incentive compensation awards that have not vested, including:

- Annual incentive compensation
- Performance shares and restricted stock
- Time vested stock options
- Company contributions to the Defined Contribution SERP

- Webster's 2009 annual meeting proxy statement will include a report by the Compensation Committee (the "Compensation Committee Report") indicating that it certifies that it has conducted the incentive compensation risk assessment. This review will be completed for each year that Webster participates in the Capital Purchase Program.

Legislation enacted on February 17, 2009 expanded on the guidelines above and added new regulations related to executive compensation. Webster is currently evaluating these new rules. We will provide additional information upon request.

Sincerely,

James C. Smith
Chairman, President and Chief Executive Officer

UST Sequence Number: 50

WEBSTER FINANCIAL CORPORATION
CERTIFICATION OF CEO REGARDING February 6, 2009 SIG TARP Letter

CERTIFICATION

I, James C. Smith, certify that:

I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Date: February 27, 2009

James C. Smith
Chairman, President and Chief Executive Officer

Webster Bank, N.A.
145 Bank Street
Waterbury, CT 06702

WebsterOnline.com

Press Release

Webster Financial Corporation

Media Contact
Ed Steadham 203-578-2287
esteadham@websterbank.com

Investor Contact
Terry Mangan 203-578-2318
tmangan@websterbank.com

Webster to Participate in Treasury Department's Capital Purchase Program

$400 million in new capital will enhance already strong capital base, expand credit for region's consumers, businesses

WATERBURY, Conn., Nov. 7, 2008 – Webster Financial Corporation (NYSE: WBS), the holding company for Webster Bank, N.A., today announced it has received preliminary approval for $400 million in new capital under the U.S. Department of Treasury's Capital Purchase Program (CPP).

Under the voluntary program, Webster may issue up to $400 million in senior preferred shares and provide warrants for up to an additional $60 million in common stock to the Treasury, subject to standard terms and conditions.

The Treasury and regulators have urged healthy institutions to take part in the program in order to build capital and increase the flow of credit to support the economy. Consistent with that spirit, Webster plans to use the new capital to provide an equal amount of credit for the communities it serves.

"Participating in the program is the right thing to do. While Webster is already well capitalized, we support the Treasury's objective to ensure that sufficient credit is available for the borrowing needs of consumers and businesses," said James C. Smith, Webster's chairman and CEO. "Webster was founded during the Great Depression to help people build and buy their homes. True to our heritage, we are committed to helping the nation and our region solidify a foundation for future growth, including assisting distressed borrowers who are struggling during the current downturn."

Webster currently exceeds federal regulatory standards for a "well-capitalized" institution. On a pro forma basis, the additional $400 million in CPP funding would increase Webster's Tier 1 leverage ratio from 8.7 percent to 11.1 percent and its Total Risk-Based Capital ratio from 13.2 percent to 16.2 percent

The additional capital will also position Webster to pursue opportunities for growth, including acquisition of like-minded partners that share Webster's vision to be New England's bank.

Webster Bank, N.A.
145 Bank Street
Waterbury, CT 06702

WebsterOnline.com

Press Release

Webster Financial Corporation

Webster also announced today that it will continue participating in the FDIC's Temporary Liquidity Guarantee Program for non-interest bearing transaction deposit accounts after the automatic enrollment period ends. Launched by the FDIC on Oct. 14, the program provides unlimited deposit insurance on funds in noninterest-bearing transaction deposit accounts not otherwise covered by the existing deposit insurance limit of $250,000 until Dec. 31, 2009. Eligible institutions were automatically enrolled in the program during the introductory period at no cost. Webster will continue participating in the program beyond the automatic enrollment period when the FDIC starts to assess fees.

<u>Forward-looking Statements</u>

Statements in this press release regarding Webster Financial Corporation's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statement, see "Forward Looking Statements" in Webster's Annual Report for 2007. Except as required by law, Webster does not undertake to update any such forward looking information.

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Webster Financial Corporation is the holding company for Webster Bank, National Association. With $17.5 billion in assets, Webster provides business and consumer banking, mortgage, financial planning, trust and investment services through 181 banking offices, 484 ATMs, telephone banking and the Internet. Webster Bank owns the asset-based lending firm Webster Business Credit Corporation, the insurance premium finance company Budget Installment Corp., Center Capital Corporation, an equipment finance company headquartered in Farmington, Conn., and provides health savings account trustee and administrative services through HSA Bank, a division of Webster Bank. Member FDIC and equal housing lender. For more information about Webster, including past press releases and the latest annual report, visit the Webster website at www.WebsterOnline.com.

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MondayMorningUpdate

November 10, 2008 Volume 2 Issue 45

Contact:
Colleen A. Stradtman
VP, Corporate Communications
(203) 578-2461 or ext. 52461

Deadline to submit articles: Thursdays at 9:00 a.m.

Managers: Please print and post for all employees who do not have e-mail. Click here for printer-friendly version.

