



# **FORM 10-K**

## **WEBSTER FINANCIAL CORP - WBS**

**Filed: March 27, 1997 (period: December 31, 1996)**

Annual report which provides a comprehensive overview of the company for the past year

# Table of Contents

[10-K - FORM 10-K](#)

## [Part I](#)

---

### [PART I](#)

---

- [Item 1.](#) [Business](#)
- [Item 2.](#) [Properties At December 31, 1996, Webster had 28 banking offices in New](#)
- [Item 3.](#) [Legal Proceedings](#)
- [Item 4.](#) [Submission Of Matters To A Vote Of Security Holders](#)

### [PART II](#)

---

- [Item 5.](#) [Market for Registrant's Common Stock and Related Stockholder Matters](#)
- [Item 6.](#) [Selected Financial Data](#)
- [Item 7.](#) [Management's Discussion and Analysis of Financial Condition and](#)
- [Item 8.](#) [Financial Statements and Supplementary Data](#)
- [Item 9.](#) [Disagreements on Accounting and Financial Disclosures.](#)

### [PART III](#)

---

- [Item 10.](#) [Directors and Executive Officers of the Registrant](#)
- [Item 11.](#) [Executive Compensation](#)
- [Item 12.](#) [Security Ownership of Certain Beneficial Owners and Management](#)
- [Item 13.](#) [Certain Relationships and Related Transactions](#)

### [PART IV](#)

---

- [Item 14.](#) [Exhibits, Financial Statement Schedules, and Reports on Form 8-K](#)

#### [SIGNATURES](#)

[Exhibit 10.6 to the Corporation's Form 10-K filed on March 31,](#)

[Exhibit 10.18 to the Corporation's Form 10-K filed on March](#)

[Exhibit 10.20 to the Corporation's Form 10-K filed on March](#)

[Exhibit 10.21 to the Corporation's Form 10-K filed on March](#)

[Exhibit 10.25 to the Corporation's Form 10-K filed on March](#)

[Exhibit 99.5 to the Corporation's Form 8-K/A filed on November](#)

[EX-3.1 \(EXHIBIT 3.1\)](#)

[EX-3.2 \(EXHIBIT 3.2\)](#)

[EX-3.3 \(EXHIBIT 3.3\)](#)

[EX-3.4 \(EXHIBIT 3.4\)](#)

[EX-3.5 \(EXHIBIT 3.5\)](#)

[EX-3.6 \(EXHIBIT 3.6\)](#)

[EX-10.28 \(EXHIBIT 10.28\)](#)

[EX-10.29 \(EXHIBIT 10.29\)](#)

[EX-10.30 \(EXHIBIT 10.30\)](#)

[EX-10.31 \(EXHIBIT 10.31\)](#)

[EX-10.32 \(EXHIBIT 10.32\)](#)

[EX-10.33 \(EXHIBIT 10.33\)](#)

[EX-10.41 \(EXHIBIT 10.41\)](#)

[EX-13 \(EXHIBIT 13\)](#)

[EX-21 \(EXHIBIT 21\)](#)

[EX-24 \(EXHIBIT 24\)](#)

[EX-27 \(FDS-- ARTICLE 5\)](#)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended December 31, 1996

OR

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

Commission File Number: 0-15213

WEBSTER FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (203) 753-2921  
Securities registered pursuant to Section 12(b) of the Act:  
Not Applicable  
Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, \$.01 per value  
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Based upon the closing price of the registrant's common stock as of March 21, 1997, the aggregate market value of the voting stock held by non-affiliates of the registrant is \$426,293,171. Solely for purposes of this calculation, the shares held by directors and executive officers of the registrant have been excluded because such persons may be deemed to be affiliates. This reference to affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date is:

Class: Common Stock, par value \$.01 per share  
Issued and Outstanding at March 27, 1997: 11,949,991

DOCUMENTS INCORPORATED BY REFERENCE

Part I and II: Portions of the Annual Report to Shareholders for fiscal year ended December 31, 1996

Part III: Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 17, 1997.

WEBSTER FINANCIAL CORPORATION  
1996 FORM 10-K ANNUAL REPORT  
TABLE OF CONTENTS

	Page
PART I	
Item 1. Business.....	3
General.....	3
Recent Acquisitions.....	4
FDIC Assisted Acquisitions.....	5
Lending Activities.....	5
Segregated Assets.....	13

	Investment Activities.....	15
	Sources of Funds.....	18
	Bank Subsidiaries.....	21
	Employees.....	21
	Market Area and Competition.....	21
	Regulation.....	22
	Taxation.....	23
Item 2.	Properties.....	24
Item 3.	Legal Proceedings.....	26
Item 4.	Submission of Matters to a Vote of Security Holders.....	26

PART II

Item 5.	Market for the Registrant's Common Stock and Related Stockholder Matters.....	26
Item 6.	Selected Financial Data.....	27
Item 7.	Management's Discussion and Analysis of Results of Operations and Financial Condition.....	27
Item 8.	Financial Statements and Supplementary Data.....	27
Item 9.	Disagreements on Accounting and Financial Disclosures.....	27

PART III

Item 10.	Directors and Executive Officers of the Registrant.....	28
Item 11.	Executive Compensation.....	28
Item 12.	Security Ownership of Certain Beneficial Owners and Management.....	28
Item 13.	Certain Relationships and Related Transactions.....	28

PART IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	28
----------	--	----

PART I

Item 1. Business

General

Webster Financial Corporation, ("Webster" or the "Corporation"), through its subsidiary, Webster Bank, (the "Bank") delivers financial services to individuals, families and businesses located throughout Connecticut. Webster Bank emphasizes three business lines consumer, business and mortgage banking, each supported by centralized administration and operations. The Corporation has grown significantly in recent years, primarily through a series of acquisitions which have expanded and strengthened its franchise.

Assets at December 31, 1996 were \$3.9 billion compared to \$3.2 billion a year earlier. Net loans receivable amounted to \$2.5 billion at December 31, 1996 compared to \$1.9 billion a year ago. Deposits were \$3.1 billion at December 31, 1996 compared to \$2.4 billion at December 31, 1995.

Webster expanded its banking operations by acquiring DS Bancor, Inc. ("Derby") in January 1997, and 20 former Shawmut Bank Connecticut National Association ("Shawmut") branch banking offices in the Hartford banking market in February 1996. See "Recent Acquisitions". In preceding years, Webster expanded its operations through the acquisitions of Shelton Bancorp, Inc. ("Shelton") in 1995, Bristol Savings Bank ("Bristol") in 1994 and Shoreline Bank and Trust ("Shoreline") in 1994 (see "Recent Acquisitions") and the FDIC-assisted acquisitions of First Constitution Bank ("First Constitution") in 1992 and Suffield Bank ("Suffield") in 1991. See "FDIC Assisted Acquisitions." These acquisitions have significantly expanded the market areas served by the Corporation.

On an unconsolidated basis at December 31, 1996, the assets of Webster consisted primarily of its investment in the Bank and \$25.9 million of cash and other investments. The principal sources of Webster's revenues on an unconsolidated basis are dividends from the Bank and interest and dividend income from other investments. See Note 20 to Webster's Consolidated Financial Statements for parent-only financial statements.

The Bank's deposits are federally insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is a Bank Insurance Fund ("BIF") member institution and at December 31, 1996 approximately 72% of the Bank's deposits were subject to BIF assessment rates and 38% to Savings Association Insurance Fund ("SAIF") assessment rates. After giving effect to the Derby acquisition, approximately 79% of the Bank's deposits are subject to BIF assessment rates and 21% to SAIF assessment rates. See "Regulation."

Webster, as a holding company, and the Bank are subject to comprehensive regulation, examination and supervision by the OTS, as the primary

federal regulator. The bank is also subject to regulation, examination and supervision by the FDIC as to certain matters. Webster's executive offices are located at Webster Plaza, Waterbury, Connecticut, 06702. Its telephone number is (203) 753-2921

#### Recent Acquisitions

The Derby Acquisition. On January 31, 1997, Webster acquired DS Bancor and its subsidiary, Derby Savings Bank, a \$1.2 billion savings bank in Derby, Connecticut. In connection with the merger with Derby, Webster issued 3,501,370 shares of its common stock for all the outstanding shares of Derby common stock. Under the terms of the merger agreement each outstanding share of Derby common stock was converted into 1.14158 shares of Webster common stock. This acquisition was accounted for as a pooling of interests and as such future Consolidated Financial Statements will include Derby's financial data as if Derby had been combined at the beginning of the earliest period presented. The 1996 Financial Statements do not include Derby financial data.

The Shawmut Transaction. On February 16, 1996, Webster Bank acquired 20 branches in the Greater Hartford market from Shawmut Bank Connecticut National Association (the "Shawmut Transaction"), as part of a divestiture in connection with the merger of Shawmut and Fleet Bank. In the branch purchase, Webster Bank acquired approximately \$845 million in deposits, and \$586 million in loans. As a result of this transaction, Webster recorded \$44.2 million as a core deposit intangible asset. In connection with the Shawmut Transaction, Webster raised net proceeds of \$32.1 million through the sale of 1,249,600 shares of its common stock in an underwritten public offering in December 1995. The Shawmut Transaction was accounted for as a purchase, therefore transaction results are reported only for the periods subsequent to the consummation of the Shawmut Transaction.

The Shelton Bancorp, Inc. Acquisition. On November 1, 1995, Webster acquired Shelton and its subsidiary, Shelton Savings Bank, a \$295 million asset savings bank in Shelton, Connecticut, with \$273 million in BIF insured deposits. In connection with the merger with Shelton, Webster issued 1,292,549 shares of its common stock for all the outstanding shares of Shelton common stock. Under the terms of the agreement, Shelton shareholders received .92 of a share of Webster common stock in a tax free exchange for each of their Shelton common shares. This acquisition was accounted for as a pooling of interests. The Corporation's Consolidated Financial Statements include Shelton's financial data as if Shelton had been combined at the beginning of the earliest period presented.

Shoreline Bank and Trust Company. On December 16, 1994, Webster acquired Shoreline, a \$51.0 million asset commercial bank based in Madison, Connecticut, with \$47.0 million in BIF insured deposits. To effect the acquisition, Shoreline was merged into Webster Bank and its Madison banking office became a full service office of Webster Bank. In connection with the merger, the Corporation issued 266,500 shares of its common stock for all of the outstanding shares of Shoreline common stock. This acquisition was accounted for as a pooling of interests. The Corporation's Consolidated Financial Statements include Shoreline's financial data as if Shoreline had been combined at the beginning of the earliest period presented.

Bristol Savings Bank. On March 3, 1994, Webster acquired Bristol, a state chartered savings bank with \$486 million in assets which became a wholly-owned subsidiary of Webster. In connection with the conversion of Bristol from a mutual to a stock charter concurrently with the acquisition, Webster completed the sale of 1,150,000 shares of its common stock in related subscription and public offerings. Webster invested in Bristol a total of \$31.0 million, including the net proceeds of approximately \$21.9 million from subscription and public offerings plus existing funds from the holding company. As a result of this investment, Bristol met all ratios required by the FDIC for a "well-capitalized" savings bank. The Bristol acquisition was accounted for as a purchase. Results of operations relating to Bristol are included in the

Corporation's Consolidated Financial Statements only for the period subsequent to the effective date of the acquisition. Webster maintained Bristol as a separate savings bank subsidiary until November 1, 1995, when First Federal and Bristol were merged and renamed as Webster Bank.

FDIC Assisted Acquisitions

Webster Bank significantly expanded its retail banking operations through assisted acquisitions of First Constitution Bank ("First Constitution") in October 1992 and Suffield Bank ("Suffield") in September 1991 from the Federal Deposit Insurance Corporation ("FDIC"). These acquisitions, which were accounted for as purchases, involved financial assistance from the FDIC and extended Webster Bank's retail banking operations into new market areas by adding 21 branch offices, \$1.5 billion in retail deposits and approximately 150,000 customer accounts.

Lending Activities

General. Webster originates residential, consumer, and business loans. Total loans receivable were \$2.5 billion at December 31, 1996 and \$1.9 billion at December 31, 1995. All references to loan and allowance for loan loss balances and ratios in the Lending Activities section exclude Segregated Assets, which are discussed immediately after this section. At December 31, 1996, first mortgage loans secured by one-to-four family properties comprised 72.1% of the Corporation's loan portfolio, before net items. The allowance for losses on residential loans was \$9.1 million at December 31, 1996.

Nonaccrual loans, which include loans delinquent 90 days or more, were \$21.8 million at December 31, 1996, compared to \$37.8 million at December 31, 1995, out of a total loan portfolio, before net items, of approximately \$2.54 billion at December 31, 1996 and \$1.94 billion at December 31, 1995. The ratio of nonaccrual loans to total loans before net items was 0.8% and 1.9% at December 31, 1996 and 1995, respectively. Nonaccrual assets, which includes nonaccrual loans and real estate owned were \$31.3 million and \$55.0 million at December 31, 1996 and 1995 respectively.

One-to-Four Family First Mortgage Loans. Webster originates both fixed-rate and adjustable-rate mortgage loans. At December 31, 1996, 58% of Webster's total mortgage loans before net items were adjustable-rate loans. Webster offers adjustable-rate mortgage loans at initial interest rates discounted from the fully indexed rate. Loans originated during 1996, when fully indexed, will be 2.75% above the constant maturity one-year U.S. Treasury yield index. There are no prepayment penalties on any of Webster's adjustable-rate loans.

At December 31, 1996, \$765.4 million or 42% of Webster's total residential mortgage loans before net items had fixed rates. Webster sells mortgage loans in the secondary market when such sales are consistent with its asset/liability management objectives. At December 31, 1996, Webster had \$3.7 million of adjustable and fixed-rate mortgage loans held for sale.

Commercial and Commercial Real Estate Mortgage Loans. Webster had \$382.7 million, or 15.0% of its total loans receivable before net items, in commercial and commercial real estate loans outstanding as of December 31, 1996, excluding Segregated Assets. At December 31, 1996, \$19.6 million of Webster's \$33.5 million allowance for loan losses was allocated to commercial and commercial real estate loans. See "Management's Discussion and Analysis and Results of Operations" contained in the annual report to shareholders and incorporated herein by reference. The annual report is filed as an exhibit hereto. Also see "Business -- Lending Activities -- Nonaccrual Loans and Delinquencies" for more information about Webster's asset quality, allowance for loan losses and provisions for loan losses.

5

Consumer Loans. At December 31, 1996, consumer loans were \$249.2 million or 9.8% of Webster's total loans receivable before net items. Consumer loans consist primarily of home equity credit lines, home improvement loans, passbook loans and other consumer loans. The allowance for losses on consumer loans was \$4.7 million at December 31, 1996.

6

The following table sets forth the composition of Webster's loan portfolio, excluding Segregated Assets, in dollar amounts and in percentages at the dates shown, and a reconciliation of loans receivable, net.

At December 31,					
1996		1995		1994	
Amount	%	Amount	%	Amount	%
(Dollars in thousands)					

Residential mortgage loans:						
1-4 family units.....	\$ 1,832,262	72.6%	\$ 1,498,024	79.2%	\$ 1,465,419	78.4%
Multi-family units.....	4,729	0.2	13,198	0.7	5,931	0.3
Construction.....	84,442	3.3	54,410	2.9	53,779	2.9
Land.....	12,249	0.5	2,652	0.1	26,712	1.4
	-----		-----		-----	
Total residential mortgage loans.....	1,933,682	76.6	1,568,284	82.9	1,551,841	83.0
Residential loans held for sale.....	3,705	0.1	2,872	0.2	24,735	1.3
Commercial mortgage loans:						
Income producing properties.....	--	--	--	--	--	--
Land.....	57,444	2.3	19,867	1.1	5,607	0.3
Construction.....	6,297	0.2	8,887	0.5	4,237	0.2
Other commercial real estate.....	141,190	5.6	115,976	6.1	130,248	7.0
	-----		-----		-----	
Total commercial mortgage loans.....	204,930	8.1	144,730	7.7	140,092	7.5
Total mortgage loans.....	2,142,318	84.8	1,715,886	90.8	1,716,668	91.8
	-----		-----		-----	
Less mortgage loans net items:						
Residential loans in process.....	28,871	1.1	20,642	1.1	25,523	1.4
Commercial loans in process.....	(105)	0.0	--	--	1,174	0.1
Allowance for loan losses.....	18,866	0.7	30,799	1.6	36,252	1.9
Unearned (premiums) discounts and deferred loan fees, net.....	16,339	(0.6)	( 12,207)	(0.5)	(13,906)	(0.8)
	-----		-----		-----	
Net mortgage loans.....	2,111,025	83.6	1,676,652	88.6	1,667,625	89.2
	-----		-----		-----	
Consumer loans:						
Home improvement.....	22,247	0.9	6,980	0.4	4,718	0.3
Home equity credit lines.....	155,935	6.2	122,737	6.5	128,828	6.9
Credit Card.....	13,675	0.6	--	--	--	--
Education.....	21	0.0	135	0.0	483	0.0
Personal.....	45,172	1.8	31,653	1.7	23,231	1.3
Marine.....	436	0.0	462	0.0	226	0.0
Automobile.....	3,322	0.1	2,195	0.1	2,399	0.1
Secured by deposits.....	8,376	0.3	8,121	0.4	7,171	0.4
	-----		-----		-----	
Total consumer loans.....	249,184	9.9	172,283	9.1	167,056	9.0
	-----		-----		-----	
Less:						
Allowance for loan losses.....	4,735	0.2	7,865	0.4	7,312	0.4
Deferred loan costs, (net).....	(2,669)	(0.1)	(1,255)	(0.1)	--	--
	-----		-----		-----	
Net consumer loans.....	247,118	9.8	165,673	8.8	159,744	8.6
	-----		-----		-----	
Consumer loans held for sale, net.....	--	--	--	--	--	--
Commercial non-mortgage loans.....	177,766	7.0	53,194	2.8	45,055	2.4
	-----		-----		-----	
Less:						
Allowance for loan losses.....	9,853	0.4	3,133	0.2	3,208	0.2
Unearned (premiums) discounts and deferred loan fees, net.....	513	0.0	430	0.0	--	--
	-----		-----		-----	
Net commercial non-mortgage loans.....	167,400	6.6	49,631	2.6	41,847	2.2
	-----		-----		-----	
Loans receivable, net .....	\$ 2,525,543	100.0%	\$1,891,956	100.0%	\$ 1,869,216	100.0%
	=====		=====		=====	

	At December 31,			
	1993		1992	
	Amount	%	Amount	%
	(Dollars in thousands)			
Residential mortgage loans:				
1-4 family units.....	\$1,263,618	86.1%	\$1,321,825	86.9%
Multi-family units.....	--	--	5,320	0.3
Construction.....	28,930	2.0	15,033	1.0
Land.....	29,464	2.0	12,045	0.8
	-----		-----	
Total residential mortgage loans.....	1,322,012	90.1	1,354,223	89.0
Residential loans held for sale.....	11,505	0.8	7,240	0.5
Commercial mortgage loans:				
Income producing properties.....	135	0.0	348	0.0
Land.....	--	--	--	--
Construction.....	2,083	0.1	5,735	0.4
Other commercial real estate.....	40,306	2.7	41,636	2.7
	-----		-----	
Total commercial mortgage loans.....	42,524	2.8	47,719	3.1

Total mortgage loans.....	1,376,041	93.7	1,409,182	92.6
Less mortgage loans net items:				
Residential loans in process.....	16,994	1.2	3,295	0.2
Commercial loans in process.....	487	0.0	508	0.0
Allowance for loan losses.....	38,477	2.6	44,384	2.9
Unearned (premiums) discounts and deferred loan fees, net.....	(10,318)	(0.8)	2,091	0.1
Net mortgage loans.....	1,330,401	90.7	1,358,904	89.4
Consumer loans:				
Home improvement.....	4,413	0.3	6,274	0.4
Home equity credit lines.....	103,523	7.1	100,821	6.6
Credit Card.....	--	--	--	--
Education.....	684	0.0	451	0.0
Personal.....	13,928	0.9	14,553	1.0
Marine.....	246	0.0	1,160	0.1
Automobile.....	2,584	0.2	2,604	0.2
Secured by deposits.....	7,207	0.5	8,277	0.5
Total consumer loans.....	132,585	9.0	134,140	8.8
Less:				
Allowance for loan losses.....	5,955	0.4	4,626	0.3
Deferred loan costs, (net).....	--	--	--	--
Net consumer loans.....	126,630	8.6	129,514	8.5
Consumer loans held for sale, net.....	--	--	23,116	1.5
Commercial non-mortgage loans.....	11,640	0.8	11,404	0.7
Less:				
Allowance for loan losses.....	736	0.1	770	0.1
Unearned (premiums) discounts and deferred loan fees, net.....	--	--	--	--
Net commercial non-mortgage loans.....	10,904	0.7	10,634	0.6
Loans receivable, net .....	\$ 1,467,935	100.0%	\$1,522,168	100.0%

7

The following table sets forth the contractual maturity and interest-rate sensitivity of residential and commercial real estate construction loans and commercial loans at December 31, 1996.

	Contractual Maturity			
	One Year or Less	One to Five Years	Over Five Years	Total
	(In thousands)			
Contractual Maturity:				
Construction loans:				
Residential mortgage.....	\$ 625	\$ 220	\$ 83,597	\$ 84,442
Commercial mortgage.....	1,381	4,508	408	6,297
Commercial non-mortgage loans.....	66,578	74,371	36,817	177,766
Total.....	\$ 68,584	\$ 79,099	\$ 120,822	\$ 268,505
Interest-Rate Sensitivity:				
Fixed rate.....	\$ 3,892	\$ 23,850	\$ 31,820	\$ 59,562
Variable rate.....	64,692	55,249	89,002	208,943
Total.....	\$ 68,584	\$ 79,099	\$ 120,822	\$ 268,505

Purchase and Sale of Loans and Loan Servicing. Webster has been a seller and purchaser of whole loans and participations in the secondary market. During 1996 and 1995, Webster originated residential mortgages that were transferred primarily to the Federal National Mortgage Association ("FNMA") for conversion into mortgage-backed securities. Webster generally retains the right

to service the underlying loans for these securities.

The following table sets forth information as to Webster's mortgage loan servicing portfolio at the dates shown. The increase of total loans serviced for 1996 is primarily due to the loans acquired with the Shawmut transaction and purchased mortgage loan servicing, while the 1995 decrease is primarily due to the sale of mortgage loan servicing rights on both owned and non-owned loans.

	At December 31,					
	1996		1995		1994	
	Amount	%	Amount	%	Amount	%
			(Dollars in thousands)			
Loans owned and serviced.....	\$1,713,797	63.8%	\$1,324,257	63.7%	\$1,509,219	61.5%
Loans serviced for others.....	974,152	36.2	753,053	36.3	944,547	38.5
<b>Total loans serviced by Webster</b>	<b>\$2,687,949</b>	<b>100.0%</b>	<b>\$2,077,310</b>	<b>100.0%</b>	<b>\$2,453,766</b>	<b>100.0%</b>

The table below shows mortgage loan origination, purchase, sale and repayment activities of Webster for the periods indicated.

	At December 31,		
	1996	1995	1994
	(In thousands)		
<b>First mortgage loan originations and purchases:</b>			
-----			
Permanent:			
Mortgage loans originated.....	\$ 307,799	\$ 271,997	\$ 665,108
Construction:			
1-4 family units.....	50,267	50,445	44,491
<b>Total permanent and construction loans originated</b>	<b>358,066</b>	<b>322,442</b>	<b>709,599</b>
Loans and participations purchased.....	10,000	2,123	37,158
Loans acquired in the Bristol acquisition.....	--	--	255,562
Loans acquired in Shawmut Transaction .....	344,036	--	--
<b>Total loans originated and purchased.....</b>	<b>712,102</b>	<b>324,565</b>	<b>1,002,319</b>
<b>First mortgage loan sales and principal reductions:</b>			
-----			
Loans securitized and sold.....	63,198	109,787	495,135
Loan principal reductions.....	209,871	204,314	119,507
Reclassified to REO.....	12,602	11,246	47,050
<b>Total loans sold and principal reductions</b>	<b>285,671</b>	<b>325,347</b>	<b>661,692</b>
Increase (Decrease) in mortgage loans receivable before net items.....	\$ 426,431	\$ (782)	\$ 340,627
	=====	=====	=====

Nonaccrual Assets and Delinquencies. When an insured institution classifies problem assets as either "substandard" or "doubtful," it is required to establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100%

of the amount of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the OTS which can order the establishment of additional valuation allowances. See "Classification of Assets" below.

The following table sets forth certain information regarding Webster's loans (excluding Segregated Assets) accounted for on a nonaccrual basis and real estate acquired through foreclosure at the dates indicated.

	At December 31,				
	1996	1995	1994	1993	1992
	(In thousands)				
Loans accounted for on a nonaccrual basis:					
Residential real estate.....	\$ 11,272	\$ 20,560	\$ 18,390	\$ 27,995	\$ 39,633
Commercial.....	9,051	15,296	15,268	4,132	1,846
Consumer.....	1,491	1,987	1,237	1,137	4,311
Real estate acquired through foreclosure:					
Residential and consumer.....	3,445	6,368	9,296	18,753	11,674
Commercial.....	6,044	10,808	17,292	6,711	7,744
Total.....	\$31,303	\$ 55,019	\$ 61,483	\$ 58,728	\$ 65,208

9

Interest on nonaccrual loans that would have been recorded as additional income for the years ended December 31, 1996, 1995 and 1994 had the loans been current in accordance with their original terms approximated \$2,615,000, \$2,984,000, and \$2,784,000, respectively.

See Note 1(e) to the Consolidated Financial Statements contained in the annual report to shareholders and incorporated herein by reference for a description of Webster's nonaccrual loan policy.

The following table sets forth information as to delinquent loans, excluding Segregated Assets, in Webster's loans receivable portfolio before net items.

	At December 31,			
	1996		1995	
	Principal Balances	Percentage of Loans Receivable	Principal Balances	Percentage of Loans Receivable
	(Dollars in thousands)			
Past due 30-89 days and still accruing:				
Residential real estate.....	\$ 25,524	1.00%	\$ 28,396	1.46%
Commercial.....	4,507	0.18	11,099	0.57
Consumer.....	3,624	0.14	2,640	0.14
Total.....	\$ 33,655	1.32%	\$ 42,135	2.17%

Classification of Assets. Under the OTS' problem assets classification system, a savings institution's problem assets are classified as "substandard," "doubtful" or "loss" (collectively "classified assets"), depending on the presence of certain characteristics. An asset is considered "substandard" if inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard" with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions and values, "highly questionable and improbable." Assets classified "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. In addition, assets that do not currently warrant classification in one of the foregoing categories but which are deserving of management's close attention are designated as "special mention" assets.

At December 31, 1996, the Bank's classified assets totaled \$71.8 million, consisting of \$70.5 million in loans classified as "substandard," \$1.3

million in loans classified as "doubtful" and \$0 classified as "loss". At December 31, 1995, the Bank's classified loans totaled \$82.6 million, consisting of \$75.8 million in loans classified as "substandard" and \$6.8 million in loans classified as "doubtful." In addition, at December 31, 1996 and 1995, the Bank had \$12.6 million and \$29.8 million, respectively, of special mention loans.

Allowance for Loan Losses. Webster's allowance for loan losses at December 31, 1996 totalled \$33.5 million. See "Management's Discussion and Analysis -- Results of Operations Asset Quality and Comparison of Years ended December 31, 1996 and 1995," contained in the annual report to shareholders and incorporated herein by reference. In assessing the specific risks inherent in the portfolio, management takes into consideration the risk of loss on

10

Webster's nonaccrual loans, classified loans and watch list loans including an analysis of the collateral for the loans. Other factors considered are Webster's loss experience, loan concentrations, local economic conditions and other factors.

The following is a summary of activity in the allowance for loan losses for the periods indicated:

	Years Ended December 31,				
	1996	1995	1994	1993	1992
	(Dollars in thousands)				
Balance at beginning of period.....	\$ 41,797	\$ 46,772	\$ 45,168	\$ 49,780	\$ 11,055
Charge-offs:					
Residential real estate.....	(12,628)	(6,952)	(12,761)	(8,208)	(1,027)
Consumer.....	(670)	(418)	(760)	(1,236)	(706)
Commercial.....	(6,348)	(3,490)	(3,578)	(2,223)	(1,424)
	(19,646)	(10,860)	(17,099)	(11,667)	(3,157)
Recoveries:					
Residential real estate.....	386	657	388	205	10
Consumer.....	162	943	1,701	749	558
Commercial.....	1,755	1,185	1,015	114	9
	2,303	2,785	3,104	1,068	577
Net charge-offs.....	(17,343)	(8,075)	(13,995)	(10,599)	(2,580)
Acquired allowance for purchased loans.....	5,000	--	12,819	--	35,731
Transfer from allowance for losses for loans held for sale.....	--	--	--	2,390	--
Provisions charged to operations.....	4,000	3,100	2,780	3,597	5,574
Balance at end of period.....	\$ 33,454	\$ 41,797	\$ 46,772	\$ 45,168	\$ 49,780
Ratio of net charge-offs to average loans outstanding.....	0.7%	0.4%	0.8%	0.7%	0.3%

11

The following table presents an allocation of Webster's allowance for loan losses at the dates indicated and the related percentage of loans in each category to Webster's gross loan portfolio.

	December 31,							
	1996		1995		1994		1993	
	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)							
Balance at End of Period Applicable to:								
Residential mortgage loans.....	\$ 9,079	75.40%	\$ 19,013	80.93%	\$ 25,399	81.74%	\$ 35,473	87.71%
Commercial mortgage loans.....	9,787	7.98	11,786	7.46	10,853	7.26	3,004	2.80
Commercial non-mortgage loans.....	9,853	6.92	3,133	8.87	3,208	2.34	736	.77
Consumer loans.....	4,735	9.70	7,865	2.74	7,312	8.66	5,955	8.72

Total.....	\$ 33,454	100.0%	\$ 41,797	100.00%	\$ 46,772	100.00%	\$ 45,168	100.00%
------------	-----------	--------	-----------	---------	-----------	---------	-----------	---------

December 31,

1992

Amount %

Balance at End of Period  
Applicable to:

Residential mortgage loans.....	\$ 39,888	86.29%
Commercial mortgage loans.....	4,496	3.02
Commercial non-mortgage loans.....	770	.72
Consumer loans.....	4,626	9.97
Total.....	\$ 49,780	100.00%

During 1996, Webster sold \$18.0 million of nonaccrual residential and foreclosed properties in a bulk sale, and incurred charge-offs of \$6.3 million related to the sale. Approximately 50% of the assets sold were secured by two-four family properties, condominiums or non-owner occupied single family properties. Charge-offs of \$6.3 million reduced the allowance for residential mortgage loans and had no impact on 1996 earnings.

The increase in the allowance for commercial non-mortgage loans was primarily a result of acquired allowances for purchased loans related to the Shawmut Transaction.

12

#### Segregated Assets

Segregated Assets at December 31, 1996 and 1995 consist of the following assets purchased from the FDIC in the First Constitution acquisition which are subject to a loss-sharing arrangement with the FDIC:

	At December 31,			
	1996		1995	
	Amount	%	Amount	%
	(Dollars in thousands)			
Commercial real estate loans.....	\$ 58,745	74.8%	\$ 79,995	74.0%
Commercial non-mortgage loans.....	6,606	8.4	10,439	9.7
Multi-family mortgage loans.....	12,772	16.3	16,341	15.1
Other real estate owned.....	406	0.5	1,299	1.2
	78,529	100.0%	108,074	100.0%
Less allowance for segregated assets.....	2,859		3,235	
Segregated Assets, net.....	\$ 75,670		\$ 104,839	

Under the Purchase and Assumption Agreement with the FDIC, during the first five years after October 2, 1992 (the "Acquisition Date") the FDIC is required to reimburse the Bank quarterly for 80% of all net charge-offs (i.e., the excess of charge-offs over recoveries) and certain permitted expenses related to the commercial non-mortgage loans, commercial real estate loans and multi-family loans acquired by the Bank.

During the sixth and seventh years following the Acquisition Date, the Bank is required to pay quarterly to the FDIC an amount equal to 80% of the recoveries during such years on Segregated Assets that were previously charged off after deducting certain permitted expenses related to those assets. The Bank is entitled to retain 20% of such recoveries during the sixth and seventh years

and 100% thereafter.

Upon termination of the seven-year period after the First Constitution acquisition (December 1999), if the sum of Webster's 20% share of net charge-offs on Segregated Assets for the first five years after the acquisition date plus permitted expenses during the entire seven-year period, less any recoveries during the sixth and seventh year on Segregated Assets charged off during the first five years, exceeds \$49.2 million, the FDIC is required to pay the Bank an additional 15% of any such excess over \$49.2 million at the end of the seventh year. At December 31, 1996, cumulative net charge-offs and expenses aggregated \$53.9 million. During the first quarter of 1996, Webster began recording the additional 15% reimbursement as a receivable from the FDIC. As of December 31, 1996, Webster has received \$42.2 million in reimbursements for net charge-offs and permitted expenses from the FDIC. At December 31, 1996 and 1995, Webster had allowances for segregated assets of \$2.9 million and \$3.2 million, respectively.

A detail of changes in the allowance for the Bank's share of losses for Segregated Assets follows:

	Years Ended December 31,	
	1996	1995
	----	----
	(In thousands)	
Balance at beginning of period .....	\$ 3,235	\$ 4,420
Charge-offs.....	(621)	(1,772)
Recoveries.....	245	587
	-----	-----
Balance at end of period.....	\$ 2,859	\$ 3,235
	=====	=====

The following table sets forth information regarding Segregated Assets delinquencies and nonaccruals at December 31, 1996 and 1995:

	At December 31,	
	1996	1995
	----	----
	(In thousands)	
Past due 30-89 days and still accruing:		
Commercial real estate loans.....	\$ 1,318	\$ 1,042
Commercial non-mortgage loans.....	--	79
Multi-family loans.....	769	386
	-----	-----
	2,087	1,507
Loans accounted for on a nonaccrual basis:		
Commercial real estate loans.....	3,337	2,604
Commercial non-mortgage loans.....	192	1,203
Multi-family real estate loans.....	495	1,432
	-----	-----
	4,024	5,239
	-----	-----
Total.....	\$ 6,111	\$ 6,746
	=====	=====

Interest on nonaccrual Segregated Assets that would have been recorded as additional income had the loans been current in accordance with their original terms approximated \$433,000, \$1,207,000 and \$2,047,000 for the years ended December 31, 1996, 1995 and 1994 respectively.

The following table sets forth the contractual maturity and interest rate sensitivity of commercial loans contained in the Segregated Assets portfolio at December 31, 1996.

Contractual Maturity

	One Year or Less	One to Five Years	Over Five Years	Total
(In thousands)				
Contractual Maturity:				
Commercial loans.....	\$ 735	\$ 3,694	\$ 2,177	\$ 6,606
Total.....	\$ 735	\$ 3,694	\$ 2,177	\$ 6,606
Interest Rate Sensitivity:				
Fixed Rates.....	\$ 208	\$ 213	\$ --	\$ 421
Variable Rates.....	527	3,481	2,177	6,185
Total.....	\$ 735	\$ 3,694	\$ 2,177	\$ 6,606

14

Investment Activities

The Bank has authority to invest in various types of liquid assets, including United States Treasury obligations, securities of federal agencies, certificates of deposit of federally insured banks and savings institutions, federal funds and mortgage backed securities and collateralized mortgage obligations. Subject to various restrictions, the Bank may also invest a portion of its assets in commercial paper, corporate debt securities, and mutual funds whose assets conform to the investments that a federally chartered savings institution is otherwise authorized to make directly. The Bank also is required to maintain liquid assets at minimum levels which vary from time to time. See "Regulation."

Webster, as a Delaware corporation, has authority to invest in any type of investment permitted under Delaware law. As a unitary holding company, however, its investment activities are subject to certain regulatory restrictions described under "Holding Company Regulation."

Webster, directly or through the Bank, maintains an investment portfolio that provides not only a source of income but also, due to staggered maturity dates, a source of liquidity to meet lending demands and fluctuations in deposit flows. The securities constituting Webster's investments in corporate bonds and notes generally are publicly traded and are considered investment grade quality by a nationally recognized rating firm. The commercial paper and collateralized mortgage obligations ("CMOs") in Webster's investment portfolio are all rated in at least the top two rating categories by at least one of the major rating agencies at time of purchase. One of the inherent risks of investing in mortgage-backed securities, including CMOs, is the ability of such instruments to incur prepayments of principal prior to maturity at prepayment rates different than those estimated at the time of purchase. This generally occurs because of changes in market interest rates. The market values of fixed-rate mortgage-backed securities are sensitive to fluctuations in market interest rates, declining in value as interest rates rise. If interest rates increase, as had been the case during 1996, the market value of loans and mortgage-backed securities generally will decrease causing the level of prepayments to decrease. Webster also utilizes interest rate financial instruments to hedge mismatches in interest rate maturities to reduce exposure to movements in interest rates. The objectives of interest rate financial instruments is to offset the change in value of the available for sale securities portfolio. See Note 3 and 11 contained in the annual report to shareholders and incorporated herein by reference. Except for \$24.1 million invested by Webster at the holding company level at December 31, 1996 in the common stock of certain entities, Webster's investments, directly and through the Bank, were investments of the type permitted federally chartered savings institutions. Webster's investment portfolio is managed by its Treasurer in accordance with a written investment policy approved by the Board of Directors. A report on investment activities is presented to the Board of Directors monthly.

15

The following table sets forth Webster's interest-bearing deposits and the composition of its securities portfolio at the dates indicated.

	At December 31,					
	1996		1995		1994	
	Book Value	% of Portfolio	Book Value	% of Portfolio	Book Value	% of Portfolio
	(Dollars in thousands)					
Interest-bearing Deposits.....	\$ 27	100.0%	\$26,017	100.0%	\$54,318	100.0%
Trading Securities:						
Mortgage Backed Securities:						
GNMA.....	\$ 31,537	2.9%	\$14,766	1.4%	\$13,706	1.7%
Collateralized Mortgage Obligations	--	--	--	--	9,311	1.1
FHLMC.....	27,794	2.6	29,838	2.9	--	--
Equity Securities.....	--	--	--	--	78	0.0
	59,331	5.5	44,604	4.3	23,095	2.8
Available for Sale Portfolio:						
U.S. Treasury Notes:						
Matures within 1 year.....	--	--	1,000	0.1	6,416	0.8
Matures over 1 within 5 years.....	2,508	0.2	--	--	7,530	0.9
U.S. Government Agency:						
Matures within 1 year.....	--	--	--	--	100	0.0
Matures over 1 within 5 years.....	12,883	1.2	12,901	1.2	33,480	4.0
Corporate Bonds and Notes:						
Matures over 1 within 5 years.....	--	--	23,005	2.2	--	--
Matures over 5 through 10 years	2,492	0.2	2,737	0.2	2,985	0.4
Mutual Funds.....	7,216	0.7	34,077	3.2	20,146	2.4
Stock in Federal Home Loan Bank of Boston	30,039	2.8	30,039	2.9	26,269	3.2
Other Equity Securities.....	19,361	1.8	9,195	0.9	13,619	1.6
Mortgage Backed Securities:						
FNMA.....	127,908	12.0	139,860	13.4	11,316	1.4
FHLMC.....	15,369	1.4	62,572	6.0	--	--
GNMA.....	236,393	22.1	20,443	2.0	--	--
Collateralized Mortgage Obligations	107,684	10.1	155,321	14.9	57,121	6.9
Unamortized Hedge.....	5,460	0.5	816	0.1	--	--
Unrealized Securities Gains (Losses), Net....	6,303	0.6	6,122	0.6	(3,768)	(0.5)
	573,616	53.6	498,088	47.7	175,214	21.1
Held to Maturity Portfolio:						
U.S. Treasury notes:						
Matures within 1 year.....	944	0.1	1,577	0.2	3,318	0.4
Matures over 1 within 5 years.....	--	--	8,262	0.8	19,567	2.4
U.S. Government Agency:						
Matures within 1 year.....	6,867	0.6	1,003	0.1	--	--
Matures over 1 within 5 years.....	28,089	2.6	39,868	3.8	61,822	7.5
Matures over 5 through 10 years.....	499	0.1	999	0.1	1,000	0.1
Corporate Bonds and Notes:						
Matures within 1 year.....	301	0.0	--	--	702	0.1
Matures over 1 within 5 years.....	1,176	0.1	2,555	0.2	2,564	0.3
Matures over 5 through 10 years.....	--	--	330	0.0	418	0.1
Matures over 10 years.....	100	0.0	--	--	--	--
Mortgage Backed Securities:						
FHLMC.....	31,013	2.1	42,877	4.1	87,650	10.6
FNMA.....	22,180	2.9	31,785	3.0	167,254	20.2
GNMA.....	1,309	0.1	1,622	0.2	1,919	0.2
Collateralized Mortgage Obligations	345,153	32.3	370,762	35.5	283,861	34.2
Other Mortgage Backed Securities	--	--	308	0.0	374	0.0
	437,631	40.9	501,948	48.0	630,449	76.1
Total.....	\$1,070,578	100.0%	1,044,640	100.0%	828,758	100.0%

The average remaining life of the securities portfolio, exclusive of equity securities with no maturity, is 22.6 and 14.8 years at December 31, 1996 and 1995, respectively. Although the stated final maturity of these obligations are long-term, the weighted average life generally is much shorter due to prepayments of principal.

The following table sets forth the contractual maturities of Webster's securities and mortgage-backed securities at December 31, 1996 and the weighted average yields of such securities.

	Due Within One Year		Due After One, But Within Five Years		Due After Five, But Within 10 Years		Due After 10 Years	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
(Dollars in thousands)								
Interest-Bearing Deposits (a)	\$ 27	5.15%	\$ --	-- %	\$ --	--%	\$ --	-- %
Trading Portfolio:								
Mortgaged-Backed Securities and Collateralized Mortgage Obligations (b)	27,849	7.32	--	--	--	--	31,482	6.45
Available For Sale Portfolio:								
U.S. Government Agency	--	--	12,974	5.73	--	--	--	--
Mutual Funds	--	--	--	--	--	--	7,236	5.92
Equity Securities	--	--	--	--	--	--	25,225	--
Corporate Bonds and Notes	--	--	--	--	2,489	6.08	--	--
U.S. Treasury Notes	--	--	2,544	7.01	--	--	--	--
Mortgaged-Backed Securities and Collateralized Mortgage Obligations (b)	--	--	43,064	5.72	4,714	8.50	445,331	6.57
Held to Maturity Portfolio:								
U.S. Treasury Notes	944	3.38	--	--	--	--	--	--
U.S. Government Agencies	6,867	9.29	28,089	5.64	499	6.40	--	--
Corporate Bonds and Notes	301	7.39	1,176	5.87	--	--	100	7.98
FHL Bank Stock	--	--	--	--	--	--	30,039	6.40
Mortgage-Backed Securities and Collateralized Mortgage Obligations (b)	4,285	7.51	10,450	5.63	2,075	7.96	382,845	7.35
Totals	\$ 40,273	5.99%	\$ 98,297	5.72%	\$ 9,777	6.11%	\$ 922,258	6.74%

(a) Adjusted to a fully taxable equivalent basis.

(b) Although the stated final maturity of these obligations are long-term, the weighted average life generally is much shorter due to prepayments of principal.

#### Sources of Funds

Deposits, loan repayments, securities maturities as well as earnings are the primary sources of the Bank's funds for use in its lending and investment activities. While scheduled loan repayments and securities payments are a relatively stable source of funds, deposit flows and loan prepayments are influenced by prevailing interest rates, money market and local economic conditions. The Bank also derives funds from FHL Bank advances and other borrowings as necessary when the cost of these alternative sources of funds are favorable.

Webster's main sources of liquidity are dividends from the Bank and net proceeds from capital offerings and borrowings, while the main outflows are the payments of dividends to preferred and common stockholders, the payment of interest to holders of Webster's 8 3/4% Senior Notes and repurchases of Webster's common stock.

Webster attempts to control the flow of funds in its deposit accounts according to its need for funds and the cost of alternative sources of funds. Webster controls the flow of funds primarily by the pricing of deposits, which is influenced to a large extent by competitive factors in its market area while adhering to overall asset-liability management strategies.

Deposit Activities. Webster has developed a variety of innovative deposit programs that are designed to meet depositors needs and attract both short-term and long-term deposits from the general public. Webster's checking account programs offer a full line of accounts with varying features that include both regular non-interest bearing accounts and interest bearing account types. The Webster's savings account programs includes both statement and passbook accounts, money market savings, special goal savings, club accounts and certificate of deposit accounts for both regular and IRA savings purposes that offer a range of short and long term maturities options. Webster's checking and savings deposit accounts have several features that include: ATM Card and Check

Card use, direct deposit, combined statements, 24 hour automated telephone banking services and overdraft protection.

Webster receives retail and commercial deposits through its 78 full service banking offices. Webster relies primarily on competitive pricing policies and effective advertising to attract and retain deposits while emphasizing the objectives of quality customer service and customer convenience. The WebsterOne Account is a banking relationship that affords customers the opportunity to avoid fees, earn premium rates on savings and simplify their bookkeeping with one combined account statement that links account balances. Webster's Check Card can be used at over twelve million Visa merchants worldwide to pay for purchases with money in a linked checking account. The Check Card also serves as a ATM Card for receiving cash, for deposits and processing transfers, and to obtain account balances 24 hours per day. Customer services also include ATM facilities that use state-of-the-art technology with membership in NYCE and PLUS networks and provide 24 hour access to linked accounts. The Bank's First Call telephone banking service provides automated customer access to account information 24 hours per day, seven days per week and also to service representatives at certain established hours. Customers can transfer account balances, process stop payments and address changes, place check reorders, open deposit accounts, inquire about account transactions and request general information about Webster's products and services. Webster's services provide for automatic loan payment features from its accounts as well as for direct deposit of Social Security, payroll, and other retirement benefits. Webster has not used brokers to obtain deposits.

The following table sets forth the deposit accounts of Webster in dollar amounts and as percentages of total deposits at the dates indicated.

