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WEBSTER FINANCIAL CORP

Form 8-K

December 17, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 16, 2002

WEBSTER FINANCIAL CORPORATION.

(Exact name of registrant as specified in its charter)

DELAWARE

0-15213

06-1187536

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

WEBSTER PLAZA, WATERBURY, CONNECTICUT 06702

(Address of principal executive offices)

Registrant's telephone number, including area code: (203) 578-2476

NOT APPLICABLE

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

Webster Financial Corporation (NYSE: WBS), the holding company for Webster Bank, announced that the Company has taken actions to reduce its exposure to telecommunications credit risk in its loan portfolio. Five substandard shared national telecommunications credits totaling \$25.8 million at September 30, 2002, have since been sold or written down to current market bids, resulting in a fourth quarter charge against the allowance for loan losses of approximately \$13.5 million. At December 31, 2002, Webster expects written down telecommunications loans held for sale to amount to approximately \$7.3 million, of which \$4.2 million are nonperforming loans. Webster expects to sell these commercial loans held for sale within twelve months.

Earlier in the quarter Webster sold its two classified shared national cable credits totaling \$9.8 million, resulting in a \$1.6 million charge-off.

Webster has increased its planned fourth quarter provision for loan losses by

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\$11.0 million to \$16.0 million and notes that its year-end allowance for loan losses should be virtually unchanged from September 30, 2002. The higher provision has been offset by gains on the sale of securities. These actions should have no net impact on fourth quarter or full year 2002 earnings. After taking gains on the sale of securities, Webster's net unrealized gain in its available for sale securities portfolio is approximately \$61 million.

Ongoing analysis of the telecommunications industry and a review of credits comprising telecommunications exposure led Webster to conclude that these credits evidenced continuing economic uncertainties. Accordingly, Webster has chosen to reduce exposure in the telecommunications sector, even as the sector's performance has shown signs of improvement. All of Webster's telecommunications loans classified substandard have now been sold or written down to current market value. The remaining telecommunications loans, all performing, total \$65 million and represent less than one percent of the total loan portfolio. There are no classified telecommunications loans remaining in the portfolio. These actions are consistent with Webster's history of decisive action in the interest of maintaining high credit quality throughout economic cycles.

Webster currently estimates that nonperforming loans, including those held for sale, should fall to approximately \$49 million at year end from \$68 million at September 30, 2002 and the ratio of these loans to total loans will be approximately 0.60 percent compared to 0.82 percent at September 30, 2002. The allowance for loan losses as a percent of nonperforming loans is expected to rise to approximately 260 percent at year-end from 170 percent at the end of the third quarter, while overall loan loss coverage at year-end should approximate 1.40 percent of loans outstanding, approximately the same as at September 30, 2002.

The tables below detail the credit related actions taken in the fourth quarter on an estimated basis and include comparisons to year-end 2001 and to the 2002 third quarter.

SUMMARY OF NONPERFORMING ASSETS

| (In thousands) | ESTIMATED DECEMBER 31, 2002 | SEPTEMBER 30, 2002 |
|---------------------------|-----------------------------------|-----------------------|
| <hr/> | | |
| NONPERFORMING LOANS: | | |
| Commercial: | | |
| Business banking | \$ 18,500 | \$ 19,000 |
| Specialized lending | 3,399 | 27,231 |
| Equipment financing | 6,100 | 5,559 |
| <hr/> | | |
| Total commercial | 27,999 | 51,790 |
| Commercial real estate | 10,000 | 10,124 |
| Residential | 5,500 | 5,521 |
| Consumer | 1,150 | 1,062 |
| <hr/> | | |
| Total nonperforming loans | \$ 44,649 | \$ 68,497 |
| <hr/> | | |
| As % of total loans | 0.54% | 0.82% |
| <hr/> | | |

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| | | |
|---|--------------|---------------|
| Nonperforming loans held for sale | \$ 4,192 | \$ -- |
| <hr/> | | |
| Total nonperforming loans including loans held for sale | 48,841 | 68,497 |
| <hr/> | | |
| As % of total loans and loans held for sale | 0.59% | 0.82% |
| <hr/> | | |
| ===== | | |
| OTHER REAL ESTATE OWNED AND REPOSSESSED ASSETS: | | |
| Commercial | \$ 3,200 | \$ 3,007 |
| Residential | 675 | 686 |
| Consumer | 12 | 12 |
| <hr/> | | |
| Total other real estate owned and repossessed assets | 3,887 | 3,705 |
| <hr/> | | |
| Total nonperforming assets | \$ 52,728 | \$ 72,202 |
| <hr/> | | |
| ===== | | |
| SELECTED ASSET QUALITY RATIOS | | |
| <hr/> | | |
| Allowance for loan losses to total loans | 1.40% | 1.40% |
| Allowance for loan losses to nonperforming loans | 260.1 | 169.5 |
| Net charge-offs (quarterly) to average loans (annualized) | 0.72 | 0.25 |
| <hr/> | | |
| | | |
| SUMMARY OF CLASSIFIED LOANS | | |
| <hr/> | | |
| | ESTIMATED | |
| | DECEMBER 31, | SEPTEMBER 30, |
| (In thousands) | 2002 | 2002 |
| <hr/> | | |
| Substandard: | | |
| Accruing | \$ 78,570 | \$102,436 |
| Nonaccruing | 42,547 | 62,170 |
| <hr/> | | |
| Total substandard | 121,117 | 164,606 |
| <hr/> | | |
| Doubtful: | | |
| Accruing | 3 | 3 |
| Nonaccruing | 3,724 | 3,724 |
| <hr/> | | |
| Total doubtful | 3,727 | 3,727 |
| <hr/> | | |
| Loss | -- | -- |
| <hr/> | | |
| Total | \$124,844 | \$168,333 |
| <hr/> | | |
| Classified as a percent of loans | 1.5% | 2.0% |
| <hr/> | | |
| ===== | | |

Statements in this Form 8-K 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, which could cause actual results to differ from those contained in the forward-looking statements, see "Forward Looking Statements" in the Company's Annual Report for the most recent fiscal year.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WEBSTER FINANCIAL CORPORATION

(Registrant)

/s/ William J. Healy

William J. Healy
Executive Vice President and
Chief Financial Officer

Date: December 16, 2002