In This Issue

- Webster to Participate in U.S. Treasury Department's Capital Purchase Plan
- Consolidation of Norwalk North Branch in Conn. and Easton Branch in Mass. Underway
- Verizon Audio Conferencing Replaces White Lion Today
- New Online Banking Feature Provides More Money Transfer Options
- Employees Encouraged to Take 'Financial Services Volunteer Activities Survey'
- Go Green: Friendly Reminders to Help Reduce Webster's Carbon Footprint
- 2009 Benefits Enrollment Today Through Nov. 21
- Attend a Workshop or Webinar to Learn More about HSAs
- *We Find A Way* Winners for the Third Quarter Have Been Selected
- Secure Connections: Beware 'Phishers' Exploiting the Credit Crisis
- Webster Co-Sponsors Two Parades in White Plains, N.Y.
- Week of Nov. 10: Webster Has Open Positions in Conn., Mass., N.Y. and R.I.
- Earn a Cash Reward for Referring a Friend

Webster to Participate in U.S. Treasury Department's Capital Purchase Program

Webster has received preliminary approval for $400 million in new capital under the U.S. Treasury Department's Capital Purchase Program (CPP). The press release announcing the approval was released to the public on Friday, Nov. 7.

Under the voluntary program, Webster may issue up to $400 million in senior preferred shares and provide warrants for up to an additional $60 million in common stock to the Treasury, subject to standard terms and conditions. The new capital will enhance Webster's already strong capital base and expand credit to consumers and businesses in our region.

The Treasury and regulators have urged healthy institutions to take part in the program in order to build capital and increase the flow of credit to support the economy. Consistent with that spirit, Webster plans to use the new capital to provide an equal amount of credit for the communities it serves.

"Participating in the program is the right thing to do. While Webster is already well capitalized, we support the Treasury's objective to ensure that sufficient credit is available for the borrowing needs of consumers and businesses," said James C. Smith, Webster's chairman and CEO. "Webster was founded during the Great Depression to help people build and buy their homes. True to our heritage, we are committed to helping the nation and our region solidify a foundation for future growth, including assisting distressed borrowers who are struggling during the current downturn."

Click here to download a copy of the press release.

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Consolidation of Norwalk North Branch in Norwalk, Conn. and Easton Branch in Mass. Underway

Employees of Webster's Norwalk North branch in Norwalk, Conn. and Easton branch in Easton, Mass. were notified that both branches will be consolidating at the beginning of March, 2009.

In a message to the retail line of business, Scott McBrair, executive vice president, retail banking, explained that all business activities

MEMORANDUM

To: **Webster Employees**

From: **Jim Smith**

Date: **November 19, 2008**

Re: **Capital Purchase Program and Suspension of Home Foreclosures**

I attach two recent Webster press releases, both related to the current national financial crisis and both reflecting positive contributions Webster is making to support our regional economy.

The federal government is actively seeking to bolster confidence in the U.S. banking system and to ensure that strong national and regional banks are able to extend credit and restore confidence in our financial system.

An initial step was to increase FDIC guarantee limits, and Webster has aggressively sought to convey that good news to existing and prospective customers. Recently, the Treasury and regulators, seeking to increase the availability of credit and provide capital support, urged healthy institutions to take part voluntarily in the Capital Purchase Program (CPP). Webster is certainly healthy – as I have noted many times, we exceed the requirements to be "well capitalized" and rank among the top 15 percent of banks of our size in capital strength.

We decided to participate in Treasury Department's Capital Purchase Program, through which we may issue up to $400 million in senior preferred shares and provide warrants for up to an additional $60 million in common stock. Participation helps the Treasury restore confidence and helps our marketing region by the increased lending it makes possible. In these unusual times the U.S. Government is looking to the stronger banks to help restore stability. It's not a program we would have designed, but it is the right thing to do for Webster, for our customers and for the country. Most healthy regional banks will join us in participating in the program.

Webster's participation in the CPP is consistent with our goal to identify and meet the financial needs of our customers. While Webster is already well capitalized, we support the Treasury's objective to ensure that sufficient credit is available for the borrowing needs of our customers.

We will infuse the funds we receive through the CPP back into the communities we serve. We also stand ready to form strategic partnerships with like-minded partners who may need to benefit from our capital strength.

Last week, we announced plans to suspend home foreclosures for qualified homeowners with Webster-owned mortgages for 90 days. We have a heightened responsibility to assist all those who are under financial pressure including distressed borrowers who are struggling to keep their homes. The terms of this action are amplified in the attached press release.

We remain strong, flexible and ready to serve the interests of our country, our shareholders and our customers. These recent strategic moves do all three. I ask your understanding and support as we continue to be a source of strength in our region and to pursue our goal to be New England's bank.

We are Webster. *We Find a Way*.

Webster Financial Corporation (WBS)
Q4 2008 Earnings Call Transcript
January 23, 2009 9:00 am ET

Excerpted comments from James C. Smith, CEO and Chairman

“To wrap up my comments on capital, we’re pleased to let you know that between November 7, which was the date of our preliminary approval to receive $400 million of capital purchase programmed funding and year-end, Webster extended $423 million of credit under 1,900 loans.

“These loans consisted of $270 million of new originations and $153 million of modifications and renewals. We’ve said from the outset that we would use the new capital to provide an equal amount of credit for the communities we serve. We’re pleased to be able to utilize this funding to expand credit for our region’s consumers and businesses, consistent with the intent of the TARP legislation.”