	At December 31,					
	1996			1995		
	Weighted average rate	Amount	% of total deposits	Weighted average rate	Amount	% of total deposits
	(Dollars in thousands)					
Balance by account type:						
Demand deposits and NOW accounts.....	.93%	\$606,716	19.6%	1.18%	\$351,189	14.6
Regular savings.....	2.49	652,175	21.1	2.09	471,588	19.6
Money market accounts.....	3.76	101,552	3.3	4.03	87,371	3.6
Certificate accounts.....	5.37	1,735,433	56.0	5.59	1,490,054	62.2
Total deposits.....	3.84%	\$3,095,876	100.0%	4.20%	\$2,400,202	100.0%

	At December 31,		
	1994		
	Weighted average rate	Amount	% of total deposits
Balance by account type:			
Demand deposits and NOW accounts.....	.98%	\$327,094	13.4%
Regular savings.....	2.09	561,196	23.1
Money market accounts.....	4.89	125,987	5.2
Certificate accounts.....	4.62	1,417,668	58.3
Total deposits.....	3.56%	\$2,431,945	100.0%

Maturity information regarding Webster's deposit accounts of \$100,000 or more at December 31, 1996 is shown below.

Total Deposits of \$100,000 or more -----	Three Months or less -----	Over Three Months through Six Months -----	Over Six Months through One Year -----	Over One Year -----	% of Total Deposits -----
(Dollars in thousands)					
\$153,709	\$37,697	\$41,701	\$39,387	\$34,924	4.96%

Additional information concerning the deposits of Webster is included in Note 8 of the Consolidated Financial Statements contained in the annual report to shareholders and incorporated herein by reference.

**Borrowings.** The FHL Bank System functions in a reserve credit capacity for savings institutions and certain other home financing institutions. Members of the FHL Bank System are required to own capital stock in the FHL Bank. Members are authorized to apply for advances on the security of such stock and certain of their home mortgages and other assets (principally securities which are obligations of, or guaranteed by, the United States) provided certain creditworthiness standards have been met. See "Federal Home Loan Bank System." Under its current credit policies, the FHL Bank limits advances based on a member's assets, total borrowings and net worth.

The Bank used FHL Bank advances as an alternative source of funds to deposits in order to fund its lending activities when it determines that it can profitably invest the borrowed funds over their term. At December 31, 1996, the Bank had outstanding FHL Bank advances of \$407.7 million and other borrowings in the amount of \$170.0 million at December 31, 1995.

The following table sets forth certain information as to the Bank's FHL Bank short-term borrowings at the dates and for the years indicated.

	1996 ----	At December 31, 1995 ----	1994 ----
(Dollars in thousands)			
Average amount outstanding during the period:			
FHL Bank short-term advances.....	\$274,596	\$ 268,563	\$ 261,133
Amount outstanding at end of period:			
FHL Bank short-term advances.....	247,034	209,401	232,000
Highest month end balance of short-term FHL Bank borrowings.....	366,000	379,713	387,887
Weighted average interest rate of short-term FHL Bank borrowings at end of period.....	5.77%	6.09%	5.92%
Weighted average interest rate of short-term FHL Bank borrowings during the period.....	5.61%	6.13%	4.69%

During 1996, reverse repurchase agreement transactions were also used as a source of short-term borrowings. The Bank uses reverse repurchase agreements when the cost of such borrowings is favorable as compared to other funding sources.

The following table sets forth certain information as to the Bank's reverse repurchase agreement short-term borrowings at the dates and for the years indicated.

	1996 ----	At December 31, 1995 ----	1994 ----
(Dollars in thousands)			

Average amount outstanding during the period:			
reverse repurchase short-term agreements.....	\$129,166	\$ 37,830	N/A
Amount outstanding at end of period:			
reverse repurchase short-term agreements.....	77,585	126,884	N/A
Highest month end balance of short-term borrowings.....	180,704	126,884	N/A
Weighted average interest rate of reverse repurchase agreement short-term borrowings at end of period.....	5.51%	5.80%	N/A
Weighted average interest rate of repurchase agreement short-term borrowings during the period.....	5.52%	5.91%	N/A

There were no reverse repurchase agreements transacted in 1994.

#### Bank Subsidiaries

At December 31, 1996, the Bank's direct investment in its service corporation subsidiary totaled \$462,000. As of December 31, 1996, the activities of such service corporation subsidiary consisted primarily of the selling of mutual funds and annuities through a third party provider. The service corporation receives a portion of the sales commissions generated and rental income for the office space leased to the provider. The Bank also has an operating subsidiary, the primary function of which is to dispose of other real estate owned. At December 31, 1996 the Bank's direct investment in the operating subsidiary was \$1.3 million.

#### Employees

At December 31, 1996, Webster had 1,057 employees (including 192 part-time employees), none of whom were represented by a collective bargaining group. Webster maintains a comprehensive employee benefit program providing, among other benefits, group medical and dental insurance, life insurance, disability insurance, a pension plan, an employee investment plan and an employee stock ownership plan. Management considers Webster's relations with its employees to be good.

#### Market Area And Competition

The Bank is headquartered in Waterbury, Connecticut (New Haven County) and conducts business from its home office in downtown Waterbury and 78 branch offices in Waterbury, Southbury, Ansonia, Bethany, Oxford, Cheshire, Prospect, Branford, Derby, East Haven, Hamden, Madison, Milford, Naugatuck, New Haven, North Haven, Orange and West Haven (New Haven County), Watertown (Litchfield County), Fairfield, Southbury, Stratford, Trumbull and Shelton (Fairfield County), and Avon, Suffield, East Windsor, Bristol, Plainville, Terryville, Enfield, Windsor Locks, Berlin, East Hartford, Farmington, Glastonbury, Hartford, Manchester, New Britain, Newington, Simsbury, West Hartford, Rocky Hill, Seymour, Wethersfield and Southington (Hartford County) and Cromwell and Middletown (Middlesex County). Waterbury

21

is approximately 30 miles southwest of Hartford and is located on Route 8 midway between Torrington and the New Haven and Bridgeport metropolitan areas. Most of the Bank's depositors live, and most of the properties securing its mortgage loans are located, in the same area or the adjoining counties. The Bank's market area has a diversified economy with the workforce employed primarily in manufacturing, financial services, health care, industrial and technology companies.

The Bank faces substantial competition for deposits and loans throughout its market areas. The primary factors stressed by the Bank in competing for deposits are interest rates, personalized services, the quality and range of financial services, convenience of office locations, automated services and office hours. Competition for deposits comes primarily from other savings institutions, commercial banks, credit unions, money market funds and other investment alternatives. The primary factors in competing for loans are interest rates, loan origination fees, the quality and range of lending services and personalized service. Competition for origination of first mortgage loans comes primarily from other savings institutions, mortgage banking firms, mortgage brokers, commercial banks and insurance companies. The Bank faces competition for deposits and loans throughout its market area not only from local institutions but also from out-of-state financial institutions which have opened loan production offices or which solicit deposits in its market area.

#### Regulation

Webster, as a savings and loan holding company, and Webster bank, as a federally chartered savings bank, are subject to extensive regulation, supervision and examination by the OTS as their primary federal regulator. Webster Bank is also subject to regulation, supervision and examination by the FDIC and as to certain matters by the Board of Governors of the Federal Reserve

System (the "Federal Reserve Board"). See "Management's Discussion and Analysis" and "Notes to Consolidated Financial Statements" as to the impact of certain laws, rules and regulations on the operations of the Corporation and Webster Bank. Set forth below is a description of certain regulatory developments.

As discussed in Management's Discussion and Analysis, legislation was enacted in September 1996 to address the undercapitalization of the SAIF of the FDIC (the "SAIF Recapitalization Legislation"). Legislation also was enacted in 1996 which repeals Section 593 of the Internal Revenue Code of 1986, as amended (the "IRC") under which qualified savings institutions calculated their bad debt deduction for federal income tax purposes.

The SAIF Recapitalization Legislation, in addition to providing for a special assessment to recapitalize the insurance fund, also contemplated the merger of the SAIF with the BIF of which Webster Bank is a member, and which generally insures deposits in national and state-chartered banks. The combined deposit insurance fund, which would be formed no earlier than January 1, 1999, would insure deposits at all FDIC insured depository institutions. As a condition to the combined insurance fund, however, no insured depository institution can be chartered as a savings association (such as Webster Bank). The Secretary of the Treasury is required to report to the Congress no later than March 31, 1997 with respect to the development of a common charter for all insured depository institutions. If legislation with respect to the development of a common charter is enacted, Webster Bank may be required to convert its federal charter to either a new federal type of bank charter or state depository institution charter. Such future legislation also may result in the Corporation becoming regulated as a bank holding company by the Federal Reserve board rather than a savings and loan holding company regulated by the OTS. Regulation by the Federal Reserve Board could

22

subject the Corporation to capital requirements that are not currently applicable to the Corporation as a holding company under OTS regulation and may result in statutory limitations on the type of business activities in which the Corporation may engage at the holding company level, which business activities currently are not restricted. The Corporation and Webster Bank are unable to predict whether such legislation will be enacted.

The SAIF Recapitalization Legislation also contains several provisions augmenting the Bank's commercial lending authority, provided that any loans in excess of 10% of assets are used for small business loans. The qualified thrift lender test that Webster bank must comply with was amended to provide that small business, credit card and student loans can be included without any limit, and that the Bank can qualify as a qualified thrift lender by meeting either the test set forth in the Home Owners' Loan Act or under the definition of a domestic building and loan association as defined under the IRC. Webster Bank does not expect such provisions to materially impact its operations.

During 1996, the OTS continued its comprehensive review of its regulations to eliminate duplicative, unduly burdensome and unnecessary regulation. Revised lending and investments regulations impose general safety and soundness standards, and also provide that commercial loans made by a service corporation of a savings association will be exempted from an institutions's overall 10% limit on commercial loans. The OTS revised subsidiary and equity investment regulations to include an expanded list of pre-approved service corporation activities. The revised corporate governance regulation is intended to provide greater flexibility with respect to corporate governance of federal savings institutions, such as Webster Bank.

The OTS also converted its policy statement on conflicts of interest to a regulation that is intended to be based upon common law principles of "duty of loyalty" and "duty of care". The new conflicts regulation provides that directors, officers, employees, persons having the power to control the management or policies of savings associations, and other persons who owe fiduciary duties to savings institutions will be prohibited from advancing their own personal or business interests, or those of others, at the expense of the institutions they serve. The OTS also clarified that "persons having the power to control the management or policies of savings associations" includes holding companies such as the Corporation. The OTS corporate opportunity regulations and policy statements also were eliminated and replaced with a standard similar to common law standards governing usurpation of corporate opportunity.

#### Taxation

Federal. Webster, on behalf of itself and its subsidiaries, files a calendar tax year consolidated federal income tax return. Webster and its subsidiaries report their income and expenses using the accrual method of accounting. Tax law changes were enacted in August 1996 to eliminate the "thrift bad debt" method of calculating bad debt deductions for tax years after 1995 and to impose a requirement to recapture into taxable income (over a six-year period) all bad debt reserves accumulated after 1987. Since Webster previously recorded a deferred tax liability with respect to these post 1987 reserves, its total tax expense for financial reporting purposes will not be affected by the recapture requirement. The tax law changes also provide that taxes associated

with the recapture of pre-1988 bad debt reserves would become payable under more limited circumstances than under prior law. Under the tax laws, as amended, events that would result in recapture of the pre-1988 bad debt reserves include stock and cash distributions to the holding company from the Bank in excess of specified amounts. Webster does not expect such reserves

recaptured to be into taxable income. At December 31, 1996 Webster had pre-1988 reserves of approximately \$16.4 million.

Depending on the composition of its items of income and expense, a savings institution may be subject to the alternative minimum tax. For tax years beginning after 1986, a savings institution must pay an alternative minimum tax equal to the amount (if any) by which 20% of alternative minimum taxable income ("AMTI"), as reduced by an exemption varying with AMTI, exceeds the regular tax due. AMTI equals regular taxable income increased or decreased by certain adjustments and increased by certain tax preferences, including depreciation deductions in excess of those allowable for alternative minimum tax purposes, tax-exempt interest on most private activity bonds issued after August 7, 1986 (reduced by any related interest expense disallowed for regular tax purposes), the amount of the bad debt reserve deduction claimed in excess of the deduction based on the experience method and, for tax years after 1989, 75% of the excess of adjusted current earnings over AMTI. AMTI may be reduced only up to 90% by net operating loss carryovers, but the payment of alternative minimum tax will give rise to a minimum tax credit which will be available with an indefinite carryforward period, to reduce federal income taxes of the institution in future years (but not below the level of alternative minimum tax arising in each of the carryforward years).

Webster's federal income tax returns have been examined by the Internal Revenue Service for tax years through 1993.

State. State income taxation is in accordance with the corporate income tax laws of the State of Connecticut and other states on an apportioned basis. For the State of Connecticut, the Bank and its subsidiaries are required to pay taxes under the larger of two methods but no less than the minimum tax of \$250 per entity. Method one is 10.75% (scheduled to decrease to 7.5% by 2000) of the year's taxable income (which, with certain exceptions, is equal to taxable income for federal purposes) or method two, (additional tax on capital) an amount equal to 3 and 1/10 mills per dollar on its average capital and a special rule for banks to calculate its additional tax base is an amount equal to 4% of the amount of interest or dividends credited by the Bank on savings accounts of depositors or account holders during the preceding taxable year, provided that, in determining such amount, interest or dividends credited to the savings account of a depositor or account holder are deemed to be the lesser of the actual interest or dividends credited or the interest or dividend that would have been credited if it had been computed and credited at the rate of one-eighth of 1% per annum.

Item 2. Properties At December 31, 1996, Webster had 28 banking offices in New Haven County, 29 banking offices in Hartford County, three banking offices in Fairfield County, two banking offices in Litchfield County and two banking offices in Middlesex County.

The following table sets forth certain information concerning the banking offices of Webster at December 31, 1996.

Location	Year Opened	Owned or Leased	Lease Expiration Date	Lease Renewal Option
Webster Plaza, Waterbury, CT	1978	Owned	--	--
Naugatuck Valley Mall, Waterbury, CT	1969	Leased	2000	--
Chase Avenue at Wigwam Ave, Waterbury, CT	1976	Owned	--	--
364 Reidville Drive, Waterbury, CT	1976	Building-Owned	--	--
		Land-Leased	1997	--
670 Wolcott Street, Mattatuck Plaza, Waterbury, CT	1984	Building-Owned	--	--
		Land-Leased	2004	One 10-year option
656 Main Street, Watertown, CT	1959	Owned	--	--
544 Straits Turnpike, Watertown, CT	1985	Leased	1998	Three 5-year options
Southbury Plaza, Southbury, CT	1979	Leased	2004	One 10-year option
45 Waterbury Road, Prospect, CT	1988	Owned	--	--
359 Queen Street, Southington, CT	1989	Leased	1997	One 5-year option
145 Highland Avenue, Cheshire, CT	1990	Leased	2005	One 5-year option
66 North Main Street, Suffield, CT	1991	Owned	--	--

6 National Drive, Windsor Locks, CT	1991	Leased	1999	One 3-year option
24 Dexter Plaza, Windsor Locks, CT	1991	Leased	1998	One 5-year option
561 Hazard Avenue, Enfield, CT	1991	Owned	--	--
Route 140, East Windsor, CT	1991	Leased	--	Monthly Negotiated
1 South Main Street, Branford, CT	1992	Owned	--	--
922 South Main St., Cheshire, CT	1992	Building-Owned	--	--
		Land-Leased	2013	Two 33-year options
630 New Haven, Ave., Derby, CT	1992	Leased	2001	Five 5-year options
260 Main Street, East Haven, CT	1992	Owned	--	--
1177 Post Road, Fairfield, CT	1992	Owned	--	--
2290 Whitney Ave., Hamden, CT	1992	Owned	--	--
5 Helen St., Hamden, CT	1992	Owned	--	--
1227 Whitney Ave., Hamden, CT	1992	Owned	--	--
100 Broad St., Milford, CT	1992	Owned	--	--
314 Merwin Ave., Milford, CT	1992	Owned	--	--
80 Elm St., New Haven, CT	1992	Owned	--	--
894 Whalley Ave., New Haven, CT	1992	Owned	--	--
70 Washington Ave., North Haven, CT	1992	Leased	2009	Three 5-year options
247 Boston Post Rd., Orange, CT	1992	Owned	--	--
534 Campbell Ave., West Haven, CT	1992	Owned	--	--
28 Durham Rd., Madison, CT	1995	Leased	2000	One 5-year option
733 Rubber Avenue, Naugatuck, CT	1994	Building-Owned	--	--
		Land-Leased	2087	--
575 Farmington Ave., Bristol, CT*	1994	Leased	2001	One 5-year option
647 Farmington Ave., Bristol, CT	1994	Leased	2007	One 10-year option
761 Pine St., Forestville, CT	1994	Leased	--	Monthly Negotiated
150 Main St., Bristol, CT	1994	Owned	--	--
51 East Main Street, Plainville, CT	1994	Owned	--	--
North Riverside Avenue, Terryville, CT	1994	Owned	--	--
375 Bridgeport, Shelton, CT	1995	Owned	--	--
75 Tremont Street, Ansonia, CT	1995	Owned	--	--
200 Division Street, Ansonia, CT	1995	Owned	--	--
696 Amity Road, Bethany, CT	1995	Owned	--	--
60 Oxford Road, Oxford, CT	1995	Owned	--	--
427 Howe Avenue, Shelton, CT	1995	Owned	--	--
40 Webster Square, Berlin CT	1996	Owned	--	--
5 Coles Road, Cromwell, CT	1996	Leased	2004	--
1085 Main Street, East Hartford, CT	1996	Owned	--	--
50 Freshwater Blvd., Enfield, CT	1996	Leased	2009	One 6-year option
High Street, Farmington, CT	1996	Leased	1999	--

25

141 Hebron Avenue, Glastonbury, CT	1996	Owned	--	--
185 Asylum Avenue, Hartford, CT	1996	Leased	1998	Two 5-year options
410 Homestead Avenue, Hartford, CT	1996	Owned	--	--
655 Wethersfield Avenue, Hartford, CT	1996	Leased	1997	One 5-year option
320 Middle Turnpike, Manchester, CT	1996	Leased	2002	One 5-year option
363 Main Street, Middletown, CT	1996	Owned	--	--
741 West Main Street, New Britain, CT	1996	Owned	--	--
3180 Berlin Turnpike, Newington, CT	1996	Leased	1999	--
690 Hopmeadow Street, Simsbury, CT	1996	Owned	--	--
132 Main Street, Southington, CT	1996	Owned	--	--
1114 New Britain Ave., West Hartford, CT	1996	Leased	2000	Three 3-year options
65 La Salle Road, West Hartford, CT	1996	Leased	2002	--
1039 Silas Deane Hwy., Wethersfield, CT	1996	Leased	2000	One 5-year option
270 Broad Street, Windsor, CT	1996	Owned	--	--
371 East Main Street, Middletown, CT *	1996	Leased	2021	One 10-year option

\* Drive thru facility only  
</TABLE>

The total net book value of properties and furniture and fixtures owned and used for offices at December 31, 1996 was \$33.5 million, which includes the aggregate net book value of leasehold improvements on properties used for offices of \$2.0 million at that date.

### Item 3. Legal Proceedings

At December 31, 1996, there were no material pending legal proceedings, other than ordinary routine litigation to its business, to which Webster was a party or to which any of its property was subject.

### Item 4. Submission Of Matters To A Vote Of Security Holders

Not Applicable

## PART II

### Item 5. Market for Registrant's Common Stock and Related Stockholder Matters

The common stock of Webster is traded over-the-counter on the Nasdaq National Market System under the symbol "WEBST."

The following table shows dividends declared and the market price per share by quarter for 1996 and 1995. Webster increased its quarterly dividend to \$.18 per share in August 1996.

26

	Cash Dividends Declared	Common Stock (Per Share) Market Price		End of Period
		Low	High	
1996:				
Fourth.....	\$ .18	\$ 33 1/2	\$ 38 1/4	\$ 36 3/4
Third.....	.18	28	35 3/4	35 1/4
Second.....	.16	26 3/4	29 3/8	28
First.....	.16	27 1/2	30 1/4	28
1995:				
Fourth.....	\$ .16	\$ 24 1/2	\$ 29 1/2	\$ 29 1/2
Third.....	.16	23	31	26 1/4
Second.....	.16	21 1/4	26	23 7/8
First.....	.16	18	22 1/4	21 1/4

Payment of dividends from Webster Bank to Webster is subject to certain regulatory and other restrictions. Payment of dividends by Webster on its stock is subject to various restrictions, none of which is expected to limit any dividend policy which the Board of Directors may in the future decide to adopt. Under Delaware law, Webster may pay dividends out of surplus or, in the event there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Dividends may not be paid out of net profits, however, if the capital of Webster has been diminished to an amount less than the aggregate amount of capital represented by all classes of preferred stock.

Item 6. Selected Financial Data

Selected financial data for the five years ended December 31, 1996, consisting of data captioned "Selected Consolidated Financial and Other Data" on Page 2 of the Corporation's 1996 Annual Report to Shareholders, is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on Pages 15 to 25 of the Corporation's 1996 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The required information is incorporated herein by reference from Pages 26 to 58 of the Corporation's 1996 Annual Report to Shareholders.

Item 9. Disagreements on Accounting and Financial Disclosures.

Not Applicable.

27

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding the directors and executive officers of the Corporation is omitted from this report as the Corporation has filed its definitive proxy statement within 120 days after the end of the fiscal year

covered by this Report, and the information included therein is incorporated herein by reference.

Item 11. Executive Compensation

Information regarding compensation of executive officers and directors is omitted from this Report as the Corporation has filed a definitive proxy statement within 120 days after the end of the fiscal year covered by this report, and the information included therein (excluding the Personnel Resources Committee Report on Executive Compensation and the Comparative Company Performance information) is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information required by this Item is omitted from this Report as the Corporation has filed a definitive proxy statement within 120 days after the end of the fiscal year covered by this Report, and the information included therein is incorporated by reference.

Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is omitted from this Report as the Corporation has filed a definitive proxy statement within 120 days after the end of the fiscal year covered by this Report, and the information included therein is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) The following consolidated financial statements of the Registrant and its subsidiary included in its Annual Report to Shareholders for the year ended December 31, 1996, are incorporated herein by reference in Item 8. The remaining information appearing in the Annual Report to Shareholders is not deemed to be filed as part of this Report, except as expressly provided herein.

Consolidated Statements of Condition - December 31, 1996 and 1995

Consolidated Statements of Income - Years Ended December 31, 1996, 1995 and 1994

Consolidated Statements of Cash Flows - Years Ended December 31, 1996, 1995 and 1994

Consolidated Statements of Shareholders' Equity - Years Ended December 31, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

28

Report of Independent Auditors

(a)(2) All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) The following exhibits are either filed as part of this Report or are incorporated herein by reference; references herein to First Federal Bank now mean Webster Bank:

Exhibit No. 3. Certificate of Incorporation and Bylaws.

- 3.1 Restated Certificate of Incorporation.
- 3.2 Certificate of Amendment of Restated Certificate of Incorporation.
- 3.3 Certificate of Designation for the Series A Cumulative Perpetual Preferred Stock.
- 3.4 Certificate of Designation for the Series B 7 1/2% Cumulative Convertible Preferred Stock.
- 3.5 Certificate of Designation for the Series C Participating Preferred Stock.
- 3.6 Certificate of Amendment to Restated Certificate of Incorporation.
- 3.7 Bylaws of Registrant (incorporated by reference to Exhibit 3.5

to the Corporation's Form 10-K filed on March 31, 1995).

Exhibit No. 10. Material Contracts.

- 10.1 1986 Stock Option Plan of Webster Financial Corporation (incorporated herein by reference to Exhibit 10(a) to the Corporation's Form 10-K filed on March 27, 1987).
- 10.2 1992 Stock Option Plan of Webster Financial Corporation (incorporated by reference to Exhibit 10.2 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.3 Amendment No. 1 to 1992 Stock Option Plan (incorporated by reference to Exhibit 10.3 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.4 Short-term Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.5 Long-Term Incentive Compensation Plan (incorporated by reference to Exhibit 99.6 to the Corporation's Form 8-K/A filed on November 10, 1993).
- 10.6 Performance Incentive Plan (incorporated by reference to Exhibit 10.6 to the Corporation's Form 10-K filed on March 31, 1995)
- 10.7 Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 1989 (incorporated by reference to Exhibit 10.7 to the Corporation's Form 10-K filed on March 31, 1995)

29

- 10.8 First Federal Bank Deferred Compensation Plan for Directors and Officers, effective December 7, 1987 (incorporated herein by reference to Exhibit 10(l) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.9 Form of Supplemental Retirement Plan for Harold W. Smith (incorporated herein by reference to Exhibit 10(j) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.10 Form of Stock Option Agreement for Harold W. Smith (Initial) (incorporated herein by reference to Exhibit 10(k) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.11 Form of Stock Option Agreement for Executive Officers (Initial) (incorporated herein by reference to Exhibit 10(l) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.12 Form of Stock Option Agreement for Directors (Initial) (incorporated herein by reference to Exhibit 10(m) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.13 Form of Stock Option Agreement for Employees (1987) (incorporated herein by reference to Exhibit 10(n) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.14 Form of Incentive Stock Option Agreement (for employees with employment agreements) (incorporated by reference to Exhibit 10.15 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.15 Form of Incentive Stock Option Agreement (for employees with severance agreements) (incorporated by reference to Exhibit 10.16 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.16 Form of Incentive Stock Option Agreement (for employees with no employment or severance agreements) (incorporated by reference to Exhibit 10.17 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.17 Form of Nonqualified Stock Option Agreement (for employees with employment agreements) (incorporated by reference to Exhibit 10.18 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.18 Form of Non-Incentive Stock Option Agreement (for non-employee directors). (incorporated by reference to Exhibit 10.19 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.19 Form of Non-Incentive Stock Option Agreement (for employees with employment agreements) (incorporated by reference to Exhibit 10.20 to the Corporation's Form 10-K filed on March

31, 1994).

- 10.20 Form of Non-Incentive Stock Option Agreement (for employees with severance agreements) (incorporated by reference to Exhibit 10.21 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.21 Form of Non-Incentive Stock Option Agreement (for employees with no employment or severance agreements) (incorporated by reference to Exhibit 10.22 to the Corporation's Form 10-K filed on March 31, 1994).

30

- 10.22 Form of Incentive Stock Option Agreement (for employees) (revised) (incorporated by reference to Exhibit 10.22 to the Corporation's Form 10-K filed on March 31, 1995)
- 10.23 Form of Nonqualified Stock Option Agreement (for employees with employment agreements) (revised) (incorporated by reference to Exhibit 10.23 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.24 Form of Nonqualified Stock Option Agreement (immediate vesting) (incorporated by reference to Exhibit 10.24 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.25 Form of Nonqualified Stock Option Agreement (for senior officers of Bristol Mortgage) (incorporated by reference to Exhibit 10.25 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.26 Supplemental Retirement Plan for Employees of First Federal Bank, as amended and restated effective as of October 1, 1994 (incorporated by reference to Exhibit 10.26 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.27 Consulting Agreement between First Federal Bank and Harold W. Smith, Jr., dated as of January 1, 1994 (incorporated herein by reference to Exhibit 10.12 to the Corporation's Form 8-K/A filed on January 13, 1994).
- 10.28 Amendment to Consulting Agreement, dated as of January 1, 1997, among Webster Bank, the Corporation and Harold W. Smith.
- 10.29 Employment Agreement among Webster Bank, the Corporation and James C. Smith, dated as of January 1, 1997.
- 10.30 Employment Agreement among Webster Bank, the Corporation and Lee A. Gagnon, dated as of January 1, 1997.
- 10.31 Employment Agreement among Webster Bank, the Corporation and John V. Brennan, dated as of January 1, 1997.
- 10.32 Employment Agreement among Webster Bank, the Corporation and Ross M. Strickland, dated as of January 1, 1997.
- 10.33 Employment Agreement among Webster Bank, the Corporation and Peter K. Mulligan.
- 10.34 Employment Agreement between the Corporation, First Federal Bank and Gary M. MacElhiney, dated as of January 1, 1995 (incorporated by reference to Exhibit 10.32 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.35 Severance Payment Agreement among the Corporation, First Federal Bank and Peter K. Mulligan, dated as of April 17, 1995 (incorporated herein by reference to Exhibit 10.38 from the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
- 10.36 Purchase and Assumption Agreement among FDIC, Receiver of Suffield Bank, FDIC and First Federal Bank, dated September 6, 1991 (incorporated herein by reference to Exhibit 10(m) from the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992).
- 10.37 Indemnity Agreement between FDIC and First Federal Bank dated as of September 6, 1991 (incorporated herein by reference to Exhibit 10(n) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).

31

- 10.38 Purchase and Assumption Agreement among the FDIC, in its corporate capacity as receiver of First Constitution Bank, First Federal Bank and the FDIC, dated as of October 2, 1992 (incorporated herein by reference from the Registrant's Form 8-K filed on October 19, 1992).
- 10.39 Amendment No. 1 to Purchase and Assumption Agreement, dated as of August 8, 1994, between the FDIC and First Federal (incorporated by reference to Exhibit 10.36 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.40 Indenture, dated as of June 15, 1993, between the Corporation and Chemical Bank, as Trustee, relating to the Corporation's Senior Notes due 2000 (incorporated herein by reference to Exhibit 99.5 to the Corporation's Form 8-K/A filed on November 10, 1993).
- 10.41 Junior Subordinated Indenture, dated January 29, 1997 between the Corporation and the Bank of New York as Trustee, relating to the Corporation's Junior Subordinated Deferrable Interest Debentures.

Exhibit No. 13. Annual Report to Shareholders.

Exhibit No. 21. Subsidiaries.

Exhibit No. 24. Consent of KPMG Peat Marwick LLP.

Exhibit No. 27. Financial Data Schedule.

(b) The following current reports on Form 8-K or amendments thereto on Form 8 were filed by the Registrar during the last quarter of fiscal year 1996

(i) Current Report on Form 8-K dated October 10, 1996 (ii) Current Report on Form 8-K dated November 26, 1996

(c) Exhibits to this Form 10-K are attached or incorporated by reference as stated above.

(d) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WEBSTER FINANCIAL CORPORATION  
Registrant

BY: /s/ James C. Smith  
-----  
James C. Smith, Chairman  
and Chief Executive Officer

Date: March 27, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities noted as of March 27, 1996.

By: /s/ John V. Brennan  
-----  
John V. Brennan, Executive Vice President,  
Chief Financial Officer and Treasurer

By: /s/ Peter J. Swiatek  
-----  
Peter J. Swiatek  
Controller

By: /s/ Harold W. Smith  
-----

Harold W. Smith  
Director

By: /s/ Joel S. Becker  
-----

Joel S. Becker  
Director

By: /s/ O. Joseph Bizzozero, Jr.  
-----

O. Joseph Bizzozero, Jr.  
Director

33

By: /s/ Walter R. Griffin  
-----

Walter R. Griffin  
Director

By: /s/ Robert A. Finkenzeller  
-----

Robert A. Finkenzeller  
Director

By: /s/ Marguerite F. Waite  
-----

Marguerite F. Waite  
Director

By: /s/ J. Gregory Hickey  
-----

J. Gregory Hickey  
Director

By: /s/ John J. Crawford  
-----

John J. Crawford  
Director

By: /s/ Harry P. DiAdamo, Jr.  
-----

Harry P. DiAdamo, Jr.  
Director

By: /s/ C. Michael Jacobi  
-----

C. Michael Jacobi  
Director

By: /s/ Achille Apicella  
-----

Achille Apicella  
Director

34

EXHIBIT INDEX\*

Number	Description
3.1	Restated Certificate of Incorporation.
3.2	Certificate of Amendment of Restated Certificate of Incorporation.
3.3	Certificate of Designation for the Series A Cumulative Perpetual Preferred Stock.
3.4	Certificate of Designation for the Series B 7 1/2% Cumulative Convertible Preferred Stock.
3.5	Certificate of Designation for the Series C Participating Preferred Stock.

- 3.6 Certificate of Amendment to Restated Certificate of Incorporation.
- 3.7 Bylaws of Registrant (incorporated by reference to Exhibit 3.5 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.1 1986 Stock Option Plan of Webster Financial Corporation (incorporated herein by reference to Exhibit 10(a) to the Corporation's Form 10-K filed on March 27, 1987).
- 10.2 1992 Stock Option Plan of Webster Financial Corporation (incorporated by reference to Exhibit 10.2 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.3 Amendment No. 1 to 1992 Stock Option Plan (incorporated by reference to Exhibit 10.3 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.4 Short-term Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.5 Long-Term Incentive Compensation Plan (incorporated by reference to Exhibit 99.6 to the Corporation's Form 8-K/A filed on November 10, 1993).
- 10.6 Performance Incentive Plan (incorporated by reference to Exhibit 10.6 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.7 Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 1989 (incorporated by reference to Exhibit 10.7 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.8 First Federal Bank Deferred Compensation Plan for Directors and Officers, effective December 7, 1987 (incorporated herein by reference to Exhibit 10(1) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.9 Form of Supplemental Retirement Plan for Harold W. Smith (incorporated herein by reference to Exhibit 10(j) to the Corporation's Form 10-K filed on March 29, 1988).

35

- 10.10 Form of Stock Option Agreement for Harold W. Smith (Initial) (incorporated herein by reference to Exhibit 10(k) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.11 Form of Stock Option Agreement for Executive Officers (Initial) (incorporated herein by reference to Exhibit 10(l) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.12 Form of Stock Option Agreement for Directors (Initial) (incorporated herein by reference to Exhibit 10(m) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.13 Form of Stock Option Agreement for Employees (1987) (incorporated herein by reference to Exhibit 10(n) to the Corporation's Form 10-K filed on March 29, 1988).
- 10.14 Form of Incentive Stock Option Agreement (for employees with employment agreements). (incorporated by reference to Exhibit 10.15 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.15 Form of Incentive Stock Option Agreement (for employees with severance agreements) (incorporated by reference to Exhibit 10.16 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.16 Form of Incentive Stock Option Agreement (for employees with no employment or severance agreements) (incorporated by reference to Exhibit 10.17 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.17 Form of Nonqualified Stock Option Agreement (for employees with employment agreements) (incorporated by reference to Exhibit 10.18 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.18 Form of Non-Incentive Stock Option Agreement (for non-employee directors). (incorporated by reference to Exhibit 10.19 to the Corporation's Form 10-K filed on March 31, 1994).

- 10.19 Form of Non-Incentive Stock Option Agreement (for employees with employment agreements) (incorporated by reference to Exhibit 10.20 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.20 Form of Non-Incentive Stock Option Agreement (for employees with severance agreements) (incorporated by reference to Exhibit 10.21 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.21 Form of Non-Incentive Stock Option Agreement (for employees with no employment or severance agreements)(incorporated by reference to Exhibit 10.22 to the Corporation's Form 10-K filed on March 31, 1994).
- 10.22 Form of Incentive Stock Option Agreement (for employees) (revised) (incorporated by reference to Exhibit 10.22 to the Corporation's Form 10-K filed on March 31, 1995).

36

- 10.23 Form of Nonqualified Stock Option Agreement (for employees with employment agreements) (revised) (incorporated by reference to Exhibit 10.23 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.24 Form of Nonqualified Stock Option Agreement (immediate vesting) (incorporated by reference to Exhibit 10.24 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.25 Form of Nonqualified Stock Option Agreement (for senior officers of Bristol Mortgage) (incorporated by reference to Exhibit 10.25 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.26 Supplemental Retirement Plan for Employees of First Federal Bank, as amended and restated effective as of October 1, 1994 (incorporated by reference to Exhibit 10.26 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.27 Consulting Agreement between First Federal Bank and Harold W. Smith, Jr., dated as of January 1, 1994 (incorporated herein by reference to Exhibit 10.12 to the Corporation's Form 8-K/A filed on January 13, 1994).
- 10.28 Amendment to Consulting Agreement, dated as of January 1, 1997, among Webster Bank, the Corporation and Harold W. Smith.
- 10.29 Employment Agreement among Webster Bank, the Corporation and James C. Smith, dated as of January 1, 1997.
- 10.30 Employment Agreement among Webster Bank, the Corporation and Lee A. Gagnon, dated as of January 1, 1997.
- 10.31 Employment Agreement among Webster Bank, the Corporation and John V. Brennan, dated as of January 1, 1997.
- 10.32 Employment Agreement among Webster Bank, the Corporation and Ross M. Strickland, dated as of January 1, 1997.
- 10.33 Employment Agreement among Webster Bank, the Corporation and Peter K. Mulligan.
- 10.34 Employment Agreement among the Corporation, First Federal Bank and Gary M. MacElhiney, dated as of January 1, 1995 (incorporated by reference to Exhibit 10.32 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.35 Severance Payment Agreement among the Corporation, First Federal Bank and Peter K. Mulligan, dated as of April 17, 1995(incorporated herein by reference to Exhibit 10.38 from the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
- 10.36 Purchase and Assumption Agreement among FDIC, Receiver of Suffolk Bank, FDIC and First Federal Bank, dated September 6, 1991 (incorporated herein by reference to Exhibit 10(m) from the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992).
- 10.37 Indemnity Agreement between FDIC and First Federal Bank dated as of September 6, 1991 (incorporated herein by reference to Exhibit 10(n) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).

- 10.38 Purchase and Assumption Agreement among the FDIC, in its corporate capacity as receiver of First Constitution Bank, First Federal Bank and the FDIC, dated as of October 2, 1992 (incorporated herein by reference from the Registrant's Form 8-K filed on October 19, 1992).
- 10.39 Amendment No. 1 to Purchase and Assumption Agreement, dated as of August 8, 1994, between the FDIC and First Federal (incorporated by reference to Exhibit 10.36 to the Corporation's Form 10-K filed on March 31, 1995).
- 10.40 Indenture, dated as of June 15, 1993, between the Corporation and Chemical Bank, as Trustee, relating to the Corporation's Senior Notes due 2000 (incorporated herein by reference to Exhibit 99.5 to the Corporation's Form 8-K/A filed on November 10, 1993).
- 10.41 Junior Subordinated Indenture, dated January 29, 1997 between the Corporation and the Bank of New York as Trustee, relating to the Corporation's Junior Subordinated Deferrable Interest Debentures.
  
- 13. Annual Report to Shareholders.
- 21. Subsidiaries.
- 24. Consent of KPMG Peat Marwick LLP.
- 27. Financial Data Schedule.

\* References herein to First Federal Bank now mean Webster Bank.

RESTATED CERTIFICATE OF INCORPORATION

OF

WEBSTER FINANCIAL CORPORATION

Webster Financial Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Webster Financial Corporation and the name under which the corporation was originally incorporated is Webster Financial Corp. The date of filing its original Certificate of Incorporation with the Secretary of State was September 10, 1986.

2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

3. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby restated without further amendments or changes to read as set forth in full in the attachment hereto.

4. This Restated Certificate of Incorporation was duly adopted by the board of directors in accordance with Sections 241 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Webster Financial Corporation has caused this certificate to be signed by James C. Smith, its President, and attested by Harold W. Smith, Jr., its Secretary, this 16th day of December, 1986.

WEBSTER FINANCIAL CORPORATION

By: /s/ James C. Smith

James C. Smith  
President

ATTEST:

By: /s/ Harold W. Smith, Jr.

Harold W. Smith, Jr.  
Secretary

-2-

STATE OF DELAWARE

RESTATED CERTIFICATE OF INCORPORATION

OF

WEBSTER FINANCIAL CORPORATION

Article 1. CORPORATE TITLE. The name of the corporation is Webster Financial Corporation (the "Corporation").

Article 2. DURATION. The duration of the Corporation is perpetual.

Article 3. PURPOSE. The purpose or purposes for which the Corporation is organized are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

Article 4. CAPITAL STOCK. The total number of shares of all classes of the capital stock which the Corporation has authority to issue is twenty-five million (25,000,000), of which twenty-two million (22,000,000) shall be common stock, par value \$.01 per share, amounting in the aggregate to two hundred twenty thousand dollars (\$220,000), and three million (3,000,000) shall be serial preferred stock, par value \$.01 per share, amounting in the aggregate to thirty thousand dollars (\$30,000). The shares may be issued by the Corporation from time to time as approved by its board of directors without the approval of its shareholders. The consideration for the issuance of the shares shall be paid in full before their issuance and shall not be less than the par value per share. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of the shares of the Corporation. The

consideration for the shares shall be cash, services actually performed for the Corporation, personal property, real property, leases of real property or any combination of the foregoing. In the absence of actual fraud in the transaction, the value of such property, labor or services, as determined by the board of directors of the Corporation, shall be conclusive. Upon payment of such consideration such shares shall be deemed to be fully paid and nonassessable.

Nothing contained in this Article 4 (or in any resolution or resolutions adopted by the board of directors pursuant hereto) shall entitle the holders of any class or series of capital stock to more than one vote per share.

A description of the different classes and series of the Corporation's capital stock and a statement of the designations, and the powers, preferences and rights, and the qualifications, limitations and restrictions of the shares of each class of and series of capital stock are as follows:

A. COMMON STOCK. Except as provided in this Article 4 (or in any resolution or resolutions adopted by the board of directors pursuant hereto), the holders of the common stock shall exclusively possess all voting power.

Each holder of shares of common stock shall be entitled to one vote for each share held by such holder, including the election of directors. There shall be no cumulative voting rights in the election of directors. Each share of common stock shall have the same relative rights as and be identical in all respects with all the other shares of common stock.

Wherever there shall have been paid, or declared and set aside for payment, to the holders of the outstanding shares of any class of stock having preference over the common stock as to the payment of dividends, the full amount of dividends and of sinking fund or retirement fund or other retirement payments, if any, to which such holders are respectively entitled in preference to the common stock, then dividends may be paid on the common stock and on any class or series of stock entitled to participate therewith as to dividends, out of any assets legally available for the payment of dividends; but only when and as declared by the board of directors.

In the event of any liquidation, dissolution or winding up of the Corporation, after there shall have been paid to or set aside for the holders of any class having preferences over the common stock in the event of liquidation, dissolution or winding up of the full preferential amounts of which they are respectively entitled, the holders of the common stock, and of any class or series of stock entitled to participate therewith, in whole or in part, as to distribution of assets, shall be entitled after payment or provision for payment of all debts and liabilities of the Corporation, to receive the remaining assets of the Corporation available for distribution, in cash or in kind.

B. SERIAL PREFERRED STOCK. Except as provided in this Section 4, the board of directors of the Corporation is authorized by resolution or resolutions from time to time adopted and by filing a certificate pursuant to the applicable law of the State of Delaware, to provide for the issuance of serial preferred stock in series and to fix and state the voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights of the shares of each such series and the qualifications, limitations and restrictions thereof. Each shares of each series of serial preferred stock shall have the same relative rights as and be identical in all respects with all the other shares of the same series.

Article 5. PREEMPTIVE RIGHTS. Holders of the capital stock of the Corporation shall not be entitled to preemptive rights with respect to any shares or other securities of the Corporation which may be issued.

Article 6. DIRECTORS. The Corporation shall be under the direction of a board of directors. The board of directors shall consist of not less than seven directors nor more than 15 directors. The number of directors within this range

-2-

shall be as stated in the Corporation's bylaws, as may be amended from time to time, and shall initially consist of seven directors. The board of directors shall divide the directors into three classes and, when the number of directors is changed, shall determine the class or classes to which the increased or decreased number of directors shall be apportioned; provided, that the directors in each class shall be as nearly equal in number as possible, commencing with the 1987 annual meeting of shareholders; provided, further, that no decrease in the number of directors shall affect the term of any director then in office.

The classification shall be such that the term of one class shall expire each succeeding year. The Corporation's board of directors shall initially be divided into three classes named Class I, Class II and Class III, with Class I initially consisting of one director and Classes II and III each initially consisting of three directors. The terms, classifications, qualifications and election of the board of directors and the filling of vacancies thereon shall be as provided herein and in the bylaws. The names and addresses of those persons of each class to serve on the initial board of directors shall be as follows:

Class I: Terms of office expire at 1987 annual meeting of shareholders:  
-----

Name ----	Address -----
Richard G. Morgan	First Federal Plaza, Waterbury, Connecticut 06726

Class II: Terms of office expire at 1988 annual meeting of shareholders:  
-----

Name ----	Address -----
O. Joseph Bizzozero, Jr.	First Federal Plaza, Waterbury, Connecticut 06726
Robert A. Finkenzeller	First Federal Plaza, Waterbury, Connecticut 06726
George H. Largay, II	First Federal Plaza, Waterbury, Connecticut 06726

Class III: Terms of office expire at 1989 annual meeting of shareholders:  
-----

Name ----	Address -----
Joel Becker	First Federal Plaza, Waterbury, Connecticut 06726
Harold W. Smith	First Federal Plaza, Waterbury, Connecticut 06726
James C. Smith	First Federal Plaza, Waterbury, Connecticut 06726

Subject to the foregoing, at each annual meeting of shareholders the successors to the class of directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting and until their successors shall be elected and qualified.

-3-

Any vacancy occurring in the board of directors, including any vacancy created by reason of an increase in the number of directors, shall be filled for the unexpired term by the concurring vote of a majority of the directors then in office, whether or not a quorum, and any director so chosen shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified.

No director may be removed except for cause and then only by an affirmative vote of at least two-thirds of the total votes eligible to be voted by shareholders at a duly constituted meeting of shareholders called for such purpose. At least 30 days prior to such meeting of shareholders, written notice shall be sent to the director or directors whose removal will be considered at such meeting.

No director shall be personally liable to the Corporation or its shareholders for monetary damages for breach of a fiduciary duty as a director other than liability (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for any payment of a dividend or approval of a stock repurchase that is illegal under ss. 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

Article 7. BYLAWS. The board of directors or the shareholders may from time to time amend the bylaws of the Corporation. Such action by the board of directors shall require the affirmative vote of at least two-thirds of the directors then in office at a duly constituted meeting of the board of directors called for such purpose. Such action by the shareholders shall require the affirmative vote of at least two-thirds of the total votes eligible to be voted at a duly constituted meeting of shareholders called for such purpose.

Article 8. SPECIAL MEETINGS. Special meetings of shareholders may be called at any time but only the chairman of the board or the president of the Corporation or by the board of directors of the Corporation.

Article 9. REGISTERED OFFICE. The street address of the Corporation's

initial registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, and the name of its initial registered agent at such address is The Corporation Trust Company.

Article 10. APPROVAL FOR ACQUISITIONS OF CONTROL AND OFFERS TO ACQUIRE CONTROL. The provisions of this Article 10 shall become effective upon the consummation of the conversion of First Federal Savings and Loan Association of Waterbury (the "Association") to a capital stock savings and loan association and the Association concurrently becoming a wholly-owned subsidiary of the Corporation. In the event that thereafter the Association (or any successor

-4-

institution) ceases to be a majority-owned subsidiary of the Corporation, this Article 10 shall thereupon cease to be effective.