Webster Bank, N.A.
145 Bank Street
Waterbury, CT 06702

WebsterOnline.com

Press Release

Webster Financial Corporation

Media Contact
Ed Steadham 203-578-2287
esteadham@websterbank.com

Investor Contact
Terry Mangan 203-578-2318
tmangan@websterbank.com

Webster Receives Funds Under Treasury Department's Capital Purchase Program

$400 million in new capital enhances already strong capital base, expands credit for region's consumers, businesses

- **Webster issues 400,000 shares of preferred stock representing $400 million in new capital**
- **Treasury Department receives warrants to purchase 3.3 million shares of Webster common stock**

WATERBURY, Conn., Nov. 21, 2008 – Webster Financial Corporation (NYSE: WBS), the holding company for Webster Bank, N.A., today announced it has received $400 million in new capital under the U.S. Department of Treasury's Capital Purchase Program (CPP).

Webster issued 400,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B, par value $.01 per share with a liquidation preference of $1,000 per share to the Treasury Department. The Treasury Department also received ten-year warrants to purchase up to 3,282,276 shares of Webster's common stock, par value $.01 per share, at an initial exercise price of $18.28 per share. The preferred stock and warrants will be accounted for as an addition to Webster's regulatory capital.

At September 30, 2008, Webster well exceeded federal regulatory standards for a "well-capitalized" institution. On a pro forma basis, the additional $400 million in CPP funding increases Webster's Tier 1 leverage ratio from 8.7 percent to 11.1 percent and its Total Risk-Based Capital ratio from 13.2 percent to 16.2 percent.

The Series B Preferred Stock will pay cumulative dividends at a rate of 5 percent per year for the first five years and 9 percent per year thereafter. Webster cannot redeem the preferred stock during the first three years after issuance except with the proceeds from a "qualified equity offering" while any redemption will require approval from the Federal Reserve. Dividend payment dates will be February 15, May 15, August 15 and November 15 in each year.

Forward-looking Statements

Statements in this press release regarding Webster Financial Corporation's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statement, see "Forward Looking Statements" in Webster's Annual Report for 2007. Except as required by law, Webster does not undertake to update any such forward looking information.

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MondayMorningUpdate

November 24, 2008 Volume 2 Issue 47

Contact:
Colleen A. Stradtman
VP, Corporate Communications
(203) 578-2461 or ext. 52461

Deadline to submit articles: Thursdays at 9:00 a.m.

Managers: Please print and post for all employees who do not have e-mail. Click here for printer-friendly version.

In This Issue

- Webster Receives Funds Under Treasury Department's Capital Purchase Program
- Secure Valuables, Lock Your Vehicles
- Perna Commentary Published in the Hartford Courant
- Flexible Spending Account Deadline Reminder
- 'Help Meet the Need' Food Drive Continues Through Dec. 12; Donations Are Urgently Needed
- Webster Delivers Good News in a Turbulent Economic Climate; Video Clips Available
- Ridgefield Branch Celebrates Re-Opening with a Ribbon Cutting and Community Day
- Mortgage Originator Costa Finishes First in Ballroom Dancing Fundraiser
- Week of Nov. 24: Webster Has Open Positions in Conn., Mass., N.Y. and R.I.
- Earn a Cash Reward for Referring a Friend

Webster Receives Funds Under Treasury Department's Capital Purchase Program

On Friday, Webster received $400 million in new capital under the U.S. Department of Treasury's Capital Purchase Program (CPP). The $400 million in new capital enhances Webster's already strong capital base and expands credit for region's consumers, businesses.

Under CPP, Webster issued 400,000 shares of preferred stock representing $400 million in new capital. The Treasury Department also received authorization to purchase 3.3 million shares of Webster common stock.

At September 30, 2008, Webster well exceeded federal regulatory standards for a "well-capitalized" institution.

Click here to read the press release.

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Secure Valuables, Lock Your Vehicles

The holiday season is upon us, a time when gifts and other valuables are often left in vehicles in plain view of the public. To ensure safekeeping of your valuables, especially GPS devices, Webster Security reminds you to stow your personal possessions out of sight and lock your vehicles to deter theft.

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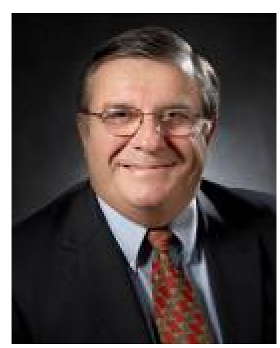
Perna Commentary Published in the *Hartford Courant*



Last week Webster's Senior Economic Advisor Nick Perna provided insightful commentary in the *Hartford Courant* where he pointed out the fallibility of comparing the current economic climate to that of the Great Depression.

In the opening paragraph of his piece entitled "We're Not Headed Back to the 1930s," Perna explains that while financial institutions have

Good Samaritan Returns $1,200 ATM Cash Deposit on Christmas Eve

In this era of cynicism, it is refreshing to hear that there are people who still go through life with their moral compass intact. Branch Manager Marilyn Perzan from BR36 in Bristol, Conn. recently shared the following Good Samaritan story with *Monday Morning Update*.

“On Christmas Eve a man came into the branch wanting to speak to the manager. I invited him into my office where he handed me a Webster ATM envelope that was wet and dirty but unopened. Inside the envelope was another customer’s deposit slip and $1,200 in $100 bills,” said Perzan. “Needless to say I was pleasantly surprised and told this person that he was certainly going to make someone’s holiday very special.”

The Good Samaritan who returned the cash stated that his wife had found the envelope in the snow bank at the branch’s drive-up ATM. “After thanking him for returning the money, I called the customer whose name was on the deposit slip,” said Perzan. “The customer was already aware the money had not been posted to his account and was in the process of researching the discrepancy. Although no one seems to know how the envelope ended up in the snow bank the customer was extremely happy.”