SUBSECTION 1. Five-Year Restrictions on Acquisitions of Control and Offers to Acquire Control.

For a period of five years after the consummation of the conversion of the Association to a capital stock savings and loan association, no Person shall acquire control of the Corporation, or make any Offer to acquire Control of the Corporation, unless such acquisition or Offer has received the prior approval of at least two-thirds of the directors then in office at a duly constituted meeting of the board of directors of the Corporation called for such purpose. The terms "Person," "Control" and "Offer" as used in this Article 10 are defined in subsection 5 hereof.

SUBSECTION 2. Shareholder Vote and Regulatory Approval Required for Acquisition of Control at any Time.

No Person shall acquire Control of the Corporation at any time, unless such acquisition has been approved prior to its consummation by the affirmative vote of the holders of at least two-thirds of the outstanding shares of Voting Stock (as defined in Subsection 5 hereof) at a duly constituted meeting of shareholders called for such purpose. In addition, no Person shall acquire Control of the Corporation at any time without obtaining prior thereto all federal regulatory approvals required under the Change in Savings and Loan Control Act (the "Control Act") and the Savings and Loan Holding Company Act (the "Holding Company Act"), or any successor provisions of law, and in the manner provided by all applicable regulations of the Federal Savings and Loan Insurance Corporation (the "FSLIC"). In the event that Control is acquired without obtaining all such regulatory approvals, such acquisition shall constitute a violation of this Article 10 and the Corporation shall be entitled to institute a private right of action to enforce such statutory and regulatory provisions.

SUBSECTION 3. Excess Shares.

In the event that Control of the Corporation is acquired in violation of this Article 10, all shares of Voting Stock owned by the Person so acquiring Control in excess of the number of shares the beneficial ownership of which is deemed under subsection 5 hereof to confer Control of the Corporation shall be considered from and after the date of their acquisition by such Person to be "excess shares" for purposes of this Article 10. Such excess shares shall thereafter no longer (i) be entitled to vote on any matter, (ii) be entitled to take other shareholder action, (iii) be entitled to be counted in determining the total number of outstanding shares for purposes of any matter involving shareholder action, or (iv) be transferable except with the approval of the board of directors or by an independent trustee appointed by the board of directors for the purpose of having such excess shares sold on the open market or otherwise. The proceeds from the sale by the trustee of such excess

-5-

shares shall be paid (i) first, to the trustee in an amount equal to the trustee's reasonable fees and expenses, (ii) second, to the "beneficial owner" (as defined in Article 12, Subsection 3, paragraph B hereof) of such excess shares in an amount up to such owner's federal income tax basis in such excess shares, and (iii) third, to the Corporation as to any remaining balance.

SUBSECTION 4. Approval Required for Offers to Acquire Control after Five Years.

After five years from the consummation of the conversion of the Association to a capital stock savings and loan association, no Person shall make any Offer to acquire Control of the Corporation, if the common stock is then traded on a national securities exchange or quoted on the National Association of Securities Dealers, Inc. Automated Quotation System, unless such Person has received prior approval to make such Offer by complying with either of the following procedures:

1. The Offer shall have been approved by at least two-thirds of the directors then in office at a duly constituted meeting of the board of directors of the Corporation called for such purpose, or

2. The Person proposing to make such Offer shall have obtained

approval from the FSLIC, pursuant to the Control Act, the Holding Company Act, or any successor provisions of law, to acquire control of the Corporation.

SUBSECTION 5. Certain Definitions.

For purposes of this Article 10:

A. "Control" means the sole or shared power to vote or to direct the voting of, or to dispose or to direct the disposition of, 10 percent or more of the Voting Stock; provided, that the solicitation, holding and voting of proxies obtained by the board of directors of the Corporation pursuant to a solicitation under Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act") shall not constitute "Control."

B. "Group Acting in Concert" includes Persons seeking to combine or pool their voting or other interests in the Voting Stock for a common purpose, pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise; provided, that a "Group Acting in Concert" shall not include the board of directors of the Corporation in its solicitation, holding and voting of proxies obtained by it pursuant to a solicitation under Regulation 14A of the General Rules and Regulations under the Exchange Act.

-6-

C. "Offer" means every offer to buy or acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tender of, Voting Stock.

D. "Person" means any individual, firm, corporation or other entity including a Group Acting in Concert.

E. "Voting Stock" means the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

SUBSECTION 6. Inapplicability to Public Offering or Employee Benefit Plans.

This Article 10 shall not apply to an acquisition or offer to acquire securities of the Corporation (i) by underwriters in connection with a public offering of such securities or (ii) by any employee stock purchase plan or other employee benefit plan of the Corporation or any of its subsidiaries.

SUBSECTION 7. References to FSLIC.

In the event that the accounts of the Association (or any successor institution) become insured by the Federal Deposit Insurance Corporation ("FDIC") in lieu of the FSLIC, all references in this Article 10 to the FSLIC shall be deemed to refer to the FDIC, and related references to the Control Act and the Holding Company Act shall be deemed to be references to applicable statutes relating to banks the accounts of which are insured by the FDIC.

Article 11. CRITERIA FOR EVALUATING CERTAIN OFFERS. The board of directors of the Corporation, when evaluating any offer to (i) make a tender or exchange offer for the common stock of the Corporation, (ii) merge or consolidate the Corporation with another institution, or (iii) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its shareholders, give due consideration to all relevant factors, including without limitation the economic effects of acceptance of such offer on (a) depositors, borrowers and employees of the insured institution subsidiary or subsidiaries of the Corporation, and on the communities in which such subsidiary or subsidiaries operate or are located and (b) the ability of such subsidiary or subsidiaries to fulfill the objectives of an insured institution under applicable federal statutes and regulations.

Article 12. CERTAIN BUSINESS COMBINATIONS.

The votes of shareholders and directors required to approve any Business Combination shall be as set forth in this Article 12. The term "Business Combination" is used as defined in subsection 1 of this Article 12. All other

-7-

capitalized terms not otherwise defined in this Article 12 or elsewhere in this Certificate of Incorporation are used as defined in subsection 3 of this Article 12.

SUBSECTION 1. Vote Required for Certain Business Combinations.

A. HIGHER VOTE FOR CERTAIN BUSINESS COMBINATIONS. In addition to any affirmative vote required by law or this Certificate of Incorporation,

and except as otherwise expressly provided in subsection 2 of this Article 12:

(i) any merger, consolidation or share exchange of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after the merger, consolidation or share exchange would be, an Affiliate or Associate (as those terms are hereinafter defined) of such Interested Shareholder prior to the transaction; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition other than in the usual and regular course of business (in one transaction or a series of transactions in any twelve-month period) to any Interested Shareholder or any Affiliate or Associate of such Interested Shareholder, other than the Corporation or any of its Subsidiaries, of any assets of the Corporation or any Subsidiary having, measured at the time the transaction or transactions are approved by the board of directors of the Corporation, an aggregate book value as of the end of the Corporation's most recent fiscal quarter of ten percent or more of the total Market Value (as hereinafter defined) of the outstanding shares of the Corporation or of its net worth as of the end of its most recent fiscal quarter; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any equity securities of the Corporation or any Subsidiary having an aggregate Market Value of five percent or more of the total Market Value of the outstanding shares of the Corporation to any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder, other than the Corporation or any of its Subsidiaries, except pursuant to the exercise of warrants, rights or options to subscribe for or purchase securities offered, issued or granted pro rata to all holders of the Voting Stock (as hereinafter defined) of the Corporation or any other method affording substantially proportionate treatment to the holders of Voting Stock; or

-8-

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or any Subsidiary proposed by or on behalf of an Interested Shareholder or any Affiliate or Associate of such Interested Shareholder, other than the Corporation or any of its Subsidiaries; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, in one transaction or a series of transactions, of increasing the proportionate amount of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder, other than the Corporation or any of its Subsidiaries;

shall be approved by affirmative vote of the holders of at least 80 percent of the total number of outstanding shares of Voting Stock. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law.

B. DEFINITION OF "BUSINESS COMBINATION." The term "Business Combination" as used in this Article 12 shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of paragraph A of this subsection 1.

SUBSECTION 2. When Higher Vote Is Not Required.

The provisions of subsection 1 of this Article 12 shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if all of the conditions specified in either paragraph A or paragraph B are met:

A. APPROVAL BY CONTINUING DIRECTORS. The Business Combination shall have been approved by at least two-thirds of the Continuing Directors (as hereinafter defined) then in office at a duly constituted meeting of the board of directors of the Corporation called for such purpose.

B. PRICE AND PROCEDURE REQUIREMENTS. All of the following

(i) The aggregate amount of the cash and the Market Value as of the Valuation Date (as hereinafter defined) of the Business Combination of consideration other than cash to be received per share by holders of common stock in such Business Combination shall be at least equal to the highest of the following:

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of common stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Shareholder, whichever is higher; or

(b) the Market Value per share of common stock of the same class or series on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (such latter date is referred to in this Article 12 as the "Determination Date"), whichever is higher; or

(c) the price per share equal to the Market Value per share of common stock of the same class or series determined pursuant to subdivision (i)(b) hereof, multiplied by the fraction of (1) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of common stock of the same class or series acquired by it within the two-year period immediately prior to the Announcement Date, over (2) the Market Value per share of common stock of the same class or series on the first day in such two-year period on which the Interested Shareholder acquired shares of common stock.

(ii) The aggregate amount of the cash and the Market Value as of the Valuation Date of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Voting Stock, other than common stock, shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph B(ii) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class or series of Voting Stock acquired by it: (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Shareholder, whichever is higher; or

(b) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; or

(c) the Market Value per share of such class or series of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; or

(d) the price per share equal to the Market Value per share of such class or series of stock determined pursuant to subdivision (ii)(c) hereof multiplied by the fraction of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of any class or series of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date over (2) the Market Value per share of the same class or series of Voting Stock on the first day in such two-year period on which the Interested Shareholder acquired any shares of the same class or series of Voting Stock.

(iii) The consideration to be received by holders of a particular class or series of outstanding Voting Stock shall be in cash or in the same form as the Interested Shareholder

has previously paid for shares of such class or series of Voting Stock. If the Interested Shareholder has paid for shares of any class or series of Voting Stock with varying forms of consideration, the form of consideration for such class or series of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class or series of Voting Stock previously acquired by it.

(iv) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination: (a) there shall have been no failure to declare and pay at the regular date therefor any full quarterly

-11-

dividends (whether or not cumulative) on any outstanding preferred stock of the Corporation; (b) there shall have been (1) no reduction in the annual rate of dividends paid on any class or series of the capital stock of the Corporation (except as necessary to reflect any subdivision of the capital stock), and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of common stock; and (c) such Interested Shareholder shall have not become the beneficial owner of any additional shares of capital stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder or by virtue of proportionate stock splits or stock dividends.

The provisions of subdivisions (iv)(a) and (iv)(b) of this subsection do not apply if the Interested Shareholder or any Affiliate or Associate of the Interested Shareholder voted as a director of the Corporation in a manner inconsistent with such subdivisions, and the Interested Shareholder, within ten days after any act or failure to act inconsistent with such subdivisions, notifies the board of directors of the Corporation in writing that the Interested Shareholder disapproves thereof and requests in good faith that the board of directors rectify such act or failure to act.

(v) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation or any of its Subsidiaries (whether in anticipation of or in connection with such Business Combination or otherwise).

(vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public shareholders of the Corporation at least 20 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

-12-

### SUBSECTION 3. Certain Definitions.

For the purposes of this Article 12:

A. "Interested Shareholder" shall mean any person (other than the Corporation or any Subsidiary or any employee stock purchase plan or other employee benefit plan of the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of 10 percent or more of the voting power of the then outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10 percent or more of the voting power of the then outstanding Voting Stock.

B. "Beneficial owner," when used with respect to any Voting Stock, means a person:

(i) that, individually or with any of its Affiliates or Associates, beneficially owns Voting Stock directly or indirectly; or

(ii) that, individually or with any of its Affiliates or Associates, has (a) the right to acquire Voting Stock (whether such right is exercisable immediately or only after passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; (b) the right to vote or direct the voting of Voting Stock pursuant to any agreement, arrangement or understanding; or (c) the right to dispose of or to direct the disposition of Voting Stock pursuant to any agreement, arrangement or understanding; or

(iii) that, individually or with any of its Affiliates or Associates, has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting, or disposing of Voting Stock with any other person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, such shares of Voting Stock.

C. For the purposes of determining whether a person is an Interested Shareholder pursuant to paragraph A of this subsection 3, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed

-13-

owned through application of paragraph B of this subsection 3 but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

D. "Affiliate" means a person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, a specified person.

E. "Associate," when used to indicate a relationship with any person means: (1) any domestic or foreign corporation or organization, other than the Corporation or a subsidiary of the Corporation, of which such person is an officer, director or partner or is, directly or indirectly, the beneficial owner of ten percent or more of any class of equity securities; (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as a trustee or in a similar fiduciary capacity; and (3) any relative or spouse of such person, or any relative of such spouse who has the same home as such person or who is a director or officer of the Corporation or any of its Affiliates.

F. "Subsidiary" means any corporation of which Voting Stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by the Corporation.

G. "Continuing Director" means any member of the board of directors of the Corporation who is unaffiliated with the Interested Shareholder and was a member of the board of directors of the Corporation prior to the time that the Interested Shareholder (including any Affiliate or Associate of such Interested Shareholder) became an Interested Shareholder, and any successor of a Continuing Director who is unaffiliated with the Interested Shareholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the board of directors of the Corporation.

H. "Market Value" means:

(i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the composite tape for New York Stock Exchange - listed stocks, or, if such stock is not quoted on the composite tape, or the New York Stock Exchange, or, if such stock is not listed on such exchange, the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc.

-14-

Automated Quotation System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the board of directors of the Corporation in good faith; and

(ii) in the case of property other than cash or

stock, the fair market value of such property on the date in question as determined by a majority of the board of directors of the Corporation in good faith.

I. "Valuation Date" means: (A) for a Business Combination voted on by shareholders, the latter of the day prior to the date of the shareholders' vote or the date twenty days prior to the consummation of the Business Combination; and (B) for a Business Combination not voted upon by the shareholders, the date of the consummation of the Business Combination.

J. "Voting Stock" means the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

K. In the event of any Business Combination in which the Corporation is the surviving corporation, the phrase "consideration other than cash to be received" as used in paragraphs B(i) and B(ii) of Section 2 of this Article 12 shall include the shares of common stock and/or the shares of any other class or series of outstanding Voting Stock retained by the holders of such shares.

SUBSECTION 4. Powers of the Board of Directors.

A majority of the Corporation's directors then in office shall have the power and duty to determine for the purposes of this Article 12, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Shareholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, and (D) whether the requirements of paragraph B of Section 2 have been met with respect to any Business Combination; and the good faith determination of a majority of the board of directors on such matters shall be conclusive and binding for all the purposes of this Article 12.

SUBSECTION 5. No Effect on Fiduciary Obligations of Interested Shareholders.

Nothing contained in this Article 12 shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

Article 13. ANTI-GREENMAIL. Any direct or indirect purchase or other acquisition by the Corporation of any Voting Stock (as defined in Article 12 hereof) from any Significant Shareholder (as hereinafter defined) who has been the

-15-

beneficial owner (as defined in Article 12 hereof) of such Voting Stock for less than two years prior to the date of such purchase or other acquisition shall, except as herein after expressly provided, require the affirmative vote of the holders of at least a majority of the total number of outstanding shares of Voting Stock, excluding in calculating such affirmative vote and the total number of outstanding shares all Voting Stock beneficially owned by such Significant Shareholder. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law, but no such affirmative vote shall be required (i) with respect to any purchase or other acquisition of Voting Stock made as part of a tender or exchange offer by the Corporation to purchase Voting Stock on the same terms from all holders of the same class of Voting Stock and complying with the applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder or (ii) with respect to any purchase of Voting Stock, where the Board of Directors has determined that the purchase price per share of the Voting Stock does not exceed the fair market value of the Voting Stock. Such fair market value shall be calculated on the basis of the average closing price or the mean of the bid and ask prices of a share of Voting Stock for the 20 trading days immediately preceding the execution of a definitive agreement to purchase the Voting Stock from a Significant Shareholder.

For the purposes of this Article 13, "Significant Shareholder" shall mean any person (other than the Corporation or any corporation of which a majority of any class of Voting Stock is owned, directly or indirectly, by the Corporation) who or which is the beneficial owner, directly or indirectly, of five percent or more of the voting power of the outstanding Voting Stock.

Article 14. SHAREHOLDER ACTION. Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be affected by any consent in writing by such holders, unless such consent is unanimous.

Article 15. AMENDMENT OF CERTIFICATE OF INCORPORATION. Except as set forth in this Article 15 or as otherwise specifically required by law, no amendment of any provision of this Certificate of Incorporation shall be made unless such amendment has been first proposed by the board of directors of the Corporation upon the affirmative vote of at least two-thirds of the directors then in office at a duly constituted meeting of the board of directors called for such purpose and thereafter approved by the shareholders of the Corporation by the affirmative vote of the holders of at least a majority of the shares entitled to vote thereon at a duly called annual or special meeting; provided,

however, that if such amendment is to the provisions set forth in this clause of Article 15 or in Article 6, 7, 8, 10, 11, 13 or 14 hereof, such amendment must be approved by the affirmative vote of the holders of at least two-thirds of the shares entitled to vote thereon rather than a majority; provided, further, that if such amendment is to the provisions set forth in this

-16-

clause of Article 15 or in Article 12 hereof, such amendment must be approved by the affirmative vote of the holders of at least 80 percent of the shares entitled to vote thereon rather than a majority.

This Restated Certificate of Incorporation was duly adopted by the board of directors in accordance with Sections 241 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Webster Financial Corporation has caused this Restated Certificate of Incorporation to be signed by James C. Smith, its President, and attested to by Harold W. Smith, Jr., its Secretary, this 16th day of December, 1986.

WEBSTER FINANCIAL CORPORATION

By /s/ James C. Smith

-----  
James C. Smith  
President

ATTEST:

By /s/ Harold W. Smith, Jr.

-----  
Harold W. Smith, Jr.  
Secretary

-17-

STATE OF DELAWARE  
CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
WEBSTER FINANCIAL CORPORATION

Webster Financial Corporation (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the board of directors of the Corporation resolutions were duly adopted setting forth a proposed amendment to the first sentence of Article 4 of the Restated Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing that the amendment proposed be considered at the next meeting of the shareholders of the Corporation. As amended, Article 4 reads in its entirety as follows:

Article 4. CAPITAL STOCK. The total number of shares of all classes of the capital stock which the Corporation has authority to issue is seventeen million (17,000,000), of which fourteen million (14,000,000) shall be common stock, par value \$.01 per share, amounting in the aggregate to one hundred forty thousand dollars (\$140,000), and three million (3,000,000) shall be serial preferred stock, par value \$.01 per share, amounting in the aggregate to thirty thousand dollars (\$30,000). The shares may be issued by the Corporation from time to time as approved by its board of directors without the approval of its shareholders. The consideration for the issuance of the shares shall be paid in full before their issuance and shall not be less than the par value per share. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of the shares of the Corporation. The consideration for the shares shall be cash, services actually performed for the Corporation, personal property, real property, leases of real property or any combination of the foregoing. In the absence of actual fraud in the transaction, the value of such property, labor or services, as determined by the board of directors of the Corporation, shall be conclusive. Upon payment of such

consideration such shares shall be deemed to be fully paid and nonassessable.

Nothing contained in this Article 4 (or in any resolution or resolutions adopted by the board of directors pursuant hereto) shall entitle the holders of any class or series of capital stock to more than one vote per share.

A description of the different classes and series of the Corporation's capital stock and a statement of the designations, and the powers, preferences and rights, and the qualifications, limitations and restrictions of the shares of each class of and series of capital stock are as follows:

A. COMMON STOCK. Except as provided in this Article 4 (or in any resolution or resolutions adopted by the board of directors pursuant hereto), the holders of the common stock shall exclusively possess all voting power. Each holder of shares of common stock shall be entitled to one vote for each share held by such holder, including the election of directors. There shall be no cumulative voting rights in the election of directors. Each share of common stock shall have the same relative rights as and be identical in all respects with all the other shares of common stock.

Whenever there shall have been paid, or declared and set aside for payment, to the holders of the outstanding shares of any class of stock having preference over the common stock as to the payment of dividends, the full amount of dividends and of sinking fund or retirement fund or other retirement

payments, if any, to which such holders are respectively entitled in preference to the common stock, then dividends may be paid on the common stock and on any class or series of stock entitled to participate therewith as to dividends, out of any assets legally available for the payment of dividends; but only when and as declared by the board of directors.

In the event of any liquidation, dissolution or winding up of the Corporation, after there shall have been paid to or set aside for the holders of any class having preferences over the common stock in the event of liquidation, dissolution or winding up of the full preferential amounts of which they are respectively entitled, the holders of the common stock, and of any class or series of stock entitled to participate therewith, in whole or in part, as to distribution of assets, shall be entitled

-2-

after payment or provision for payment of all debts and liabilities of the Corporation, to receive the remaining assets of the Corporation available for distribution, in cash or in kind.

B. SERIAL PREFERRED STOCK. Except as provided in this Section 4, the board of directors of the Corporation is authorized by resolution or resolutions from time to time adopted and by filing a certificate pursuant to the applicable law of the State of Delaware, to provide for the issuance of serial preferred stock in series and to fix and state the voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights of the shares of each such series and the qualifications, limitations and restrictions thereof. Each share of each series of serial preferred stock shall have the same relative rights as and be identical in all respects with all the other shares of the same series.

SECOND: That thereafter, pursuant to resolution of its board of directors, the annual meeting of the shareholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Webster Financial Corporation has caused this certificate to be signed by James C. Smith, its president, and attested by Lee A. Gagnon, its secretary, this 21st day of April, 1989.

ATTEST: Webster Financial Corporation

By: /s/ Lee A. Gagnon  
-----  
Lee A. Gagnon  
Secretary

By: /s/ James C. Smith  
-----  
James C. Smith  
President

-3-

## CERTIFICATE OF DESIGNATION

OF

## WEBSTER FINANCIAL CORPORATION

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on October 2, 1992, by the Board of Directors (the "Board") of WEBSTER FINANCIAL CORPORATION, a Delaware corporation (the "Corporation") acting pursuant to the authority granted to the Board in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware:

RESOLVED, that pursuant to authority expressly granted to and vested in the Board by the provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), there is hereby created a series of serial preferred stock as set forth below in this Certificate of Designation.

A. Series A Cumulative Perpetual Preferred Stock

The Corporation shall have a series of preferred stock entitled Series A Cumulative Perpetual Preferred Stock (hereinafter referred to in this Article as the "Series A Stock"), par value one cent (\$.01) per share. The number of shares constituting this Series A Stock shall be one million two hundred thousand (1,200,000) shares. Shares of this Series A Stock redeemed or purchased by the Corporation shall be cancelled and shall not thereafter be issued as shares of this Series A Stock.

With respect to any other class of the Corporation's stock, shares of this Series A Stock shall rank, both as to dividends and to liquidation, as set forth in this Certificate of Designation. The powers, preferences, rights, qualifications, limitations, and restrictions of the shares of this Series A Stock are as follows:

1. Voting Rights.

The shares of this Series A Stock shall not have any voting powers, either general or special, except as follows:

(a) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the vote or consent of the holders of at least two-thirds (66-2/3%) of all of the shares of this Series A Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series A Stock shall vote together as a separate class, shall be necessary for authorizing, effecting or

validating (i) the amendment, alteration or repeal of any of the provisions of this Certificate of Designation or of any certificate amendatory thereof or supplemental thereto which would adversely affect the powers, preferences or special rights or privileges of this Series A Stock; (ii) the creation, authorization or issue of any shares of any class or series of stock of the Corporation ranking prior to the shares of this Series A Stock as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares or the creation, authorization or issue or any obligation or security convertible into or evidencing the right to purchase any such prior shares; (iii) the amendment, alteration or repeal of any of the provisions of this Certificate of Designation or of any certificate amendatory thereof or supplemental thereof which would increase or decrease the aggregate number of authorized shares of this Series A Stock or increase or decrease the par value of shares of this Series A Stock; or (iv) the redemption, purchase or acquisition by the Corporation of any of its equity securities (other than this Series A Stock) or any securities exercisable for or convertible into equity securities of the Corporation.

(b) In the event that at any time, the Corporation shall not have declared and paid dividends in cash on the outstanding shares of this Series A Stock with respect to any six Quarterly Periods, the holders of a majority of the shares of this Series A Stock shall have the right to name two additional members of the Board of Directors of the Corporation, and such members shall take office at the next meeting of the Board of Directors of the Corporation. If any vacancy shall occur among the directors named by the holders of the shares of this Series A Stock pursuant to this Section, such vacancy shall be filled with such person as a majority of such holders may name in a written notice to the Corporation. Any director named by the holders of the shares of this Series A Stock pursuant to this paragraph shall serve until all dividends accumulated on the Series A Stock have been paid in full. Upon such payment all directors named by the holders of the shares pursuant to this paragraph who are then in office shall automatically cease to be members of the Board of Directors of the Corporation, provided, however, that the right of the holders of the shares of this Series A Stock to name two directors shall be reinstated if

thereafter the Corporation fails to declare and pay dividends in cash on the outstanding shares of this Series A Stock with respect to any six subsequent Quarterly Periods.

2. Dividends.  
-----

(a) Each holder of shares at this Series A Stock shall be entitled to receive on the dates specified in Section 2(d), when, as and if declared payable by the Board of Directors or a committee of said Board duly authorized by said Board to declare such dividends, from funds legally available therefor, quarterly cash dividends in an amount per share equal to the Dividend Rate in effect at the time of such declaration divided by four and then multiplied by \$25.00.

-2-

For purposes of this calculation, the following terms shall have the meanings indicated:

- (i) "ANNUAL PERIOD" shall mean (x) the period commencing on the date of the initial issuance of shares of this Series A Stock and ending on September 30, 1993 and (y) each successive period of one year thereafter, each such successive period to commence on October 1 and to end on the last day of the next succeeding September.
- (ii) "DIVIDEND RATE" shall mean, with respect to a Quarterly Period, a rate per annum equal to (A) an initial annual dividend rate of 8.00% for the first Quarterly Period; and (B) for each Quarterly Period subsequent to the first Quarterly Period ("Subsequent Quarterly Period") (i) the Treasury Note Rate for such Subsequent Quarterly Period, plus (ii) 5.00% (the "Spread"), plus (C) an incremental increase over the Spread (the "Increase-In-Spread") of (x) 0.00% during the first seven Subsequent Quarterly Periods; and (y) .25% for each Subsequent Quarterly Period thereafter (or .375% for all such Subsequent Quarterly Periods, if there has occurred any partial voluntary redemption taking place prior to the end of the fourth Quarterly Period), such Increase-In-Spread not to exceed 9.05%. The minimum Dividend Rate shall be 7.60% and the maximum Dividend Rate shall be 14.20%.
- (iii) "BUSINESS DAY" shall mean any day other than a Saturday, a Sunday, federal legal holiday or any other day on which banks in the State of Connecticut are authorized by law to close.
- (iv) "QUARTERLY PERIOD" shall mean each period at three months commencing on January 1, April 1, July 1, and October 1 of each year, except that the initial Quarterly Period shall commence on the date of the initial issuance of shares of this Series A Stock and shall end on December 31, 1992.
- (v) "TREASURY NOTE RATE" shall mean, with respect to a Quarterly Period, the average of the yields

-3-

published in H.15 (519) under the caption "Treasury Constant Maturities" for direct obligations of the United States with a constant maturity of one year (the "Constant Maturity Yield") for the ten consecutive Business Days ending on the twentieth Business Day immediately preceding the commencement of such Quarterly Period. In the event Constant Maturity Yields are not so published for each of such ten Business Days with respect to a Quarterly Period, but were so published for at least one of such Business Days, the Treasury Note Rate for such Quarterly Period shall be the average of the Constant Maturity Yields as so published for such Business Days. In the event Constant Maturity Yields are not so

published for at least one of such Business Days with respect to a Quarterly Period, the Treasury Note Rate for such Quarterly Period shall be the Constant Maturity Yield as published in H.15 (519) for the next preceding Business Day for which such information was so published; provided, however, that if such information was not so published for a Business Day during the 60-day period prior to the commencement of such Quarterly Period, then the Treasury Note Rate for such Quarterly Period shall be determined by the Corporation on the twentieth Business Day next preceding the commencement of such Quarterly Period and shall be the bond-equivalent yield of the arithmetic mean of the secondary market bid rates (as quoted by three primary United States government securities dealers in New York City selected by the Corporation as of 3:00 p.m. (New York City time) on the day of such determination) for the issue of direct obligations of the United States with a remaining maturity closest to one year. All percentages relating to the calculation of the Treasury Note Rate based upon secondary market bid rates will be rounded to the nearest one hundred thousandth of one per cent, and dollar amounts used in or resulting from such calculations will be rounded to the nearest cent.

(b) Dividends on the shares of this Series A Stock shall be cumulative. In any Quarterly Period, as long as any shares of this Series A Stock

-4-

are outstanding, no dividend (other than a dividend paid in common stock or any other stock of the Corporation ranking junior as to dividends and liquidation to this Series A Stock) shall be declared or paid or set aside for payment or other distribution declared or made upon the common stock or any other stock of the Corporation ranking junior to this Series A Stock as to dividends or upon liquidation, nor shall any common stock or other stock of the Corporation ranking junior to this Series A Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for the stock of the corporation ranking junior to this Series A Stock as to dividends and upon liquidation) unless, in each case, all unpaid dividends on the shares of this Series A Stock for all past Quarterly Periods shall have been, or contemporaneously are, declared and paid in full. When dividends are not paid in full, as aforesaid, upon the shares of this Series A Stock and any other class or series ranking on parity as to dividends with this Series A Stock, all dividends in cash declared upon shares of this Series A Stock and any other class or series ranking on a parity as to dividends with this Series A Stock shall be declared pro rata.

(c) Dividends payable on each share of this Series A Stock for each full Quarterly Period shall be computed by dividing the applicable annual Dividend Rate, as described above in Section 2(a), by four and multiplying the resulting percentage by the stated value of twenty-five dollars per share (\$25.00) (the "Stated Value") of this Series A Stock. Dividends payable on shares of this Series A Stock, for any period less than a full Quarterly Period, and for the initial Quarterly Period, shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which a dividend is payable.

(d) Cash dividends on this Series A Stock shall be cumulative from the date of original issue of such shares and shall be payable when, as and if declared by the Board of Directors or by a committee of said Board duly authorized by said Board to declare such dividends, out of funds of the Corporation legally available therefor, on March 31, June 30, September 30, and December 31 of each year, commencing on December 31, 1992. Accrued and unpaid dividends on the Series A Stock will cumulate but will not bear interest. Each dividend on the shares of this Series A Stock shall be paid to the holders of record of shares of this Series A Stock as they appear on the stock register of the Corporation on such record date, not exceeding 45 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation or by a committee of said Board of Directors duly authorized to fix such date. Dividends on account of arrears for any past dividend periods may be declared and paid at any time, without reference to any regular dividend payment date, to the holders of record on such date, not exceeding 45 days preceding the payment date thereof, as shall be fixed by the

-5-

Board of Directors of the Corporation or by a committee of said Board of Directors duly authorized to fix such date.

3. Liquidation Rights.

-----

Upon any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation ("Termination Event"), the holders of the shares of this Series A Stock shall be entitled to receive out of the net assets of the Corporation available for distribution to its stockholders an amount per share equal to, the sum of (i) the Stated Value, plus (ii) an amount equal to the Liquidation Adjustment (as that term is defined below) on such shares as of the date of such Termination Event, in cash (the "Liquidation Amount"), plus (iii) accrued and unpaid cash dividends thereon to the date of final distribution in cash, including the cumulative dividends for all past dividend payment periods (computed on the basis of a 360-day year of 30-day months and the actual number of days in the period), before any amount shall be paid to the holders of shares of the common stock or any other stock of the Corporation ranking junior upon liquidation to this Series A Stock. The term "Liquidation Adjustment" shall mean (i) zero, with respect to shares of this Series A Stock, at any time up to and including the scheduled payment date of the fourth dividend, and (ii) the amount of one percent (1%) per year of the Stated Value, for each Annual Period after the scheduled payment date for the fourth dividend, to a maximum of ten percent (10%) of such Stated Value or two dollars and fifty cents (\$2.50). The maximum Liquidation Amount shall be twenty-seven dollars and fifty cents (\$27.50).

4. Redemption.

-----

(a) VOLUNTARY REDEMPTION OF SHARES HELD BY THE FDIC.

Except as set forth in Section 4(b) below, the shares of this Series A Stock may be redeemable in whole, but not in part (unless otherwise agreed by the holders of such shares or unless at or prior to the scheduled payment date of the sixth dividend), at the Corporation's option at any time, at the sum of the Redemption Price (as that term is defined below) plus (ii) accrued and unpaid cash dividends thereon to the date fixed for redemption, including the cumulative dividends for all past dividend payment periods (computed on the basis of a 360-day year of 30-day months and the actual number of days in the period). The term "Redemption Price" shall mean, as to shares of this Series A Stock continued to be held by the Federal Deposit Insurance Corporation (the "FDIC") the sum of the Stated Value plus (i) zero, for the period of time up to and including the scheduled payment date of the sixth dividend, and (ii) the amount of one per cent (1%) per year of the Stated Value, for each Annual Period thereafter, to a maximum of ten percent (10%) of such Stated Value or two dollars and fifty cents (\$2.50). The maximum Redemption Price shall be twenty-seven dollars and fifty cents (\$27.50).

-6-

(b) VOLUNTARY REDEMPTION OF SHARES HELD BY TRANSFEREE

HOLDER. If any shares of this Series A Stock are transferred to a party other than the FDIC ("Transferee Holder") then such shares of this Series A Stock shall be non-redeemable after the scheduled payment date for the sixth dividend at any time until after September 30, 1997; provided, however, that if the FDIC fails to approve any of the restricted transactions set forth in Section 6.2(b) of the Stock Purchase Agreement, or if the holders of two thirds of this Series A Stock fail to approve any of the restricted transactions set forth in Sections 6.2(a) and 6.2(c) of the Stock Purchase Agreement or in clauses (ii), (iii), or (iv) of Section 1(a) of this Certificate of Designation shares of this Series A Stock held by a Transferee Holder may be redeemed at any time (but only as of any regularly scheduled dividend payment date) by the Corporation and the Redemption Price for any shares of the Series A Stock held by a Transferee Holder that are voluntarily redeemed by the Corporation shall be 105% of the Stated Value or at such other Redemption Price then applicable. The Redemption Price for any shares of this Series A Stock held by a Transferee Holder that are voluntarily redeemed by the Corporation prior to the scheduled payment date for the sixth dividend shall be the Stated Value. After September 30, 1997, the Redemption Price shall be 105% percent of the Stated Value for the next Annual Period, declining by 50 basis points each Annual Period until the Redemption Price declines to the Stated Value.

(c) OFFER OF REDEMPTION. The Corporation shall be

required to offer to redeem shares of Series A Stock to the extent provided in Section 6.2(d) and 6.2(e) of the Stock Purchase Agreement, with notice of such offer to be given as provided in such Section 6.2(f). The Redemption Price for such required offer of redemption shall be the Redemption Price referred to in paragraph (a) above, regardless of whether such shares are held by the FDIC or a Transferee Holder.

(d) REDEMPTION OF LESS THAN ALL SHARES. If the

holders of the shares of this Series A Stock have given their consent for fewer than all of the outstanding shares of this Series A Stock to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata in a manner to be determined by the Board of Directors; provided, however, that the number of shares to be redeemed as determined by the Board of Directors shall be no less than one hundred twenty thousand (120,000).

(e) NOTICE. If the Corporation elects to redeem

shares of this Series A Stock, notice of such redemption shall be given by first

class mail, postage prepaid, mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (1) the redemption date; (2) the number of shares of this Series A Stock to be redeemed and, if fewer than all of the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such

-7-

holder; (3) the Redemption Price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the Redemption Price.

(f) RIGHTS OF SHAREHOLDERS. Notices having been so mailed, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the Redemption Price and subject to the provisions of Section 2 of these Preferred Stock Terms, such shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as shareholders of the Corporation (except the right to receive from the Corporation the Redemption Price) shall cease. Upon surrender in accordance with the notice of redemption, of certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the Redemption Price specified. If fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

5. Ranking.

-----  
Shares of this Series A Stock shall be deemed to rank on parity with the shares of any other class or series of the Corporation's preferred capital stock, or senior to any such class or series if such class or series is expressly declared to be junior to this Series A Stock, both as to dividends and upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series A Stock. If such class or series ranks on parity with this Series A Stock, the holders hereof and of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of affairs of the Corporation, as the case may be, in proportion to their respective dividend amounts or liquidation preferences, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series A Stock. If such class or series ranks junior to this Series A Stock, the holders of the shares of this Series A Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of affairs of the Corporation, as the case may be, in preference or priority to the holders of such stock.

-8-

IN WITNESS WHEREOF, WEBSTER FINANCIAL CORPORATION has caused this Certificate of Designation to be made under the seal of the Corporation and signed by James C. Smith its President, and attested by Lee A. Gagnon, its Secretary, this 2nd day of October 1992.

WEBSTER FINANCIAL CORPORATION

By: /s/ James C. Smith  
-----  
President

[SEAL]

Attest:

/s/ Lee A. Gagnon  
-----  
Secretary

-9-

CERTIFICATE OF DESIGNATION  
OF THE  
SERIES B 7 1/2% CUMULATIVE CONVERTIBLE PREFERRED STOCK  
OF  
WEBSTER FINANCIAL CORPORATION

-----

Pursuant to Section 151(g) of the  
General Corporation Law of the State of Delaware

-----

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on December 21, 1992, by the Board of Directors (the "Board") of WEBSTER FINANCIAL CORPORATION, a Delaware corporation (the "Corporation"), acting pursuant to the authority granted to the Board in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, at a duly convened meeting of the Board at which a quorum was present and active throughout (the "Authorizing Board Resolution"):

RESOLVED, that pursuant to authority expressly granted to and vested in the Board by the provisions of the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), there is hereby created a series of serial preferred stock, par value \$.01 per share, which shall consist of 250,000 of the 3,000,000 shares of serial preferred stock. Such series shall have the following powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the serial preferred stock) as follows:

I. DESIGNATION AND AMOUNT. The series of serial preferred stock authorized by this resolution shall be designated the Series B 7 1/2% Cumulative Convertible Preferred Stock (the "Series B Stock"). The number of shares of Series B Stock shall be 250,000. The liquidation value of the Series B Series B Stock shall be issued as full shares and have a par value of \$.01 per share.

II. DIVIDENDS AND DISTRIBUTIONS.

(a) The shares of Series B Stock will be entitled to receive, when, as and if declared by the Board out of funds of the Corporation legally available therefor, cumulative cash dividends at an annual rate of 7.50% and no more, payable in cash on April 1, 1993, with respect to the period commencing on the date of initial issuance and ending on March 31, 1993, and thereafter quarterly on each July 1, October 1, January 1, and April 1, commencing July 1, 1993 (each a "Dividend Payment Date") with respect to the quarterly periods ending on June 30, September 30, December 31, and March 31 of each year. Dividends on the Series B Stock will be cumulative from the date of initial issuance of shares of Series B Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 30 days nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board (each a "Dividend Payment Record Date"). If dividends are not paid in full upon the Series B Stock and any other preferred stock ranking on a parity as to dividends with the Series B Stock, all dividends declared upon shares of Series B Stock and such other preferred stock will be declared pro rata so that in all cases the amount of dividends declared per share on the Series B Stock and such other preferred stock bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of the Series B Stock and such other preferred stock bear to each other. Unless full cumulative dividends on the Series B Stock shall have been paid, dividends (other than in Common Stock (as defined in paragraph III below), other stock ranking junior to the Series B Stock and rights to acquire the foregoing) may not be paid or declared and set aside for payment and other distributions may not be made upon the Common Stock or on any other stock of the Corporation ranking junior to Series B Stock as to dividends. Dividends payable for any partial dividend period shall be calculated on the basis of a 360-day year of twelve 30-day months. Accrued but unpaid dividends shall not bear interest.

III. RANK. The shares of Series B Stock shall rank prior to the shares of the Corporation's common stock, par value \$.01 per share (the "Common Stock") and of any other class or series of stock of the Corporation ranking junior to the Series B Stock upon liquidation ("Junior Liquidation Stock"), so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series B Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders before any distribution is made to holders of shares of Common Stock or any Junior Liquidation Stock, an amount equal to \$100.00 per share (the "Liquidation Preference"), plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of Series B Stock to the date of final distribution. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Series B Stock shall be insufficient to pay in full the preferential amount described in the preceding sentence, then such assets, or the

-2-

proceeds thereof, shall be distributable among the holders of the Series B Stock ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. After payment of the full amount of the Liquidation Preference and accumulated dividends to which holders of shares of Series B Stock are entitled, the holders of shares of Series B Stock will not be entitled to any further participation in any distribution of assets by the Corporation. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities, shall be considered a liquidation, dissolution or winding up of the Corporation.

For purposes of this resolution any stock of any class or series of the Corporation shall be deemed to rank:

(a) prior to shares of the Series B Stock, either as to dividends or upon liquidation, if the holders of stock of such class or series shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the Series B Stock;

(b) on a parity with shares of the Series B Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof shall be different from those of the Series B Stock, if the holders of stock of such class or series shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other between the holders of such stock and the holders of shares of Series B Stock (the term "Parity Preferred Stock" being used to refer to the Series A Cumulative Perpetual Preferred Stock and to any other class or series of stock of the Corporation ranking on a parity with the shares of Series B Stock, either as to dividends or upon liquidation; and

(c) junior to shares of the Series B Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the Series B Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or series.

#### IV. CONVERSION.

(a) Subject to and upon compliance with the provisions of this paragraph IV, the holder of any shares of Series B Stock shall have the right, at his option, at any time prior to the close of business on the third business day next preceding the date fixed for redemption of such share as herein provided, unless the

-3-

Corporation has defaulted in making payment due on redemption, to convert the shares into a number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) equal to \$100.00 for each share surrendered for conversion divided by the Conversion Price (as defined in subparagraph IV(d) below) by surrendering the shares to be converted, in the manner provided in subparagraph IV(b) below.

(b) (i) In order to exercise the conversion privilege, the holder of each share of Series B Stock to be converted shall surrender the certificate representing such share to the Conversion Agent for the Series B Stock appointed for such purpose by the Corporation (the "Conversion Agent"), with the Notice of Election to Convert on the back of such certificate duly completed and signed, together with funds equal to the Dividend Amount, if any, required to be paid under subparagraph IV(b)(ii) below, at the principal office of the Conversion Agent. Unless the shares issuable on conversion are to be issued in the same name as the name in which the shares of Series B Stock are registered, each share surrendered for conversion shall be accompanied by an instrument of transfer, in form satisfactory to the Corporation, duly executed

by the holder or his duly authorized attorney and by funds in an amount sufficient to pay any transfer or similar tax.

(ii) The holders of shares of Series B Stock at the close of business on a Dividend Payment Record Date shall be entitled to receive the dividend payable on those shares on the corresponding Dividend Payment Date notwithstanding the conversion of the shares after the Dividend Payment Record Date or the Corporation's default in payment of the dividend due on the Dividend Payment Date. However, shares of Series B Stock surrendered for conversion during the period between the close of business on any Dividend Payment Record Date and the opening of business on the corresponding Dividend Payment Date (except shares called for redemption on a date fixed for redemption during that period) must be accompanied by payment of an amount equal to the dividend payable on the shares on the Dividend Payment Date (the "Dividend Amount"). The holders of shares of Series B Stock on a Dividend Payment Record Date who (or whose transferees) convert any of those shares on or after the corresponding Dividend Payment Date will receive the dividend payable by the Corporation on those shares of Series B Stock on the Dividend Payment Date, and need not include payment of the Dividend Amount upon surrender of those shares for conversion. Except as provided above, the Corporation shall make no payment or adjustment for accrued and unpaid dividends on shares of Series B Stock, whether or not in arrears, on conversion of those shares, or for dividends on the shares of Common Stock issued upon the conversion.

(iii) As promptly as practicable after the surrender by a holder of the certificates for shares of Series B Stock in accordance with this subparagraph IV(b), the Corporation shall issue and shall deliver at the office of the conversion agent to the holder, or on his written order, a certificate or certificates for the

-4-

number of full shares of Common Stock issuable upon the conversion of those shares in accordance with the provisions of this paragraph IV, and any fractional interest in respect of a share of Common Stock arising upon the conversion shall be settled as provided in subparagraph IV(c) below.

(iv) each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which all of the conditions specified in subparagraph IV(b)(i) above shall have been satisfied, and, the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented by those certificates at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which all of the conditions specified in subparagraph IV(b)(i) above shall have been satisfied. All shares of Common Stock delivered upon conversion of the Series B Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights. Upon the surrender of certificates representing shares of Series B Stock to be converted, the shares shall no longer be deemed to be outstanding and all rights of a holder with respect to the shares surrendered for conversion shall immediately terminate except the right to receive the Common Stock or other securities, cash or other assets as herein provided.

(c) No fractional shares or securities representing fractional shares of Common Stock shall be issued upon conversion of Series B Stock. Any fractional interest in a share of Common Stock resulting from conversion of a share of Series B Stock shall be paid in cash (computed to the nearest cent) based on the price (as defined in subparagraph IV(d)(iv) below) of the Common Stock on the Trading Day (as defined in subparagraph IV(d)(iv) below) next preceding the day of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon the conversion shall be computed on the basis of the aggregate Liquidation Preference of the shares of Series B Stock so surrendered.

(d) The "Conversion Price" per share of Series B Stock shall be \$19.17, subject to adjustment from time to time as follows:

(i) In case the Corporation shall (A) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (B) subdivide its outstanding Common Stock into a greater number of shares, or (C) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price

-5-

in effect immediately prior to such event shall be proportionably adjusted so that the holder of any share of Series B Stock thereafter surrendered for conversion shall be entitled to receive the number and kind of shares of Common Stock of the Corporation which he would have been entitled to receive had the share been converted immediately prior to the happening of such event. An adjustment made pursuant to this subparagraph IV(d)(i) shall become effective immediately after the record date in the case of a dividend or distribution

except as provided in subparagraph IV(d)(vii) below, and shall become effective immediately after the effective date in the case of subdivision or combination. If any dividend or distribution is not paid or made, the Conversion Price then in effect shall be appropriately readjusted.

(ii) In case the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date referred to below) to subscribe for or purchase Common Stock at a price per share less than the Current Market Price (as defined in subparagraph IV(d)(iv) below) of the Common Stock at the record date for the determination of stockholders entitled to receive the rights or warrants, the Conversion Price in effect immediately prior to the issuance of such rights or warrants shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of the rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of the rights or warrants plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at the Current Market Price at that record date, and of which the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of the rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase. The adjustment provided for in this subparagraph IV(d)(ii) shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately, except as provided in subparagraph IV(d)(vii) below after such record date. In determining whether any rights or warrants entitle the holders of the Common Stock to subscribe for or purchase shares of Common Stock at less than the Current Market Price, and in determining the aggregate offering price of the shares of Common Stock so offered, there shall be taken into account any consideration received by the Corporation for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board (whose determination, if made in good faith, shall be conclusive). If any or all of such rights or warrants are not so issued or expire or terminate without having been exercised, the Conversion Price then in effect shall be appropriately readjusted.

(iii) In case the Corporation shall distribute to all holders of its Common Stock any shares of capital stock of the Corporation (other than Common Stock) or evidences of indebtedness or assets (excluding cash dividends or

-6-

distributions paid from retained earnings of the Corporation) or rights or warrants to subscribe for or purchase any of its securities (excluding those referred to in subparagraph IV(d)(ii) above) then, in each such case, the Conversion Price shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of the distribution by a fraction of which the numerator shall be the Current Market Price of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board, whose determination, if made in good faith, shall be conclusive) of the portion of the capital stock or assets or evidences of indebtedness so distributed, or of the rights or warrants so distributed, with respect to one share of Common Stock, and of which the denominator shall be the Current Market Price of the Common Stock on the record date. Such adjustment shall become effective immediately, except as provided in subparagraph IV(d) below, after the record date for the determination of shareholders entitled to receive such distribution. If any such distribution is not made or if any or all of such rights or warrants expire or terminate without having been exercised, the Conversion Price then in effect shall be appropriately readjusted. Notwithstanding the foregoing, in the event that the Company shall distribute rights or warrants (other than those referred to in subparagraph IV(d)(ii) above) ("Rights") pro rata to holders of Common Stock, the Company may, in lieu of making any adjustment pursuant to this Subparagraph IV(d)(ii), make proper provision so that each holder of Series B Stock who converts such Series B Stock (or any portion thereof) after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of rights to which a holder of the number of shares of Common Stock into which the number of shares of Series B Stock so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights.

(iv) For the purpose of any computation under subparagraphs IV(d)(ii) and IV(d)(iii) above, the "Current Market Price" of the Common Stock at any date shall be the average of the last reported sale prices per share for the ten consecutive Trading Days (as defined below) preceding the date of such computation. The last reported sale price for each day shall be (A) the last reported sale price of the Common Stock on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System (the "NASDAQ National Market System"), or any similar system of automated

quotations of securities prices then in common use, if so quoted, or (B) if not quoted as described in clause (A), the mean between the high bid and low asked quotations for the Common Stock as reported by the National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for the Common Stock on at least five of the ten preceding days, or (C) if the Common Stock is listed or admitted for trading on any national securities exchange, the last sale price, or the closing bid price if no sale occurred, of the Common Stock on the principal securities exchange on which the Common Stock is listed. If the Common Stock is quoted on a national securities or central market system in lieu of a market or quotation system described above, the last reported sale price shall be determined in the manner set forth in clause (B) of the preceding sentence if bid and asked quotations are reported but actual transactions are not, and in the manner set forth in clause (C) of the preceding sentence if actual transactions are reported. If none of the conditions set forth above is set, the last reported sale price of the Common Stock on any day or the average of such last reported sale prices for any period shall be the fair market value of such class of stock as determined by a member firm of the New York Stock Exchange, Inc. selected by the Corporation. As used herein the term "Trading Days" means (x) if the Common Stock is quoted on the NASDAQ National Market System or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system, or (y) if not quoted as described in clause (x), days on which quotations are reported by the National Quotation Bureau Incorporated, or (z) if the Common Stock is listed or admitted for trading on any national securities exchange, days on which such national securities exchange is open for business.

(v) No adjustment in the Conversion Price shall be required unless such adjustment would require a change of at least one percent in the Conversion Price; provided, however, that any adjustments which by reason of this subparagraph IV(d)(v) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and provided, further, that adjustment shall be required and made in accordance with the provisions of this paragraph IV (other than this subparagraph IV(d)(v)) not later than such time as may be required in order to preserve the tax free nature of a distribution to the holders of shares of Common Stock. All calculations under this paragraph IV shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this subparagraph IV(d) to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Conversion Price, in addition to those required by this subparagraph IV(d), as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision or combination of shares, distribution of capital stock or rights or warrants to purchase stock or securities, or distribution of evidences of indebtedness or assets (other than cash dividends or distributions paid from retained earnings) hereafter made by the Corporation to its stockholders shall be a tax free distribution for federal income tax purposes.

(vi) Whenever the Conversion Price is adjusted, as herein provided, the Corporation shall promptly file with the conversion agent an officers' certificate setting forth the Conversion Price after the adjustment and setting forth a brief statement of the facts requiring the adjustment, which certificate shall be conclusive evidence of the correctness of the adjustment. Promptly after delivery of the certificate, the Corporation shall prepare a notice of the adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which the adjustment becomes effective and shall mail the notice of such adjustment of the Conversion Price to the holder of each share of Series B Stock at his last address as shown on the stock books of the Corporation.

(vii) In any case in which this paragraph IV(d) provides that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of the event (i) issuing to the holder of any share of Series B Stock converted after the record date and before the occurrence of the event the additional shares of Common Stock issuable upon the conversion by reason of the adjustment required by the event over and above the Common Stock issuable upon such conversion before giving effect to the adjustment and (ii) paying to the holder any amount in cash in lieu of any fractional share pursuant to subparagraph IV(c) above.

(e) If:

(i) the Corporation shall authorize the granting to the holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(ii) there shall be any reclassification of the Common Stock (other than a subdivision or combination of the outstanding Common Stock and other than a change in the par value, or from par value to no par value, or from no par value to par value), or any consolidation, merger, or statutory share exchange to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or any sale or transfer of all or substantially all the assets of the Corporation; or

(iii) there shall be a voluntary or an involuntary dissolution, liquidation or winding up of the Corporation; then the Corporation shall cause to be filed with the conversion agent, and shall cause to be mailed to the holders of shares of the Series B Stock at their addresses as shown on the stock books of the Corporation, at least 15 days prior to the applicable date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of the dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to the dividend, distribution or rights or warrants are to be determined or (B) the date on which the reclassification, consolidation, merger, statutory share exchange, sale,

-9-

transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon the reclassification, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up. Failure to give any such notice or any defect in the notice shall not affect the legality or validity of the proceedings described in this subparagraph IV(e).

(f) (i) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of the Series B Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series B Stock not theretofore converted. For purposes of this subparagraph IV(f), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Series B Stock shall be computed as if at the time of computation all the outstanding shares were held by a single holder.

(ii) The Corporation will endeavor to list the shares of Common Stock required to be delivered upon conversion of the Series B Stock, prior to the delivery, upon each national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of delivery.

(iii) Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series B Stock, the Corporation will endeavor, in good faith and as expeditiously as possible, to comply with all federal and state laws and regulations thereunder requiring the registration of those securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(g) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversion of the Series B Stock; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Series B Stock to be converted and no such issue or delivery shall be made unless and until the person requesting the issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that the tax has been paid.

(h) In case of any reclassification or change of outstanding shares of Common Stock (other than a change in par value, or as a result of a subdivision or combination), or in case of any consolidation of the Corporation with, or merger of the Corporation with or into, any other entity that results in a reclassification,

-10-

change, conversion, exchange or cancellation of outstanding shares of Common Stock or any sale or transfer of all or substantially all of the assets of the Corporation, each holder of shares of Series B Stock then outstanding shall have the right thereafter to convert the shares of Series B Stock held by the holder into the kind and amount of securities, cash and other property which the holder would have been entitled to receive upon such reclassification, change, consolidation, merger, sale or transfer if the holder had held the Common Stock issuable upon the conversion of the shares of Series B Stock immediately prior to the reclassification, change, consolidation, merger, sale or transfer.

(i) In the event that the Corporation shall consummate any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted into stock, securities or cash or any other property, or any combination thereof, the Series B Stock shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become preferred stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative rights, and the qualifications, limitations or restrictions thereon, that the Series B Stock had immediately prior to such transaction, except that after such transaction each share of Series B Stock shall be convertible, otherwise on the terms and conditions

provided by paragraph (IV) above, into the nature and kind of consideration so receivable by a holder of the number of shares of Common Stock into which such shares of Series B Stock could have been converted immediately prior to such transaction; provided, however, that if, by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holder of the shares of Series B Stock, then the shares of Series B Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election (however, if the kind or amount of consideration receivable upon such transaction is not the same for each non-electing share of Common Stock, then the kind and amount so receivable upon such transaction shall be the kind and amount so receivable per share by the plurality of the non-electing shares of Common Stock). The rights of the Series B Stock as preferred stock of such successor or resulting corporation shall successively be subject to adjustments pursuant to paragraph (VI) and subparagraph (IV)(d) hereof after any such transaction as nearly equivalent as practicable to the adjustment provided for by such paragraphs prior to such transaction. The Corporation shall not consummate any such merger, consolidation or similar transaction unless all then outstanding

-11-

shares of Series B Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

V. STATUS. Upon any conversion, exchange or redemption of shares of Series B Stock, the shares of Series B Stock so converted, exchanged or redeemed shall have the status of authorized and unissued shares of serial preferred stock, and the number of shares of serial preferred stock which the Corporation shall have authority to issue shall not be decreased by the conversion, exchange or redemption of shares of Series B Stock.

VI. VOTING RIGHTS. The holders of shares of Series B Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(a) (i) If and whenever at any time or times dividends payable on the Series B Stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of a majority of the outstanding shares of the Series B Stock shall have the right to name two additional members of the Board of the Corporation, and such members shall take office at the next meeting of the Board of the Corporation. If any vacancy shall occur among the directors named by the holders of the shares of this Series B Stock pursuant to this subparagraph, such vacancy shall be filled with such person as a majority of such holders may name in a written notice to the Corporation. Any director named by the holders of the shares of this Series B Stock pursuant to this paragraph shall serve until all dividends accumulated on the Series B Stock have been paid in full. Upon such payment all directors named by the holders of the shares pursuant to this subparagraph who are then in office shall automatically cease to be members of the Board of Directors of the Corporation, provided, however, that the right of the holders of the shares of this Series B Stock to name two directors shall be reinstated if thereafter the Corporation fails to declare and pay dividends in cash on the outstanding shares of this Series B Stock with respect to any six subsequent quarterly periods.

(ii) Whenever the voting rights described in subparagraph VI(a)(i) above shall have vested and remain in effect, the Corporation shall not, either directly or indirectly or through merger or consolidation with or into any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least a majority of the number of shares of the Series B Stock then outstanding, create or issue or increase the authorized number of shares of any class or series of stock ranking prior to the Series B Stock either as to dividends or upon liquidation.

(b) So long as any shares of the Series B Stock remain outstanding, the Corporation shall not, either directly or indirectly or through merger or

-12-

consolidation with or into any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least two-thirds of the number of shares of the Series B Stock then outstanding, (i) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including the Authorizing Board Resolution) so as to affect adversely the preference or power of the Series B Stock, (ii) authorize any reclassification of the Series B Stock, or (iii) issue any shares of any class or series of stock of the Corporation ranking prior to the shares of the Series B Stock as to dividends or upon liquidation, or reclassify any authorized stock of the Corporation into any such prior shares or issue any obligation or security convertible into or evidencing the right to purchase any such prior

shares.

VII. REDEMPTION BY THE CORPORATION.

(a) The shares of Series B Stock may be redeemed for cash at the option of the Corporation, in whole, or from time to time in part, at any time on or after January 15, 1997, on at least 15 but not more than 60 days' prior notice mailed to the holders of the shares to be redeemed, at the applicable redemption price (as defined below), together in each case with an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid to the date fixed for redemption.

The applicable redemption prices per share are as follows:

If Redeemed During 12-month Period Beginning January 15 -----	Redemption Price Per Share -----
1997	\$104.50
1998	\$103.75
1999	\$103.00
2000	\$102.25
2001	\$101.50
2002	\$100.75
2003 (or thereafter)	\$100.00

(b) If full cumulative dividends on the Series B Stock have not been paid through the most recent Dividend Payment Date, the Series B Stock may not be redeemed in part and the Corporation may not purchase or acquire any shares of the Series B Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of the Series B Stock. If less than all the outstanding shares of Series B Stock are to be redeemed, the Corporation will select those to be redeemed by lot or a substantially equivalent method.

-13-

(c) (i) If a notice of redemption has been given pursuant to this paragraph VII and if, on or before the date fixed for the redemption, the funds necessary for the redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for those shares have not been surrendered for cancellation, on the date fixed for redemption dividends shall cease to accrue on the shares of Series B Stock to be redeemed, and at the close of business on the date fixed for redemption the holders of those shares shall cease to be stockholders with respect to those shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to the shares, except the right to receive the moneys payable upon such redemption and the right to accumulated and unpaid dividends, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and, unless the Corporation subsequently shall default in mailing payment of these amounts, the shares evidenced thereby shall no longer be deemed outstanding for any purpose.

(ii) If on or before the date fixed for redemption (but not less than 15 days after the date the notice of redemption is mailed to the holders of the Series B Stock) the Corporation shall deposit, in a trust fund, with any bank or trust company organized under the laws of the United States of America or any state thereof having a combined capital and surplus of at least \$5,000,000 (the "Redemption Agent") moneys sufficient to redeem on the date fixed for redemption the shares of Series B Stock to be redeemed, with irrevocable instructions and authority to the Redemption Agent, on behalf and at the expense of the Corporation, to pay, on the date fixed for redemption or prior to that date, the full amount of the consideration (consisting of the redemption price plus accrued and unpaid dividends, if any, to the date fixed for redemption, without interest) payable to the holders of the Series B Stock upon the redemption, upon surrender (and endorsement, if required by the Corporation) of their certificates, then, from and after the close of business on the date of such deposit (although prior to the date fixed for redemption) (the "Deposit Date"), the deposit shall be deemed to constitute full and final payment for the shares of Series B Stock to be redeemed to the holders thereof and, notwithstanding that any certificates for those shares have not been surrendered for cancellation, on the date fixed for redemption dividends shall cease to accrue on the shares of Series B Stock to be redeemed, and at the close of business on the Deposit Date the holders of those shares shall cease to be stockholders with respect to those shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to the shares, except the right to receive the moneys payable upon redemption and the right to accumulated interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be deemed outstanding for any purpose.

-14-

(iii) Notwithstanding the foregoing, if notice of

redemption shall have given pursuant to this paragraph VII and any holder of shares of Series B Stock shall, prior to the close of business on the date three business days next preceding the date fixed for redemption give written notice to the Corporation pursuant to paragraph IV above of the conversion of any or all of the shares held by the holder (accompanied by a certificate or certificates for such shares, duly endorsed or assigned to the Corporation), then the redemption shall not become effective as to the shares to be converted and the conversion shall become effective as provided in paragraph IV above.

(iv) Subject to applicable escheat laws, any moneys necessary for redemption set aside or deposited by the Corporation and unclaimed at the end of two years from the date fixed for redemption shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption but not surrendered shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so set aside or deposited shall belong to the Corporation and shall be paid to it from time to time. Any funds which have been deposited by the Corporation, or on its behalf, with a redemption agent or segregated and held in trust by the Corporation for the redemption of shares converted into Common Stock on or prior to the date fixed for such redemption shall (subject to any right of the holder of such shares to receive the dividend payable thereon as provided in paragraph IV) immediately upon such conversion be returned to the Corporation or, if then held in trust by the Corporation, shall be discharged from such trust.

VIII. APPROVAL OF HOLDERS. No approval of the holders of the Series B Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the declaration of dividends on any of the Corporation's capital stock which is not in violation of paragraph II hereof, (c) the creation or issuance, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior as to dividends or upon liquidation to the Series B Stock or, except as provided in subparagraph VI(b) above, the creation or issuance, or increase or decrease in the amount, of any class or series of stock of the Corporation ranking prior as to dividends or upon liquidation to the Series B Stock, (d) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof, (e) of any increase or decrease in the authorized amount of preferred stock issuable by the Board of Directors in series, or (f) any merger, consolidation or pooling of interests of any kind of the Corporation or any of its subsidiaries which does not adversely affect the rights or privileges of the holders of Series B Stock.

IX. NUMBER OF SHARES OF CONVERTIBLE PREFERRED STOCK. Subject to the provisions of paragraph VI above, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the Series B Stock (but not below the number of shares

-15-

thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, the Authorizing Board Resolution and the Certificate of Incorporation.

X. MISCELLANEOUS.

(a) Except as otherwise expressly provided, whenever in the Authorizing Board Resolution notices or other communications are required to be made, delivered or otherwise given to holders of shares of Series B Stock, the notice or other communication shall be deemed properly given if deposited in the United States mail, postage prepaid, addressed to the persons shown on the books of the Corporation as such holders at the addresses as they appear in the books of the Corporation, as of a record date or dates determined in accordance with the Corporation's Certificate of Incorporation and By-laws and applicable law, as in effect from time to time. No failure to mail a notice or any defect therein or in the mailing thereof shall affect the validity of any proceeding contemplated by the Authorizing Board Resolution, including without limitation any exchange pursuant to paragraph VII above, any redemption pursuant to paragraph VIII above or any Change of Control described in paragraph IX above.

(b) The holders of the Series B Stock will not have any preemptive right to subscribe for or purchase any shares or any other securities which may be issued by the Corporation.

(c) Except as may otherwise be required by law, the shares of Series B Stock shall not have any designations, preferences, limitations or relative rights, other than those specifically set forth in the Authorizing Board Resolution (as such Resolution may be amended from time to time) and in the Certificate of Incorporation.

(d) The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(e) If any right, preference or limitation of the Series B Stock set forth in the Authorizing Board Resolution (as such Resolution may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule or law or public policy, all other rights, preferences and limitations set forth in the Authorizing Board Resolution (as so amended) which

can be given effect without the invalid, unlawful or unenforceable right, preference or limitation shall, nevertheless, remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

-16-

IN WITNESS WHEREOF WEBSTER FINANCIAL CORPORATION has caused this Certificate of Designation to be made under the seal of the Corporation and signed by James C. Smith, its President, and attested by Lee A. Gagnon, its Secretary, this 21st day of December 1992.

WEBSTER FINANCIAL CORPORATION

By: /s/ James C. Smith  
-----  
President

[SEAL]

Attest:

/s/ Lee A. Gagnon  
-----  
Secretary

-17-

CERTIFICATE OF DESIGNATION  
 OF THE  
 SERIES C PARTICIPATING PREFERRED STOCK  
 OF  
 WEBSTER FINANCIAL CORPORATION

-----  
 Pursuant to Section 151(g) of the  
 General Corporation Law of the State of Delaware  
 -----

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on February 5, 1996, by the Board of Directors (the "Board") of WEBSTER FINANCIAL CORPORATION, a Delaware corporation (the "Corporation"), acting pursuant to the authority granted to the Board in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, at a duly convened meeting of the Board at which a quorum was present and active throughout (the "Authorizing Board Resolution"):

RESOLVED, that pursuant to authority expressly granted to and vested in the Board by the provisions of the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), there is hereby created a series of serial preferred stock, par value \$.01 per share, which shall consist of 14,000 of the 3,000,000 shares of serial preferred stock. Such series shall have the following powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the serial preferred stock) as follows:

Section 1. DESIGNATION AND AMOUNT. The shares of such series, par value .01 per share, shall be designated as "Series C Participating Preferred Stock" (hereinafter "Series C Stock") and the number of shares constituting such series shall be 14,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series C Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series C Stock.

Section 2. DIVIDENDS AND DISTRIBUTIONS.

(a) Subject to the prior and superior rights of the holders of any shares of any series of Serial Preferred Stock ranking prior and superior to the shares of Series C Stock with respect to dividends, the holders of shares of Series C Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 1st day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share of Series C Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 or (b) subject to the provision for adjustment hereinafter set forth, one thousand times the aggregate per share amount of all cash dividends declared on Common Stock, and one thousand times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share of Series C Stock. In the event the Corporation shall at any time after February 5, 1996 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series C Stock were entitled immediately prior to such event shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series C Stock as provided in paragraph (a) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, subject to the requirements of applicable law and the Amended and Restated Certificate of Incorporation, in

the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Series C Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series C Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series C Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend

-2-

Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series C Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series C Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series C Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

Section 3. VOTING RIGHTS. The holders of shares of Series C Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series C Stock shall entitle the holder thereof to one thousand votes on all matters submitted to a vote of the stockholders of the Common Stock. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series C Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein or by law, the holders of shares of Series C Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, holders of Series C Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. CERTAIN RESTRICTIONS.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series C Stock as provided in Section 2 are in arrears,

-3-

thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series C Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series C Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series C Stock, except dividends paid ratably on the Series C Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series C Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series C Stock;

(iv) purchase or otherwise acquire for consideration any

shares of Series C Stock, or any shares of stock ranking on a parity with the Series C Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. REACQUIRED SHARES. Any shares of Series C Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Serial Preferred Stock and may be reissued as part of a new series of Serial Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

-4-

#### Section 6. LIQUIDATION, DISSOLUTION OR WINDING UP.

(a) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series C Stock unless, prior thereto, the holders of shares of Series C Stock shall have received \$100,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series C Liquidation Preference"). Following the payment of the full amount of the Series C Liquidation Preference, no additional distributions shall be made to the holders of shares of Series C Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series C Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph (c) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series C Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series C Stock and Common Stock, respectively, holders of Series C Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one (1) with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Series C Liquidation Preference and the liquidation preferences of all other series of Serial Preferred Stock, if any, which rank on a parity with the Series C Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(c) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

-5-

Section 7. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series C Stock shall at the same time be similarly exchanged or charged in an amount per share (subject to provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding

Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series C Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. NO REDEMPTION. The shares of Series C Stock shall not be redeemable.

Section 9. RANKING. The Series C Stock shall rank junior to all other series of the Corporation's Serial Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of such series shall provide otherwise.

Section 10. AMENDMENT. The Amended and Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series C Stock so as to affect them adversely without the affirmative vote of the holders of a majority of the outstanding shares of Series C Stock, voting separately as a class.

-6-

IN WITNESS WHEREOF, WEBSTER FINANCIAL CORPORATION has caused this Certificate of Designation to be made under the seal of the Corporation and signed by James C. Smith, its Chairman and Chief Executive Officer, and attested by Lee A. Gagnon, its Secretary, as of this 5th day of February, 1996.

WEBSTER FINANCIAL CORPORATION

By: /s/ James C. Smith  
-----  
Chairman and Chief Executive Officer

[Seal]

ATTEST:

/s/ Lee A. Gagnon  
-----  
Secretary

-7-

CERTIFICATE OF AMENDMENT  
TO  
THE RESTATED CERTIFICATE OF INCORPORATION  
OF  
WEBSTER FINANCIAL CORPORATION

Webster Financial Corporation (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That the Board of Directors of the Corporation, by unanimous vote at a meeting held November 18, 1996, has adopted a resolution declaring the following amendment to the Restated Certificate of Incorporation of the Corporation to be advisable, and has recommended to the shareholders of the Corporation the adoption of such amendment:

- 1. That the first sentence of the first paragraph of Article 4 of the Restated Certificate of Incorporation of Webster Financial Corporation be amended in its entirety to read as follows:

The total number of shares of all classes of the capital stock which the Corporation has authority to issue is thirty three million (33,000,000), of which thirty million (30,000,000) shall be common stock, par value \$.01 per share, amounting in the aggregate to three hundred thousand dollars (\$300,000), and three million (3,000,000) shall be serial preferred stock, par value \$.01 per share, amounting in the aggregate to thirty thousand dollars (\$30,000).

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the Shareholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That the amendment to the Restated Certificate of Incorporation of Webster Financial Corporation herein certified was duly adopted, pursuant to the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Webster Financial Corporation has caused this Certificate of Amendment to be signed by James C. Smith, its Chairman and Chief Executive Officer and attested to by Lee A. Gagnon, its Executive Vice President, Chief Operating Officer and Secretary, dated as of the 30th day of January, 1997.

WEBSTER FINANCIAL CORPORATION

By: /s/ James C. Smith  
-----  
James C. Smith  
Chairman and Chief Executive Officer

ATTEST:

By: /s/ Lee A. Gagnon  
-----  
Lee A. Gagnon  
Executive Vice President, Chief Operating  
Operating Officer and Secretary

AMENDMENT TO  
CONSULTING AGREEMENT

AGREEMENT, dated as of January 1, 1997, among WEBSTER BANK (the "Bank"), WEBSTER FINANCIAL CORPORATION (the "Company") and HAROLD W. SMITH ("Smith").

WHEREAS, the respective Boards of Directors of the Company and the Bank have approved and authorized the entry into this Agreement with Smith;

WHEREAS, Smith is currently serving as a consultant to both the Company and the Bank under a Consulting Agreement dated as of January 1, 1994 (the "Consulting Agreement");

WHEREAS, the parties desire to amend the Consulting Agreement to extend the term of the Advisory Period (as defined therein) until December 31, 1997.

NOW, THEREFORE, it is AGREED as follows:

1. Section 1(a) of the Consulting Agreement is amended by substituting "December 31, 1997" for "December 31, 1996".

2. In all other respects, the Consulting Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the day and year first above written.

Attest:

WEBSTER FINANCIAL CORPORATION

/s/ Lee A. Gagnon  
-----  
(Secretary)

By: /s/James C. Smith  
-----  
Its: -----  
Chief Executive Officer

Attest:

WEBSTER BANK

/s/ Lee A. Gagnon  
-----  
(Secretary)

By: /s/ James C. Smith  
-----  
Its: -----  
Chief Executive Officer

-----  
Harold W. Smith

-----  
JAMES C. SMITH  
EMPLOYMENT AGREEMENT

AGREEMENT, dated as of January 1, 1997, among WEBSTER BANK (the "Bank"), WEBSTER FINANCIAL CORPORATION (the "Company") and JAMES C. SMITH (the "Employee").

WHEREAS, the respective Boards of Directors of the Company and the Bank have approved and authorized the entry into this Agreement with the Employee;

WHEREAS, the Employee is currently serving as the Chief Executive Officer of both the Company and the Bank under an Employment Agreement dated as of January 1, 1995 (the "Prior Agreement");

WHEREAS, the parties desire to enter into this Agreement to set forth the terms and conditions for the employment relationships of the Employee with the Company and the Bank and to replace and supersede the Prior Agreement.

NOW, THEREFORE, it is AGREED as follows:

1. Employment. The Prior Agreement is hereby replaced and superseded and the Prior Agreement shall be of no further force or effect after the date of this Agreement. The Employee is employed as the Chief Executive Officer of both the Company and the Bank from the date hereof through the term of this Agreement. As an executive of the Company and of the Bank, the Employee shall render executive, policy, and other management services to the Company and the Bank of the type customarily performed by persons serving in similar executive officer capacities. The Employee shall also perform such duties as the Boards of Directors of the Company and of the Bank may from time to time reasonably direct. During the term of this Agreement, there shall be no material increase or decrease in the duties and responsibilities of the Employee otherwise than as provided herein, unless the parties otherwise agree in writing. During the term of this Agreement, the Employee shall not be required to relocate to an area more than 35 miles from the Bank's home office in order to perform the services hereunder.

2. Salary. The Bank agrees to pay the Employee during the term of this Agreement a base salary as follows: from the date hereof through December 31, 1997, a salary at an annual rate equal to \$475,000, which salary may be adjusted in January of each subsequent year during the term of this Agreement as determined by the Boards of Directors of the Company and the Bank. In determining salary adjustments, the Board of Directors may compensate the Employee for increases in the cost of living and may also provide for performance or merit adjustments. The salary under this Section 2 shall be payable by the Bank to the Employee not less frequently than monthly. The Company shall reimburse the Bank for a portion of the salary paid to the Employee hereunder, which portion shall represent an

appropriate allocation for the services rendered to the Company hereunder. The Employee shall not be entitled to receive fees for serving as a director of the Company or of the Bank or for serving as a member of any committee of the Board of Directors of the Company or of the Bank if he is elected to such positions.

3. Discretionary Bonuses. In addition to his salary under Section 2 hereof, the Employee shall be eligible to receive such discretionary bonuses as may be authorized, declared, and paid by the Board of Directors of the Company or of the Bank. No other compensation provided for in this Agreement shall be deemed a substitute for such bonuses when and as declared by the Board of Directors of the Company or the Bank.

4. Participation in Retirement and Employee Benefit Plans; Fringe Benefits. The Employee shall be eligible to participate in any plan of the Company or of the Bank relating to stock options, stock purchases, pension, thrift, profit sharing, employee stock ownership, group life insurance, medical coverage, disability insurance, education, or other retirement or employee benefits that the Bank or the Company has adopted or may adopt for the benefit of its executive employees. The Employee shall also be eligible to participate in any other fringe benefits which are now or may be or become applicable to the Company's or the Bank's executive employees. In addition, the Employee shall be provided with a standard automobile or an automobile allowance for business use. Participation in these plans and fringe benefits shall not reduce the salary payable to the Employee under Section 2 hereof.

5. Term. The initial term of employment under this Agreement shall be for a period commencing on the date hereof and ending on December 31, 1999. The Company and the Bank may renew this Agreement by written notice to the Employee for one additional year on December 31, 1997 and each subsequent December 31 during the term of this Agreement, unless the Employee gives contrary written notice to the other parties hereto prior to such renewal date. Each initial term and all such renewed terms are collectively referred to herein as the term of this Agreement.

6. Standards. The Employee shall perform the Employee's duties and responsibilities under this Agreement in accordance with such reasonable

standards as may be established from time to time by the Boards of Directors of the Company or the Bank. The reasonableness of such standards shall be measured against standards for executive performance generally prevailing in the savings institutions industry.

7. Voluntary Absences; Vacations. The Employee shall be entitled, without loss of pay, to be absent voluntarily for reasonable periods of time from the performance of the duties and responsibilities under this Agreement. All such voluntary absences shall count as paid vacation time, unless the Board of Directors of the Company or the Bank otherwise approves. The Employee shall be entitled to an annual paid vacation of at least four weeks per year or such longer period as the

-2-

Board of Directors of the Company or the Bank may approve. The timing of paid vacations shall be scheduled in a reasonable manner by the Employee. The Employee shall not be entitled (i) to receive any additional compensation from the Bank on account of failure to take a paid vacation or (ii) to accumulate more than two weeks of unused paid vacation time from one fiscal year to the next.

8. Termination of Employment.

(a) (i) The Board of Directors of the Company or the Bank may terminate the Employee's employment at any time, but any termination by such Board of Directors other than termination for cause shall not prejudice the Employee's right to compensation or other benefits under this Agreement. The Employee shall have no right to receive compensation or other benefits for any period after termination for cause. The term "termination for cause" shall mean termination because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach of any provision of this Agreement. In determining incompetence, the acts or omissions shall be measured against standards generally prevailing in the savings institutions industry; provided, that it shall be the Company's or the Bank's burden to prove the alleged acts and omissions and the prevailing nature of the standards the Company or the Bank shall have alleged are violated by such acts and/or omissions.

(ii) The parties acknowledge and agree that damages which will result to Employee for termination without cause shall be extremely difficult or impossible to establish or prove, and agree that, unless the termination is for cause, the Bank shall be obligated, concurrently with such termination, to make a lump sum cash payment to the Employee as liquidated damages of an amount equal to the sum of (a) the Employee's then current annual base salary under Section 2 of this Agreement and (b) the amount of any bonuses paid to the Employee pursuant to the Webster Financial Corporation and Webster Bank Annual Incentive Compensation Plan during the then current fiscal year multiplied by a fraction the numerator of which is the number of full months during the then current fiscal year in which the Employee was employed hereunder and the denominator of which is 12. The Employee agrees that, except for such other payments and benefits to which the Employee may be entitled as expressly provided by the terms of this Agreement, such liquidated damages shall be in lieu of all other claims which Employee may make by reason of such termination. Such payment to the Employee shall be made on or before the Employee's last day of employment with the Company or the Bank. The liquidated damages amount shall not be reduced by any compensation which the Employee may receive for other employment with another employer after termination of his employment with the Company or the Bank.

-3-

(iii) In addition to the liquidated damages above described that are payable to the Employee for termination without cause, the following shall apply in the event of any termination without cause (other than a termination subject to Section 9 hereof): (1) the Employee shall continue to be entitled to medical and dental coverage as if his employment had not been terminated until the earliest of (A) the expiration of one year after the date his employment terminates, (B) the expiration of the remaining term of this Agreement under Section 5, and (C) the date on which the Employee accepts other employment on a substantially full time basis and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank which are in effect on the date the notice of termination is sent to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) If the Employee is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act, as amended, the Company's and the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay the Employee

all or part of the compensation withheld while such contractual obligations were suspended, and (ii) reinstate in whole or in part any of its obligations which were suspended.

(c) If the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, as amended, all obligations of the Company and the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the parties shall not be affected.

(d) If the Bank is in default (as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, as amended), all obligations under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of this Agreement is necessary for the continued operation of the Bank, (i) by the Director of the Office of Thrift Supervision (the "Director") or his or her designee, at the time the Federal Deposit Insurance Corporation or Resolution Trust Company enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, as amended, or (ii) by the Director or his or her designee at the time the Director or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Director or his or her designee to be in an unsafe or unsound

-4-

condition. Any rights of the parties that have already vested, however, shall not be affected by any termination hereunder.

(f) The Employee shall have no right to terminate employment under this Agreement prior to the end of the term of this Agreement, unless such termination is approved by the Board of Directors of the Company or the Bank or is in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank. In the event that the Employee violates this provision, the Company and the Bank shall be entitled, in addition to its other legal remedies, to enjoin the employment of the Employee with any significant competitor of the Bank for a period of one year or the remaining term of this Agreement plus six months, whichever is less. The term "significant competitor" shall mean any commercial bank, savings bank, savings and loan association, or mortgage banking company, or a holding company affiliate of any of the foregoing, which at the date of its employment of the Employee has an office out of which the Employee would be primarily based within 35 miles of the Bank's home office.

(g) In the event the employment of the Employee is terminated by the Company or the Bank without cause under Section 8(a) hereof or the Employee's employment is terminated voluntarily or involuntarily in accordance with Section 9 hereof and the Bank fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to reimbursement for all reasonable costs, including attorneys' fees, incurred by the Employee in taking action to collect such amounts or otherwise to enforce this Agreement, plus interest on such amounts at the rate of one percent above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by The Wall Street Journal), compounded monthly, for the period from the date the payment is due to be paid to the Employee until payment is made. Such reimbursement and interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement.

(h) If during the term of this Agreement, the Employee's employment with the Company and the Bank is terminated (whether voluntarily or involuntarily), the Employee agrees to maintain the confidentiality of, and not to use, any non-public information which he acquired during his employment concerning the Company or the Bank, their respective subsidiaries, or any director, officer, employee or agent of the aforesaid entities, including any information as to the customers, business or personnel practices of such entities. The Employee agrees, for a period of one year after the date of termination of his employment with the Company and the Bank (other than in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank), that he will not (i) offer employment (or a consulting, agency, independent contractor or other similar paid position) to any employee of the Company, the Bank or any of their respective subsidiaries, or (ii) induce, encourage or solicit any such employee to accept

-5-

employment (or any aforesaid position) with any company or entity with which the Employee may then be employed or otherwise affiliated.

#### 9. Change in Control.

(a) If during the term of this Agreement there is a change in control of the Company or the Bank, the Employee shall be entitled to receive as

a severance payment for services previously rendered to the Company and the Bank, a lump sum cash payment as provided for herein (subject to Section 9(c) below) in the event the Employee's employment is terminated, voluntarily or involuntarily, in connection with or within two years after the change in control of the Company or the Bank, unless such termination is for cause (as defined in Section 8(a)(i) hereof), is a voluntary termination without "Good Reason" (as defined below) in connection with or after a "Technical Change" (as defined below), or occurs by virtue of normal retirement, permanent and total disability (as defined in Section 22(e) of the Code) or death. Subject to Section 9(c) below, the amount of the payment shall be equal to (i) one year's salary plus any bonuses paid during the then current fiscal year, if the Employee voluntarily terminates his employment without "Good Reason" (as hereinafter defined) other than in connection with or following a "Technical Change" (as defined below) or (ii) three times the Employee's annual base salary in effect immediately before the change in control plus an amount equal to three times the aggregate amount of bonuses that were paid to the Employee by the Company and the Bank during the 24 calendar months preceding the change in control divided by two, if the Employee's termination of employment was either voluntary with Good Reason or involuntary, except as provided below in the case of a Technical Change; provided, however, that in the case of a change in control described in Section 9(b)(vii) below (and not described in any other subsection of Section 9(b)) in which the persons who were directors of the Company before the transaction described in such subsection shall constitute at least 50% of the Board of Directors of the Company or any successor corporation (a "Technical Change"), no amount shall be payable under clause (i) above and, subject to Section 9(c) below, the amount payable under clause (ii) above shall be two times the Employee's annual base salary in effect immediately before the change in control, plus two times the amount of any bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs. "Good Reason" shall include a material reduction in the position, authority, duties or responsibilities of the Employee from those which existed prior to the change in control or a reduction in the Employee's job stature as reflected in his title. If the Employee notifies the Boards of Directors of the Company and the Bank that he intends to terminate his employment voluntarily for Good Reason, he shall state in his notice the reasons why he believes that Good Reason exists. Unless the Company and the Bank, within 30 days of the date of the Employee's notice of resignation or termination, reject the Employee's statement that Good Reason exists, the Employee's entitlement to the severance payment payable under clause (ii) above shall be conclusive. If both Boards of Directors reject the Employee's statement of Good Reason within such 30-day period, the dispute shall be settled by arbitration in

-6-

accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, but the Company and the Bank shall have the burden of proving in such arbitration that their rejection of the Employee's statement was proper. Payment under this Section 9(a) shall be in lieu of any amount owed to the Employee as liquidated damages for termination without cause under Section 8(a) hereof. However, payment under this Section 9(a) shall not be reduced by any compensation which the Employee may receive from other employment with another employer after termination of the Employee's employment. In addition, subject to Section 9(c) below, in the case of any termination of employment within the scope of this Section 9(a) for which a severance payment is payable to the Employee, the following shall apply: (1) the Employee shall also be entitled to continued medical, dental, group term life insurance and long-term disability insurance coverage and to continued eligibility for benefits under any other employee welfare benefit plan (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which he was eligible to participate before the change in control, on a basis no less favorable to him than that in effect during the fiscal year preceding the fiscal year in which the change in control occurs, as if his employment had not been terminated, which coverage and eligibility shall continue: (A) in the case of a voluntary termination of employment described in clause (i) above, for one year after the termination or the remaining term of this Agreement, whichever is less; (B) in the case of a termination described in clause (ii) above and a change in control other than a Technical Change, for the remaining term of this Agreement; or (C) in the case of a termination described in clause (ii) above in connection with or following a Technical Change, for two years after the termination or the remaining term of this Agreement, whichever is less; and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank that are in effect on the date the notice of termination is given by or to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) A "change in control" of the Company, for purposes of this Agreement, shall be deemed to have taken place if: (i) any person becomes the beneficial owner of 25 percent or more of the total number of voting shares of the Company; (ii) any person becomes the beneficial owner of 10 percent or more, but less than 25 percent, of the total number of voting shares of the Company, unless the Director has approved a rebuttal agreement filed by such person or such person has filed a certification with the Director; (iii) any person (other than the persons named as proxies solicited on behalf of the Board of Directors of the Company) holds revocable or irrevocable proxies, as to the election or

removal of two or more directors of the Company, for 25 percent or more of the total number of voting shares of the Company; (iv) any person has received the approval of the Director under Section 10

-7-

of the Home Owners' Loan Act, as amended (the "Holding Company Act"), or regulations issued thereunder, to acquire control of the Company; (v) any person has received approval of the Director under Section 7(j) of the Federal Deposit Insurance Act, as amended (the "Control Act"), or regulations issued thereunder, to acquire control of the Company; (vi) any person has commenced a tender or exchange offer, or entered into an agreement or received an option, to acquire beneficial ownership of 25 percent or more of the total number of voting shares of the Company, whether or not the requisite approval for such acquisition has been received under the Holding Company Act, the Control Act, or the respective regulations issued thereunder; or (vii) as the result of, or in connection with, any cash tender or exchange offer, merger, or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the Company before such transaction shall cease to constitute at least two-thirds of the Board of Directors of the Company or any successor corporation. Notwithstanding the foregoing, a "change in control" will not be deemed to have occurred under clauses (ii), (iii), (iv), (v) or (vi) of this section 9(b), if within 30 days of such action, the Board of Directors of the Company (by a two-thirds affirmative vote of the directors in office before such action occurred) makes a determination that such action does not and is not likely to constitute a "change in control" of the Company. For purposes of this Section 9(b), a "person" includes an individual, corporation, partnership, trust, association, joint venture, pool, syndicate, unincorporated organization, joint-stock company or similar organization or group acting in concert. A person for these purposes shall be deemed to be a beneficial owner as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934.

A "change in control" of the Bank, for purposes of this Agreement, shall be deemed to have taken place if the Company's beneficial ownership of the total number of voting shares of the Bank is reduced to less than 50 percent.

(c) Notwithstanding any other provisions of this Agreement or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Employee with the Company or the Bank, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this Section 9(c) (the "Other Agreements"), and notwithstanding any formal or informal plan or other arrangement heretofore or hereafter adopted by the Company or the Bank for the direct or indirect provision of compensation to the Employee (including groups or classes of participants or beneficiaries of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Plan"), the Employee shall not have any right to receive any payment or other benefit under this Agreement, any Other Agreement, or any Benefit Plan if such payment or benefit, taking into account all other payments or benefits to or for the Employee under this Agreement, all Other Agreements, and all Benefit Plans, would cause any payment to the Employee under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") (a

-8-

"Parachute Payment"). In the event that the receipt of any such payment or benefit under this Agreement, any Other Agreement, or any Benefit Plan would cause the Employee to be considered to have received a Parachute Payment under this Agreement, then the Employee shall have the right, in the Employee's sole discretion, to designate those payments or benefits under this Agreement, any Other Agreements, and/or any Benefit Plans, which should be reduced or eliminated so as to avoid having the payment to the Employee under this Agreement be deemed to be a Parachute Payment.

10. Disability. If the Employee shall become disabled or incapacitated to the extent that the Employee is unable to perform the Employee's duties and responsibilities hereunder, the Employee shall be entitled to receive disability benefits of the type provided for other executive employees of the Company and the Bank and the obligations of the Company and the Bank hereunder shall be limited to providing such benefits for the period of such disability.

11. No Assignments. This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto. However, in the event of the death of the Employee all rights to receive payments hereunder shall become rights of the Employee's estate.

12. Other Contracts. The Employee shall not, during the term of this Agreement, have any other paid employment other than with a subsidiary of the Company, except with the prior approval of the Boards of Directors of the Company and the Bank.

13. Amendments or Additions; Action by Board of Directors. No amendments or additions to this Agreement shall be binding unless in writing and signed by all parties hereto. The prior approval by the Boards of Directors of the Company and the Bank shall be required in order for the Company and the Bank

to authorize any amendments or additions to this Agreement, to give any consents or waivers of provisions of this Agreement, or to take any other action under this Agreement including any termination of employment with or without cause under Section 8(a) hereof.

14. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

15. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

-9-

16. Governing Law. This Agreement shall be governed by the laws of the United States to the extent applicable and otherwise by the laws of the State of Connecticut, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the day and year first above written.

Attest:

WEBSTER FINANCIAL CORPORATION

/s/ John D. Benjamin

By /s/ Robert A. Finkenzeller

-----  
Asst (Secretary)

-----  
Its:

-----  
Chairman, Personnel Resources  
Committee

Attest:

WEBSTER BANK

/s/ John D. Benjamin

By /s/ Robert A. Finkenzeller

-----  
Asst (Secretary)

-----  
Its:

-----  
Chairman, Personnel Resources  
Committee

EMPLOYEE

/s/ James C. Smith

-----  
James C. Smith

-10-

LEE A. GAGNON  
EMPLOYMENT AGREEMENT

AGREEMENT, dated as of January 1, 1997, among WEBSTER BANK (the "Bank"), WEBSTER FINANCIAL CORPORATION (the "Company") and LEE A. GAGNON (the "Employee").

WHEREAS, the respective Boards of Directors of the Company and the Bank have approved and authorized the entry into this Agreement with the Employee;

WHEREAS, the Employee is currently serving as Executive Vice President, Chief Operating Officer and Secretary of both the Company and the Bank under an Employment Agreement dated as of January 1, 1995 (the "Prior Agreement");

WHEREAS, the parties desire to enter into this Agreement to set forth the terms and conditions for the employment relationships of the Employee with the Company and the Bank and to replace and supersede the Prior Agreement.

NOW, THEREFORE, it is AGREED as follows:

1. Employment. The Prior Agreement is hereby replaced and superseded and the Prior Agreement shall be of no further force or effect after the date of this Agreement. The Employee is employed as Executive Vice President, Chief Operating Officer and Secretary of both the Company and the Bank from the date hereof through the term of this Agreement. As an executive of the Company and of the Bank, the Employee shall render executive, policy, and other management services to the Company and the Bank of the type customarily performed by persons serving in similar executive officer capacities. The Employee shall also perform such duties as the Chief Executive Officer and the Boards of Directors of the Company and of the Bank may from time to time reasonably direct. During the term of this Agreement, there shall be no material increase or decrease in the duties and responsibilities of the Employee otherwise than as provided herein, unless the parties otherwise agree in writing. During the term of this Agreement, the Employee shall not be required to relocate to an area more than 35 miles from the Bank's home office in order to perform the services hereunder.