In acknowledgement of his good deed, Perzan sent a gift of appreciation with a personal note to the Good Samaritan who returned the deposit envelope.

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Webster Responds to Misinformation in Recent Editorials in *Torrington Register Citizen* and *New Britain Herald/Bristol Press*

An editorial, which first ran in the *Torrington Register Citizen* on Jan. 1 and then in the Jan. 4 edition of the Sunday *New Britain Herald/Bristol Press* in Connecticut, took Webster to task for our plans to open a Boston flagship office given that we received $400 million out of the U.S. Treasury’s $250 billion Capital Purchase Program (CPP). The paper also accuses Webster of failing to use these funds to provide credit to customers.

In a letter sent to the editors of the *Register Citizen* and *Herald-Press*, Ed Steadham, vice president, public affairs, indicates that Webster had plans to open a flagship office in Boston long before the CPP was announced. He then references a Nov. 7 press release in which the bank publicly pledged to lend all CPP money back into the community on a dollar for dollar basis.

There has been a lot of public misperception pertaining to funds currently available through the U.S. Treasury. The Capital Purchase Program, or CPP, is designed to provide capital to healthy banks to loosen up credit and stimulate new lending. The Troubled Asset Relief Program, or TARP, money relates specifically to funds used to support troubled institutions such as AIG, Citigroup, General Motors and Chrysler.

Below is a copy of Steadham's missive explaining Webster's position:

A January 4 Herald–Press editorial entitled "Did Webster Bank use our tax dollars properly?" implies that Webster Financial Corporation used its $400 million in capital infusion from the U.S. Treasury's $250 billion Capital Purchase Program to expand into Boston rather than lend the funds back into the community. Nothing could be further from the truth.

Webster announced in a Nov. 7 press release that it will use all the new funding acquired under the Capital Purchase Program to provide an equal amount of credit to the communities we serve. We intend to make good on that promise.

Though the timeline of news reporting on the Capital Purchase Program and the Boston expansion might suggest to some that they are related, they are not. Webster has long stated that our vision is to be New England's bank, and we have noted that doing so will require the company to develop a Boston presence. Development of the Boston flagship – including location selection and how the expansion will be funded – was well underway long before the Capital Purchase Program was announced.

Webster was founded in 1935, in the hollow of the Great Depression, to help our neighbors build and buy their homes. Now, as then, we are committed to providing local business owners and individuals with the credit they need to thrive in a challenging economy and to position ourselves for future growth once this difficult period in the nation's economic history is behind us.

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Letters to South Easton, Mass. Branch Customers Inform of Consolidation

On Jan. 7 letters were mailed to customers of Webster's South Easton, Mass. branch (BR 646) to notify them of our plans to consolidate with the new Brockton branch (BR 643) on April 10, 2009.

Click here to view a copy of the customer letter. Click here to access FAQs and other materials to address customers' concerns.

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MondayMorningUpdate

January 26, 2009 Volume 3 Issue 4

Contact:

Colleen A. Stradtman
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Deadline to submit articles: Thursdays at 9:00 a.m.

Managers: Please print and post for all employees who do not have e-mail. Click here for printer-friendly version.

In This Issue

- ABA CEO Testifies About Public Confusion Over Capital Purchase Program (CPP)
- House Called to D.C. to Serve in Obama Administration
- Performance Management FAQs Available on Sharepoint
- Five Days Left to Respond to Helping Hands Survey, Be Entered to Win 1 of 4 $50 Gas Cards
- Red Cross Blood Drive Slated for Feb. 4 in New Britain, Conn.
- Morris Branch Manager Volunteers at Orphanage in Tanzania in Africa
- Baseball-Themed Community Day Scheduled for Brockton, Mass. Branch

ABA CEO Testifies About Public Confusion Over Capital Purchase Program

The CEO of the American Bankers Association (ABA) testified before the U.S. House of Representatives on Jan. 13 about widespread public confusion over the U.S. Treasury's Capital Purchase Program (CPP).

The CPP is part of the Treasury's Troubled Asset Relief Program (TARP), which was created with the passing of the Emergency Economic Stabilization Act last fall.

The CPP is a voluntary program designed to provide capital to healthy banks to loosen up credit and stimulate new lending. This distinguishes the CPP markedly from the use of non-CPP TARP funds to support troubled institutions like AIG, General Motors and Chrysler, and from the capital injection programs for weak banks in Europe and elsewhere.

"There are real differences between the CPP—a voluntary program for healthy banks—and the various injections of TARP money into troubled institutions; and yet the media, in particular, often lumps them together," said Edward L. Yingling. president and CEO of the ABA.

"…The bottom line is that the traditional banks that have been making loans in communities for decades should not be lumped together with other institutions that are in need of financial support," Yingling said. "Traditional banks and bankers are a major part of the solution to our economic difficulties, and policies should be designed to support their efforts."

Yingling went on to outline four changes to TARP recommended by the ABA, including segregating the CPP from other TARP programs. "There should be clearly defined buckets – for example, for the CPP, for foreclosure prevention, and for systematically important troubled institutions. Without clear delineation, policy becomes muddled," he said.

The ABA also recommended coordinating the CPP with other programs so as to avoid conflicting messages and disincentives to lending, fully funding the CPP as originally announced, and using TARP funding for distressed homeowners.