2. Salary. The Bank agrees to pay the Employee during the term of this Agreement a base salary as follows: from the date hereof through December 31, 1997, a salary at an annual rate equal to \$200,000, which salary may be adjusted in January of each subsequent year during the term of this Agreement as determined by the Boards of Directors of the Company and the Bank. In determining salary adjustments, the Board of Directors may compensate the Employee for increases in the cost of living and may also provide for performance or merit adjustments. The salary under this Section 2 shall be payable by the Bank to the Employee not less frequently than monthly. The Company shall reimburse the Bank for a portion of

the salary paid to the Employee hereunder, which portion shall represent an appropriate allocation for the services rendered to the Company hereunder. The Employee shall not be entitled to receive fees for serving as a director of the Company or of the Bank or for serving as a member of any committee of the Board of Directors of the Company or of the Bank if he is elected to such positions.

3. Discretionary Bonuses. In addition to his salary under Section 2 hereof, the Employee shall be eligible to receive such discretionary bonuses as may be authorized, declared, and paid by the Board of Directors of the Company or of the Bank. No other compensation provided for in this Agreement shall be deemed a substitute for such bonuses when and as declared by the Board of Directors of the Company or the Bank.

4. Participation in Retirement and Employee Benefit Plans; Fringe Benefits. The Employee shall be eligible to participate in any plan of the Company or of the Bank relating to stock options, stock purchases, pension, thrift, profit sharing, employee stock ownership, group life insurance, medical coverage, disability insurance, education, or other retirement or employee benefits that the Bank or the Company has adopted or may adopt for the benefit of its executive employees. The Employee shall also be eligible to participate in any other fringe benefits which are now or may be or become applicable to the Company's or the Bank's executive employees. In addition, the Employee shall be provided with a standard automobile or an automobile allowance for business use. Participation in these plans and fringe benefits shall not reduce the salary payable to the Employee under Section 2 hereof.

5. Term. The initial term of employment under this Agreement shall be for a period commencing on the date hereof and ending on December 31, 1999. The Company and the Bank may renew this Agreement by written notice to the Employee for one additional year on December 31, 1997 and each subsequent December 31 during the term of this Agreement, unless the Employee gives contrary written notice to the other parties hereto prior to such renewal date. Each initial term and all such renewed terms are collectively referred to herein as the term of this Agreement.

6. Standards. The Employee shall perform the Employee's duties and responsibilities under this Agreement in accordance with such reasonable

standards as may be established from time to time by the Boards of Directors of the Company or the Bank. The reasonableness of such standards shall be measured against standards for executive performance generally prevailing in the savings institutions industry.

7. Voluntary Absences; Vacations. The Employee shall be entitled, without loss of pay, to be absent voluntarily for reasonable periods of time from the performance of the duties and responsibilities under this Agreement. All such voluntary absences shall count as paid vacation time, unless the Board of Directors of the Company or the Bank otherwise approves. The Employee shall be entitled to an

-2-

annual paid vacation of at least four weeks per year or such longer period as the Board of Directors of the Company or the Bank may approve. The timing of paid vacations shall be scheduled in a reasonable manner by the Employee. The Employee shall not be entitled (i) to receive any additional compensation from the Bank on account of failure to take a paid vacation or (ii) to accumulate more than two weeks of unused paid vacation time from one fiscal year to the next.

8. Termination of Employment.

(a) (i) The Board of Directors of the Company or the Bank may terminate the Employee's employment at any time, but any termination by such Board of Directors other than termination for cause shall not prejudice the Employee's right to compensation or other benefits under this Agreement. The Employee shall have no right to receive compensation or other benefits for any period after termination for cause. The term "termination for cause" shall mean termination because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach of any provision of this Agreement. In determining incompetence, the acts or omissions shall be measured against standards generally prevailing in the savings institutions industry; provided, that it shall be the Company's or the Bank's burden to prove the alleged acts and omissions and the prevailing nature of the standards the Company or the Bank shall have alleged are violated by such acts and/or omissions.

(ii) The parties acknowledge and agree that damages which will result to Employee for termination without cause shall be extremely difficult or impossible to establish or prove, and agree that, unless the termination is for cause, the Bank shall be obligated, concurrently with such termination, to make a lump sum cash payment to the Employee as liquidated damages of an amount equal to the sum of (a) the Employee's then current annual base salary under Section 2 of this Agreement and (b) the amount of any bonuses paid to the Employee pursuant to the Webster Financial Corporation and Webster Bank Annual Incentive Compensation Plan during the then current fiscal year multiplied by a fraction the numerator of which is the number of full months during the then current fiscal year in which the Employee was employed hereunder and the denominator of which is 12. The Employee agrees that, except for such other payments and benefits to which the Employee may be entitled as expressly provided by the terms of this Agreement, such liquidated damages shall be in lieu of all other claims which Employee may make by reason of such termination. Such payment to the Employee shall be made on or before the Employee's last day of employment with the Company or the Bank. The liquidated damages amount shall not be reduced by any compensation which the Employee may receive for other employment with another employer after termination of his employment with the Company or the Bank.

-3-

(iii) In addition to the liquidated damages above described that are payable to the Employee for termination without cause, the following shall apply in the event of any termination without cause (other than a termination subject to Section 9 hereof): (1) the Employee shall continue to be entitled to medical and dental coverage as if his employment had not been terminated until the earliest of (A) the expiration of one year after the date his employment terminates, (B) the expiration of the remaining term of this Agreement under Section 5, and (C) the date on which the Employee accepts other employment on a substantially full time basis and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank which are in effect on the date the notice of termination is sent to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) If the Employee is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act, as amended, the Company's and the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay the Employee all or part of the compensation withheld while such contractual obligations were

suspended, and (ii) reinstate in whole or in part any of its obligations which were suspended.

(c) If the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, as amended, all obligations of the Company and the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the parties shall not be affected.

(d) If the Bank is in default (as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, as amended), all obligations under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of this Agreement is necessary for the continued operation of the Bank, (i) by the Director of the Office of Thrift Supervision (the "Director") or his or her designee, at the time the Federal Deposit Insurance Corporation or Resolution Trust Company enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, as amended, or (ii) by the Director or his or her designee at the time the Director or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Director or his or her designee to be in an unsafe or unsound

-4-

condition. Any rights of the parties that have already vested, however, shall not be affected by any termination hereunder.

(f) The Employee shall have no right to terminate employment under this Agreement prior to the end of the term of this Agreement, unless such termination is approved by the Board of Directors of the Company or the Bank or is in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank. In the event that the Employee violates this provision, the Company and the Bank shall be entitled, in addition to its other legal remedies, to enjoin the employment of the Employee with any significant competitor of the Bank for a period of one year or the remaining term of this Agreement plus six months, whichever is less. The term "significant competitor" shall mean any commercial bank, savings bank, savings and loan association, or mortgage banking company, or a holding company affiliate of any of the foregoing, which at the date of its employment of the Employee has an office out of which the Employee would be primarily based within 35 miles of the Bank's home office.

(g) In the event the employment of the Employee is terminated by the Company or the Bank without cause under Section 8(a) hereof or the Employee's employment is terminated voluntarily or involuntarily in accordance with Section 9 hereof and the Bank fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to reimbursement for all reasonable costs, including attorneys' fees, incurred by the Employee in taking action to collect such amounts or otherwise to enforce this Agreement, plus interest on such amounts at the rate of one percent above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by The Wall Street Journal), compounded monthly, for the period from the date the payment is due to be paid to the Employee until payment is made. Such reimbursement and interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement.

(h) If during the term of this Agreement, the Employee's employment with the Company and the Bank is terminated (whether voluntarily or involuntarily), the Employee agrees to maintain the confidentiality of, and not to use, any non-public information which he acquired during his employment concerning the Company or the Bank, their respective subsidiaries, or any director, officer, employee or agent of the aforesaid entities, including any information as to the customers, business or personnel practices of such entities. The Employee agrees, for a period of one year after the date of termination of his employment with the Company and the Bank (other than in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank), that he will not (i) offer employment (or a consulting, agency, independent contractor or other similar paid position) to any employee of the Company, the Bank or any of their respective subsidiaries, or (ii) induce, encourage or solicit any such employee to accept

-5-

employment (or any aforesaid position) with any company or entity with which the Employee may then be employed or otherwise affiliated.

#### 9. Change in Control.

(a) If during the term of this Agreement there is a change in control of the Company or the Bank, the Employee shall be entitled to receive as a severance payment for services previously rendered to the Company and the

Bank, a lump sum cash payment as provided for herein (subject to Section 9(c) below) in the event the Employee's employment is terminated, voluntarily or involuntarily, in connection with or within two years after the change in control of the Company or the Bank, unless such termination is for cause (as defined in Section 8(a)(i) hereof), is a voluntary termination without "Good Reason" (as defined below) in connection with or after a "Technical Change" (as defined below), or occurs by virtue of normal retirement, permanent and total disability (as defined in Section 22(e) of the Code) or death. Subject to Section 9(c) below, the amount of the payment shall be equal to (i) one year's salary plus any bonuses paid during the then current fiscal year, if the Employee voluntarily terminates his employment without Good Reason other than in connection with or following a Technical Change or (ii) if the Employee's termination of employment was either voluntary with Good Reason or involuntary, (A) if such change in control of the Company or the Bank occurs before January 1, 1999, three times the Employee's average annual compensation that was payable by the Company and the Bank and was includible in the Employee's gross income for federal income tax purposes with respect to the five most recent taxable years of the Employee ending prior to such change in control of the Company or the Bank (or such portion of such period during which the Employee was a full-time employee of the Company and the Bank), less one dollar, except as provided below in the case of a Technical Change or (B) if such change in control of the Company or the Bank occurs after December 31, 1998, two times the Employee's annual base salary in effect immediately before the change in control plus an amount equal to the aggregate amount of bonuses that were paid to the Employee by the Company and the Bank during the 24 calendar months preceding the change in control; provided, however, that the amount payable under clause (ii)(A) above shall not exceed the amount that would be payable over a period equal to the remaining term of this Agreement under Section 5 hereof, plus one year, if the Employee's compensation for such period were at an annual rate equal to the Employee's base salary under Section 2 hereof, determined as of the time of termination, and bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs, and provided, further, that in the case of a Technical Change, no amount shall be payable under clause (i) above and the amount payable under clause (ii) above shall be two times the Employee's annual base salary in effect immediately before the change in control, plus two times the amount of any bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs. A "Technical Change" shall mean a change in control described in Section 9(b)(vii) below (and not described in any other subsection of Section 9(b)) in which the persons who were directors of the

-6-

Company before the transaction described in such subsection shall constitute at least 50% of the Board of Directors of the Company or any successor corporation. "Good Reason" shall include a material reduction in the position, authority, duties or responsibilities of the Employee from those which existed prior to the change in control or a reduction in the Employee's job stature as reflected in his title. If the Employee notifies the Boards of Directors of the Company and the Bank that he intends to terminate his employment voluntarily for Good Reason, he shall state in his notice the reasons why he believes that Good Reason exists. Unless the Company and the Bank, within 30 days of the date of the Employee's notice of resignation or termination, reject the Employee's statement that Good Reason exists, the Employee's entitlement to the severance payment payable under clause (ii) above shall be conclusive. If both Boards of Directors reject the Employee's statement of Good Reason within such 30-day period, the dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, but the Company and the Bank shall have the burden of proving in such arbitration that their rejection of the Employee's statement was proper. Payment under this Section 9(a) shall be in lieu of any amount owed to the Employee as liquidated damages for termination without cause under Section 8(a) hereof. However, payment under this Section 9(a) shall not be reduced by any compensation which the Employee may receive from other employment with another employer after termination of the Employee's employment. In addition, subject to Section 9(c) below, in the case of any termination of employment within the scope of this Section 9(a) for which a severance payment is payable to the Employee, the following shall apply: (1) the Employee shall also be entitled to continued medical, dental, group term life insurance and long-term disability insurance coverage and to continued eligibility for benefits under any other employee welfare benefit plan (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which he was eligible to participate before the change in control, on a basis no less favorable to him than that in effect during the fiscal year preceding the fiscal year in which the change in control occurs, as if his employment had not been terminated, which coverage and eligibility shall continue: (A) in the case of a voluntary termination of employment described in clause (i) above, for one year after the termination or the remaining term of this Agreement, whichever is less; (B) in the case of a termination described in clause (ii) above and a change in control other than a Technical Change, for the remaining term of this Agreement; or (C) in the case of a termination described in clause (ii) above in connection with or following a Technical Change, for two years after the termination or the remaining term of this Agreement, whichever is less; and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank that are in effect on the date the notice of termination is given by or to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such

termination had not occurred, and until the final

-7-

expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) A "change in control" of the Company, for purposes of this Agreement, shall be deemed to have taken place if: (i) any person becomes the beneficial owner of 25 percent or more of the total number of voting shares of the Company; (ii) any person becomes the beneficial owner of 10 percent or more, but less than 25 percent, of the total number of voting shares of the Company, unless the Director has approved a rebuttal agreement filed by such person or such person has filed a certification with the Director; (iii) any person (other than the persons named as proxies solicited on behalf of the Board of Directors of the Company) holds revocable or irrevocable proxies, as to the election or removal of two or more directors of the Company, for 25 percent or more of the total number of voting shares of the Company; (iv) any person has received the approval of the Director under Section 10 of the Home Owners' Loan Act, as amended (the "Holding Company Act"), or regulations issued thereunder, to acquire control of the Company; (v) any person has received approval of the Director under Section 7(j) of the Federal Deposit Insurance Act, as amended (the "Control Act"), or regulations issued thereunder, to acquire control of the Company; (vi) any person has commenced a tender or exchange offer, or entered into an agreement or received an option, to acquire beneficial ownership of 25 percent or more of the total number of voting shares of the Company, whether or not the requisite approval for such acquisition has been received under the Holding Company Act, the Control Act, or the respective regulations issued thereunder; or (vii) as the result of, or in connection with, any cash tender or exchange offer, merger, or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the Company before such transaction shall cease to constitute at least two-thirds of the Board of Directors of the Company or any successor corporation. Notwithstanding the foregoing, a "change in control" will not be deemed to have occurred under clauses (ii), (iii), (iv), (v) or (vi) of this section 9(b), if within 30 days of such action, the Board of Directors of the Company (by a two-thirds affirmative vote of the directors in office before such action occurred) makes a determination that such action does not and is not likely to constitute a "change in control" of the Company. For purposes of this Section 9(b), a "person" includes an individual, corporation, partnership, trust, association, joint venture, pool, syndicate, unincorporated organization, joint-stock company or similar organization or group acting in concert. A person for these purposes shall be deemed to be a beneficial owner as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934.

A "change in control" of the Bank, for purposes of this Agreement, shall be deemed to have taken place if the Company's beneficial ownership of the total number of voting shares of the Bank is reduced to less than 50 percent.

(c) Notwithstanding any other provisions of this Agreement or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Employee with the Company or the Bank, except an agreement, contract, or

-8-

understanding hereafter entered into that expressly modifies or excludes application of this Section 9(c) (the "Other Agreements"), and notwithstanding any formal or informal plan or other arrangement heretofore or hereafter adopted by the Company or the Bank for the direct or indirect provision of compensation to the Employee (including groups or classes of participants or beneficiaries of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Plan"), the Employee shall not have any right to receive any payment or other benefit under this Agreement, any Other Agreement, or any Benefit Plan if such payment or benefit, taking into account all other payments or benefits to or for the Employee under this Agreement, all Other Agreements, and all Benefit Plans, would cause any payment to the Employee under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") (a "Parachute Payment"). In the event that the receipt of any such payment or benefit under this Agreement, any Other Agreement, or any Benefit Plan would cause the Employee to be considered to have received a Parachute Payment under this Agreement, then the Employee shall have the right, in the Employee's sole discretion, to designate those payments or benefits under this Agreement, any Other Agreements, and/or any Benefit Plans, which should be reduced or eliminated so as to avoid having the payment to the Employee under this Agreement be deemed to be a Parachute Payment.

10. Disability. If the Employee shall become disabled or incapacitated to the extent that the Employee is unable to perform the Employee's duties and responsibilities hereunder, the Employee shall be entitled to receive disability benefits of the type provided for other executive employees of the Company and the Bank and the obligations of the Company and the Bank hereunder shall be limited to providing such benefits for the period of such disability.

11. No Assignments. This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder

without first obtaining the written consent of the other party hereto. However, in the event of the death of the Employee all rights to receive payments hereunder shall become rights of the Employee's estate.

12. Other Contracts. The Employee shall not, during the term of this Agreement, have any other paid employment other than with a subsidiary of the Company, except with the prior approval of the Boards of Directors of the Company and the Bank.

13. Amendments or Additions; Action by Board of Directors. No amendments or additions to this Agreement shall be binding unless in writing and signed by all parties hereto. The prior approval by the Boards of Directors of the Company and the Bank shall be required in order for the Company and the Bank to authorize any amendments or additions to this Agreement, to give any consents or waivers of provisions of this Agreement, or to take any other action under this

-9-

Agreement including any termination of employment with or without cause under Section 8(a) hereof.

14. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

15. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

16. Governing Law. This Agreement shall be governed by the laws of the United States to the extent applicable and otherwise by the laws of the State of Connecticut, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the day and year first above written.

Attest: WEBSTER FINANCIAL CORPORATION  
  
/s/ Renee P. Seefried By /s/ James C. Smith  
-----  
Chief Executive Officer

Attest: WEBSTER BANK  
  
/s/ Renee P. Seefried By /s/ James C. Smith  
-----  
Chief Executive Officer

EMPLOYEE  
  
/s/ Lee A. Gagnon  
-----  
Lee A. Gagnon

-10-

-----  
JOHN V. BRENNAN  
EMPLOYMENT AGREEMENT

AGREEMENT, dated as of January 1, 1997, among WEBSTER BANK (the "Bank"), WEBSTER FINANCIAL CORPORATION (the "Company") and JOHN V. BRENNAN (the "Employee").

WHEREAS, the respective Boards of Directors of the Company and the Bank have approved and authorized the entry into this Agreement with the Employee;

WHEREAS, the Employee is currently serving as Executive Vice President, Treasurer and Chief Financial Officer of both the Company and the Bank under an Employment Agreement dated as of January 1, 1995 (the "Prior Agreement");

WHEREAS, the parties desire to enter into this Agreement to set forth the terms and conditions for the employment relationships of the Employee with the Company and the Bank and to replace and supersede the Prior Agreement.

NOW, THEREFORE, it is AGREED as follows:

1. Employment. The Prior Agreement is hereby replaced and superseded and the Prior Agreement shall be of no further force or effect after the date of this Agreement. The Employee is employed as Executive Vice President, Treasurer and Chief Financial Officer of both the Company and the Bank from the date hereof through the term of this Agreement. As an executive of the Company and of the Bank, the Employee shall render executive, policy, and other management services to the Company and the Bank of the type customarily performed by persons serving in similar executive officer capacities. The Employee shall also perform such duties as the Chief Executive Officer and the Boards of Directors of the Company and of the Bank may from time to time reasonably direct. During the term of this Agreement, there shall be no material increase or decrease in the duties and responsibilities of the Employee otherwise than as provided herein, unless the parties otherwise agree in writing. During the term of this Agreement, the Employee shall not be required to relocate to an area more than 35 miles from the Bank's home office in order to perform the services hereunder.

2. Salary. The Bank agrees to pay the Employee during the term of this Agreement a base salary as follows: from the date hereof through December 31, 1997, a salary at an annual rate equal to \$200,000, which salary may be adjusted in January of each subsequent year during the term of this Agreement as determined by the Boards of Directors of the Company and the Bank. In determining salary adjustments, the Board of Directors may compensate the Employee for increases in the cost of living and may also provide for performance or merit adjustments. The salary under this Section 2 shall be payable by the Bank to the Employee not less frequently than monthly. The Company shall reimburse the Bank for a portion of

the salary paid to the Employee hereunder, which portion shall represent an appropriate allocation for the services rendered to the Company hereunder. The Employee shall not be entitled to receive fees for serving as a director of the Company or of the Bank or for serving as a member of any committee of the Board of Directors of the Company or of the Bank if he is elected to such positions.

3. Discretionary Bonuses. In addition to his salary under Section 2 hereof, the Employee shall be eligible to receive such discretionary bonuses as may be authorized, declared, and paid by the Board of Directors of the Company or of the Bank. No other compensation provided for in this Agreement shall be deemed a substitute for such bonuses when and as declared by the Board of Directors of the Company or the Bank.

4. Participation in Retirement and Employee Benefit Plans; Fringe Benefits. The Employee shall be eligible to participate in any plan of the Company or of the Bank relating to stock options, stock purchases, pension, thrift, profit sharing, employee stock ownership, group life insurance, medical coverage, disability insurance, education, or other retirement or employee benefits that the Bank or the Company has adopted or may adopt for the benefit of its executive employees. The Employee shall also be eligible to participate in any other fringe benefits which are now or may be or become applicable to the Company's or the Bank's executive employees. In addition, the Employee shall be provided with a standard automobile or an automobile allowance for business use. Participation in these plans and fringe benefits shall not reduce the salary payable to the Employee under Section 2 hereof.

5. Term. The initial term of employment under this Agreement shall be for a period commencing on the date hereof and ending on December 31, 1999. The Company and the Bank may renew this Agreement by written notice to the Employee for one additional year on December 31, 1997 and each subsequent December 31 during the term of this Agreement, unless the Employee gives contrary written notice to the other parties hereto prior to such renewal date. Each initial term and all such renewed terms are collectively referred to herein as the term of this Agreement.

6. Standards. The Employee shall perform the Employee's duties and responsibilities under this Agreement in accordance with such reasonable

standards as may be established from time to time by the Boards of Directors of the Company or the Bank. The reasonableness of such standards shall be measured against standards for executive performance generally prevailing in the savings institutions industry.

7. Voluntary Absences; Vacations. The Employee shall be entitled, without loss of pay, to be absent voluntarily for reasonable periods of time from the performance of the duties and responsibilities under this Agreement. All such voluntary absences shall count as paid vacation time, unless the Board of Directors of the Company or the Bank otherwise approves. The Employee shall be entitled to an

-2-

annual paid vacation of at least four weeks per year or such longer period as the Board of Directors of the Company or the Bank may approve. The timing of paid vacations shall be scheduled in a reasonable manner by the Employee. The Employee shall not be entitled (i) to receive any additional compensation from the Bank on account of failure to take a paid vacation or (ii) to accumulate more than two weeks of unused paid vacation time from one fiscal year to the next.

8. Termination of Employment.

(a) (i) The Board of Directors of the Company or the Bank may terminate the Employee's employment at any time, but any termination by such Board of Directors other than termination for cause shall not prejudice the Employee's right to compensation or other benefits under this Agreement. The Employee shall have no right to receive compensation or other benefits for any period after termination for cause. The term "termination for cause" shall mean termination because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach of any provision of this Agreement. In determining incompetence, the acts or omissions shall be measured against standards generally prevailing in the savings institutions industry; provided, that it shall be the Company's or the Bank's burden to prove the alleged acts and omissions and the prevailing nature of the standards the Company or the Bank shall have alleged are violated by such acts and/or omissions.

(ii) The parties acknowledge and agree that damages which will result to Employee for termination without cause shall be extremely difficult or impossible to establish or prove, and agree that, unless the termination is for cause, the Bank shall be obligated, concurrently with such termination, to make a lump sum cash payment to the Employee as liquidated damages of an amount equal to the sum of (a) the Employee's then current annual base salary under Section 2 of this Agreement and (b) the amount of any bonuses paid to the Employee pursuant to the Webster Financial Corporation and Webster Bank Annual Incentive Compensation Plan during the then current fiscal year multiplied by a fraction the numerator of which is the number of full months during the then current fiscal year in which the Employee was employed hereunder and the denominator of which is 12. The Employee agrees that, except for such other payments and benefits to which the Employee may be entitled as expressly provided by the terms of this Agreement, such liquidated damages shall be in lieu of all other claims which Employee may make by reason of such termination. Such payment to the Employee shall be made on or before the Employee's last day of employment with the Company or the Bank. The liquidated damages amount shall not be reduced by any compensation which the Employee may receive for other employment with another employer after termination of his employment with the Company or the Bank.

-3-

(iii) In addition to the liquidated damages above described that are payable to the Employee for termination without cause, the following shall apply in the event of any termination without cause (other than a termination subject to Section 9 hereof): (1) the Employee shall continue to be entitled to medical and dental coverage as if his employment had not been terminated until the earliest of (A) the expiration of one year after the date his employment terminates, (B) the expiration of the remaining term of this Agreement under Section 5, and (C) the date on which the Employee accepts other employment on a substantially full time basis and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank which are in effect on the date the notice of termination is sent to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) If the Employee is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act, as amended, the Company's and the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay the Employee all or part of the compensation withheld while such contractual obligations were

suspended, and (ii) reinstate in whole or in part any of its obligations which were suspended.

(c) If the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, as amended, all obligations of the Company and the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the parties shall not be affected.

(d) If the Bank is in default (as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, as amended), all obligations under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of this Agreement is necessary for the continued operation of the Bank, (i) by the Director of the Office of Thrift Supervision (the "Director") or his or her designee, at the time the Federal Deposit Insurance Corporation or Resolution Trust Company enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, as amended, or (ii) by the Director or his or her designee at the time the Director or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Director or his or her designee to be in an unsafe or unsound

condition. Any rights of the parties that have already vested, however, shall not be affected by any termination hereunder.

(f) The Employee shall have no right to terminate employment under this Agreement prior to the end of the term of this Agreement, unless such termination is approved by the Board of Directors of the Company or the Bank or is in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank. In the event that the Employee violates this provision, the Company and the Bank shall be entitled, in addition to its other legal remedies, to enjoin the employment of the Employee with any significant competitor of the Bank for a period of one year or the remaining term of this Agreement plus six months, whichever is less. The term "significant competitor" shall mean any commercial bank, savings bank, savings and loan association, or mortgage banking company, or a holding company affiliate of any of the foregoing, which at the date of its employment of the Employee has an office out of which the Employee would be primarily based within 35 miles of the Bank's home office.

(g) In the event the employment of the Employee is terminated by the Company or the Bank without cause under Section 8(a) hereof or the Employee's employment is terminated voluntarily or involuntarily in accordance with Section 9 hereof and the Bank fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to reimbursement for all reasonable costs, including attorneys' fees, incurred by the Employee in taking action to collect such amounts or otherwise to enforce this Agreement, plus interest on such amounts at the rate of one percent above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by The Wall Street Journal), compounded monthly, for the period from the date the payment is due to be paid to the Employee until payment is made. Such reimbursement and interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement.

(h) If during the term of this Agreement, the Employee's employment with the Company and the Bank is terminated (whether voluntarily or involuntarily), the Employee agrees to maintain the confidentiality of, and not to use, any non-public information which he acquired during his employment concerning the Company or the Bank, their respective subsidiaries, or any director, officer, employee or agent of the aforesaid entities, including any information as to the customers, business or personnel practices of such entities. The Employee agrees, for a period of one year after the date of termination of his employment with the Company and the Bank (other than in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank), that he will not (i) offer employment (or a consulting, agency, independent contractor or other similar paid position) to any employee of the Company, the Bank or any of their respective subsidiaries, or (ii) induce, encourage or solicit any such employee to accept

employment (or any aforesaid position) with any company or entity with which the Employee may then be employed or otherwise affiliated.

#### 9. Change in Control.

(a) If during the term of this Agreement there is a change in control of the Company or the Bank, the Employee shall be entitled to receive as a severance payment for services previously rendered to the Company and the Bank, a lump sum cash payment as provided for herein (subject to Section 9(c) below) in the event the Employee's employment is terminated, voluntarily or involuntarily, in connection with or within two years after the change in

control of the Company or the Bank, unless such termination is for cause (as defined in Section 8(a)(i) hereof), is a voluntary termination without "Good Reason" (as defined below) in connection with or after a "Technical Change" (as defined below), or occurs by virtue of normal retirement, permanent and total disability (as defined in Section 22(e) of the Code) or death. Subject to Section 9(c) below, the amount of the payment shall be equal to (i) one year's salary plus any bonuses paid during the then current fiscal year, if the Employee voluntarily terminates his employment without Good Reason other than in connection with or following a Technical Change or (ii) if the Employee's termination of employment was either voluntary with Good Reason or involuntary, (A) if such change in control of the Company or the Bank occurs before January 1, 1999, three times the Employee's average annual compensation that was payable by the Company and the Bank and was includible in the Employee's gross income for federal income tax purposes with respect to the five most recent taxable years of the Employee ending prior to such change in control of the Company or the Bank (or such portion of such period during which the Employee was a full-time employee of the Company and the Bank), less one dollar, except as provided below in the case of a Technical Change or (B) if such change in control of the Company or the Bank occurs after December 31, 1998, two times the Employee's annual base salary in effect immediately before the change in control plus an amount equal to the aggregate amount of bonuses that were paid to the Employee by the Company and the Bank during the 24 calendar months preceding the change in control; provided, however, that the amount payable under clause (ii)(A) above shall not exceed the amount that would be payable over a period equal to the remaining term of this Agreement under Section 5 hereof, plus one year, if the Employee's compensation for such period were at an annual rate equal to the Employee's base salary under Section 2 hereof, determined as of the time of termination, and bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs, and provided, further, that in the case of a Technical Change, no amount shall be payable under clause (i) above and the amount payable under clause (ii) above shall be two times the Employee's annual base salary in effect immediately before the change in control, plus two times the amount of any bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs. A "Technical Change" shall mean a change in control described in Section 9(b)(vii) below (and not described in any other subsection of Section 9(b)) in which the persons who were directors of the

-6-

Company before the transaction described in such subsection shall constitute at least 50% of the Board of Directors of the Company or any successor corporation. "Good Reason" shall include a material reduction in the position, authority, duties or responsibilities of the Employee from those which existed prior to the change in control or a reduction in the Employee's job stature as reflected in his title. If the Employee notifies the Boards of Directors of the Company and the Bank that he intends to terminate his employment voluntarily for Good Reason, he shall state in his notice the reasons why he believes that Good Reason exists. Unless the Company and the Bank, within 30 days of the date of the Employee's notice of resignation or termination, reject the Employee's statement that Good Reason exists, the Employee's entitlement to the severance payment payable under clause (ii) above shall be conclusive. If both Boards of Directors reject the Employee's statement of Good Reason within such 30-day period, the dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, but the Company and the Bank shall have the burden of proving in such arbitration that their rejection of the Employee's statement was proper. Payment under this Section 9(a) shall be in lieu of any amount owed to the Employee as liquidated damages for termination without cause under Section 8(a) hereof. However, payment under this Section 9(a) shall not be reduced by any compensation which the Employee may receive from other employment with another employer after termination of the Employee's employment. In addition, subject to Section 9(c) below, in the case of any termination of employment within the scope of this Section 9(a) for which a severance payment is payable to the Employee, the following shall apply: (1) the Employee shall also be entitled to continued medical, dental, group term life insurance and long-term disability insurance coverage and to continued eligibility for benefits under any other employee welfare benefit plan (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which he was eligible to participate before the change in control, on a basis no less favorable to him than that in effect during the fiscal year preceding the fiscal year in which the change in control occurs, as if his employment had not been terminated, which coverage and eligibility shall continue: (A) in the case of a voluntary termination of employment described in clause (i) above, for one year after the termination or the remaining term of this Agreement, whichever is less; (B) in the case of a termination described in clause (ii) above and a change in control other than a Technical Change, for the remaining term of this Agreement; or (C) in the case of a termination described in clause (ii) above in connection with or following a Technical Change, for two years after the termination or the remaining term of this Agreement, whichever is less; and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank that are in effect on the date the notice of termination is given by or to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final

-7-

expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) A "change in control" of the Company, for purposes of this Agreement, shall be deemed to have taken place if: (i) any person becomes the beneficial owner of 25 percent or more of the total number of voting shares of the Company; (ii) any person becomes the beneficial owner of 10 percent or more, but less than 25 percent, of the total number of voting shares of the Company, unless the Director has approved a rebuttal agreement filed by such person or such person has filed a certification with the Director; (iii) any person (other than the persons named as proxies solicited on behalf of the Board of Directors of the Company) holds revocable or irrevocable proxies, as to the election or removal of two or more directors of the Company, for 25 percent or more of the total number of voting shares of the Company; (iv) any person has received the approval of the Director under Section 10 of the Home Owners' Loan Act, as amended (the "Holding Company Act"), or regulations issued thereunder, to acquire control of the Company; (v) any person has received approval of the Director under Section 7(j) of the Federal Deposit Insurance Act, as amended (the "Control Act"), or regulations issued thereunder, to acquire control of the Company; (vi) any person has commenced a tender or exchange offer, or entered into an agreement or received an option, to acquire beneficial ownership of 25 percent or more of the total number of voting shares of the Company, whether or not the requisite approval for such acquisition has been received under the Holding Company Act, the Control Act, or the respective regulations issued thereunder; or (vii) as the result of, or in connection with, any cash tender or exchange offer, merger, or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the Company before such transaction shall cease to constitute at least two-thirds of the Board of Directors of the Company or any successor corporation. Notwithstanding the foregoing, a "change in control" will not be deemed to have occurred under clauses (ii), (iii), (iv), (v) or (vi) of this section 9(b), if within 30 days of such action, the Board of Directors of the Company (by a two-thirds affirmative vote of the directors in office before such action occurred) makes a determination that such action does not and is not likely to constitute a "change in control" of the Company. For purposes of this Section 9(b), a "person" includes an individual, corporation, partnership, trust, association, joint venture, pool, syndicate, unincorporated organization, joint-stock company or similar organization or group acting in concert. A person for these purposes shall be deemed to be a beneficial owner as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934.

A "change in control" of the Bank, for purposes of this Agreement, shall be deemed to have taken place if the Company's beneficial ownership of the total number of voting shares of the Bank is reduced to less than 50 percent.

(c) Notwithstanding any other provisions of this Agreement or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Employee with the Company or the Bank, except an agreement, contract, or

-8-

understanding hereafter entered into that expressly modifies or excludes application of this Section 9(c) (the "Other Agreements"), and notwithstanding any formal or informal plan or other arrangement heretofore or hereafter adopted by the Company or the Bank for the direct or indirect provision of compensation to the Employee (including groups or classes of participants or beneficiaries of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Plan"), the Employee shall not have any right to receive any payment or other benefit under this Agreement, any Other Agreement, or any Benefit Plan if such payment or benefit, taking into account all other payments or benefits to or for the Employee under this Agreement, all Other Agreements, and all Benefit Plans, would cause any payment to the Employee under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") (a "Parachute Payment"). In the event that the receipt of any such payment or benefit under this Agreement, any Other Agreement, or any Benefit Plan would cause the Employee to be considered to have received a Parachute Payment under this Agreement, then the Employee shall have the right, in the Employee's sole discretion, to designate those payments or benefits under this Agreement, any Other Agreements, and/or any Benefit Plans, which should be reduced or eliminated so as to avoid having the payment to the Employee under this Agreement be deemed to be a Parachute Payment.

10. Disability. If the Employee shall become disabled or incapacitated to the extent that the Employee is unable to perform the Employee's duties and responsibilities hereunder, the Employee shall be entitled to receive disability benefits of the type provided for other executive employees of the Company and the Bank and the obligations of the Company and the Bank hereunder shall be limited to providing such benefits for the period of such disability.

11. No Assignments. This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto. However, in the event of the death of the Employee all rights to receive payments

hereunder shall become rights of the Employee's estate.

12. Other Contracts. The Employee shall not, during the term of this Agreement, have any other paid employment other than with a subsidiary of the Company, except with the prior approval of the Boards of Directors of the Company and the Bank.

13. Amendments or Additions; Action by Board of Directors. No amendments or additions to this Agreement shall be binding unless in writing and signed by all parties hereto. The prior approval by the Boards of Directors of the Company and the Bank shall be required in order for the Company and the Bank to authorize any amendments or additions to this Agreement, to give any consents or waivers of provisions of this Agreement, or to take any other action under this

-9-

Agreement including any termination of employment with or without cause under Section 8(a) hereof.

14. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

15. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

16. Governing Law. This Agreement shall be governed by the laws of the United States to the extent applicable and otherwise by the laws of the State of Connecticut, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the day and year first above written.

Attest: WEBSTER FINANCIAL CORPORATION  
  
/s/ Renee P. Seefried By /s/ James C. Smith  
-----  
Chief Executive Officer

Attest: WEBSTER BANK  
  
/s/ Renee P. Seefried By /s/ James C. Smith  
-----  
Chief Executive Officer

EMPLOYEE  
  
/s/ John V. Brennan  
-----  
John V. Brennan

-10-

ROSS M. STRICKLAND  
EMPLOYMENT AGREEMENT

AGREEMENT, dated as of January 1, 1997, among WEBSTER BANK (the "Bank"), WEBSTER FINANCIAL CORPORATION (the "Company") and ROSS M. STRICKLAND (the "Employee").

WHEREAS, the respective Boards of Directors of the Company and the Bank have approved and authorized the entry into this Agreement with the Employee;

WHEREAS, the Employee is currently serving as Executive Vice President of Mortgage Banking of both the Company and the Bank under an Employment Agreement dated as of January 1, 1995 (the "Prior Agreement");

WHEREAS, the parties desire to enter into this Agreement to set forth the terms and conditions for the employment relationships of the Employee with the Company and the Bank and to replace and supersede the Prior Agreement.

NOW, THEREFORE, it is AGREED as follows:

1. Employment. The Prior Agreement is hereby replaced and superseded and the Prior Agreement shall be of no further force or effect after the date of this Agreement. The Employee is employed as Executive Vice President of Mortgage Banking of both the Company and the Bank from the date hereof through the term of this Agreement. As an executive of the Company and of the Bank, the Employee shall render executive, policy, and other management services to the Company and the Bank of the type customarily performed by persons serving in similar executive officer capacities. The Employee shall also perform such duties as the Chief Executive Officer and the Boards of Directors of the Company and of the Bank may from time to time reasonably direct. During the term of this Agreement, there shall be no material increase or decrease in the duties and responsibilities of the Employee otherwise than as provided herein, unless the parties otherwise agree in writing. During the term of this Agreement, the Employee shall not be required to relocate to an area more than 35 miles from the Bank's home office in order to perform the services hereunder.

2. Salary. The Bank agrees to pay the Employee during the term of this Agreement a base salary as follows: from the date hereof through December 31, 1997, a salary at an annual rate equal to \$170,000, which salary may be adjusted in January of each subsequent year during the term of this Agreement as determined by the Boards of Directors of the Company and the Bank. In determining salary adjustments, the Board of Directors may compensate the Employee for increases in the cost of living and may also provide for performance or merit adjustments. The salary of the Employee shall not be decreased from the amount then in effect at any time before January 1, 1998, unless the Employee otherwise agrees in writing. The

salary under this Section 2 shall be payable by the Bank to the Employee not less frequently than monthly. The Company shall reimburse the Bank for a portion of the salary paid to the Employee hereunder, which portion shall represent an appropriate allocation for the services rendered to the Company hereunder. The Employee shall not be entitled to receive fees for serving as a director of the Company or of the Bank or for serving as a member of any committee of the Board of Directors of the Company or of the Bank if he is elected to such positions.

3. Discretionary Bonuses. In addition to his salary under Section 2 hereof, the Employee shall be eligible to receive such discretionary bonuses as may be authorized, declared, and paid by the Board of Directors of the Company or of the Bank. No other compensation provided for in this Agreement shall be deemed a substitute for such bonuses when and as declared by the Board of Directors of the Company or the Bank.

4. Participation in Retirement and Employee Benefit Plans; Fringe Benefits. The Employee shall be eligible to participate in any plan of the Company or of the Bank relating to stock options, stock purchases, pension, thrift, profit sharing, employee stock ownership, group life insurance, medical coverage, disability insurance, education, or other retirement or employee benefits that the Bank or the Company has adopted or may adopt for the benefit of its executive employees. The Employee shall also be eligible to participate in any other fringe benefits which are now or may be or become applicable to the Company's or the Bank's executive employees. In addition, the Employee shall be provided with a standard automobile or an automobile allowance for business use. Participation in these plans and fringe benefits shall not reduce the salary payable to the Employee under Section 2 hereof.

5. Term. The initial term of employment under this Agreement shall be for a period commencing on the date hereof and ending on December 31, 1999. The Company and the Bank may renew this Agreement by written notice to the Employee for one additional year on December 31, 1997 and each subsequent December 31 during the term of this Agreement, unless the Employee gives contrary written notice to the other parties hereto prior to such renewal date. Each initial term and all such renewed terms are collectively referred to herein as the term of this Agreement.

6. Standards. The Employee shall perform the Employee's duties and responsibilities under this Agreement in accordance with such reasonable standards as may be established from time to time by the Boards of Directors of the Company or the Bank. The reasonableness of such standards shall be measured against standards for executive performance generally prevailing in the savings institutions industry.

7. Voluntary Absences; Vacations. The Employee shall be entitled, without loss of pay, to be absent voluntarily for reasonable periods of time from the performance of the duties and responsibilities under this Agreement. All such

-2-

voluntary absences shall count as paid vacation time, unless the Board of Directors of the Company or the Bank otherwise approves. The Employee shall be entitled to an annual paid vacation of at least four weeks per year or such longer period as the Board of Directors of the Company or the Bank may approve. The timing of paid vacations shall be scheduled in a reasonable manner by the Employee. The Employee shall not be entitled (i) to receive any additional compensation from the Bank on account of failure to take a paid vacation or (ii) to accumulate more than two weeks of unused paid vacation time from one fiscal year to the next.

8. Termination of Employment.

(a) (i) The Board of Directors of the Company or the Bank may terminate the Employee's employment at any time, but any termination by such Board of Directors other than termination for cause shall not prejudice the Employee's right to compensation or other benefits under this Agreement. The Employee shall have no right to receive compensation or other benefits for any period after termination for cause. The term "termination for cause" shall mean termination because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach of any provision of this Agreement. In determining incompetence, the acts or omissions shall be measured against standards generally prevailing in the savings institutions industry; provided, that it shall be the Company's or the Bank's burden to prove the alleged acts and omissions and the prevailing nature of the standards the Company or the Bank shall have alleged are violated by such acts and/or omissions.

(ii) The parties acknowledge and agree that damages which will result to Employee for termination without cause shall be extremely difficult or impossible to establish or prove, and agree that, unless the termination is for cause, the Bank shall be obligated, concurrently with such termination, to make a lump sum cash payment to the Employee as liquidated damages of an amount equal to the sum of (a) the Employee's then current annual base salary under Section 2 of this Agreement and (b) the amount of any bonuses paid to the Employee pursuant to the Webster Financial Corporation and Webster Bank Annual Incentive Compensation Plan during the then current fiscal year multiplied by a fraction the numerator of which is the number of full months during the then current fiscal year in which the Employee was employed hereunder and the denominator of which is 12; provided, that if such termination occurs before December 31, 1997, the amount of such payment shall not be less than \$200,000. The Employee agrees that, except for such other payments and benefits to which the Employee may be entitled as expressly provided by the terms of this Agreement, such liquidated damages shall be in lieu of all other claims which Employee may make by reason of such termination. Such payment to the Employee shall be made on or before the Employee's last day of

-3-

employment with the Company or the Bank. The liquidated damages amount shall not be reduced by any compensation which the Employee may receive for other employment with another employer after termination of his employment with the Company or the Bank.

(iii) In addition to the liquidated damages above described that are payable to the Employee for termination without cause, the following shall apply in the event of any termination without cause (other than a termination subject to Section 9 hereof): (1) the Employee shall continue to be entitled to medical and dental coverage as if his employment had not been terminated until the earliest of (A) the expiration of one year after the date his employment terminates, (B) the expiration of the remaining term of this Agreement under Section 5, and (C) the date on which the Employee accepts other employment on a substantially full time basis and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank which are in effect on the date the notice of termination is sent to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) If the Employee is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under

Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act, as amended, the Company's and the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay the Employee all or part of the compensation withheld while such contractual obligations were suspended, and (ii) reinstate in whole or in part any of its obligations which were suspended.

(c) If the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, as amended, all obligations of the Company and the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the parties shall not be affected.

(d) If the Bank is in default (as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, as amended), all obligations under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of this Agreement is necessary for the continued operation of the Bank, (i) by the Director of the Office of Thrift Supervision (the "Director") or his or her designee, at the time the Federal Deposit Insurance Corporation or Resolution Trust Company enters into an agreement to provide

-4-

assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, as amended, or (ii) by the Director or his or her designee at the time the Director or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Director or his or her designee to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by any termination hereunder.

(f) The Employee shall have no right to terminate employment under this Agreement prior to the end of the term of this Agreement, unless such termination is approved by the Board of Directors of the Company or the Bank or is in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank. In the event that the Employee violates this provision, the Company and the Bank shall be entitled, in addition to its other legal remedies, to enjoin the employment of the Employee with any significant competitor of the Bank for a period of one year or the remaining term of this Agreement plus six months, whichever is less. The term "significant competitor" shall mean any commercial bank, savings bank, savings and loan association, or mortgage banking company, or a holding company affiliate of any of the foregoing, which at the date of its employment of the Employee has an office out of which the Employee would be primarily based within 35 miles of the Bank's home office.

(g) In the event the employment of the Employee is terminated by the Company or the Bank without cause under Section 8(a) hereof or the Employee's employment is terminated voluntarily or involuntarily in accordance with Section 9 hereof and the Bank fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to reimbursement for all reasonable costs, including attorneys' fees, incurred by the Employee in taking action to collect such amounts or otherwise to enforce this Agreement, plus interest on such amounts at the rate of one percent above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by The Wall Street Journal), compounded monthly, for the period from the date the payment is due to be paid to the Employee until payment is made. Such reimbursement and interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement.

(h) If during the term of this Agreement, the Employee's employment with the Company and the Bank is terminated (whether voluntarily or involuntarily), the Employee agrees to maintain the confidentiality of, and not to use, any non-public information which he acquired during his employment concerning the Company or the Bank, their respective subsidiaries, or any director, officer, employee or agent of the aforesaid entities, including any information as to the customers, business or personnel practices of such entities. The Employee agrees, for a period of one year after the date of termination of his employment with the Company and the Bank (other than in connection with or within two years after a change in control (as

-5-

defined in Section 9(b) hereof) of the Company or the Bank), that he will not (i) offer employment (or a consulting, agency, independent contractor or other similar paid position) to any employee of the Company, the Bank or any of their respective subsidiaries, or (ii) induce, encourage or solicit any such employee to accept employment (or any aforesaid position) with any company or entity with which the Employee may then be employed or otherwise affiliated.

9. Change in Control.

(a) If during the term of this Agreement there is a change in control of the Company or the Bank, the Employee shall be entitled to receive as a severance payment for services previously rendered to the Company and the Bank, a lump sum cash payment as provided for herein (subject to Section 9(c) below) in the event the Employee's employment is terminated, voluntarily or involuntarily, in connection with or within two years after the change in control of the Company or the Bank, unless such termination is for cause (as defined in Section 8(a)(i) hereof), is a voluntary termination without "Good Reason" (as defined below) in connection with or after a "Technical Change" (as defined below), or occurs by virtue of normal retirement, permanent and total disability (as defined in Section 22(e) of the Code) or death. Subject to Section 9(c) below, the amount of the payment shall be equal to (i) one year's salary plus any bonuses paid during the then current fiscal year, if the Employee voluntarily terminates his employment without Good Reason other than in connection with or following a Technical Change or (ii) if the Employee's termination of employment was either voluntary with Good Reason or involuntary, (A) if such change in control of the Company or the Bank occurs before January 1, 1999, three times the Employee's average annual compensation that was payable by the Company and the Bank and was includible in the Employee's gross income for federal income tax purposes with respect to the five most recent taxable years of the Employee ending prior to such change in control of the Company or the Bank (or such portion of such period during which the Employee was a full-time employee of the Company and the Bank), less one dollar, except as provided below in the case of a Technical Change or (B) if such change in control of the Company or the Bank occurs after December 31, 1998, two times the Employee's annual base salary in effect immediately before the change in control plus an amount equal to the aggregate amount of bonuses that were paid to the Employee by the Company and the Bank during the 24 calendar months preceding the change in control; provided, however, that the amount payable under clause (ii)(A) above shall not exceed the amount that would be payable over a period equal to the remaining term of this Agreement under Section 5 hereof, plus one year, if the Employee's compensation for such period were at an annual rate equal to the Employee's base salary under Section 2 hereof, determined as of the time of termination, and bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs, and provided, further, that in the case of a Technical Change, no amount shall be payable under clause (i) above and the amount payable under clause (ii) above shall be two times the Employee's annual base salary in effect immediately before the change in control,

-6-

plus two times the amount of any bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs. A "Technical Change" shall mean a change in control described in Section 9(b)(vii) below (and not described in any other subsection of Section 9(b)) in which the persons who were directors of the Company before the transaction described in such subsection shall constitute at least 50% of the Board of Directors of the Company or any successor corporation. "Good Reason" shall include a material reduction in the position, authority, duties or responsibilities of the Employee from those which existed prior to the change in control or a reduction in the Employee's job stature as reflected in his title. If the Employee notifies the Boards of Directors of the Company and the Bank that he intends to terminate his employment voluntarily for Good Reason, he shall state in his notice the reasons why he believes that Good Reason exists. Unless the Company and the Bank, within 30 days of the date of the Employee's notice of resignation or termination, reject the Employee's statement that Good Reason exists, the Employee's entitlement to the severance payment payable under clause (ii) above shall be conclusive. If both Boards of Directors reject the Employee's statement of Good Reason within such 30-day period, the dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, but the Company and the Bank shall have the burden of proving in such arbitration that their rejection of the Employee's statement was proper. Payment under this Section 9(a) shall be in lieu of any amount owed to the Employee as liquidated damages for termination without cause under Section 8(a) hereof. However, payment under this Section 9(a) shall not be reduced by any compensation which the Employee may receive from other employment with another employer after termination of the Employee's employment. In addition, subject to Section 9(c) below, in the case of any termination of employment within the scope of this Section 9(a) for which a severance payment is payable to the Employee, the following shall apply: (1) the Employee shall also be entitled to continued medical, dental, group term life insurance and long-term disability insurance coverage and to continued eligibility for benefits under any other employee welfare benefit plan (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which he was eligible to participate before the change in control, on a basis no less favorable to him than that in effect during the fiscal year preceding the fiscal year in which the change in control occurs, as if his employment had not been terminated, which coverage and eligibility shall continue: (A) in the case of a voluntary termination of employment described in clause (i) above, for one year after the termination or the remaining term of this Agreement, whichever is less; (B) in the case of a termination described in clause (ii) above and a change in control other than a Technical Change, for the remaining term of this Agreement; or (C) in the case of a termination described in clause (ii) above in connection with or following a Technical Change, for two years after the termination or the remaining term of this Agreement, whichever is less; and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank that are in

notice of termination is given by or to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) A "change in control" of the Company, for purposes of this Agreement, shall be deemed to have taken place if: (i) any person becomes the beneficial owner of 25 percent or more of the total number of voting shares of the Company; (ii) any person becomes the beneficial owner of 10 percent or more, but less than 25 percent, of the total number of voting shares of the Company, unless the Director has approved a rebuttal agreement filed by such person or such person has filed a certification with the Director; (iii) any person (other than the persons named as proxies solicited on behalf of the Board of Directors of the Company) holds revocable or irrevocable proxies, as to the election or removal of two or more directors of the Company, for 25 percent or more of the total number of voting shares of the Company; (iv) any person has received the approval of the Director under Section 10 of the Home Owners' Loan Act, as amended (the "Holding Company Act"), or regulations issued thereunder, to acquire control of the Company; (v) any person has received approval of the Director under Section 7(j) of the Federal Deposit Insurance Act, as amended (the "Control Act"), or regulations issued thereunder, to acquire control of the Company; (vi) any person has commenced a tender or exchange offer, or entered into an agreement or received an option, to acquire beneficial ownership of 25 percent or more of the total number of voting shares of the Company, whether or not the requisite approval for such acquisition has been received under the Holding Company Act, the Control Act, or the respective regulations issued thereunder; or (vii) as the result of, or in connection with, any cash tender or exchange offer, merger, or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the Company before such transaction shall cease to constitute at least two-thirds of the Board of Directors of the Company or any successor corporation. Notwithstanding the foregoing, a "change in control" will not be deemed to have occurred under clauses (ii), (iii), (iv), (v) or (vi) of this section 9(b), if within 30 days of such action, the Board of Directors of the Company (by a two-thirds affirmative vote of the directors in office before such action occurred) makes a determination that such action does not and is not likely to constitute a "change in control" of the Company. For purposes of this Section 9(b), a "person" includes an individual, corporation, partnership, trust, association, joint venture, pool, syndicate, unincorporated organization, joint-stock company or similar organization or group acting in concert. A person for these purposes shall be deemed to be a beneficial owner as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934.

A "change in control" of the Bank, for purposes of this Agreement, shall be deemed to have taken place if the Company's beneficial ownership of the total number of voting shares of the Bank is reduced to less than 50 percent.

(c) Notwithstanding any other provisions of this Agreement or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Employee with the Company or the Bank, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this Section 9(c) (the "Other Agreements"), and notwithstanding any formal or informal plan or other arrangement heretofore or hereafter adopted by the Company or the Bank for the direct or indirect provision of compensation to the Employee (including groups or classes of participants or beneficiaries of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Plan"), the Employee shall not have any right to receive any payment or other benefit under this Agreement, any Other Agreement, or any Benefit Plan if such payment or benefit, taking into account all other payments or benefits to or for the Employee under this Agreement, all Other Agreements, and all Benefit Plans, would cause any payment to the Employee under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") (a "Parachute Payment"). In the event that the receipt of any such payment or benefit under this Agreement, any Other Agreement, or any Benefit Plan would cause the Employee to be considered to have received a Parachute Payment under this Agreement, then the Employee shall have the right, in the Employee's sole discretion, to designate those payments or benefits under this Agreement, any Other Agreements, and/or any Benefit Plans, which should be reduced or eliminated so as to avoid having the payment to the Employee under this Agreement be deemed to be a Parachute Payment.

10. Disability. If the Employee shall become disabled or incapacitated to the extent that the Employee is unable to perform the Employee's duties and responsibilities hereunder, the Employee shall be entitled to receive disability benefits of the type provided for other executive employees of the Company and the Bank and the obligations of the Company and the Bank hereunder shall be limited to providing such benefits for the period of such disability.

11. No Assignments. This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto. However, in the event of the death of the Employee all rights to receive payments hereunder shall become rights of the Employee's estate.

12. Other Contracts. The Employee shall not, during the term of this Agreement, have any other paid employment other than with a subsidiary of the Company, except with the prior approval of the Boards of Directors of the Company and the Bank.

13. Amendments or Additions; Action by Board of Directors. No amendments or additions to this Agreement shall be binding unless in writing and signed by all parties hereto. The prior approval by the Boards of Directors of the

-9-

Company and the Bank shall be required in order for the Company and the Bank to authorize any amendments or additions to this Agreement, to give any consents or waivers of provisions of this Agreement, or to take any other action under this Agreement including any termination of employment with or without cause under Section 8(a) hereof.

14. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

15. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

16. Governing Law. This Agreement shall be governed by the laws of the United States to the extent applicable and otherwise by the laws of the State of Connecticut, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the day and year first above written.

Attest:

WEBSTER FINANCIAL CORPORATION

/s/ Renee P. Seefried  
-----

By /s/ James C. Smith  
-----

Chief Executive Officer

Attest:

WEBSTER BANK

/s/ Renee P. Seefried  
-----

By /s/ James C. Smith  
-----

Chief Executive Officer

EMPLOYEE

/s/ Ross M. Strickland  
-----

Ross M. Strickland

-10-

PETER K. MULLIGAN  
EMPLOYMENT AGREEMENT

AGREEMENT, dated as of January 1, 1997, among WEBSTER BANK (the "Bank"), WEBSTER FINANCIAL CORPORATION (the "Company") and PETER K. MULLIGAN (the "Employee").

WHEREAS, the respective Boards of Directors of the Company and the Bank have approved and authorized the entry into this Agreement with the Employee;

WHEREAS, the Employee is currently serving as Executive Vice President, Consumer and Small Business Banking of both the Company and the Bank;

WHEREAS, the parties desire to enter into this Agreement to set forth the terms and conditions for the employment relationships of the Employee with the Company and the Bank.

NOW, THEREFORE, it is AGREED as follows:

1. EMPLOYMENT. The Employee is employed as Executive Vice President, Consumer and Small Business Banking of both the Company and the Bank from the date hereof through the term of this Agreement. As an executive of the Company and of the Bank, the Employee shall render executive, policy, and other management services to the Company and the Bank of the type customarily performed by persons serving in similar executive officer capacities. The Employee shall also perform such duties as the Chief Executive Officer and the Boards of Directors of the Company and of the Bank may from time to time reasonably direct. During the term of this Agreement, there shall be no material increase or decrease in the duties and responsibilities of the Employee otherwise than as provided herein, unless the parties otherwise agree in writing. During the term of this Agreement, the Employee shall not be required to relocate to an area more than 35 miles from the Bank's home office in order to perform the services hereunder.

2. SALARY. The Bank agrees to pay the Employee during the term of this Agreement a base salary as follows: from the date hereof through December 31, 1997, a salary at an annual rate equal to \$170,000, which salary may be adjusted in January of each subsequent year during the term of this Agreement as determined by the Boards of Directors of the Company and the Bank. In determining salary adjustments, the Board of Directors may compensate the Employee for increases in the cost of living and may also provide for performance or merit adjustments. The salary under this Section 2 shall be payable by the Bank to the Employee not less frequently than monthly. The Company shall reimburse the Bank for a portion of the salary paid to the Employee hereunder, which portion shall represent an appropriate allocation for the services rendered to the Company hereunder. The Employee shall not be entitled to receive fees for serving as a director of the

Company or of the Bank or for serving as a member of any committee of the Board of Directors of the Company or of the Bank if he is elected to such positions.

3. DISCRETIONARY BONUSES. In addition to his salary under Section 2 hereof, the Employee shall be eligible to receive such discretionary bonuses as may be authorized, declared, and paid by the Board of Directors of the Company or of the Bank. No other compensation provided for in this Agreement shall be deemed a substitute for such bonuses when and as declared by the Board of Directors of the Company or the Bank.

4. PARTICIPATION IN RETIREMENT AND EMPLOYEE BENEFIT PLANS: FRINGE BENEFITS. The Employee shall be eligible to participate in any plan of the Company or of the Bank relating to stock options, stock purchases, pension, thrift, profit sharing, employee stock ownership, group life insurance, medical coverage, disability insurance, education, or other retirement or employee benefits that the Bank or the Company has adopted or may adopt for the benefit of its executive employees. The Employee shall also be eligible to participate in any other fringe benefits which are now or may be or become applicable to the Company's or the Bank's executive employees. In addition, the Employee shall be provided with a standard automobile or an automobile allowance for business use. Participation in these plans and fringe benefits shall not reduce the salary payable to the Employee under Section 2 hereof.

5. TERM. The initial term of employment under this Agreement shall be for a period commencing on the date hereof and ending on December 31, 1999. The Company and the Bank may renew this Agreement by written notice to the Employee for one additional year on December 31, 1997 and each subsequent December 31 during the term of this Agreement, unless the Employee gives contrary written notice to the other parties hereto prior to such renewal date. Each initial term and all such renewed terms are collectively referred to herein as the term of this Agreement.

6. STANDARDS. The Employee shall perform the Employee's duties and responsibilities under this Agreement in accordance with such reasonable

standards as may be established from time to time by the Boards of Directors of the Company or the Bank. The reasonableness of such standards shall be measured against standards for executive performance generally prevailing in the savings institutions industry.

7. VOLUNTARY ABSENCES; VACATIONS. The Employee shall be entitled, without loss of pay, to be absent voluntarily for reasonable periods of time from the performance of the duties and responsibilities under this Agreement. All such voluntary absences shall count as paid vacation time, unless the Board of Directors of the Company or the Bank otherwise approves. The Employee shall be entitled to an annual paid vacation of at least four weeks per year or such longer period as the Board of Directors of the Company or the Bank may approve. The timing of paid vacations shall be scheduled in a reasonable manner by the Employee. The

-2-

Employee shall not be entitled (i) to receive any additional compensation from the Bank on account of failure to take a paid vacation or (ii) to accumulate more than two weeks of unused paid vacation time from one fiscal year to the next.

8. TERMINATION OF EMPLOYMENT.

(a) (i) The Board of Directors of the Company or the Bank may terminate the Employee's employment at any time, but any termination by such Board of Directors other than termination for cause shall not prejudice the Employee's right to compensation or other benefits under this Agreement. The Employee shall have no right to receive compensation or other benefits for any period after termination for cause. The term "termination for cause" shall mean termination because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach of any provision of this Agreement. In determining incompetence, the acts or omissions shall be measured against standards generally prevailing in the savings institutions industry; provided, that it shall be the Company's or the Bank's burden to prove the alleged acts and omissions and the prevailing nature of the standards the Company or the Bank shall have alleged are violated by such acts and/or omissions.

(ii) The parties acknowledge and agree that damages which will result to Employee for termination without cause shall be extremely difficult or impossible to establish or prove, and agree that, unless the termination is for cause, the Bank shall be obligated, concurrently with such termination, to make a lump sum cash payment to the Employee as liquidated damages of an amount equal to the sum of (a) the Employee's then current annual base salary under Section 2 of this Agreement and (b) the amount of any bonuses paid to the Employee pursuant to the Webster Financial Corporation and Webster Bank Annual Incentive Compensation Plan during the then current fiscal year multiplied by a fraction the numerator of which is the number of full months during the then current fiscal year in which the Employee was employed hereunder and the denominator of which is 12. The Employee agrees that, except for such other payments and benefits to which the Employee may be entitled as expressly provided by the terms of this Agreement, such liquidated damages shall be in lieu of all other claims which Employee may make by reason of such termination. Such payment to the Employee shall be made on or before the Employee's last day of employment with the Company or the Bank. The liquidated damages amount shall not be reduced by any compensation which the Employee may receive for other employment with another employer after termination of his employment with the Company or the Bank.

(iii) In addition to the liquidated damages above described that are payable to the Employee for termination without cause, the following shall apply in the event of any termination without cause (other than a termination subject to

-3-

Section 9 hereof): (1) the Employee shall continue to be entitled to medical and dental coverage as if his employment had not been terminated until the earliest of (A) the expiration of one year after the date his employment terminates, (B) the expiration of the remaining term of this Agreement under Section 5, and (C) the date on which the Employee accepts other employment on a substantially full time basis and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank which are in effect on the date the notice of termination is sent to the Employee shall continue for the benefit of the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

(b) If the Employee is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act, as amended, the Company's and the Bank's obligations under this Agreement shall be suspended as

of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay the Employee all or part of the compensation withheld while such contractual obligations were suspended, and (ii) reinstate in whole or in part any of its obligations which were suspended.

(c) If the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, as amended, all obligations of the Company and the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the parties shall not be affected.

(d) If the Bank is in default (as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, as amended), all obligations under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of this Agreement is necessary for the continued operation of the Bank, (i) by the Director of the Office of Thrift Supervision (the "Director") or his or her designee, at the time the Federal Deposit Insurance Corporation or Resolution Trust Company enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, as amended, or (ii) by the Director or his or her designee at the time the Director or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Director or his or her designee to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by any termination hereunder.

-4-

(f) The Employee shall have no right to terminate employment under this Agreement prior to the end of the term of this Agreement, unless such termination is approved by the Board of Directors of the Company or the Bank or is in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank. In the event that the Employee violates this provision, the Company and the Bank shall be entitled, in addition to its other legal remedies, to enjoin the employment of the Employee with any significant competitor of the Bank for a period of one year or the remaining term of this Agreement plus six months, whichever is less. The term "significant competitor" shall mean any commercial bank, savings and loan association, or mortgage banking company, or a holding company affiliate of any of the foregoing, which at the date of its employment of the Employee has an office out of which the Employee would be primarily based within 35 miles of the Bank's home office.

(g) In the event the employment of the Employee is terminated by the Company or the Bank without cause under Section 8(a) hereof or the Employee's employment is terminated voluntarily or involuntarily in accordance with Section 9 hereof and the Bank fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to reimbursement for all reasonable costs, including attorneys' fees, incurred by the Employee in taking action to collect such amounts or otherwise to enforce this Agreement, plus interest on such amounts at the rate of one percent above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by The Wall Street Journal), compounded monthly, for the period from the date the payment is due to be paid to the Employee until payment is made. Such reimbursement and interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement.

(h) If during the term of this Agreement, the Employee's employment with the Company and the Bank is terminated (whether voluntarily or involuntarily), the Employee agrees to maintain the confidentiality of, and not to use, any non-public information which he acquired during his employment concerning the Company or the Bank, their respective subsidiaries, or any director, officer, employee or agent of the aforesaid entities, including any information as to the customers, business or personnel practices of such entities. The Employee agrees, for a period of one year after the date of termination of his employment with the Company and the Bank (other than in connection with or within two years after a change in control (as defined in Section 9(b) hereof) of the Company or the Bank), that he will not (i) offer employment (or a consulting, agency, independent contractor or other similar paid position) to any employee of the Company, the Bank or any of their respective subsidiaries, or (ii) induce, encourage or solicit any such employee to accept employment (or any aforesaid position) with any company or entity with which the Employee may then be employed or otherwise affiliated.

-5-

## 9. CHANGE IN CONTROL

(a) If during the term of this Agreement there is a change in control of the Company or the Bank, the Employee shall be entitled to receive as

a severance payment for services previously rendered to the Company and the Bank, a lump sum cash payment as provided for herein (subject to Section 9(c) below) in the event the Employee's employment is terminated, voluntarily or involuntarily, in connection with or within two years after the change in control of the Company or the Bank, unless such termination is for cause (as defined in Section 8(a)(i) hereof), is a voluntary termination without "Good Reason" (as defined below) in connection with or after a "Technical Change" (as defined below), or occurs by virtue of normal retirement, permanent and total disability (as defined in Section 22(e) of the Code) or death. Subject to Section 9(c) below, the amount of the payment shall be equal to (i) one year's salary, plus any bonuses paid during the then current fiscal year, if the Employee voluntarily terminates his employment without Good Reason other than in connection with or following a Technical Change or (ii) if the Employee's termination of employment was either voluntary with Good Reason or involuntary, (A) if such change in control of the Company or the Bank occurs before January 1, 1999, three times the Employee's average annual compensation that was payable by the Company and the Bank and was includible in the Employee's gross income for federal income tax purposes with respect to the five most recent taxable years of the Employee ending prior to such change in control of the Company or the Bank (or such portion of such period during which the Employee was a full-time employee of the Company and the Bank), less one dollar, except as provided below in the case of a Technical Change or (B) if such change in control of the Company or the Bank occurs after December 31, 1998, two times the Employee's annual base salary in effect immediately before the change in control plus an amount equal to the aggregate amount of bonuses that were paid to the Employee by the Company and the Bank during the 24 calendar months preceding the change in control; provided, however, that the amount payable under clause (ii)(A) above shall not exceed the amount that would be payable over a period equal to the remaining term of this Agreement under Section 5 hereof, plus one year, if the Employee's compensation for such period were at an annual rate equal to the Employee's base salary under Section 2 hereof, determined as of the time of termination, and bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs, and provided, further, that in the case of a Technical Change, no amount shall be payable under clause (i) above and the amount payable under clause (ii) above shall be two times the Employee's annual base salary in effect immediately before the change in control, plus two times the amount of any bonuses paid during the fiscal year preceding the fiscal year in which such change in control occurs. A "Technical Change" shall mean a change in control described in Section 9(b)(vii) below (and not described in any other subsection of Section 9(b)) in which the persons who were directors of the Company before the transaction described in such subsection shall constitute at least 50% of the Board of Directors of the Company or any successor corporation. "Good Reason" shall include a material reduction in the position, authority, duties or

-6-

responsibilities of the Employee from those which existed prior to the change in control or a reduction in the Employee's job stature as reflected in his title. If the Employee notifies the Boards of Directors of the Company and the Bank that he intends to terminate his employment voluntarily for Good Reason, he shall state in his notice the reasons why he believes that Good Reason exists. Unless the Company and the Bank, within 30 days of the date of the Employee's notice of resignation or termination, reject the Employee's statement that Good Reason exists, the Employee's entitlement to the severance payment payable under clause (ii) above shall be conclusive. If both Boards of Directors reject the Employee's statement of Good Reason within such 30-day period, the dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, but the Company and the Bank shall have the burden of proving in such arbitration that their rejection of the Employee's statement was proper. Payment under this Section 9(a) shall be in lieu of any amount owed to the Employee as liquidated damages for termination without cause under Section 8(a) hereof. However, payment under this Section 9(a) shall not be reduced by any compensation which the Employee may receive from other employment with another employer after termination of the Employee's employment. In addition, subject to Section 9(c) below, in the case of any termination of employment within the scope of this Section 9(a) for which a severance payment is payable to the Employee, the following shall apply: (1) the Employee shall also be entitled to continued medical, dental, group term life insurance and long-term disability insurance coverage and to continued eligibility for benefits under any other employee welfare benefit plan (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which he was eligible to participate before the change in control, on a basis no less favorable to him than that in effect during the fiscal year preceding the fiscal year in which the change in control occurs, as if his employment had not been terminated, which coverage and eligibility shall continue: (A) in the case of a voluntary termination of employment described in clause (i) above, for one year after the termination or the remaining term of this Agreement, whichever is less; (B) in the case of a termination described in clause (ii) above and a change in control other than a Technical Change, for the remaining term of this Agreement; or (C) in the case of a termination described in clause (ii) above in connection with or following a Technical Change, for two years after the termination or the remaining term of this Agreement, whichever is less; and (2) all insurance or other provisions for indemnification, defense or hold-harmless of officers or directors of the Company or the Bank that are in effect on the date the notice of termination is given by or to the Employee shall continue for the benefit of

the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against action which may be applicable to such acts or omissions.

-7-

(b) A "change in control" of the Company, for purposes of this Agreement, shall be deemed to have taken place if: (i) any person becomes the beneficial owner of 25 percent or more of the total number of voting shares of the Company; (ii) any person becomes the beneficial owner of 10 percent or more, but less than 25 percent, of the total number of voting shares of the Company, unless the Director has approved a rebuttal agreement filed by such person or such person has filed a certification with the Director; (iii) any person (other than the persons named as proxies solicited on behalf of the Board of Directors of the Company) holds revocable or irrevocable proxies, as to the election or removal of two or more directors of the Company, for 25 percent or more of the total number of voting shares of the Company; (iv) any person has received the approval of the Director under Section 10 of the Home Owners' Loan Act, as amended (the "Holding Company Act"), or regulations issued thereunder, to acquire control of the Company; (v) any person has received approval of the Director under Section 7(j) of the Federal Deposit Insurance Act, as amended (the "Control Act"), or regulations issued thereunder, to acquire control of the Company; (vi) any person has commenced a tender or exchange offer, or entered into an agreement or received an option, to acquire beneficial ownership of 25 percent or more of the total number of voting shares of the Company, whether or not the requisite approval for such acquisition has been received under the Holding Company Act, the Control Act, or the respective regulations issued thereunder; or (vii) as the result of, or in connection with, any cash tender or exchange offer, merger, or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the Company before such transaction shall cease to constitute at least two-thirds of the Board of Directors of the Company or any successor corporation. Notwithstanding the foregoing, a "change in control" will not be deemed to have occurred under clauses (ii), (iii), (iv) (v) or (vi) of this section 9(b), if within 30 days of such action, the Board of Directors of the Company (by a two-thirds affirmative vote of the directors in office before such action occurred) makes a determination that such action does not and is not likely to constitute a "change in control" of the Company. For purposes of this Section 9(b), a "person" includes an individual, corporation, partnership, trust, association, joint venture, pool, syndicate, unincorporated organization, joint-stock company or similar organization or group acting in concert. A person for these purposes shall be deemed to be a beneficial owner as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934.

A "change in control" of the Bank, for purposes of this Agreement, shall be deemed to have taken place if the Company's beneficial ownership of the total number of voting shares of the Bank is reduced to less than 50 percent.

(c) Notwithstanding any other provisions of this Agreement or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Employee with the Company or the Bank, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this Section 9(c) (the "Other Agreement"), and notwithstanding any formal or

-8-

informal plan or other arrangement heretofore or hereafter adopted by the Company or the Bank for the direct or indirect provision of compensation to the Employee (including groups or classes of participants or beneficiaries of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Plan"), the Employee shall not have any right to receive any payment or other benefit under this Agreement, any Other Agreement, or any Benefit Plan if such payment or benefit, taking into account all other payments or benefits to or for the Employee under this Agreement, all Other Agreements, and all Benefit Plans, would cause any payment to the Employee under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") (a "Parachute Payment"). In the event that the receipt of any such payment or benefit under this Agreement, any Other Agreement, or any Benefit Plan would cause the Employee to be considered to have received a Parachute Payment under this Agreement, then the Employee shall have the right, in the Employee's sole discretion, to designate those payments or benefits under this Agreement, any Other Agreements, and/or any Benefit Plans, which should be reduced or eliminated so as to avoid having the payment to the Employee under this Agreement be deemed to be a Parachute Payment.

10. DISABILITY. If the Employee shall become disabled or incapacitated to the extent that the Employee is unable to perform the Employee's duties and responsibilities hereunder, the Employee shall be entitled to receive disability benefits of the type provided for other executive employees of the Company and the Bank and the obligations of the Company and the Bank hereunder shall be limited to providing such benefits for the period of such disability.

11. NO ASSIGNMENTS. This Agreement is personal to each of the parties

hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto. However, in the event of the death of the Employee all rights to receive payments hereunder shall become rights of the Employee's estate.

12. OTHER CONTRACTS. The Employee shall not, during the term of this Agreement, have any other paid employment other than with a subsidiary of the Company, except with the prior approval of the Boards of Directors of the Company and the Bank.

13. AMENDMENTS OR ADDITIONS; ACTION BY BOARD OF DIRECTORS. No amendments or additions to this Agreement shall be binding unless in writing and signed by all parties hereto. The prior approval by the Boards of Directors of the Company and the Bank shall be required in order for the Company and the Bank to authorize any amendments or additions to this Agreement, to give any consents or waivers of provisions of this Agreement, or to take any other action under this Agreement including any termination of employment with or without cause under Section 8(a) hereof.

-9-

14. SECTION HEADINGS. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

15. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

16. GOVERNING LAW. This Agreement shall be governed by the laws of the United States to the extent applicable and otherwise by the laws of the State of Connecticut, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the day and year first above written.

Attest:

WEBSTER FINANCIAL CORPORATION

/s/ Renee P. Seefried  
-----

By /s/ James C. Smith  
-----  
Chief Executive Officer

Attest:

WEBSTER BANK

/s/ Renee P. Seefried  
-----

By /s/ James C. Smith  
-----  
Chief Executive Officer

EMPLOYEE

/s/ Peter K. Mulligan  
-----  
Peter K. Mulligan

WEBSTER FINANCIAL CORPORATION

INDENTURE

Dated as of January 29, 1997

The Bank of New York,

as Trustee

JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

TIE-SHEET

of provisions of Trust Indenture Act of 1939 with Indenture dated as of January 29, 1997 between Webster Financial Corporation and The Bank of New York, Trustee:

ACT SECTION	INDENTURE SECTION
310 (a) (1) .....	6.09
(a) (2) .....	6.09
310 (a) (3) .....	N/A
(a) (4) .....	N/A
310 (a) (5) .....	6.10, 6.11
310 (b) .....	N/A
310 (c) .....	6.13
311 (a) and (b) .....	N/A
311 (c) .....	4.01, 4.02 (a)
312 (a) .....	4.02
312 (b) and (c) .....	4.04
313 (a) .....	4.04
313 (b) (1) .....	4.04
313 (b) (2) .....	4.04
313 (c) .....	4.04
313 (d) .....	4.04
314 (a) .....	4.03
314 (b) .....	N/A
314 (c) (1) and (2) .....	6.07
314 (c) (3) .....	N/A
314 (d) .....	N/A
314 (e) .....	6.07
314 (f) .....	N/A
315 (a) (c) and (d) .....	6.01
315 (b) .....	5.08
315 (e) .....	5.09

316(a) (1)	5.07
316(a) (2)	N/A
316(a) last sentence	2.09
316(b)	9.02
317(a)	5.05
317(b)	6.05
318(a)	13.08

THIS TIE-SHEET IS NOT PART OF THE INDENTURE AS EXECUTED.

TABLE OF CONTENTS\*

	Page
	----
ARTICLE I	
DEFINITIONS	
SECTION 1.01. Definitions.....	1
Additional Interest.....	1
Adjusted Treasury Rate.....	2
Affiliate.....	2
Authenticating Agent.....	2
Bankruptcy Law.....	2
Board of Directors.....	2
Board Resolution.....	3
Business Day.....	3
Capital Securities.....	3
Capital Securities Guarantee.....	3
Commission.....	3
Common Securities.....	3
Common Securities Guarantee.....	3
Common Stock.....	4
Company .....	4
Company Request.....	4
Comparable Treasury Issue.....	4
Comparable Treasury Price.....	4
Compounded Interest.....	4
Custodian.....	4
Declaration.....	5
Default .....	5
Deferred Interest.....	5
Definitive Securities.....	5
Depositary.....	5
Dissolution Event.....	5
Event of Default.....	5
Exchange Act.....	5
Extended Interest Payment Period.....	5
Federal Reserve.....	5
Global Security.....	5
holder of Securities.....	9
Indebtedness for Money Borrowed.....	5
Indenture.....	6
Initial Optional Prepayment Date.....	6
Interest Payment Date.....	6
Liquidated Damages.....	6
Maturity Date.....	6

\* THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE A PART OF THE INDENTURE.

Mortgage .....	6
Non Book-Entry Capital Securities.....	6
Officers .....	6
Officers' Certificate.....	6
Opinion of Counsel.....	6
Optional Prepayment Price.....	7
Other Debentures.....	7
Other Guarantees.....	7
outstanding.....	7
Person .....	7
Predecessor Security.....	7
Prepayment Price.....	8
Principal Office of the Trustee.....	8

Property Trustee.....	8
Purchase Agreement.....	8
Quotation Agent.....	8
Reference Treasury Dealer.....	8
Reference Treasury Dealer Quotations.....	8
Regulatory Capital Event.....	8
Remaining Life.....	9
Responsible Officer.....	9
Restricted Security.....	9
Rule 144A.....	9
Securities.....	9
Securities Act.....	9
Securityholder.....	9
Security Register.....	9
Senior Indebtedness.....	9
Special Event.....	10
Special Event Prepayment Price.....	10
Subsidiary.....	10
Tax Event.....	10
Trustee .....	11
Trust Indenture Act of 1939.....	11
Trust Securities.....	11
U.S. Government Obligations.....	11
Webster Capital Trust.....	11

ARTICLE II  
SECURITIES

SECTION 2.01.	Forms Generally.....	12
SECTION 2.02.	Execution and Authentication.....	12
SECTION 2.03.	Form and Payment.....	12
SECTION 2.04.	Legends.....	13
SECTION 2.05.	Global Security.....	13
SECTION 2.06.	Interest.....	15
SECTION 2.07.	Transfer and Exchange.....	15
SECTION 2.08.	Replacement Securities.....	17
SECTION 2.09.	Treasury Securities.....	17
SECTION 2.10.	Temporary Securities.....	17
SECTION 2.11.	Cancellation.....	18

ii

SECTION 2.12.	Defaulted Interest.....	18
SECTION 2.13.	CUSIP Numbers.....	19

ARTICLE III  
PARTICULAR COVENANTS OF THE COMPANY

SECTION 3.01.	Payment of Principal, Premium and Interest.....	19
SECTION 3.02.	Offices for Notices and Payments, etc.....	20
SECTION 3.03.	Appointments to Fill Vacancies in Trustee's Office.....	20
SECTION 3.04.	Provision as to Paying Agent.....	21
SECTION 3.05.	Certificate to Trustee.....	22
SECTION 3.06.	Compliance with Consolidation Provisions.....	22
SECTION 3.07.	Limitation on Dividends.....	22
SECTION 3.08.	Covenants as to Webster Capital Trust.....	23
SECTION 3.09.	Payment of Expenses.....	23
SECTION 3.10.	Payment Upon Resignation or Removal.....	24

ARTICLE IV  
SECURITYHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

SECTION 4.01.	Securityholders' Lists.....	24
SECTION 4.02.	Preservation and Disclosure of Lists.....	25
SECTION 4.03.	Reports by Company.....	27
SECTION 4.04.	Reports by the Trustee.....	28

ARTICLE V  
REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

SECTION 5.01.	Events of Default.....	29
SECTION 5.02.	Payment of Securities on Default; Suit Therefor.....	31
SECTION 5.03.	Application of Moneys Collected by Trustee.....	33
SECTION 5.04.	Proceedings by Securityholders.....	34
SECTION 5.05.	Proceedings by Trustee.....	35
SECTION 5.06.	Remedies Cumulative and Continuing.....	35
SECTION 5.07.	Direction of Proceedings and Waiver of Defaults by Majority of Securityholders.....	35
SECTION 5.08.	Notice of Defaults.....	36
SECTION 5.09.	Undertaking to Pay Costs.....	37

ARTICLE VI  
CONCERNING THE TRUSTEE

SECTION 6.01.	Duties and Responsibilities of Trustee.....	37
SECTION 6.02.	Reliance on Documents, Opinions, etc.....	39
SECTION 6.03.	No Responsibility for Recitals, etc.....	40

iii

SECTION 6.04.	Trustee, Authenticating Agent, Paying Agents, Transfer Agents or Registrar May Own Securities.....	41
SECTION 6.05.	Moneys to be Held in Trust.....	41
SECTION 6.06.	Compensation and Expenses of Trustee.....	41
SECTION 6.07.	Officers' Certificate as Evidence.....	42
SECTION 6.08.	Conflicting Interest of Trustee.....	42
SECTION 6.09.	Eligibility of Trustee.....	42
SECTION 6.10.	Resignation or Removal of Trustee.....	43
SECTION 6.11.	Acceptance by Successor Trustee.....	45
SECTION 6.12.	Succession by Merger, etc.....	45
SECTION 6.13.	Limitation on Rights of Trustee as a Creditor....	46
SECTION 6.14.	Authenticating Agents.....	46

ARTICLE VII  
CONCERNING THE SECURITYHOLDERS

SECTION 7.01.	Action by Securityholders.....	47
SECTION 7.02.	Proof of Execution by Securityholders.....	48
SECTION 7.03.	Who Are Deemed Absolute Owners.....	49
SECTION 7.04.	Securities Owned by Company Deemed Not Outstanding.....	49
SECTION 7.05.	Revocation of Consents; Future Holders Bound.....	49

ARTICLE VIII  
SECURITYHOLDERS' MEETINGS

SECTION 8.01.	Purposes of Meetings.....	50
SECTION 8.02.	Call of Meetings by Trustee.....	50
SECTION 8.03.	Call of Meetings by Company or Securityholders....	51
SECTION 8.04.	Qualifications for Voting.....	51
SECTION 8.05.	Regulations.....	51
SECTION 8.06.	Voting.....	52

ARTICLE IX  
AMENDMENTS

SECTION 9.01.	Without Consent of Securityholders.....	53
SECTION 9.02.	With Consent of Securityholders.....	54
SECTION 9.03.	Compliance with Trust Indenture Act; Effect of Supplemental Indentures.....	55
SECTION 9.04.	Notation on Securities.....	56
SECTION 9.05.	Evidence of Compliance of Supplemental Indenture to be Furnished Trustee.....	56

iv

ARTICLE X  
CONSOLIDATION, CONVERSION, MERGER, SALE, CONVEYANCE AND LEASE

SECTION 10.01.	Company May Consolidate, etc., on Certain Terms...	56
SECTION 10.02.	Successor Corporation to be Substituted for Company.....	57
SECTION 10.03.	Opinion of Counsel to be Given Trustee.....	58

ARTICLE XI  
SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 11.01.	Discharge of Indenture.....	58
SECTION 11.02.	Deposited Moneys and U.S. Government Obligations to be Held in Trust by Trustee.....	59
SECTION 11.03.	Paying Agent to Repay Moneys Held.....	59
SECTION 11.04.	Return of Unclaimed Moneys.....	59
SECTION 11.05.	Defeasance Upon Deposit of Moneys or U.S. Government Obligations.....	60

ARTICLE XII  
IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 12.01.	Indenture and Securities Solely Corporate Obligations.....	61
----------------	--	----

ARTICLE XIII  
MISCELLANEOUS PROVISIONS

SECTION 13.01.	Successors.....	62
SECTION 13.02.	Official Acts by Successor Corporation.....	62
SECTION 13.03.	Surrender of Company Powers.....	62
SECTION 13.04.	Addresses for Notices, etc.....	62
SECTION 13.05.	Governing Law.....	63
SECTION 13.06.	Evidence of Compliance with Conditions Precedent...	63
SECTION 13.07.	Business Days.....	63
SECTION 13.08.	Trust Indenture Act to Control.....	64
SECTION 13.09.	Table of Contents, Headings, etc.....	64
SECTION 13.10.	Execution in Counterparts.....	64
SECTION 13.11.	Separability.....	64
SECTION 13.12.	Assignment.....	64
SECTION 13.13.	Acknowledgement of Rights.....	64

ARTICLE XIV  
REPAYMENT OF SECURITIES -- MANDATORY AND OPTIONAL SINKING FUND

SECTION 14.01.	Special Event Prepayment.....	65
----------------	-------------------------------	----

v

SECTION 14.02.	Optional Prepayment by Company.....	65
SECTION 14.03.	No Sinking Fund.....	67
SECTION 14.04.	Notice of Prepayment; Selection of Securities.....	67
SECTION 14.05.	Payment of Securities Called for Prepayment.....	68

ARTICLE XV  
SUBORDINATION OF SECURITIES

SECTION 15.01.	Agreement to Subordinate.....	68
SECTION 15.02.	Default on Senior Indebtedness.....	69
SECTION 15.03.	Liquidation; Dissolution; Bankruptcy.....	69
SECTION 15.04.	Subrogation.....	71
SECTION 15.05.	Trustee to Effectuate Subordination.....	72
SECTION 15.06.	Notice by the Company.....	72
SECTION 15.07.	Rights of the Trustee; Holders of Senior Indebtedness.....	74
SECTION 15.08.	Subordination May Not Be Impaired.....	74

ARTICLE XVI  
EXTENSION OF INTEREST PAYMENT PERIOD

SECTION 16.01.	Extension of Interest Payment Period.....	75
SECTION 16.02.	Notice of Extension.....	76

EXHIBIT A.....	A-1
----------------	-----

Testimonium  
Signatures  
Acknowledgements

vi

THIS INDENTURE, dated as of January 29, 1997, between Webster Financial Corporation, a Delaware corporation (hereinafter sometimes called the "Company"), and The Bank of New York, a New York banking corporation, as trustee (hereinafter sometimes called the "Trustee"),

W I T N E S S E T H :

In consideration of the premises, and the purchase of the Securities by the holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Securities, as follows:

ARTICLE I  
DEFINITIONS

SECTION 1.01.	Definitions.
---------------	--------------

The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture shall have the respective meanings specified in this Section 1.01. All other terms used in this Indenture which are defined in the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), or which are by reference therein defined in the Securities Act, shall (except as herein otherwise expressly provided or unless the context otherwise requires) have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Indenture as originally executed. The following terms have the meanings given to them in the Declaration: (i) Clearing Agency; (ii) Delaware Trustee; (iii) Depository; (iv) Capital Security Certificate; (v) Property Trustee; (vi) Administrative Trustees; (vii) Direct Action; and (viii) Purchase Agreement. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles and the term "generally accepted accounting principles" means such accounting principles as are generally accepted at the time of any computation. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. Headings are used for convenience of reference only and do not affect interpretation. The singular includes the plural and vice versa.

"Additional Interest" shall have the meaning set forth in Section 2.06(c).

"Adjusted Treasury Rate" shall mean, with respect to any prepayment date, the rate per annum equal to (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15 (519)" or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the maturity corresponding to the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be interpolated, and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such prepayment date, in each case calculated on the third Business Day preceding the prepayment date, plus in each case (a) 1.75% if such prepayment date occurs on or prior to January 31, 1998, and (b) 1.0% in all other cases.

"Affiliate" shall mean, with respect to a specified Person, (a) any Person directly or indirectly owning, controlling or holding the power to vote 10% or more of the outstanding voting securities or other ownership interests of the specified Person, (b) any Person 10% or more of whose outstanding voting securities or other ownership interests are directly or indirectly owned, controlled or held with power to vote by the specified Person, (c) any Person directly or indirectly controlling, controlled by, or under common control with the specified Person, (d) a partnership in which the specified Person is a general partner, (e) any officer or director of the specified Person, and (f) if the specified Person is an individual, any entity of which the specified Person is an officer, director or general partner.

"Authenticating Agent" shall mean any agent or agents of the Trustee which at the time shall be appointed and acting pursuant to Section 6.14.

"Bankruptcy Law" shall mean Title 11, U.S. Code, or any similar federal or state law for the relief of debtors.

"Board of Directors" shall mean either the Board of Directors of the Company or any duly authorized committee of that board.

2

"Board Resolution" shall mean a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" shall mean any day other than a Saturday or a

Sunday or a day on which banking institutions in The City of New York or Wilmington, Delaware are authorized or required by law or executive order to close.

"Capital Securities" shall mean undivided beneficial interests in the assets of Webster Capital Trust which rank pari passu with the Common Securities issued by Webster Capital Trust; provided, however, that if an Event of Default has occurred and is continuing, no payments in respect of Distributions on, or payments upon liquidation, prepayment or otherwise with respect to, the Common Securities shall be made until the holders of the Capital Securities shall be paid in full the Distributions and the liquidation, prepayment and other payments to which they are entitled.

"Capital Securities Guarantee" shall mean any guarantee that the Company may enter into with The Bank of New York or other Persons that operates directly or indirectly for the benefit of holders of Capital Securities of Webster Capital Trust.

"Commission" shall mean the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" shall mean undivided beneficial interests in the assets of Webster Capital Trust which rank pari passu with Capital Securities issued by Webster Capital Trust; provided, however, that if an Event of Default has occurred and is continuing, no payments in respect of Distributions on, or payments upon liquidation, prepayment or otherwise with respect to, the Common Securities shall be made until the holders of the Capital Securities shall be paid in full the Distributions and the liquidation, prepayment and other payments to which they are entitled.

"Common Securities Guarantee" shall mean any guarantee that the Company may enter into with any Person or Persons that operates directly or indirectly for the benefit of holders of Common Securities of Webster Capital Trust.

3

"Common Stock" shall mean the Common Stock, par value \$.01 per share, of the Company or any other class of stock resulting from changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value.

"Company" shall mean Webster Financial Corporation, a Delaware corporation, and, subject to the provisions of Article X, shall include its successors and assigns.

"Company Request" or "Company Order" shall mean a written request or order signed in the name of the Company by the Chairman, the Chief Executive Officer, the President, a Vice Chairman, a Vice President, the Comptroller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Comparable Treasury Issue" shall mean the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life of the Securities that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of the Securities. If no United States Treasury security has a maturity which is within a period from three months before to three months after the Initial Optional Prepayment Date, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Adjusted Treasury Rate shall be interpolated or extrapolated on a straight-line basis, rounding to the nearest month, using such securities.

"Comparable Treasury Price" shall mean, with respect to any prepayment date pursuant to Section 14.01, (i) the average of five Reference Treasury Dealer Quotations for such prepayment date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Compounded Interest" shall have the meaning set forth in Section 16.01.

"Custodian" shall mean any receiver, trustee, assignee, liquidator, or similar official under any Bankruptcy Law.

"Declaration" shall mean the Amended and Restated Declaration of Trust of Webster Capital Trust, dated as of January 29, 1997.

"Default" shall mean any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

4

"Deferred Interest" shall have the meaning set forth in Section 16.01.

"Definitive Securities" shall mean those securities issued in fully registered certificated form not otherwise in global form.

"Depository" shall mean, with respect to Securities of any series, for which the Company shall determine that such Securities will be issued as a Global Security, The Depository Trust Company, New York, New York, another clearing agency, or any successor registered as a clearing agency under the Exchange Act or other applicable statute or regulation, which, in each case, shall be designated by the Company pursuant to Section 2.05(d).

"Dissolution Event" shall mean the liquidation of the Trust pursuant to the Declaration, and the distribution of the Securities held by the Property Trustee to the holders of the Trust Securities issued by the Trust pro rata in accordance with the Declaration.

"Event of Default" shall mean any event specified in Section 5.01, continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Extended Interest Payment Period" shall have the meaning set forth in Section 16.01.

"Federal Reserve" shall mean the Board of Governors of the Federal Reserve System.

"Global Security" shall mean, with respect to the Securities, a Security executed by the Company and delivered by the Trustee to the Depository or pursuant to the Depository's instruction, all in accordance with the Indenture, which shall be registered in the name of the Depository or its nominee.