Click here to read Yingling's Jan. 13 testimony in its entirety.

Like other healthy banks, Webster decided to participate in CPP, in part, at the urging of its regulators and the Treasury in order to build capital and increase the flow of credit to support the economy.

Webster received $400 million in new capital through the program on Nov. 21 and has pledged to use it to provide an equal amount of credit for the communities we serve.

At the time Webster announced participation in CPP, Chairman and CEO Jim Smith said: "Participating in the program is the right thing to do. While Webster is already very well capitalized, we support the Treasury's objective to ensure that sufficient credit is available for the borrowing needs of consumers and businesses."

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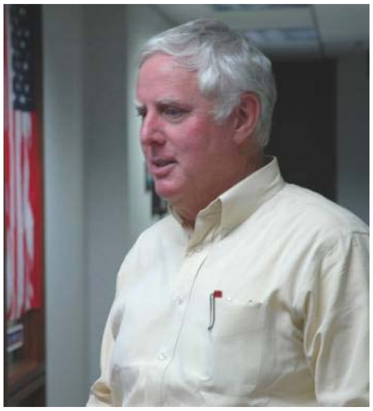
House Called to D.C. to Serve in the Obama Administration

Art House, senior vice president, Public Affairs, has been called to serve in the Obama Administration as the Director of Communications for the Director of National Intelligence. This appointment is subject to the confirmation of Admiral Dennis Blair as the Director of National Intelligence, which is expected shortly.



House was asked to serve as a member of the President Elect's transition team a few weeks ago and has been working on the Admiral's confirmation since that time. The Director of National Intelligence is the cabinet-level post responsible for the oversight of the 16 agencies responsible for intelligence including the Central Intelligence Agency, National Security Agency and National Defense Intelligence agency.

As the Director of Communications, House will be responsible for coordinating the Communications activities of the 16 agencies, Congressional relations and interfacing with the White House.

"Despite his many accomplishments Art is the type of person who is most likely to gloss over his illustrious career in politics and business and talk with pride about his work as a volunteer firefighter," said Jeff Brown, chief administrative officer. "He is a valued colleague, supervisor and friend whose absence after more than eight years with Webster will be noticed."

Please join us in wishing him well and good luck in his new responsibilities

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MondayMorningUpdate

February 2, 2009 Volume 3 Issue 5

Contact:
Colleen A. Stradtman
VP, Corporate Communications
(203) 578-2461 or ext. 52461

Deadline to submit articles: Thursdays at 9:00 a.m.

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In This Issue

- In These Challenging Times, Understanding the Facts about Webster's Performance is Especially Critical
- New Card-Related Services Available for Webster Online Customers
- Preferred Supplier Agreement reached With OfficeMax
- Access 866-880-HELP: The 'Employee Help Line' for Branch Closings Due to Inclement Weather & More
- New 401(k) Investment Options Beginning Feb. 20
- Procurement Department to Reside in Cheshire, Conn.
- Audit of Webster's Health Plan Dependent Coverage Underway
- Get Easy Online Answers to Your Questions about Webster Sponsorships and Donations
- Basic First Aid, Cardiopulminary Resuscitation & Automated Defibrillator Training to be Offered
- Reminder: Red Cross Blood Drive Slated for Feb. 4 in New Britain, Conn.

In These Challenging Times, Understanding the Facts about Webster's Performance Is Especially Critical

Since Webster announced its fourth quarter and year-end results on Jan. 23, there has been understandable concern about Webster's reported losses and the associated drop in our stock price.

During these challenging times, it is crucial that every employee know a simple answer to the question, "What's happening at Webster?"

To help employees understand the answer to this critical question and be able explain the bank's performance simply and with confidence to our customers, Public Affairs has created the following five concise, easy-to-remember points:

- Concerned about its level of risk, Webster exited all non-direct, out-of-market businesses more than a year ago, but we are still experiencing the negative effects of having been in those markets;
- Webster is also feeling the effect of the nation's continuing economic deterioration in its loan and investment portfolios;
- Webster maintains an exceptionally strong tangible capital position at 7.7 percent of assets, which is up 189 basis points from a year ago and compares favorably with our peer group. This level significantly exceeds all requirements of federal regulators for well capitalized banks;
- Webster's stock price is affected by how bank stocks in general are regarded; investor concerns about the banking industry's profitability in the current climate;
- But Webster does not deserve to be painted with the same brush as troubled institutions because it remains a healthy bank that continues to be an active lender to creditworthy customers.

There has been a lot of public misperception pertaining to funds currently available through the U.S. Treasury. The Capital Purchase Program, or CPP, is designed to provide capital to healthy banks to loosen up credit and stimulate new lending. **Webster participates in the CPP.**

The Troubled Asset Relief Program, or TARP, money relates specifically to funds used to support troubled institutions such as AIG, Citigroup, General Motors and Chrysler.

“As Webster ambassadors we must project confidence and provide assurances that we are open for business, ready to lend and here to help our customers weather the economic storm,” said Chairman and CEO Jim Smith.

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New Card-Related Services Available for Webster Online Services Customers

Last month, Webster Online Services introduced the opportunity for customers to view their Webster Credit Cards online, and made the process to apply payments to their credit cards using Bill Pay easier. Customers have been able to apply for credit cards online since May of 2007.