"Indebtedness for Money Borrowed" shall mean any obligation of, or any obligation guaranteed by, the Company for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments but shall not include (i) any trade accounts or other liabilities payable in the ordinary course of business, (ii) any such indebtedness to the extent that by its terms it ranks pari passu with or junior in right of payment to the Securities, (iii) all other debt securities, and guarantees in respect of those debt securities, issued to any other trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a

5

financing vehicle of the Company (a "financing entity") in connection with the issuance by such financing entity of equity securities or other securities guaranteed by the Company pursuant to an instrument that ranks pari passu with or junior in right of payment to the Capital Securities Guarantee, and (iv) any other indebtedness that would otherwise qualify as Indebtedness for Money Borrowed to the extent that such indebtedness by its terms ranks pari passu with or junior in right of payment to any Indebtedness described in any of (i), (ii) or (iii).

"Indenture" shall mean this instrument as originally executed or, if amended as herein provided, as so amended.

"Initial Optional Prepayment Date" shall mean January 29, 2007.

"Interest Payment Date" shall have the meaning set forth in Section 2.06.

"Liquidated Damages" shall have the meaning set forth in the Registration Rights Agreement.

"Maturity Date" shall mean January 29, 2027.

"Mortgage" shall mean and include any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other

similar encumbrance.

"Non Book-Entry Capital Securities" shall have the meaning set forth in Section 2.05.

"Officers" shall mean any of the Chairman, a Vice Chairman, the Chief Executive Officer, the President, a Vice President, the Comptroller, the Group Director, the Secretary or an Assistant Secretary of the Company.

"Officers' Certificate" shall mean a certificate signed by two Officers and delivered to the Trustee.

"Opinion of Counsel" shall mean a written opinion of counsel, who may be an employee of the Company, and who shall be acceptable to the Trustee.

"Optional Prepayment Price" shall have the meaning set forth in Section 14.02.

"Other Debentures" shall mean all junior subordinated debentures issued by the Company from time to time and sold to trusts to be established by the Company (if any), in each case similar to the Trust.

6

"Other Guarantees" shall mean all guarantees issued by the Company with respect to capital securities (if any) and issued to other trusts established by the Company (if any), in each case similar to the Trust.

The term "outstanding," when used with reference to Securities, shall, subject to the provisions of Section 7.04, mean, as of any particular time, all Securities authenticated and delivered by the Trustee or the Authenticating Agent under this Indenture, except

- (a) Securities theretofore cancelled by the Trustee or the Authenticating Agent or delivered to the Trustee for cancellation;
- (b) Securities, or portions thereof, for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent); provided that, if such Securities, or portions thereof, are to be prepaid prior to maturity thereof, notice of such prepayment shall have been given as in Article Fourteen provided or provision satisfactory to the Trustee shall have been made for giving such notice; and
- (c) Securities in lieu of or in substitution for which other Securities shall have been authenticated and delivered pursuant to the terms of Section 2.08 unless proof satisfactory to the Company and the Trustee is presented that any such Securities are held by bona fide holders in due course.

"Person" shall mean any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security shall mean every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 2.08 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

7

"Prepayment Price" shall mean the Special Event Prepayment Price or the Optional Prepayment Price, as the context requires.

"Principal Office of the Trustee", or other similar term, shall mean the principal office of the Trustee, at which at any particular time its corporate trust business shall be administered.

"Property Trustee" shall have the same meaning as set forth in the Declaration.

"Purchase Agreement" shall mean the Purchase Agreement dated January 22, 1997 among the Company, Webster Capital Trust and the initial purchasers named therein.

"Quotation Agent" shall mean the Reference Treasury Dealer appointed by the Company.

"Reference Treasury Dealer" shall mean (i) Merrill Lynch Government Securities, Inc. and its successors; provided, however, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" shall mean, with respect to each Reference Treasury Dealer and any prepayment date pursuant to Section 14.01, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Property Trustee by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such prepayment date.

"Regulatory Capital Event" shall occur at any time that the Company becomes, or pursuant to law or regulation will become within 180 days, subject to capital requirements under which, in the written opinion of independent bank regulatory counsel experienced in such matters, the Capital Securities would not constitute Tier 1 Capital applied as if the Company (or its successor) were a bank holding company (as that concept is used in the guidelines or regulations issued by the Federal Reserve as of January 22, 1997) or its then equivalent ("Tier 1 Capital").

"Remaining Life" shall mean, with respect to any optional prepayment pursuant to Section 14.01, the period from the date of such prepayment to, and including, the Initial Optional Prepayment Date.

8

"Responsible Officer", when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the cashier, any assistant cashier, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Security" shall mean Securities that bear or are required to bear the legends set forth in Exhibit A hereto.

"Rule 144A" shall mean Rule 144A under the Securities Act, as such Rule may be amended from time to time, or under any similar rule or regulation hereafter adopted by the Commission.

"Securities" shall mean the Company's 9.36% Junior Subordinated Deferrable Interest Debentures due January 29, 2027, as authenticated and issued under this Indenture.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securityholder", "holder of Securities", or other similar terms, shall mean any person in whose name at the time a particular Security is registered on the register kept by the Company or the Trustee for that purpose in accordance with the terms hereof.

"Security Register" shall mean (i) prior to a Dissolution Event, the list of holders provided to the Trustee pursuant to Section 4.01, and (ii) following a Dissolution Event, any security register maintained by a security registrar for the securities appointed by the Company following the execution of a supplemental indenture providing for transfer procedures as provided for in Section 2.07(a).

"Senior Indebtedness" shall mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of this Indenture or thereafter created, assumed or incurred, unless the terms thereof specifically

provide that it is not superior in right of payment to the Securities, and any deferrals, renewals or extensions of such Senior Indebtedness.

9

"Special Event" shall mean either a Regulatory Capital Event or a Tax Event.

"Special Event Prepayment Price" shall mean, with respect to any prepayment of the Securities pursuant to Section 14.01 hereof, an amount in cash equal to the greater of (i) 100% of the principal amount to be prepaid or (ii) the sum, as determined by a Quotation Agent, of the present value of 104.680% of the principal amount thereof plus scheduled payments of interest on the Securities during the Remaining Life of the Securities, discounted to the prepayment date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus, in each case, any accrued and unpaid interest thereon, including Compounded Interest and Additional Interest, if any, to the date of such prepayment.

"Subsidiary" shall mean with respect to any Person, (i) any corporation at least a majority of whose outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries, (ii) any general partnership, joint venture or similar entity, at least a majority of whose outstanding partnership or similar interests shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner. For the purposes of this definition, "voting stock" means shares, interests, participations or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person, other than shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

"Tax Event" shall mean the receipt by Webster Capital Trust and the Company of an opinion of a nationally recognized tax counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after January 29, 1997, there is more than an insubstantial risk that (i) Webster Capital Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Securities, (ii) interest payable by the Company on the Securities is not, or within 90 days of the date of such opinion will not be, deductible by the Company, in whole or in part, for United States

10

federal income tax purposes, or (iii) Webster Capital Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Trustee" shall mean the Person identified as "Trustee" in the first paragraph hereof, and, subject to the provisions of Article Six hereof, shall also include its successors and assigns as Trustee hereunder.

"Trust Indenture Act of 1939" shall mean the Trust Indenture Act of 1939 as in force at the date of execution of this Indenture, except as provided in Section 9.03.

"Trust Securities" shall mean the Capital Securities and the Common Securities, collectively.

"U.S. Government Obligations" shall mean securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository

receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Webster Capital Trust" or the "Trust" shall mean Webster Capital Trust I, a Delaware business trust created for the purpose of issuing its undivided beneficial interests in connection with the issuance of Securities under this Indenture.

## ARTICLE II

### SECURITIES

#### SECTION 2.01. Forms Generally.

The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, the

11

terms of which are incorporated in and made a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject or usage. Each Security shall be dated the date of its authentication. The Securities shall be issued in denominations of \$1,000 and integral multiples thereof.

#### SECTION 2.02. Execution and Authentication.

An Officer shall sign the Securities for the Company by manual or facsimile signature. If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Security has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Securities shall be substantially as set forth in Exhibit A hereto.

The Trustee shall, upon a Company Order, authenticate for original issue up to, and the aggregate principal amount of Securities outstanding at any time may not exceed \$103,093,000 aggregate principal amount of the Securities.

#### SECTION 2.03. Form and Payment.

Except as provided in Section 2.05, the Securities shall be issued in fully registered certificated form without interest coupons. Principal of, premium, if any, and interest on the Securities issued in certificated form will be payable, the transfer of such Securities will be registrable and such Securities will be exchangeable for Securities bearing identical terms and provisions at the office or agency of the Company maintained for such purpose under Section 3.02; provided, however, that payment of interest with respect to Securities (other than a Global Security) may be made at the option of the Company (i) by check mailed to the holder at such address as shall appear in the Security Register or (ii) by transfer to an account maintained by the Person entitled thereto, provided that proper transfer instructions have been received in writing by the relevant record date. Notwithstanding the foregoing, so long as the holder of any Securities is the Property Trustee, the payment of the

12

principal of, premium, if any, and interest (including Compounded Interest and Additional Interest, if any) on such Securities held by the Property Trustee will be made at such place and to such account as may be designated by the Property Trustee.

#### SECTION 2.04. Legends.

Except as determined by the Company in accordance with applicable law, each Security shall bear the applicable legends relating to restrictions on transfer pursuant to the securities laws in substantially the form set forth on Exhibit A hereto.

#### SECTION 2.05. Global Security.

(a) In connection with a Dissolution Event,

(i) if any Capital Securities are held in book-entry form, the related Definitive Securities shall be presented to the Trustee (if an arrangement with the Depository has been maintained) by the Property Trustee in exchange for one or more Global Securities (as may be required pursuant to Section 2.07) in an aggregate principal amount equal to the aggregate principal amount of all outstanding Securities, to be registered in the name of the Depository, or its nominee, and delivered by the Trustee to the Depository for crediting to the accounts of its participants pursuant to the instructions of the Administrative Trustees; the Company upon any such presentation shall execute one or more Global Securities in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery in accordance with this Indenture; and payments on the Securities issued as a Global Security will be made to the Depository; and

(ii) if any Capital Securities are held in certificated form, the related Definitive Securities may be presented to the Trustee by the Property Trustee and any Capital Security certificate which represents Capital Securities other than Capital Securities in book-entry form ("Non Book-Entry Capital Securities") will be deemed to represent beneficial interests in Securities presented to the Trustee by the Property Trustee having an aggregate principal amount equal to the aggregate liquidation amount of the Non Book-Entry Capital Securities until such Capital Security certificates are presented to the Security Registrar for transfer or reissuance, at which time such Capital Security certificates will be cancelled and a Security, registered in the name of the holder of the Capital Security certificate or the transferee of the holder of such Capital Security certificate, as the case may be, with an aggregate principal amount equal to the aggregate liquidation amount of the Capital Security certificate cancelled, will be

13

executed by the Company and delivered to the Trustee for authentication and delivery in accordance with this Indenture. Upon the issuance of such Securities, Securities with an equivalent aggregate principal amount that were presented by the Property Trustee to the Trustee will be deemed to have been cancelled.

(b) The Global Securities shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon; provided, that the aggregate amount of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and prepayments. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee, in accordance with instructions given by the Company as required by this Section 2.05.

(c) The Global Securities may be transferred, in whole but not in part, only to the Depository, another nominee of the Depository, or to a successor Depository selected or approved by the Company or to a nominee of such successor Depository.

(d) If at any time the Depository notifies the Company that it is unwilling or unable to continue as Depository or the Depository has ceased to be a clearing agency registered under the Exchange Act, and a successor Depository is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, the Company will execute, and the Trustee, upon written notice from the Company, will authenticate and make available for delivery the Definitive Securities, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security. If there is an Event of Default, the Depository shall have the right to exchange the Global Securities for Definitive Securities. In addition, the Company may at any time determine that the Securities shall no longer be represented by a Global Security. In the event of such an Event of Default or such a determination, the Company shall execute, and subject to Section 2.07, the Trustee, upon receipt of an Officers' Certificate evidencing such determination by the Company, will authenticate and make available for delivery the Definitive Securities, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security. Upon the exchange of the Global Security for such Definitive Securities, in authorized denominations, the Global Security shall be cancelled by the Trustee. Such Definitive Securities issued in exchange for the Global Security shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee.

14

The Trustee shall deliver such Definitive Securities to the Depository for delivery to the Persons in whose names such Definitive Securities are so registered.

SECTION 2.06 Interest.

(a) Each Security will bear interest at the rate of 9.36% per annum (the "Coupon Rate") from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from January 29, 1997 until the principal thereof becomes due and payable and at the Coupon Rate on any overdue principal (and premium, if any) and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest, compounded semi-annually, payable (subject to the provisions of Article XVI) semi-annually in arrears on January 29 and July 29 of each year (each, an "Interest Payment Date") commencing on July 29, 1997, to the Person in whose name such Security or any predecessor Security is registered, at the close of business on the regular record date for such interest installment, which shall be the 15th day prior to the relevant Interest Payment Date.

(b) Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months and, for any period of less than a full calendar month, the number of days elapsed in such month. In the event that any Interest Payment Date falls on a day that is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date.

(c) During such time as the Property Trustee is the holder of any Securities, the Company shall pay any additional amounts on the Securities as may be necessary in order that the amount of Distributions then due and payable by the Trust on the outstanding Securities shall not be reduced as a result of any additional taxes, duties and other governmental charges to which the Trust has become subject as a result of a Tax Event ("Additional Interest").

SECTION 2.07. Transfer and Exchange.

(a) Transfer Restrictions. (i) The Securities may not be transferred except in compliance with the legend contained in Exhibit A unless otherwise determined by the Company in accordance with applicable law. Upon any distribution of the Securities following a Dissolution Event, the Company and the Trustee shall enter into a supplemental indenture pursuant to Section 9.01 to provide for the transfer restrictions and procedures with respect to the Securities substantially similar to those con-

15

tained in the Declaration to the Extent applicable in the circumstances existing at such time.

(ii) The Securities will be issued and may be transferred only in blocks having an aggregate principal amount of not less than \$100,000. Any such transfer of the Securities in a block having an aggregate principal amount of less than \$100,000 shall be deemed to be voided and of no legal effect whatsoever. Any such transferee shall be deemed not to be holder of such Securities for any purpose, including, but not limited to the receipt of payments on such Securities, and such transferee shall be deemed to have no interest whatsoever in such Securities.

(b) General Provisions Relating to Transfers and Exchanges. To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Definitive Securities and Global Securities at the Company's request. All Definitive Securities and Global Securities issued upon any registration of transfer or exchange of Definitive Securities or Global Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Definitive Securities or Global Securities surrendered upon such registration of transfer or exchange.

No service charge shall be made to a holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

The Company shall not be required to (i) issue, register the transfer of or exchange Securities during a period beginning at the opening of business 15 days before the day of mailing of a notice of prepayment or any notice of selection of Securities for prepayment under Article Fifteen hereof and ending at the close of business on the day of such mailing; or (ii) register the transfer of or exchange any Security so selected for prepayment in whole or in part, except the unprepaid portion of any Security being prepaid in part.

Prior to due presentment for the registration of a transfer of any Security, the Trustee, any Authenticating Agent and the Company may deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and premium, if any, and interest on such Securities, and neither the Trustee, any Authenticating Agent nor the Company shall be affected by notice to the contrary.

16

SECTION 2.08. Replacement Securities.

If any mutilated Security is surrendered to the Trustee, or the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, the Company shall issue and the Trustee shall authenticate a replacement Security if the Trustee's requirements for replacements of Securities are met. An indemnity bond must be supplied by the holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Authenticating Agent or any authenticating agent from any loss that any of them may suffer if a Security is replaced. The Company or the Trustee may charge for its expenses in replacing a Security.

Every replacement Security is an obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Securities duly issued hereunder.

SECTION 2.09. Treasury Securities.

In determining whether the holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or any Affiliate of the Company shall be considered as though not outstanding, except that for purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities that the Trustee actually knows to be so owned shall be so considered.

SECTION 2.10. Temporary Securities.

Pending the preparation of Definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and make available for delivery, temporary Securities that are printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company shall cause Definitive Securities to be prepared without unreasonable delay. The Definitive Securities shall be printed, lithographed or engraved, or provided by any combination thereof, or in any other manner permitted by the rules and regulations of any applicable securities exchange, all as determined by the officers executing such Definitive Securities. After the preparation of Definitive Securities, the temporary Securities shall be ex-

17

changeable for Definitive Securities upon surrender of the temporary Securities at the office or agency maintained by the Company for such purpose pursuant to Section 3.02 hereof, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in exchange therefor the same aggregate principal amount of Definitive Securities of authorized denominations. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as Definitive Securities.

SECTION 2.11. Cancellation.

The Company at any time may deliver Securities to the Trustee for cancellation. The Trustee and no one else shall cancel all Securities surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall retain or destroy cancelled Securities in accordance with its normal practices (subject to the record retention requirement of the Exchange Act) unless the Company directs them to be returned to it. The Company may not issue new Securities to replace Securities that have been paid or prepaid or that have been delivered to the Trustee for cancellation. All cancelled Securities held by the Trustee shall be delivered to the Company.

SECTION 2.12. Defaulted Interest.

Any interest on any Security that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein

called "Defaulted Interest") shall forthwith cease to be payable to the holder on the relevant regular record date by virtue of having been such holder; and such Defaulted Interest shall be paid by the Company, at its election, as provided in clause (a) or clause (b) below:

(a) The Company may make payment of any Defaulted Interest on Securities to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of

18

such Defaulted Interest which shall not be more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Securityholder at his or her address as it appears in the Security Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered on such special record date and shall be no longer payable pursuant to the following clause (b).

(b) The Company may make payment of any Defaulted Interest on any Securities in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

#### SECTION 2.13. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of prepayment as a convenience to Securityholders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a prepayment and that reliance may be placed only on the other identification numbers printed on the Securities, and any such prepayment shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

### ARTICLE III

#### PARTICULAR COVENANTS OF THE COMPANY

#### SECTION 3.01. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of the holders of the Securities that it will duly and punctually pay or

19

cause to be paid the principal of and premium, if any, and interest on the Securities at the place, at the respective times and in the manner provided herein. Except as provided in Section 2.03, each installment of interest on the Securities may be paid by mailing checks for such interest payable to the order of the holder of Security entitled thereto as they appear in the Security Register. The Company further covenants to pay any and all amounts including, without limitation, Liquidated Damages, if any, on the dates and in the manner required under the Registration Rights Agreement.

SECTION 3.02. Offices for Notices and Payments, etc.

So long as any of the Securities remain outstanding, the Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Securities may be presented for payment, an office or agency where the Securities may be presented for registration of transfer and for exchange as in this Indenture provided and an office or agency where notices and demands to or upon the Company in respect of the Securities or of this Indenture may be served. The Company will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. Until otherwise designated from time to time by the Company in a notice to the Trustee, any such office or agency for all of the above purposes shall be the Principal Office of the Trustee. In case the Company shall fail to maintain any such office or agency in the Borough of Manhattan, The City of New York, or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Principal Office of the Trustee.

In addition to any such office or agency, the Company may from time to time designate one or more offices or agencies outside the Borough of Manhattan, The City of New York, where the Securities may be presented for payment, registration of transfer and exchange in the manner provided in this Indenture, and the Company may from time to time rescind such designation, as the Company may deem desirable or expedient; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain any such office or agency in the Borough of Manhattan, The City of New York, for the purposes above mentioned. The Company will give to the Trustee prompt written notice of any such designation or rescission thereof.

SECTION 3.03. Appointments to Fill Vacancies in Trustee's Office.

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner

20

provided in Section 6.10, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 3.04. Provision as to Paying Agent.

- (a) If the Company shall appoint a paying agent other than the Trustee with respect to the Securities, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provision of this Section 3.04,
  - (1) that it will hold all sums held by it as such agent for the payment of the principal of and premium, if any, or interest on the Securities (whether such sums have been paid to it by the Company or by any other obligor on the Securities) in trust for the benefit of the holders of the Securities; and
  - (2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Securities) to make any payment of the principal of and premium or interest on the Securities when the same shall be due and payable.
- (b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of and premium, if any, or interest on the Securities, set aside, segregate and hold in trust for the benefit of the holders of the Securities a sum sufficient to pay such principal, premium or interest so becoming due and will notify the Trustee of any failure to take such action and of any failure by the Company (or by any other obligor under the Securities) to make any payment of the principal of and premium, if any, or interest on the Securities when the same shall become due and payable.
- (c) Anything in this Section 3.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge with respect to the Securities hereunder, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust for any Securities by the Trustee or any paying agent hereunder, as

required by this Section 3.04, such sums to be held by the Trustee upon the trusts herein contained.

21

- (d) Anything in this Section 3.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 3.04 is subject to Sections 11.03 and 11.04.

SECTION 3.05. Certificate to Trustee.

The Company will deliver to the Trustee on or before 120 days after the end of each fiscal year in each year, commencing with the first fiscal year ending after the date hereof, so long as Securities are outstanding hereunder, an Officers' Certificate, one of the signers of which shall be the principal executive, principal financial or principal accounting officer of the Company stating that in the course of the performance by the signers of their duties as officers of the Company they would normally have knowledge of any default by the Company in the performance of any covenants contained herein, stating whether or not they have knowledge of any such default and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

SECTION 3.06. Compliance with Consolidation Provisions.

The Company will not, while any of the Securities remain outstanding, consolidate with, or merge or convert into, or merge or convert into itself, or sell or convey all or substantially all of its property to any other Person unless the provisions of Article Ten hereof are complied with.

SECTION 3.07. Limitation on Dividends.

The Company will not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock (which includes common and preferred stock) or (ii) make any payment of principal, interest or premium, if any, on or repay or repurchase or redeem any debt securities of the Company (including any Other Debentures) that rank pari passu with or junior in right of payment to the Securities or (iii) make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company (including any Other Guarantees) if such guarantee ranks pari passu or junior in right of payment to the Securities (other than (a) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock of the Company; (b) any declaration of a dividend in connection with the implementation of a stockholder rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; (c) payments under the Capital Securities Guarantee; (d) as a result of a reclassification of the Company's capital stock or the exchange

22

or the conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock; (e) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; and (f) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees or any of the Company's dividend reinvestment plans) if at such time (i) there shall have occurred any event of which the Company has actual knowledge that (a) is or with the giving of notice or the lapse of time, or both, would constitute an Event of Default and (b) in respect of which the Company shall not have taken reasonable steps to cure, (ii) if such Securities are held by the Property Trustee, the Company shall be in default with respect to its payment obligations under the Capital Securities Guarantee or (iii) the Company shall have given notice of its election of the exercise of its right to extend the interest payment period pursuant to Section 16.01 and any such extension shall have commenced and shall be continuing.

SECTION 3.08. Covenants as to Webster Capital Trust.

In the event Securities are issued to Webster Capital Trust or a trustee of such trust in connection with the issuance of Trust Securities by Webster Capital Trust, for so long as such Trust Securities remain outstanding, the Company will (i) maintain 100% direct ownership of the Common Securities of Webster Capital Trust; provided, however, that any successor of the Company, permitted pursuant to Article Ten, may succeed to the Company's ownership of

such Common Securities, (ii) use its reasonable efforts to cause Webster Capital Trust (a) to remain a business trust, except in connection with a distribution of Securities, the prepayment of all of the Trust Securities of Webster Capital Trust or certain mergers, consolidations or amalgamations, each as permitted by the Declaration of Webster Capital Trust, and (b) to continue to be treated as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes and (iii) to use its reasonable efforts to cause each holder of Trust Securities to be treated as owning an undivided beneficial interest in the Securities.

SECTION 3.09. Payment of Expenses.

In connection with the offering, sale and issuance of the Securities to the Trust and in connection with the sale of the Trust Securities by the Trust, the Company, in its capacity as borrower with respect to the Securities, shall:

(a) pay all costs and expenses relating to the offering, sale and issuance of the Securities, including commissions

23

to the initial purchasers payable pursuant to the Purchase Agreement and compensation of the Trustee in accordance with the provisions of Section 6.06;

(b) pay all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the offering, sale and issuance of the Trust Securities (including commissions to the initial purchasers in connection therewith), the fees and expenses of the Property Trustee and the Delaware Trustee, the costs and expenses relating to the operation of the Trust, including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets;

(c) be primarily and fully liable for any indemnification obligations arising with respect to the Declaration;

(d) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust; and

(e) pay all other fees, expenses, debts and obligations (other than payments of principal of, premium, if any, or interest on the Trust Securities) related to Webster Capital Trust.

SECTION 3.10. Payment Upon Resignation or Removal.

Upon termination of this Indenture or the removal or resignation of the Trustee, unless otherwise stated, the Company shall pay to the Trustee all amounts accrued and owing to the date of such termination, removal or resignation. Upon termination of the Declaration or the removal or resignation of the Delaware Trustee or the Property Trustee, as the case may be, pursuant to Section 5.7 of the Declaration, the Company shall pay to the Delaware Trustee or the Property Trustee, as the case may be, all amounts accrued and owing to the date of such termination, removal or resignation.

24

ARTICLE IV

SECURITYHOLDERS' LISTS AND REPORTS BY THE  
COMPANY AND THE TRUSTEE

SECTION 4.01. Securityholders' Lists.

The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee:

(a) on a semi-annual basis on each regular record date for the Securities, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Securityholders as of such record date; and

- (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company, of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, except that, no such lists need be furnished so long as the Trustee is in possession thereof by reason of its acting as Security registrar.

SECTION 4.02. Preservation and Disclosure of Lists.

- (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of the Securities (1) contained in the most recent list furnished to it as provided in Section 4.01 or (2) received by it in the capacity of Securities registrar (if so acting) hereunder. The Trustee may destroy any list furnished to it as provided in Section 4.01 upon receipt of a new list so furnished.
- (b) In case three or more holders of Securities (hereinafter referred to as "applicants") apply in writing to the Trustee and furnish to the Trustee reasonable proof that each such applicant has owned a Security for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Securities or with holders of all Securities with respect to their rights under this Indenture and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall within 5 Business Days

25

after the receipt of such application, at its election, either:

- (1) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02; or
- (2) inform such applicants as to the approximate number of holders of all Securities, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02, and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Securityholder whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02 a copy of the form of proxy or other communication which is specified in such request with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of all Securities or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Securityholders with reasonable promptness after

the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of

26

any obligation or duty to such applicants respecting their application.

- (c) Each and every holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Securities in accordance with the provisions of subsection (b) of this Section 4.02, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (b).

SECTION 4.03. Reports by the Company.

- (a) The Company covenants and agrees to file with the Trustee, within 15 days after the date on which the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.
- (b) The Company covenants and agrees to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

27

- (c) The Company covenants and agrees to transmit by mail to all holders of Securities, as the names and addresses of such holders appear upon the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 4.03 as may be required by rules and regulations prescribed from time to time by the Commission.
- (d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).
- (e) So long as is required for an offer or sale of the

Securities to qualify for an exemption under Rule 144A under the Securities Act, the Company shall, upon request, provide the information required by clause (d)(4) thereunder to each Holder and to each beneficial owner and prospective purchaser of Securities identified by each Holder of Restricted Securities, unless such information is furnished to the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

SECTION 4.04. Reports by the Trustee.

- (a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. If required by Section 313(a) of the Trust Indenture Act, the Trustee shall, within sixty days after each January 15 following the date of this Indenture, commencing January 15, 1998, deliver to Securityholders a brief report, dated as of such January May 15, which complies with the provisions of such Section 313(a).
- (b) A copy of each such report shall, at the time of such transmission to Securityholders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed, with the Commission and with the Company. The Company will

28

promptly notify the Trustee when the Securities are listed on any stock exchange.

ARTICLE V

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

SECTION 5.01. Events of Default.

One or more of the following events of default shall constitute an Event of Default hereunder (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgement, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest upon any Security or any Other Debentures when it becomes due and payable, and continuance of such default for a period of 30 days; provided, however, that a ----- valid extension of an interest payment period by the Company in accordance with the terms hereof or, in the case of any Other Debentures, the indenture related thereto, shall not constitute a default in the payment of interest for this purpose; or
- (b) default in the payment of all or any part of the principal of (or premium, if any, on) any Security or any Other Debentures as and when the same shall become due and payable either at maturity, upon prepayment, by declaration of acceleration or otherwise; or
- (c) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

29

- (d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or
- (e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or of any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due.

If an Event of Default with respect to Securities at the time outstanding occurs and is continuing, then in every such case the Trustee or the holders of not less than 25% in aggregate principal amount of the Securities then outstanding may declare the principal amount of all Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the holders of the outstanding Securities), and upon any such declaration the same shall become immediately due and payable.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal of the Securities shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, (i) the Company shall pay or shall deposit with the Trustee a sum sufficient to pay (A) all matured installments of interest upon all the Securities and the principal of and premium, if any, on any and all Securities which shall have become due otherwise than by acceleration (with interest upon such principal and premium, if any, and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest specified in the Securities to the date of such payment or deposit) and (B) such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and

30

counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and (ii) any and all Events of Default under the Indenture, other than the non-payment of the principal of the Securities which shall have become due solely by such declaration of acceleration, shall have been cured, waived or otherwise remedied as provided herein, then, in every such case, the holders of a majority in aggregate principal amount of the Securities then outstanding, by written notice to the Company and to the Trustee, may rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the holders of the Securities shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the holders of the Securities shall continue as though no such proceeding had been taken.

SECTION 5.02. Payment of Securities on Default; Suit Therefor.

The Company covenants that (a) in case default shall be made in the payment of any installment of interest upon any of the Securities as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (b) in case default shall be made in the payment of the principal of or premium, if any, on any of the Securities as and

when the same shall have become due and payable, whether at maturity of the Securities or upon prepayment or by declaration of acceleration or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Securities, the whole amount that then shall have become due and payable on all such Securities for principal and premium, if any, or interest, or both, as the case may be, with interest upon the overdue principal and premium, if any, and (to the extent that payment of such interest is enforceable under applicable law and, if the Securities are held by Webster Capital Trust or a trustee of such trust, without duplication of any other amounts paid by Webster Capital Trust or trustee in respect thereof) upon the overdue installments of interest at the rate borne by the Securities; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses or liabilities

31

ties incurred by the Trustee hereunder other than through its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on the Securities and collect in the manner provided by law out of the property of the Company or any other obligor on the Securities wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Securities under Title 11, United States Code, or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any other similar judicial proceedings relative to the Company or other obligor upon the Securities, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Securities and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Securityholders allowed in such judicial proceedings relative to the Company or any other obligor on the Securities, or to the creditors or property of the Company or such other obligor, unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Securities in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Securityholders to make such payments

32

to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

Nothing herein contained shall be construed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Securities, may be enforced by the Trustee without the possession of any of the Securities, or the production thereof in any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of

the holders of the Securities.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Securities, and it shall not be necessary to make any holders of the Securities parties to any such proceedings.

SECTION 5.03. Application of Moneys Collected by Trustee.

Any moneys collected by the Trustee shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Securities in respect of which moneys have been collected, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

First: To the payment of costs and expenses of collection applicable to the Securities and reasonable compensation to the Trustee, its agents, attorneys and counsel, and of all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith;

Second: To the payment of all Senior Indebtedness of the Company if and to the extent required by Article Fifteen;

33

Third: In case the principal of the outstanding Securities in respect of which moneys have been collected shall not have become due and be unpaid, to the payment of the amounts then due and unpaid upon Securities for principal of (and premium, if any) and interest on the Securities, in respect of which or for the benefit of which money has been collected, ratably, without preference of priority of any kind, according to the amounts due on such Securities for principal (and premium, if any) and interest, respectively; and Fourth: To the Company.

SECTION 5.04. Proceedings by Securityholders.

No holder of any Security shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Securities specifying such Event of Default, as hereinbefore provided, and unless also the holders of not less than 25% in aggregate principal amount of the Securities then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the taker and holder of every Security with every other taker and holder and the Trustee, that no one or more holders of Securities shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other holder of Securities, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Securities.

Notwithstanding any other provisions in this Indenture, however, the right of any holder of any Security to receive payment of the principal of (premium, if any) and interest on such Security, on or after the same shall have become due and payable, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder and by accepting a Security hereunder it is expressly understood, intended and covenanted by the taker and holder of every Security with every other such taker and holder and the

34

Trustee, that no one or more holders of Securities shall have any right in any manner whatsoever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of the holders of any other Securities, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Securities. For the protection and enforcement of the provisions of this Section, each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

The Company and the Trustee acknowledge that pursuant to the Declaration, the holders of Capital Securities are entitled, in the circumstances and subject to the limitations set forth therein, to commence a Direct Action with respect to any Event of Default under this Indenture and the Securities.

SECTION 5.05. Proceedings by Trustee.

In case an Event of Default occurs with respect to Securities and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.06. Remedies Cumulative and Continuing.

All powers and remedies given by this Article V to the Trustee or to the Securityholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other powers and remedies available to the Trustee or the holders of the Securities, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture or otherwise established with respect to the Securities, and no delay or omission of the Trustee or of any holder of any of the Securities to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.04, every power and remedy given by this Article V or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

35

SECTION 5.07. Direction of Proceedings and Waiver of Defaults by Majority of Securityholders.

The holders of a majority in aggregate principal amount of the Securities at the time outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that (subject to the provisions of Section 6.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine that the action so directed would be unjustly prejudicial to the holders not taking part in such direction or if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or Responsible Officers shall determine that the action or proceedings so directed would involve the Trustee in personal liability. Prior to any declaration accelerating the maturity of the Securities, the holders of a majority in aggregate principal amount of the Securities at the time outstanding may on behalf of the holders of all of the Securities waive any past default or Event of Default and its consequences except a default (a) in the payment of principal or premium, if any, or interest on any of the Securities or (b) in respect of covenants or provisions hereof which cannot be modified or amended without the consent of the holder of each Security affected; provided, however, that if the Securities are held by Property Trustee, such waiver or modification to such waiver shall not be effective until the holders of a majority in aggregate liquidation amount of Trust Securities shall have consented to such waiver or modification to such waiver; provided further, that if the consent of the holder of each outstanding Security is required, such waiver shall not be effective until each holder of the Trust Securities shall have consented to such waiver. Upon any such waiver, the default covered thereby shall be deemed to be cured for all purposes of this Indenture and the Company, the Trustee and the holders of the Securities shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 5.07, said default or Event of Default shall for all purposes of the Securities and this Indenture be deemed to have been cured and to be not continuing.

SECTION 5.08. Notice of Defaults.

The Trustee shall, within 90 days after the occurrence of a default with respect to the Securities, mail to all Securityholders, as the names and addresses of such holders appear upon the Security register, notice of all defaults known

36

to the Trustee, unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purpose of this Section 5.08 being hereby defined to be the events specified in clauses (a), (b), (c), (d) and (e) of Section 5.01, not including periods of grace, if any, provided for therein, and irrespective of the giving of written notice specified in clause (c) of Section 5.01); and provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Securities, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders; and provided further, that in the case of any default of the character specified in Section 5.01(c) no such notice to Securityholders shall be given until at least 60 days after the occurrence thereof but shall be given within 90 days after such occurrence.

SECTION 5.09. Undertaking to Pay Costs.

All parties to this Indenture agree, and each holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in aggregate principal amount of the Securities outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Security against the Company on or after the same shall have become due and payable.

ARTICLE VI

CONCERNING THE TRUSTEE

SECTION 6.01. Duties and Responsibilities of Trustee.

With respect to the holders of the Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default

37

which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

- (a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred
  - (1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and
  - (2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provision hereof are

specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

- (b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and
- (c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith, in accordance with the direction of

38

the Securityholders pursuant to Section 5.07, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Indenture or adequate indemnity against such risk is not reasonably assured to it.

SECTION 6.02. Reliance on Documents, Opinions, etc.

Except as otherwise provided in Section 6.01:

- (a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, note, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (b) any request, direction, order or demand of the Company mentioned herein may be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;
- (c) the Trustee may consult with counsel of its selection and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;
- (d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders, pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

39

- (e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; nothing contained herein shall, however, relieve the Trustee of the obligation, upon the occurrence of an Event of Default (that has not been cured or waived), to exercise such of the rights and powers vested in it

by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs;

- (f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, coupon or other paper or document, unless requested in writing to do so by the holders of a majority in aggregate principal amount of the outstanding Securities; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expense or liability as a condition to so proceeding; and
- (g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents (including any Authenticating Agent) or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed by it with due care.

SECTION 6.03. No Responsibility for Recitals, etc.

The recitals contained herein and in the Securities (except in the certificate of authentication of the Trustee or the Authenticating Agent) shall be taken as the statements of the Company and the Trustee and the Authenticating Agent assume no responsibility for the correctness of the same. The Trustee and the Authenticating Agent make no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee and the Authenticating Agent shall not be accountable for the use or application by the Company of any Securities or the proceeds of any Securities authenticated and delivered by the

40

Trustee or the Authenticating Agent in conformity with the provisions of this Indenture.

SECTION 6.04. Trustee, Authenticating Agent, Paying Agents, Transfer Agents or Registrar May Own Securities.

The Trustee or any Authenticating Agent or any paying agent or any transfer agent or any Security registrar, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not Trustee, Authenticating Agent, paying agent, transfer agent or Security registrar.

SECTION 6.05. Moneys to be Held in Trust.

Subject to the provisions of Section 11.04, all moneys received by the Trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purpose for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee and any paying agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company. So long as no Event of Default shall have occurred and be continuing, all interest allowed on any such moneys shall be paid from time to time upon the written order of the Company, signed by the Chairman of the Board of Directors, the President or a Vice President or the Treasurer or an Assistant Treasurer of the Company.

SECTION 6.06. Compensation and Expenses of Trustee.

The Company, as issuer of the Securities, covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation as shall be agreed to in writing between the Company and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify each of the Trustee and any predecessor Trustee (and its officers, agents, directors and employees) for, and to hold them harmless against, any and all loss, damage,

claim, liability or expense including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on the part of the Trustee and arising out of or in connection with the acceptance or administration of

41

this trust, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the Company under this Section 6.06 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.01(d) or Section 5.01(e), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture.

SECTION 6.07. Officers' Certificate as Evidence.

Except as otherwise provided in Sections 6.01 and 6.02, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof is herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 6.08. Conflicting Interest of Trustee.

If the Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Trustee and the Company shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 6.09. Eligibility of Trustee.

The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States of America or any state or territory thereof or of the District of Columbia or a corporation or other Person permitted to act as trustee by the Commission authorized under such laws to

42

exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000) and subject to supervision or examination by federal, state, territorial, or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.09 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Company may not, nor may any Person directly or indirectly controlling, controlled by, or under common control with the Company, serve as Trustee.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.09, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.10.

SECTION 6.10. Resignation or Removal of Trustee.

- (a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign by giving written notice of such resignation to the Company and by mailing notice thereof to the holders of the Securities at their addresses as they shall appear on the Security register. Upon receiving such notice of resignation, the Company shall promptly appoint a

successor trustee or trustees by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 60 days after the mailing of such notice of resignation to the affected Securityholders, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide holder of a Security for at least six months may, subject to the provisions of Section 5.09, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

43

- (1) the Trustee shall fail to comply with the provisions of Section 6.08 after written request therefor by the Company or by any Securityholder who has been a bona fide holder of a Security or Securities for at least six months, or
- (2) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.09 and shall fail to resign after written request therefor by the Company or by any such Securityholder, or
- (3) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 5.09, any Securityholder who has been a bona fide holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Securities at the time outstanding may at any time remove the Trustee and nominate a successor trustee, which shall be deemed appointed as successor trustee unless within 10 days after such nomination the Company objects thereto or if no successor trustee shall have been so appointed and shall have accepted appointment within 30 days after such removal, in which case the Trustee so removed or any Securityholder, upon the terms and conditions and otherwise as in subsection (a) of this Section 6.10 provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

44

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of

the provisions of this Section 6.10 shall be come effective upon acceptance of appointment by the successor trustee as provided in Section 6.11.

SECTION 6.11. Acceptance by Successor Trustee.

Any successor trustee appointed as provided in Section 6.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the retiring trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 6.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act and shall duly assign, transfer and deliver to such successor trustee all property and money held by such retiring trustee thereunder. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 6.06.

No successor trustee shall accept appointment as provided in this Section 6.11 unless at the time of such acceptance such successor trustee shall be qualified under the provisions of Section 6.08 and eligible under the provisions of Section 6.09.

Upon acceptance of appointment by a successor trustee as provided in this Section 6.11, the Company shall mail notice of the succession of such trustee hereunder to the holders of Securities at their addresses as they shall appear on the Security register. If the Company fails to mail such notice within 10 days after the acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

SECTION 6.12. Succession by Merger, etc.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to

45

which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which the Securities or this Indenture elsewhere provides that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 6.13. Limitation on Rights of Trustee as a Creditor.

The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship described in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent included therein.

SECTION 6.14. Authenticating Agents.

There may be one or more Authenticating Agents appointed by the Trustee upon the request of the Company with power to act on its behalf and subject to its direction in the authentication and delivery of Securities issued upon exchange or transfer thereof as fully to all intents and purposes as though any such Authenticating Agent had been expressly authorized to authenticate and deliver Securities; provided, that the Trustee shall have no liability to the Company for any acts or omissions of the Authenticating Agent with respect to the authentication and delivery of Securities. Any such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States or of any state or territory thereof or of the District of

Columbia authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of at least \$5,000,000 and being subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority,

46

then for the purposes of this Section 6.14 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect herein specified in this Section.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section 6.14 without the execution or filing of any paper or any further act on the part of the parties hereto or such Authenticating Agent.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 6.14, the Trustee may, and upon the request of the Company shall, promptly appoint a successor Authenticating Agent eligible under this Section 6.14, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all Securityholders as the names and addresses of such holders appear on the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein.

The Company, as borrower, agrees to pay to any Authenticating Agent from time to time reasonable compensation for its services. Any Authenticating Agent shall have no responsibility or liability for any action taken by it as such in accordance with the directions of the Trustee.

47

## ARTICLE VII

### CONCERNING THE SECURITYHOLDERS

#### SECTION 7.01. Action by Securityholders.

Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Securityholders in person or by agent or proxy appointed in writing, or (b) by the record of such holders of Securities voting in favor thereof at any meeting of such Securityholders duly called and held in accordance with the provisions of Article Eight, or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Securityholders.

If the Company shall solicit from the Securityholders any request, demand, authorization, direction, notice, consent, waiver or other action, the Company may, at its option, as evidenced by an Officers' Certificate, fix in advance a record date for the determination of Securityholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Securityholders of record at the close of business on the record date shall be deemed to be Securityholders for the purposes of determining whether Securityholders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the Outstanding Securities shall be computed as of the record date; provided, however, that no such authorization, agreement or

consent by such Securityholders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

SECTION 7.02. Proof of Execution by Securityholders.

Subject to the provisions of Sections 6.01, 6.02 and 8.05, proof of the execution of any instrument by a Securityholder or his agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The ownership of Securities shall

48

be proved by the Security Register or by a certificate of the Security registrar. The Trustee may require such additional proof of any matter referred to in this Section as it shall deem necessary.

The record of any Securityholders' meeting shall be proved in the manner provided in Section 8.06.

SECTION 7.03. Who Are Deemed Absolute Owners.

Prior to due presentment for registration of transfer of any Security, the Company, the Trustee, any Authenticating Agent, any paying agent, any transfer agent and any Security registrar may deem the Person in whose name such Security shall be registered upon the Security Register to be, and may treat him as, the absolute owner of such Security (whether or not such Security shall be overdue) for the purpose of receiving payment of or on account of the principal of and premium, if any, and (subject to Section 2.06) interest on such Security and for all other purposes; and neither the Company nor the Trustee nor any Authenticating Agent nor any paying agent nor any transfer agent nor any Security registrar shall be affected by any notice to the contrary. All such payments so made to any holder for the time being or upon his order shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

SECTION 7.04. Securities Owned by Company Deemed Not Outstanding.

In determining whether the holders of the requisite aggregate principal amount of Securities have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Company or any other obligor on the Securities or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company, except Securities held by the Trust, or any other obligor on the Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Securities which the Trustee actually knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 7.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Securities and that the pledgee is not the Company or any such other obligor or Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

49

SECTION 7.05. Revocation of Consents; Future Holders Bound.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 7.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any holder of a Security (or any Security issued in whole or in part in exchange or substitution therefor) the serial number of which is shown by the evidence to be included in the Securities the holders of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 7.02, revoke such action so far as concerns such Security (or so far as concerns the principal amount represented by any exchanged or substituted Security). Except as aforesaid any such action taken by the holder of any Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Security, and of any Security issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Security or any Security issued in exchange or substitution therefor.

ARTICLE VIII

SECURITYHOLDERS' MEETINGS

SECTION 8.01. Purposes of Meetings.

A meeting of Securityholders may be called at any time and from time to time pursuant to the provisions of this Article Eight for any of the following purposes:

- (a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any Default hereunder and its consequences, or to take any other action authorized to be taken by Securityholders pursuant to any of the provisions of Article Five;
- (b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article Six;
- (c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or
- (d) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of such Securities under

50

any other provision of this Indenture or under applicable law.

SECTION 8.02. Call of Meetings by Trustee.

The Trustee may at any time call a meeting of Securityholders to take any action specified in Section 8.01, to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine. Notice of every meeting of the Securityholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed to holders of Securities at their addresses as they shall appear on the Securities Register. Such notice shall be mailed not less than 20 nor more than 180 days prior to the date fixed for the meeting.

SECTION 8.03. Call of Meetings by Company or Securityholders.

In case at any time the Company pursuant to a resolution of the Board of Directors, or the holders of at least 10% in aggregate principal amount of the Securities then outstanding, shall have requested the Trustee to call a meeting of Securityholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Securityholders may determine the time and the place in the Borough of Manhattan, The City of New York for such meeting and may call such meeting to take any action authorized in Section 8.01, by mailing notice thereof as provided in Section 8.02.

SECTION 8.04. Qualifications for Voting.