Last week, Webster launched several new services related to Webster Visa® Check Cards and ATM cards for both personal and business customers. They include:

- Automated ordering of new Webster Visa Check Cards;
- Ability to update accounts on ATM or Webster Visa Check Cards;
- Reporting ATM or Webster Visa Check Cards lost or stolen and requesting a replacement card; and
- Replacing a damaged ATM or Webster Visa Check Card

In addition, customers are able to activate their Webster Visa Check Card online.

The introduction of these services provides additional value and enhances the online customer experience. Moreover, the automation of these services promotes expense reductions for the bank.

Click here for additional information about Webster’s new credit card-related services.

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Preferred Supplier Agreement Reached with OfficeMax

Last week, Webster issued a weball announcing that it has reached an agreement with OfficeMax to continue to serve as our preferred vendor for office products. As part of the new agreement Webster will standardize the use of OfficeMax branded products, which tend to be less expensive yet provide the same quality, form and function.

MondayMorningUpdate

February 17, 2009 Volume 3 Issue 7

Contact:
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Deadline to submit articles: Thursdays at 9:00 a.m.

Managers: Please print and post for all employees who do not have e-mail. Click here for printer-friendly version.

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- Sarbanes-Oxley Act: Enhances Compliance With Rules of Financial Reporting
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- Call Anthem's 24/7 NurseLine for Health Information When *You* Need It
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- Employee News Wanted for Use in the *Monday Morning Update* or *Webster Watch*

Smith Discussed Economy, Webster Performance at Employee Town Hall Meeting in New Britain

Chairman and CEO Jim Smith discussed the state of the economy, the banking industry, and Webster's recent performance to more than 200 employees gathered at the New Britain, Conn., facility for a town hall meeting on Feb. 12.

In addition to those who listened in person, hundreds more listened online or over a teleconference line in the company's first ever employee town hall meeting that was simultaneously broadcast via webinar and conference call.

Smith acknowledged that are many challenges that still lie ahead given the state of the economy. "It's going to be a tough road to hoe. It's tough to undo trillions of dollars of leverage," he said. "…But the New England economy is strong, relatively speaking, and I believe that we'll get through this faster than other parts of the country."

Among other things, he reiterated why Webster took part in the Treasury's Capital Purchase Program in November, explaining that, although Webster was well-capitalized, its regulators encouraged all healthy banks to participate and competitors were taking advantage of the low-cost capital. He also explained Webster's fourth-quarter and year-end results, saying they "reflected the environment in which we are operating and our desire to stay ahead of the curve in terms of losses and exposures."

But, he said, "our underlying operating earnings are strong and that gives the power to propel us through these challenging times."

Smith also took a number of questions, but before doing that, he urged employees to remember advice his father, Harold Webster Smith, the company's founder, always used to give: "We need to remember to take care of the customer and everything else will take care of itself."

The webinar — including audio and the Powerpoint slides that Smith used — have been posted on Webster@Work. To access it, click here.

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THE WALL STREET JOURNAL.

U.S. News: Banks Promise to Use Rescue Funds for New Loans; Lenders Will Still Use Capital Infusions for Other Purposes, Citing Time Needed to Vet Borrowers and Falling Demand for Credit

David Enrich and Robin Sidel. **Wall Street Journal**. (Eastern edition). New York, N.Y.: Oct 31, 2008. pg. A.4

As political pressure mounts, at least a few banks are promising to use capital infusions from the federal government's bailout program to swiftly make new loans. But it might not be enough to offset the lending shortfall that is threatening the economy.

Deploying the flood of cash dispensed by the Treasury has been a contentious issue, following the agency's move earlier this month to pump $250 billion into financial institutions. Some banks initially said they didn't expect to quickly use the capital, leading lawmakers to question the effectiveness of the government's Troubled Asset Relief Program, or TARP.

Now, though, some banks are revving up plans to pour their new capital into loans. "We do expect to start deploying it almost immediately," said Doyle Arnold, chief financial officer of Zions Bancorp, a Salt Lake City lender that is slated to receive $1.4 billion through TARP. Two weeks ago, Mr. Arnold predicted the federal injections probably would have a muted impact on lending.

Zions, with $54 billion of assets and more than 500 branches, "basically shut down" its lending operations in the third quarter due to depleted capital levels, Mr. Arnold said. Its coffers replenished, Zions now plans to lend out "several hundred million dollars" by year's end. Next year, Zions expects to be able to make as much as $750 million worth of new loans each quarter.

Webster Financial Corp., a Waterbury, Conn., bank with $17.5 billion of assets, is waiting for the Treasury to approve its application for capital. When that happens, Webster will publicly vow "to lend every single dollar into the market," said Chief Executive James C. Smith. WBS

Doing so is simply "the right thing to do," he said, not a response to outside pressure. Still, "we do understand that there is a backlash, and people need to hear this," he added. Even if the banks lining up for federal assistance plow government capital into loans, it won't necessarily be enough to overcome a drop in lending.

As of Sept. 30, total loans at 24 U.S. banks that are expecting to get $124 billion in combined infusions declined 0.3% to $3.8 trillion from three months earlier, the second-straight quarterly decline, according to an analysis of their financial data by The Wall Street Journal. The retrenchment threatens to knock the U.S. economy into an even deeper recession, regardless of the government's aid, as businesses and consumers struggle to get loans.

When Andrews Distributing Co., a Dallas beer distributor, recently needed to finance a big acquisition, Chief

Financial Officer Joe Jernigan figured he would need four or five lenders. Instead, he wound up tapping eight lenders to participate in the $230 million loan, which was led by J.P. Morgan Chase & Co. "It was challenging, and it was a more expensive bargain," Mr. Jernigan said. "Some of the banks we approached were in a precarious position from a capital standpoint."

Treasury Secretary Henry Paulson and other federal officials argue that billions of dollars of fresh capital will allow banks that have been crippled by soaring defaults and other losses to reopen their lending spigots.

Even as lawmakers pressure bank executives to make more loans, some executives say it is too soon for that to happen -- in part because most institutions haven't pocketed any of government money yet. "We need to invest and lend to our customers and communities. The industry is ready and more than able to do that, but nobody can lend $25 billion in two days or two weeks," said John R. Koelmel, CEO of First Niagara Financial Group Inc. The Lockport, N.Y., bank, with 114 branches, expects to accept as much as $186 million. "It's going to take time," he said.

Other banks remain noncommittal about how much of their federal help will go toward new loans. Citigroup Inc. executives have said they plan to use $25 billion of taxpayer funds to take advantage of opportunities such as buying other banks, but haven't described plans for new loans. Spokeswoman Christina Pretto said Thursday that "we will do our part, as one of a group of institutions, to help expand the flow of credit in the economy."

Bankers say that stance is consistent with directives from the Treasury Department, which is telling them not to rush to use the capital or to make loans that aren't profitable or carefully vetted.

But that may complicate TARP's objective of jump-starting lending. At the 24 banks that expect to receive federal funding -- ranging from the largest, which got infusions this week, to big regional players, to smaller community banks -- loan portfolios generally shrank or posted sluggish growth in the past six months.

Indeed, TARP doesn't address some of the reasons why lending has stalled.

Some bankers say they are making fewer loans because fewer customers want them. Many businesses, bracing for a prolonged economic slump, have shelved expansion plans that would have required them to line up a loan.

"A lot of that is not related to banks not willing to lend. It's demand-driven," said William J. Reuter, CEO of Susquehanna Bancshares Inc., a Lititz, Pa., lender with more than 230 branches and about $14 billion in assets. "Customers are hunkering down more."

Economic jitters also are prompting some lenders themselves to pull back. Danvers Bancorp, a small savings-and-loan in suburban Boston, has cut the maximum amount it will loan to a single customer to $15 million from $20 million. Looming layoffs at Fidelity Investments and a quarterly loss reported by local manufacturer Teradyne Inc. are particularly worrisome signs for Danvers, which had pumped up its lending by 18% this year.

"We are still seeing great loan demand, but we are cutting back our efforts," says Kevin Bottomley, CEO of the 18-branch bank. He says Danvers isn't applying for TARP money because "we have excess capital by any measure."

Regardless of their capital levels, banks rely on deposits to finance their lending businesses. In recent months, stiff competition for deposits has made it harder and more expensive for banks to maintain a stable funding source.

At Zions, the dearth of deposits "is a constraint" on the company's plans to accelerate lending, said Mr. Arnold, the finance chief. "We can't raise the funding fast enough."

Dan Fitzpatrick contributed to this article.

Radio Transcript
Joe Connolly "Small Business Report"
News Morning Drive Time
WCBS-AM 880 (CBS) New York
10/31/2008 06:00 AM - 07:00 AM

00:51:20 Spending by individuals fell for a quarter for the first time in 17 years and by the fastest rate. The Times says the culture of American consumption has been altered. Some of the banks including Webster Bank in Connecticut say they will lend every dollar that they get from new government programs... 00:54:20

The Hartford Courant.

Tuesday, December 16, 2008

Webster Vows To Lend; Shouldn't They All?

RICK GREEN
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James Smith, president of Webster Financial Corp., promises every cent of the $400 million in Washington bailout money his bank received will end up back in the community.

That this is news reveals plenty about our times.

The whole point behind the $700 billion federal handout is to encourage lending again and revive the shrinking economy.

But in this take-the-money-and-run era, this hasn't stopped other banks that took billions of dollars in bailout dough from trying to hand out bonuses to top executives. After New York Attorney General Andrew Cuomo called this a "thumb in the eye to taxpayers," chastened chief executives of Merrill Lynch and Morgan Stanley agreed to waive their bonuses.

Which is why Smith's recent remarks before the MetroHartford Alliance shouldn't be ignored.

Smith said his bank — opened in Waterbury by his father during the depths of the Great Depression — will loan the money to people and businesses that need it.

"Every dollar of that $400 million will get out into the communities," Smith told business leaders, including Gov. M. Jodi Rell. "We took the $400 million because we thought it was the right thing to do."

We need strong regional banks willing to make loans. The problem is even the experts say nobody yet has any idea how we are going to keep track of what banks are doing with the $155 billion that Washington handed them with no apparent strings attached.

A Government Accountability Office report found the Treasury Department has failed to address "a number of critical issues," including whether the $700 billion handout program was even "achieving its intended goals."

President Bush's Treasury Department, which disburses the bailout money under the Troubled Asset Relief Program, went so far as to tell Congress last week that it's not interested in following the money — as if we need another reminder that we can't get this modern day Hoover administration out the door soon enough.

"It is difficult to track where individual dollars flow through an organization," Neel Kashkari, the interim assistant secretary for financial stability, told angry members of the House Financial Services Committee, chaired by Rep. Barney Frank of Massachusetts.

Imagine telling your banker it was "difficult to track" the money you borrowed. I'm sure he'd understand.

Because the Republicans don't particularly care about following the money, we're now looking forward to the fiscal responsibility of the incoming Democratic president. Times really have changed.

For the record, Frank spokesman Steve Adamske told me banks are not supposed to use the money to hand out bonuses, acquire other banks or pay dividends. They're also not supposed to take the money and sit on it —

which is what some are doing.

"What we need to see is what they are doing," Adamske said. "They cannot ignore this."

Rep. Steven C. LaTourette, an Ohio Republican, told colleagues last week that merely promising to make loans isn't enough.

"They need to document that they're making loans. I believe if they're forced to report new lending, they will make new lending a priority," LaTourette said.

This is why Smith's pledge stands out in the midst of what he calls "the Great Recession."

"We are not deterred by the notion that times are tough. But we are not going to go out and make a bunch of loans to people who don't qualify," said Smith, who will forgo a salary bonus again this year.

Applications for home mortgages have surged recently, Smith told me. Now his bank is in a better position to fund more of these loans.

"The notion of hoarding all your cash is not consistent with how we exist in the first place."

Webster Bank and Smith have promised do the right thing. In these troubled days, that's news.

>> Rick Green's column appears on Tuesdays and Fridays. Read his blog at **courant.com/rick.**

The Hartford Courant.

Bank To Get Federal Capital

WEBSTER PLANS TO LEND MORE

By DIANE LEVICK
dlevick@courant.com

Webster Financial Corp. said Friday that it has received preliminary approval for $400 million of new capital from the U.S. Treasury's assistance program and will use it to increase lending and fuel growth — possibly including acquisitions.

The Waterbury-based bank holding company said the capital from Treasury's $250 billion Capital Purchase Program will allow Webster to lend at least $400 million more than it would have otherwise.

The bank made the dollar-for-dollar commitment on lending because "this is the right thing to do," Webster's chairman and chief executive, James C. Smith, said in an interview Friday.

Webster was founded in 1935 during the Great Depression, and "it's in our blood to understand what challenging economic times are about, and we know we need to be there for our customers," said Smith, son of company founder Harold Webster Smith.

Under the program, Webster can issue as much as $400 million in senior preferred shares and provide warrants for as much as an additional $60 million in common stock to the Treasury, subject to certain conditions.

Webster is well capitalized without the infusion, Smith said. But the company decided to take the capital because the Treasury is encouraging healthy banks to accept the boost to increase lending, and "in a challenging environment such as we're in today, you can't have too much capital," he said.

With the new $400 million, Webster will have about $1 of capital for every $6 in assets, Smith said. "That's an extraordinarily conservative ratio, so that leaves room for growth."

The new capital will help Webster pursue its "build and buy" strategy of opening new branches and acquiring "like-minded partners who share our vision to be New England's bank," Smith said.

Although acquisitions are not the top priority, Webster would look to buy banks in and around its current territory, which is Southern New England and Westchester County, N.Y., Smith said. Webster plans to open a Boston office in the first half of 2009 and expects to grow in that market during the next few years, he noted.

Meanwhile, Webster has no plan to go beyond the 240 job cuts announced in June, despite the economy's continued decline.

The company "was ahead of the curve in understanding what needed to be done," raising $225 million in a preferred stock offering in June and moving to improve efficiency, Smith said. "We are not currently looking to have additional shrinkage in our workforce."

Webster has 3,195 employees, including 2,558 in Connecticut.

Webster, one of the largest Connecticut-based banks, has $17.5 billion in assets and 181 banking offices in Connecticut, Massachusetts, Rhode Island and Westchester.

"It's in our blood to understand what challenging economic times are about, and we know we need to be there for our customers."

James C. Smith, Chairman Of Webster

Webster Financial Corporation UST Sequence No. 50

Summary of Total TARP Funds from November 7, 2008 to January 31, 2009

			WS Fac Limit Amt + Par		Balance + Book Value	
	#	% of Total	$ Amount	% of Total	$ Amount	% of Total
Total TARP	**2,864**	**100.00%**	**$1,770,756,083.45**	*100.00%*	**$1,527,807,100.01**	**100.00%**
Total Loans	*2,829*	*98.78%*	*$868,307,319.81*	*49.04%*	*$614,049,709.30*	*40.19%*
Total MBS	*35*	*1.22%*	*$902,448,763.64*	*50.96%*	*$913,757,390.71*	*59.81%*

Loans

			WS Fac Limit Amt		Balance	
	# of Loans	% of Total	$ Amount	% of Total	$ Amount	% of Total
Total	**2,829**	**100.00%**	**$868,307,319.81**	**100.00%**	**$614,049,709.30**	**100.00%**
(b) (4) [redacted]						
New Loans	2,325	82.18%	$554,011,243.53	63.80%	$378,078,158.93	61.57%
Modifications / Renewals	504	17.82%	$314,296,076.28	36.20%	$235,971,550.37	38.43%

MBS Purchase

			Par		Paragon Book Value	
	#	% of Total	$ Amount	% of Total	$ Amount	% of Total
Total MBS	**35**	**100.00%**	**$902,448,763.64**	**100.00%**	**$913,757,390.71**	**100.00%**

(b) (4) [redacted]