To be entitled to vote at any meeting of Securityholders a Person shall be (a) a holder of one or more Securities or (b) a Person appointed by an instrument in writing as proxy by a holder of one or more Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

51

SECTION 8.05. Regulations.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Securityholders, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and

other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Securityholders as provided in Section 8.03, in which case the Company or the Securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

Subject to the provisions of Section 8.04, at any meeting each holder of Securities or proxy therefor shall be entitled to one vote for each \$1,000 principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Securities held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other Securityholders. Any meeting of Securityholders duly called pursuant to the provisions of Section 8.02 or 8.03 may be adjourned from time to time by a majority of those present, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

#### SECTION 8.06. Voting.

The vote upon any resolution submitted to any meeting of holders of Securities shall be by written ballots on which shall be subscribed the signatures of such holders or of their representatives by proxy and the serial number or numbers of the Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowl-

52

edge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 8.02. The record shall show the serial numbers of the Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

### ARTICLE IX

#### AMENDMENTS

#### SECTION 9.01. Without Consent of Securityholders.

The Company and the Trustee may from time to time and at any time amend this Indenture, without the consent of the Securityholders, for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to Article Ten hereof;

(b)

to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the Securityholders as the Board of Directors and the Trustee shall consider to be for the protection of the Securityholders, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions a Default or an Event of Default permitting the enforcement of all or any of the remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other Defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available

to the Trustee upon such default;

53

- (c) to provide for the issuance under this Indenture of Securities in coupon form (including Securities registrable as to principal only) and to provide for exchangeability of such Securities with the Securities issued hereunder in fully registered form and to make all appropriate changes for such purpose;
- (d) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture; provided that any such action shall not materially adversely affect the interests of the holders of the Securities;
- (e) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Securities;
- (f) to make provision for transfer procedures, certification, book-entry provisions, the form of restricted securities legends, if any, to be placed on Securities, and all other matters required pursuant to Section 2.07 or otherwise necessary, desirable or appropriate in connection with the issuance of Securities to holders of Capital Securities in the event of a distribution of Securities by Webster Capital Trust following a Dissolution Event;
- (g) to qualify or maintain qualification of this Indenture under the Trust Indenture Act; or
- (h) to make any change that does not adversely affect the rights of any Securityholder in any material respect.

The Trustee is hereby authorized to join with the Company in the execution of any supplemental indenture to effect such amendment, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

54

Any amendment to this Indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

SECTION 9.02. With Consent of Securityholders.

With the consent (evidenced as provided in Section 7.01) of the holders of a majority in aggregate principal amount of the Securities at the time outstanding, the Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time amend this Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the holders of the Securities; provided, however, that no such amendment shall without the consent of the holders of each Security then outstanding and affected thereby (i) change the Maturity Date of any Security, or reduce the rate or extend the time of payment of interest thereon (except as contemplated by Article Sixteen), or reduce the principal amount thereof, or reduce any amount payable on prepayment thereof, or make the principal thereof or any interest or premium thereon payable in any coin or currency other than that provided in the Securities, or impair or affect the right of any Securityholder to institute suit for payment thereof, or (ii) reduce the afore said percentage of Securities the holders of which are required to consent to any such amendment to this Indenture, provided, however, that if the Securities are held by Webster Capital Trust, such amendment shall not be effective until the holders of a

majority in liquidation amount of Trust Securities shall have consented to such amendment; provided, further, that if the consent of the holder of each outstanding Security is required, such amendment shall not be effective until each holder of the Trust Securities shall have consented to such amendment.

Upon the request of the Company accompanied by a copy of a resolution of the Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of any supplemental indenture affecting such amendment, and upon the filing with the Trustee of evidence of the consent of Securityholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture. The Trustee may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article is authorized or permitted by, and conforms to, the terms of this Article and that it is proper for the Trustee under the provisions of this Article to join in the execution thereof.

55

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall transmit by mail, first class postage prepaid, a notice, prepared by the Company, setting forth in general terms the substance of such supplemental indenture, to the Securityholders as their names and addresses appear upon the Security Register. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 9.03. Compliance with Trust Indenture Act; Effect of Supplemental Indentures.

Any supplemental indenture executed pursuant to the provisions of this Article Nine shall comply with the Trust Indenture Act. Upon the execution of any supplemental indenture pursuant to the provisions of this Article Nine, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Securities shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.04. Notation on Securities.

Securities authenticated and delivered after the execution of any supplemental indenture affecting such series pursuant to the provisions of this Article Nine may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee or the Authenticating Agent and delivered in exchange for the Securities then outstanding.

56

SECTION 9.05. Evidence of Compliance of Supplemental Indenture to be Furnished Trustee.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article Nine.

ARTICLE X

CONSOLIDATION, CONVERSION, MERGER, SALE, CONVEYANCE AND LEASE

SECTION 10.01. Company May Consolidate, etc., on Certain Terms.

Nothing contained in this Indenture or in any of the Securities shall prevent any consolidation, conversion or merger of the Company with or into any other Person (whether or not affiliated with the Company, as the case may be), or successive consolidations, conversions or mergers in which the Company, or its successor or successors, as the case may be, shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Company, or its successor or successors, as the case may be, as an entirety, or substantially as an entirety, to any other Person (whether or not affiliated with the Company, or its successor or successors, as the case may be) authorized to acquire and operate the same; provided, that (a) the Company is the surviving Person, or the Person formed by or surviving any such consolidation, conversion or merger (if other than the Company) or to which such sale, conveyance, transfer or lease of property is made is a Person organized and existing under the laws of the United States or any State thereof or the District of Columbia, and (b) upon any such consolidation, conversion, merger, sale, conveyance, transfer or lease, the due and punctual payment of the principal of (and premium, if any) and interest on the Securities according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Indenture to be kept or performed by the Company shall be expressly assumed, by supplemental indenture (which shall conform to the provisions of the Trust Indenture Act, as then in effect) satisfactory in form to the Trustee, and executed and delivered to the Trustee by the Person formed by such consolidation, conversion or into which the Company shall have been converted or merged, or by the Person which shall have acquired such property, as the case may be, (c) after giving effect to such consolidation, conversion, merger, sale, conveyance, transfer or lease, no Default or Event of Default shall have occurred and be continuing and (d) such consolidation, conversion, merger, sale, conveyance, transfer or lease does not

57

cause the Securities to be downgraded by a nationally recognized statistical rating organization.

SECTION 10.02. Successor Corporation to be Substituted for Company.

In case of any such consolidation, conversion, merger, conveyance or transfer and upon the assumption by the successor corporation, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium, if any, and interest on all of the Securities and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Company, such successor Person shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part, and the Company thereupon shall be relieved of any further liability or obligation hereunder or upon the Securities. Such successor Person thereupon may cause to be signed, and may issue either in its own name or in the name of Webster Financial Corporation, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee or the Authenticating Agent; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee or the Authenticating Agent shall authenticate and deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee or the Authenticating Agent for authentication, and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee or the Authenticating Agent for that purpose. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

SECTION 10.03. Opinion of Counsel to be Given Trustee.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, may receive an Opinion of Counsel as conclusive evidence that any consolidation, merger, sale, conveyance, transfer or lease, and any assumption, permitted or required by the terms of this Article Ten complies with the provisions of this Article Ten.

58

ARTICLE XI

SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 11.01. Discharge of Indenture.

When (a) the Company shall deliver to the Trustee for

cancellation all Securities theretofore authenticated (other than any Securities which shall have been destroyed, lost or stolen and which shall have been prepaid, paid or replaced (as provided in Section 2.08)) and not theretofore cancelled, or (b) all the Securities not theretofore cancelled or delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for prepayment within one year under arrangements satisfactory to the Trustee for the giving of notice of prepayment, and the Company shall deposit or cause to be deposited with the Trustee, in trust, funds sufficient to pay on the Maturity Date or upon prepayment all of the Securities (other than any Securities which shall have been destroyed, lost or stolen and which shall have been prepaid, paid or replaced (as provided in Section 2.08)) not theretofore cancelled or delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due to the Maturity Date or prepayment date, as the case may be, but excluding, however, the amount of any moneys for the payment of principal of or premium, if any, or interest on the Securities (1) theretofore repaid to the Company in accordance with the provisions of Section 11.04, or (2) paid to any State or to the District of Columbia pursuant to its unclaimed property or similar laws, and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect except for the provisions of Sections 2.02, 2.07, 2.08, 3.01, 3.02, 3.04, 6.06, 6.10 and 11.04 hereof, which shall survive until such Securities shall mature and be paid. Thereafter, Sections 6.06, 6.10 and 11.04 shall survive, and the Trustee, on demand of the Company accompanied by any Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture, the Company, however, hereby agreeing to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Securities.

SECTION 11.02. Deposited Moneys and U.S. Government Obligations to be Held in Trust by Trustee.

Subject to the provisions of Section 11.04, all moneys and U.S. Government Obligations deposited with the Trustee

59

pursuant to Sections 11.01 or 11.05 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the holders of the particular Securities for the payment of which such moneys or U.S. Government Obligations have been deposited with the Trustee, of all sums due and to become due thereon for principal, premium, if any, and interest.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 11.05 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the holders of outstanding Securities.

SECTION 11.03. Paying Agent to Repay Moneys Held.

Upon the satisfaction and discharge of this Indenture all moneys then held by any paying agent of the Securities (other than the Trustee) shall, upon written demand of the Company, be repaid to it or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 11.04. Return of Unclaimed Moneys.

Any moneys deposited with or paid to the Trustee or any paying agent for payment of the principal of or premium, if any, or interest on Securities and not applied but remaining unclaimed by the holders of Securities for two years after the date upon which the principal of or premium, if any, or interest on such Securities, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on written demand; and the holder of any of the Securities shall thereafter look only to the Company for any payment which such holder may be entitled to collect and all liability of the Trustee or such paying agent with respect to such moneys shall thereupon cease.

SECTION 11.05. Defeasance Upon Deposit of Moneys or U.S. Government Obligations.

The Company shall be deemed to have been Discharged (as defined below) from its obligations with respect to the Securities on the 91st day after the applicable conditions set forth below have been satisfied:

- (1) the Company shall have deposited or caused to be deposited irrevocably with the Trustee or the Defeasance Agent (as defined below) as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the hold-

ers of the Securities (i) money in an amount, or (ii) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (iii) a combination of (i) and (ii), sufficient, in the opinion (with respect to (ii) and (iii)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee and the Defeasance Agent, if any, to pay and discharge each installment of principal of and interest and premium, if any, on the outstanding Securities on the dates such installments of principal, interest or premium are due;

- (2) if the Securities are then listed on any national securities exchange, the Company shall have delivered to the Trustee and the Defeasance Agent, if any, an Opinion of Counsel to the effect that the exercise of the option under this Section 11.05 would not cause such Securities to be delisted from such exchange;
- (3) no Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit; and
- (4) the Company shall have delivered to the Trustee and the Defeasance Agent, if any, an Opinion of Counsel to the effect that holders of the Securities will not recognize income, gain or loss for United States federal income tax purposes as a result of the exercise of the option under this Section 11.05 and will be subject to United States federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised, and such opinion shall be based on a statement so providing or be accompanied by a private letter ruling to that effect received from the United States Internal Revenue Service or a revenue ruling pertaining to a comparable form of transaction to that effect published by the United States Internal Revenue Service.

"Discharged" means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the Securities and to have satisfied all the obligations under this Indenture relating to the Securities (and the Trustee, at the expense of the Company, shall execute

proper instruments acknowledging the same), except (A) the rights of holders of Securities to receive, from the trust fund described in clause (1) above, payment of the principal of and the interest and premium, if any, on the Securities when such payments are due; (B) the Company's obligations with respect to the Securities under Sections 2.07, 2.08, 5.02 and 11.04; and (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder.

"Defeasance Agent" means another financial institution which is eligible to act as Trustee hereunder and which assumes all of the obligations of the Trustee necessary to enable the Trustee to act hereunder. In the event such a Defeasance Agent is appointed pursuant to this Section, the following conditions shall apply:

- (1) The Trustee shall have approval rights over the document appointing such Defeasance Agent and the document setting forth such Defeasance Agent's rights and responsibilities;
- (2) The Defeasance Agent shall provide verification to the Trustee acknowledging receipt of sufficient money and/or U. S. Government Obligations to meet the applicable conditions set forth in this Section 11.05.

ARTICLE XII

IMMUNITY OF INCORPORATORS, STOCKHOLDERS,  
OFFICERS AND DIRECTORS

SECTION 12.01. Indenture and Securities Solely Corporate  
Obligations.

No recourse for the payment of the principal of or premium, if any, or interest on any Security, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture, or in any Security, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor Person to the Company, either directly or through the Company or any successor Person to the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Securities.

62

ARTICLE XIII

MISCELLANEOUS PROVISIONS

SECTION 13.01. Successors.

All the covenants, stipulations, promises and agreements in this Indenture contained by the Company shall bind its successors and assigns whether so expressed or not.

SECTION 13.02. Official Acts by Successor Corporation.

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the lawful sole successor of the Company.

SECTION 13.03. Surrender of Company Powers.

The Company by instrument in writing executed by authority of 2/3 (two-thirds) of its Board of Directors and delivered to the Trustee may surrender any of the powers reserved to the Company, and thereupon such power so surrendered shall terminate both as to the Company, as the case may be, and as to any successor Person.

SECTION 13.04. Addresses for Notices, etc.

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities on the Company may be given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee for the purpose) to the Company, Webster Plaza, Waterbury, Connecticut 06702, Attention: John V. Brennan. Any notice, direction, request or demand by any Securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the office of the Trustee, addressed to the Trustee at 101 Barclay Street, Floor 21 West, New York, New York 10286, Attention: Corporate Trust Administration.

SECTION 13.05. Governing Law.

This Indenture and each Security shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance

63

with the laws of said State, without regard to conflicts of laws principles thereof.

SECTION 13.06. Evidence of Compliance with Conditions Precedent.

Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that in the opinion of the signers all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture (except certificates delivered pursuant to Section 3.05) shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 13.07. Business Days.

In any case where the date of payment of principal of or premium, if any, or interest on the Securities will not be a Business Day, the payment of such principal of or premium, if any, or interest on the Securities need not be made on such date but may be made on the next succeeding Business Day, with the same force and effect as if made on the date of payment and no interest shall accrue for the period from and after such date.

SECTION 13.08. Trust Indenture Act to Control.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such imposed duties shall control.

64

SECTION 13.09. Table of Contents, Headings, etc.

The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 13.10. Execution in Counterparts.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 13.11. Separability.

In case any one or more of the provisions contained in this Indenture or in the Securities shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture or of the Securities, but this Indenture and the Securities shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 13.12. Assignment.

The Company will have the right at all times to assign any of its respective rights or obligations under this Indenture to a direct or indirect wholly owned Subsidiary of the Company, provided that, in the event of any such assignment, the Company will remain liable for all such obligations. Subject to the foregoing, the Indenture is binding upon and inures to the benefit of the parties thereto and their respective successors and assigns. This Indenture may not otherwise be assigned by the parties hereto.

SECTION 13.13. Acknowledgement of Rights.

The Company acknowledges that, with respect to any Securities held by Webster Capital Trust or a trustee of such trust, if the Property Trustee of such Trust fails to enforce its rights under this Indenture as the holder of the Securities held as the assets of Webster Capital Trust any holder of Capital Securities may institute legal proceedings directly against the Company to enforce such Property Trustee's rights under this Indenture without first instituting any legal proceedings against such Property Trustee or any other Person or entity. Notwithstanding the foregoing, if an Event of Default

has occurred and is continuing and such event is attributable to the failure of the Company to pay principal of or premium, if any, or interest on the Securities when due, the Company acknowledges that a

65

holder of Capital Securities may directly institute a proceeding for enforcement of payment to such holder of the principal of or premium, if any, or interest on the Securities having a principal amount equal to the aggregate liquidation amount of the Capital Securities of such holder on or after the respective due date specified in the Securities.

#### ARTICLE XIV

##### PREPAYMENT OF SECURITIES -- MANDATORY AND OPTIONAL SINKING FUND

###### SECTION 14.01. Special Event Prepayment.

If a Special Event has occurred and is continuing then, notwithstanding Section 14.02(a) but subject to Section 14.02(c), the Company shall have the right at any time prior to the Initial Optional Prepayment Date, upon not (i) less than 45 days written notice to the Trustee and (ii) less than 30 days nor more than 60 days written notice to the Securityholders, to prepay the Securities, in whole (but not in part), within 90 days following the occurrence of such Special Event at the Special Event Prepayment Price. Following a Special Event, the Company shall take such action as is necessary to promptly determine the Special Event Prepayment Price, including without limitation the appointment by the Company of a Quotation Agent. The Special Event Prepayment Price shall be paid prior to 12:00 noon, New York time, on the date of such prepayment or such earlier time as the Company determines, provided that the Company shall deposit with the Trustee an amount sufficient to pay the Special Event Prepayment Price by 10:00 a.m., New York time, on the date such Special Event Prepayment Price is to be paid.

###### SECTION 14.02. Optional Prepayment by Company.

(a) Subject to the provisions of this Article Fourteen, the Company shall have the right to prepay the Securities, in whole or in part, from time to time, on or after the Initial Optional Prepayment Date at the optional prepayment prices set forth below (expressed as percentages of principal) plus, in each case, accrued and unpaid interest thereon (including Additional Interest and Compounded Interest, if any) to the applicable date of prepayment (the "Optional Prepayment Price") if prepaid during the 12-month period beginning January 29 of the years indicated below.

Year	Percentage
2007	104.680%
2008	104.212%

66

2009	103.744%
2010	103.276%
2011	102.808%
2012	102.340%
2013	101.872%
2014	101.404%
2015	100.936%
2016	100.468%
2017 and thereafter	100.000%

If the Securities are only partially prepaid pursuant to this Section 14.02, the Securities will be prepaid pro rata or by lot or by any other method utilized by the Trustee; provided, that if at the time of prepayment the Securities are registered as a Global Security, the Depositary shall determine, in accordance with its procedures, the principal amount of Securities held by each holder of a Security to be prepaid. The Optional Prepayment Price shall be paid prior to 12:00 noon, New York time, on the date of such prepayment or at such earlier time as the Company determines, provided that the Company shall deposit with the Trustee an amount sufficient to pay the Optional Prepayment Price by 10:00 a.m., New York time, on the date such Optional Prepayment Price is to be paid.

(b) Notwithstanding the first sentence of Section 14.02, upon the entry of an order for dissolution of Webster Capital Trust by a court of competent jurisdiction, the Securities thereafter will be subject to optional prepayment, in whole only, but not in part, on or after January 29, 2007, at the

optional prepayment prices set forth in Section 14.02 and otherwise in accordance with this Article Fourteen.

(c) Any prepayment of Securities pursuant to Section 14.01 or Section 14.02 shall be subject to the receipt by the Company of any required regulatory approval.

SECTION 14.03. No Sinking Fund.

The Securities are not entitled to the benefit of any sinking fund.

SECTION 14.04. Notice of Prepayment; Selection of Securities.

In case the Company shall desire to exercise the right to prepay all, or, as the case may be, any part of the Securities in accordance with their terms, it shall fix a date for prepayment and shall mail a notice of such prepayment at least 30 and not more than 60 days prior to the date fixed for prepayment to the holders of Securities so to be prepaid as a whole or in part at their last addresses as the same appear on the Security Register. Such mailing shall be by first class mail. The notice

67

if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Security designated for prepayment as a whole or in part shall not affect the validity of the proceedings for the prepayment of any other Security.

Each such notice of prepayment shall specify the CUSIP number of the Securities to be prepaid, the date fixed for prepayment, the prepayment price at which the Securities are to be prepaid (or the method by which such prepayment price is to be calculated), the place or places of payment that payment will be made upon presentation and surrender of the Securities, that interest accrued to the date fixed for prepayment will be paid as specified in said notice, and that on and after said date interest thereon or on the portions thereof to be prepaid will cease to accrue. If less than all the Securities are to be prepaid the notice of prepayment shall specify the numbers of the Securities to be prepaid. In case any Security is to be prepaid in part only, the notice of prepayment shall state the portion of the principal amount thereof to be prepaid and shall state that on and after the date fixed for prepayment, upon surrender of such Security, a new Security or Securities in principal amount equal to the unprepaid portion thereof will be issued.

By 10:00 a.m. New York time on the prepayment date specified in the notice of prepayment given as provided in this Section, the Company will deposit with the Trustee or with one or more paying agents an amount of money sufficient to prepay on the prepayment date all the Securities so called for prepayment at the appropriate Prepayment Price, together with accrued interest to the date fixed for prepayment.

The Company will give the Trustee notice not less than 45 days prior to the prepayment date as to the aggregate principal amount of Securities to be prepaid and the Trustee shall select, in such manner as in its sole discretion it shall deem appropriate and fair, the Securities or portions thereof (in integral multiples of \$1,000, except as otherwise set forth in the applicable form of Security) to be prepaid.

SECTION 14.05. Payment of Securities Called for Prepayment.

If notice of prepayment has been given as provided in Section 14.04, the Securities or portions of Securities with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable Prepayment Price, together with interest accrued to the date fixed for prepayment (subject to the rights of holders of Securities on the close of business on a regular

68

record date in respect of an Interest Payment Date occurring on or prior to the prepayment date), and on and after said date (unless the Company shall default in the payment of such Securities at the Prepayment Price, together with interest accrued to said date) interest on the Securities or portions of Securities so called for prepayment shall cease to accrue. On presentation and surrender of such Securities at a place of payment specified in said notice, the said Securities or the specified portions thereof shall be paid and prepaid by the Company at the applicable Prepayment Price, together with interest accrued thereon to the date fixed for prepayment (subject to the rights of holders of Securities on the close of business on a regular record date in respect of an Interest Payment Date occurring on or prior to the prepayment date).

Upon presentation of any Security prepaid in part only, the

Company shall execute and the Trustee shall authenticate and make available for delivery to the holder thereof, at the expense of the Company, a new Security or Securities of authorized denominations, in principal amount equal to the unrepaid portion of the Security so presented.

#### ARTICLE XV

##### SUBORDINATION OF SECURITIES

###### SECTION 15.01. Agreement to Subordinate.

The Company covenants and agrees, and each holder of Securities issued hereunder likewise covenants and agrees, that the Securities shall be issued subject to the provisions of this Article Fifteen; and each holder of a Security, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions.

The payment by the Company of the principal of, premium, if any, and interest on all Securities issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to all Senior Indebtedness, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article Fifteen shall prevent the occurrence of any Default or Event of Default hereunder.

###### SECTION 15.02. Default on Senior Indebtedness.

No payment of principal (including prepayment payments) of, premium, if any, or interest on the Securities may be made at any time when (i) any Senior Indebtedness is not paid when due, (ii) any applicable grace period with respect to such default has

69

ended and such default has not been cured or waived or ceased to exist, or (iii) the maturity of any Senior Indebtedness has been accelerated because of a default.

In the event of the acceleration of the maturity of the Securities, then no payment shall be made by the Company with respect to the principal (including prepayment payments) of or premium, if any, or interest on the Securities until the holders of all Senior Indebtedness outstanding at the time of such acceleration shall receive payment in full of all amounts due in respect of such Senior Indebtedness (including any amounts due upon acceleration).

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding paragraphs of this Section 15.02, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Indebtedness (or their representative or representatives or a trustee) notify the Trustee in writing, within 90 days of such payment of the amounts then due and owing on such Senior Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of such Senior Indebtedness.

###### SECTION 15.03. Liquidation; Dissolution; Bankruptcy.

Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness of the Company shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made by the Company on account of the principal (and premium, if any) or interest on the Securities; and upon any such dissolution or winding-up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Securityholders or the Trustee would be entitled to receive from the Company, except for the provisions of this Article Fifteen, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Securityholders or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness of the Company (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held

70

by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Securityholders or to the Trustee.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee before all Senior Indebtedness is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, and their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness.

For purposes of this Article Fifteen, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Fifteen with respect to the Securities to the payment of Senior Indebtedness that may at the time be outstanding, provided that (i) such Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of such Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the sale, conveyance, transfer or lease of its property as an entirety, or substantially as an entirety, to another Person upon the terms and conditions provided for in Article Ten of this Indenture shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 15.03 if such other Person shall, as a part of such consolidation, merger, sale, conveyance, transfer or lease, comply with the conditions stated in Article Ten of this Indenture. Nothing in Section 15.02 or in this

Section 15.03 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.05 of this Indenture.

#### SECTION 15.04. Subrogation.

Subject to the payment in full of all Senior Indebtedness, the rights of the Securityholders shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company, as the case may be, applicable to such Senior Indebtedness until the principal of (and premium, if any) and interest on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Indebtedness of any cash, property or securities to which the Securityholders or the Trustee would be entitled except for the provisions of this Article Fifteen, and no payment over pursuant to the provisions of this Article Fifteen to or for the benefit of the holders of such Senior Indebtedness by Securityholders or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness of the Company, and the holders of the Securities, be deemed to be a payment by the Company to or on account of such Senior Indebtedness. It is understood that the provisions of this Article Fifteen are and are intended solely for the purposes of defining the relative rights of the holders of the Securities, on the one hand, and the holders of such Senior Indebtedness on the other hand.

Nothing contained in this Article Fifteen or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness of the Company, and the holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Securities and creditors of the Company, as the case may be, other than the holders of Senior Indebtedness of the Company, as the case may be, nor shall anything herein or therein prevent the Trustee or the holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under

this Indenture, subject to the rights, if any, under this Article Fifteen of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company, as the case may be, received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article Fifteen, the Trustee, subject to the provisions of Article Six of this Indenture, and the Securityholders shall be entitled to conclusively rely upon any

72

order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Securityholders, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company, as the case may be, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Fifteen.

SECTION 15.05. Trustee to Effectuate Subordination.

Each Securityholder by such Securityholder's acceptance thereof authorizes and directs the Trustee on such Securityholder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article Fifteen and appoints the Trustee such Securityholder's attorney-in-fact for any and all such purposes.

SECTION 15.06. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Fifteen. Notwithstanding the provisions of this Article Fifteen or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Fifteen, unless and until a Responsible Officer shall have received written notice thereof from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Article Six of this Indenture, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 15.06 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Article Six of this Indenture, shall be entitled to conclusively rely on the

73

delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness of the Company (or a trustee on behalf of such holder), to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of such Senior Indebtedness to participate in any payment or distribution pursuant to this Article Fifteen, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Fifteen, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Upon any payment or distribution of assets of the Company referred to in this Article Fifteen, the Trustee and the Securityholders shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is

pending, or a certificate of the trustee in bankruptcy, liquidating trustee, custodian, receiver, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Securityholders, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Fifteen.

SECTION 15.07. Rights of the Trustee; Holders of Senior Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article Fifteen in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Fifteen, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture against the Trustee. The

74

Trustee shall not be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Article Six of this Indenture, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Securityholders, the Company or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article Fifteen or otherwise.

Nothing in this Article Fifteen shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.06.

SECTION 15.08. Subordination May Not Be Impaired.

No right of any present or future holder of any Senior Indebtedness of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company, as the case may be, or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company, as the case may be, with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the Securityholders, without incurring responsibility to the Securityholders and without impairing or releasing the subordination provided in this Article Fifteen or the obligations hereunder of the holders of the Securities to the holders of such Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (iii) release any Person liable in any manner for the collection of such Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company, as the case may be, and any other Person.

75

ARTICLE XVI

EXTENSION OF INTEREST PAYMENT PERIOD

SECTION 16.01. Extension of Interest Payment Period.

So long as no Event of Default has occurred and is continuing, the Company shall have the right, at any time and from time to time during the term of the Securities, to defer payments of interest by extending the interest payment period of such Securities for a period not exceeding 10 consecutive semi-annual periods, including the first such semi-annual period during such extension period (the "Extended Interest Payment Period"), during which Extended Interest Payment Period no interest shall be due and payable; provided that no Extended Interest Payment Period shall end on a date other than an Interest Payment Date or extend beyond the Maturity Date. To the extent permitted by applicable law, interest, the payment of which has been deferred because of the

extension of the interest payment period pursuant to this Section 16.01, will bear interest thereon at the Coupon Rate compounded semi-annually for each semi-annual period of the Extended Interest Payment Period ("Compounded Interest"). At the end of the Extended Interest Payment Period, the Company shall pay all interest accrued and unpaid on the Securities, including any Additional Interest and Compounded Interest (together, "Deferred Interest") that shall be payable to the holders of the Securities in whose names the Securities are registered in the Security Register on the first record date preceding the end of the Extended Interest Payment Period. Before the termination of any Extended Interest Payment Period, the Company may further defer payments of interest by further extending such period, provided that such period, together with all such previous and further extensions within such Extended Interest Payment Period, shall not exceed 10 consecutive semi-annual periods, including the first such semi-annual period during such Extended Interest Payment Period, or extend beyond the Maturity Date. Upon the termination of any Extended Interest Payment Period and the payment of all Deferred Interest then due, the Company may elect to commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof, but the Company may prepay at any time all or any portion of the interest accrued during an Extended Interest Payment Period.

SECTION 16.02. Notice of Extension.

(a) If the Property Trustee is the only registered holder of the Securities at the time the Company selects an Extended Interest Payment Period, the Company shall give written notice to the Administrative Trustees, the Property Trustee and the Trustee of its selection of such Extended Interest Payment

76

Period five Business Days before the earlier of (i) the next succeeding date on which Distributions on the Trust Securities issued by Webster Capital Trust are payable, or (ii) the date the Trust is required to give notice of the record date, or the date such Distributions are payable, to any national securities exchange or to holders of the Capital Securities issued by the Trust, but in any event at least five Business Days before such record date.

(b) If the Property Trustee is not the only holder of the Securities at the time the Company selects an Extended Interest Payment Period, the Company shall give the holders of the Securities and the Trustee written notice of its selection of such Extended Interest Payment Period at least 10 Business Days before the earlier of (i) the next succeeding Interest Payment Date, or (ii) the date the Company is required to give notice of the record or payment date of such interest payment to any national securities exchange.

(c) The semi-annual period in which any notice is given pursuant to paragraphs (a) or (b) of this Section 16.02 shall be counted as one of the 10 semi-annual periods permitted in the maximum Extended Interest Payment Period permitted under Section 16.01.

77

The Bank of New York hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

WEBSTER FINANCIAL CORPORATION

By \_\_\_\_\_

Name:  
Title:

THE BANK OF NEW YORK,  
as Trustee

By \_\_\_\_\_

Name:  
Title:

## EXHIBIT A

(FORM OF FACE OF SECURITY)

[IF THE SECURITY IS A GLOBAL SECURITY, INSERT: - THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED

A-1

STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, SUBJECT TO THE RIGHT OF THE COMPANY PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY, AND (ii) PURSUANT TO CLAUSE (E), TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEREE TO THE COMPANY. SUCH HOLDER FURTHER AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

A-2

## WEBSTER FINANCIAL CORPORATION

9.36% JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURE  
DUE January 29, 2027

Webster Financial Corporation, a Delaware corporation (the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Webster Capital Trust I or registered assigns, the principal sum of one hundred three million ninety three thousand dollars on January 29, 2027 (the "Maturity Date"), unless previously prepaid, and to pay interest on the outstanding principal amount hereof from January 29, 1997, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, semi-annually (subject to deferral as set forth herein) in arrears on January 29 and July 29 of each year, commencing July 29, 1997 at the rate of 9.36% per annum until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum compounded semi-annually. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months and, for any period less than a full calendar month, the number of days elapsed in such month. In the event that any date on which the principal of (or premium, if any) or interest on this Security is payable is not a Business Day, then payment payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date.

The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be the 15th day prior to the relevant interest payment date. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the holders on such regular record date and may be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the holders of Securities not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon

A-3

such notice as may be required by such exchange, all as more fully provided in the Indenture.

The principal of (and premium, if any) and interest on this Security shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; provided, however, that, payment of interest may be made at the option of the Company by (i) check mailed to the holder at such address as shall appear in the Security Register or (ii) by transfer to an account maintained by the Person entitled thereto, provided that proper written transfer instructions have been received by the relevant record date. Notwithstanding the foregoing, so long as the Holder of this Security is the Property Trustee, the payment of the principal of (and premium, if any) and interest on this Security will be made at such place and to such account as may be designated by the Property Trustee.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Security shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Security are continued on the reverse side hereof and such provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed.

WEBSTER FINANCIAL CORPORATION

By: \_\_\_\_\_

Name:  
Title

Attest:

By: \_\_\_\_\_  
Name:  
Title:

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

Dated \_\_\_\_\_

The Bank of New York,  
as Trustee

By \_\_\_\_\_  
Authorized Signatory

(FORM OF REVERSE OF SECURITY)

This Security is one of the Securities of the Company (herein sometimes referred to as the "Securities"), specified in the Indenture, all issued or to be issued under and pursuant to an Indenture, dated as of January 29, 1997 (the "Indenture"), duly executed and delivered between the Company and The Bank of New York, as Trustee (the "Trustee"), to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Securities.

Upon the occurrence and continuation of a Special Event, the Company shall have the right at any time prior to January 29, 2007, within 90 days following the occurrence of such Special Event (the "Initial Optional Prepayment Date"), to prepay this Security in whole (but not in part) at the Special Event Prepayment Price. "Special Event Prepayment Price" shall mean, with respect to any prepayment of the Securities following a Special Event, an amount in cash equal to the greater of (i) 100% of the principal amount to be prepaid or (ii) the sum, as determined by a Quotation Agent, of the present value of 104.680% of the principal amount thereof plus the scheduled payments of interest thereon on the Securities from the prepayment date to and including the Initial Optional Prepayment Date, discounted to the prepayment date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus any accrued and unpaid interest thereon, including Compounded Interest and Additional Interest, if any, to the date of such prepayment.

In addition, the Company shall have the right to prepay this Security, in whole or in part, at any time on or after the Initial Optional Prepayment Date (an "Optional Prepayment"), at the prepayment prices as set forth below (expressed as percentages of principal to be prepaid) plus, in each case, accrued and unpaid interest thereon (including Additional Interest and Compounded Interest, if any) to the applicable date of prepayment (the "Optional Prepayment Price") if prepaid during the 12-month period beginning January 29 of

the years indicated below.

Year	Percentage
2007	104.680%
2008	104.212%
2009	103.744%
2010	103.276%
2011	102.808%
2012	102.340%
2013	101.872%
2014	101.404%
2015	100.936%
2016	100.468%
2017 and thereafter	100.000%

A-6

The Optional Prepayment Price or the Special Event Prepayment Price, as the case requires, shall be paid prior to 12:00 noon, New York time, on the date of such prepayment or at such earlier time as the Company determines, provided, that the Company shall deposit with the Trustee an amount sufficient to pay the applicable Prepayment Price by 10:00 a.m., New York City time, on the date such Prepayment Price is to be paid. Any prepayment pursuant to this paragraph will be made upon not less than 30 days nor more than 60 days notice. If the Securities are only partially prepaid by the Company pursuant to an Optional Prepayment, the Securities will be prepaid pro rata or by lot or by any other method utilized by the Trustee; provided that if, at the time of prepayment, the Securities are registered as a Global Security, the Depositary shall determine the particular Securities to be prepaid in accordance with its procedures.

In the event of prepayment of this Security in part only, a new Security or Securities for the unprepaid portion hereof will be issued in the name of the holder hereof upon the cancellation hereof.

Notwithstanding the foregoing, any prepayment of Securities by the Company shall be subject to the receipt by the Company of any required regulatory approval.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Securities may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of a majority in aggregate principal amount of the Securities at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the holders of the Securities; provided, however, that no such supplemental indenture shall, without the consent of each holder of Securities then outstanding and affected thereby, (i) extend the Maturity Date of any Securities, or reduce the principal amount thereof, or reduce any amount payable on prepayment thereof, or reduce the rate or extend the time of payment of interest thereon (subject to Article Sixteen of the Indenture), or make the principal of, or interest or premium on, the Securities payable in any coin or currency other than U.S. dollars, or impair or affect the right of any holder of Securities to institute suit for the payment thereof, or (ii) reduce the aforesaid percentage of Securities, the holders of which are required to consent to any such supplemental indenture. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Securities at the

A-7

time outstanding affected thereby, on behalf of all of the holders of the Securities, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Securities or a default in respect of any covenant or provision under which the Indenture cannot be modified or amended without the consent of each holder of Securities then outstanding. Any such consent or waiver by the holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Security and of any Security issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Security at the time and place and at the rate and in the money herein prescribed.

The Company shall have the right, at any time and from time to time during the term of the Securities, to defer payments of interest by extending the interest payment period of such Securities for a period not exceeding 10 consecutive semi-annual periods, including the first such semi-annual period during such extension period, and not to extend beyond the Maturity Date of the Securities (an "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Securities to the extent that payment of such interest is enforceable under applicable law). Before the termination of any such Extended Interest Payment Period, the Company may further defer payments of interest by further extending such Extended Interest Payment Period, provided that such Extended Interest Payment Period, together with all such previous and further extensions within such Extended Interest Payment Period, (i) shall not exceed 10 consecutive semi-annual periods, including the first semi-annual period during such Extended Interest Payment Period, (ii) shall not end on any date other than an Interest Payment Date and (iii) shall not extend beyond the Maturity Date of the Securities. Upon the termination of any such Extended Interest Payment Period and the payment of all accrued and unpaid interest and any additional amounts then due, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements.

The Company has agreed that it will not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the

A-8

Company's capital stock (which includes common and preferred stock) or (ii) make any payment of principal, interest or premium, if any, on or repay or repurchase or redeem any debt securities of the Company that rank pari passu with or junior in right of payment to the Securities or (iii) make any guarantee payments with respect to any guarantee by the Company of the debt securities or any Subsidiary of the Company (including any Other Guarantees) if such guarantee ranks pari passu or junior in right of payment to the Securities (other than (a) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock of the Company; (b) any declaration of a dividend in connection with the implementation of a stockholder's rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; (c) payments under the Capital Securities Guarantee; (d) as a result of a reclassification of the Company's capital stock or the exchange or the conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock; (e) the purchase of fractional interests in shares of the Company's capital stock pursuant to the exchange or conversion of such capital stock or the security being exchanged or converted, and (f) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees or any of the Company's dividend reinvestment plans) if at such time (i) there shall have occurred any event of which the Company has actual knowledge that (a) is, or with the giving of notice or the lapse of time, or both, would be, an Event of Default and (b) in respect of which the Company shall not have taken reasonable steps to cure, (ii) if the Securities are held by Webster Capital Trust, the Company shall be in default with respect to its payment obligations under the Capital Securities Guarantee or (iii) the Company shall have given notice of its election of the exercise of its right to extend the interest payment period and any such extension shall be continuing.

The Securities are issuable only in registered form without coupons in denominations of \$1,000.00 and any integral multiple thereof. As provided in the Indenture and subject to the transfer restrictions limitations as may be contained herein and therein from time to time, this Security is transferable by the holder hereof on the Security Register of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company in the City and State of New York accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may re-

A-9

quire payment of a sum sufficient to cover any tax or other governmental charge

payable in relation thereto.

Prior to due presentment for registration of transfer of this Security, the Company, the Trustee, any authenticating agent, any paying agent, any transfer agent and the registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Security shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and (subject to the Indenture) interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any authenticating agent nor any paying agent nor any transfer agent nor any registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Security, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor Person, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

STATEMENT OF CONDITION DATA (Dollars in Thousands Except Share Data)\*

	At December 31,				
	1996	1995	1994	1993	1992
Total assets	\$3,917,600	\$3,219,670	\$3,053,851	\$2,483,403	\$2,367,722
Loans receivable, net	2,525,543	1,891,956	1,869,216	1,467,935	1,522,168
Securities	1,070,578	1,044,640	828,758	669,764	438,323
Core deposit intangible	44,315	4,729	5,457	11,829	15,463
Deposits	3,095,876	2,400,202	2,431,945	1,966,574	1,995,079
Shareholders' equity	206,296	209,973	156,807	126,273	129,144

OPERATING DATA

	Years Ended December 31,				
	1996	1995	1994	1993	1992
Net interest income	115,789	87,278	92,356	73,386	49,816
Provision for loan losses	4,000	3,100	3,155	4,597	5,574
Noninterest income	25,530	21,975	13,629	10,703	8,407
Noninterest expenses:					
Non-recurring expenses (a)	5,230	6,371	5,700	-	-
Other noninterest expenses	92,019	73,216	73,595	54,997	39,153
Total noninterest expenses	97,249	79,587	79,295	54,997	39,153
Income before taxes	40,070	26,566	23,535	24,895	13,496
Income taxes	14,462	8,246	4,850	10,595	7,083
Net income before cumulative change	25,608	18,320	18,685	14,300	6,413
Cumulative effect of change in method of accounting for income taxes	-	-	-	4,575	
Net income	25,608	18,320	18,685	18,875	6,413
Preferred stock dividends	1,149	1,296	1,716	2,653	581
Net income available to common shareholders	\$ 24,459	\$ 17,024	\$ 16,969	\$ 16,222	\$ 5,832

</TABLE>

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

SIGNIFICANT STATISTICAL DATA

For The Period:	Years Ended December 31,				
	1996	1995	1994	1993	1992
Interest rate spread	3.16%	2.78%	3.29%	3.13%	3.32%
Net yield on average earning assets	3.21%	2.89%	3.34%	3.23%	3.50%
Return on average shareholders' equity (b)	11.99%	10.70%	12.55%	11.11%	6.87%
Net Income per common share (c) (d)					
Primary	\$ 2.97	\$ 2.44	\$ 2.69	\$ 2.25	\$ 1.18
Fully Diluted	\$ 2.79	\$ 2.30	\$ 2.44	\$ 2.04	\$ 1.16
Dividends declared per common share (e)	\$ .68	\$ .64	\$ 0.52	\$ 0.50	\$ 0.48
Dividend payout ratio	24.37%	27.83%	18.44%	16.85%	37.07%

Source: WEBSTER FINANCIAL CO, 10-K, March 27, 1997

Noninterest expenses to average assets	2.55%	2.53%	2.86%	2.30%	2.64%
Noninterest expenses(excluding foreclosed property expenses and provisions, net to average assets	2.50%	2.40%	2.61%	2.09%	2.23%
At End of Period:					
Fully diluted weighted average shares	9,163	7,971	7,650	6,621	5,017
Book value per common share	\$24.79	\$23.87	\$20.59	\$19.90	\$21.29
Tangible book value per common share	\$21.55	\$23.28	\$19.78	\$17.58	\$18.13
Shareholders' equity to total assets	5.27%	6.52%	5.13%	5.08%	5.46%

\* Information for all periods presented has been restated to reflect the inclusion of the results of Shelton Bancorp, Inc. and Shoreline Bank and Trust Company which were acquired on November 1, 1995 and December 16, 1994, respectively and were accounted for using the pooling of interests method.

- (a) See Management's Discussion and Analysis Comparison of 1996 and 1995 years and 1995 and 1994 years and Note 17 to the Consolidated Financial Statements.
- (b) Return on average shareholder's equity, excluding non-recurring items was 13.41%, 12.85% and 12.82% for the years ended December 31, 1996, 1995 and 1994, respectively.
- (c) Before cumulative change in the method of accounting for Income Taxes in 1993. After such cumulative change net income per common share for 1993 was \$3.13 on a primary basis and \$2.73 on a fully diluted basis.
- (d) Net income per common share calculated on a primary and fully diluted basis, excluding non-recurring expenses was \$3.34 and \$3.13, respectively, for the year ended December 31, 1996, \$2.97 and \$2.76, respectively for the year ended December 31, 1995 and \$3.21 and \$2.87 respectively for the year ended December 31, 1994.
- (e) Webster has continuously declared dividends since the third quarter of 1987.

All per share data and the number of outstanding shares of common stock have been adjusted retroactively to give effect to the payment of stock dividends in 1993.

I am pleased to report that 1996 was Webster Financial Corporation's best year ever by virtually any measure. Webster achieved record earnings, significantly improved asset quality and greatly expanded its franchise and product offerings. Net income for the year represented a 40 percent increase over 1995 levels. Nonaccrual assets were reduced 43 percent from 1995 levels to less than one percent of total assets. The purchase of the 20 former Shawmut Bank Branches in early 1996 and the recent acquisition of DS Bancor, Inc., parent of Derby Savings Bank, significantly increased Webster's market share in its primary markets of Hartford and New Haven counties. Many of our accomplishments for the year are discussed in greater detail later in this report.

We are committed to creating shareholder value through pursuit of our mission to help individuals, families and businesses to achieve their financial goals. Helping customers realize their dreams is central to Webster's core ideology. In this letter, I'd like to share with you some of the initiatives we have adopted to fulfill this mission. CUSTOMER FOCUS The belief that every customer is important is evident throughout the bank, in every Webster office, in every business line and in the approach of every employee. This focus is reflected in the design of new products and services and in the introduction of new delivery channels which provide greater access and convenience for our customers. As Webster evolves into a marketing-oriented company, we are increasing our investment in the tools necessary to understand consumer behavior. Increased utilization of sophisticated database marketing and consumer segmentation analysis will enable us to identify and develop customer needs-driven marketing programs and to target specific customer groups.

Mergers among large regional banks have reduced the number of Connecticut-based banks. As the second largest Connecticut-based bank, Webster has increasingly sought to fill the resulting void. Webster now supports one out of four households within its primary market. We strive to build strong, lasting relationships by helping customers pursue their financial goals. Meeting the needs of Connecticut families and businesses continues to be our main focus. OPERATIONAL EXCELLENCE The concept of operational excellence is central to Webster's ability to differentiate itself from other institutions. We create value for our customers by providing services that are easy to buy, simple to use, and flawlessly delivered at a reasonable price - simple, hassle-free banking. The experience we have gained from integrating seven banks into our operating system over the last five years enables us to continuously reexamine and streamline our own operational processes. We have effectively used technology to reduce costs while also improving the delivery of services, resulting in greater access and convenience for our customers. INCREASING SHAREHOLDER VALUE It is our goal to achieve results that increase shareholder value over time. Webster focuses on effective capital management, as evident in our efficient capital structure and consistent improvement in the shareholder

returns. We recently adopted the concept of Economic Value Added (EVA), a measure of financial performance that correlates more closely with increases in market value than do more traditional accounting methods. Developed by Stern Stewart & Co, EVA is a decision-making tool based on the cost of capital. Our primary goal is to improve our EVA continuously and earn a return in excess of our cost of capital. New

EVA-based incentive compensation programs planned for 1997 will tie pay and performance even more closely to the company's economic profitability. GROWTH AND OPPORTUNITY Since my father founded the company in 1935, we have sought out opportunities for growth that create value for our customers and increase the value of Webster's franchise. Our acquisitions have enabled us to offer a broader range of products and services and to provide greater convenience and access for our customers. We will continue to seek opportunities for growth that benefit our constituencies. To this end, we have already achieved two milestones in 1997, completing the acquisition of DS Bancor, Inc. and the sale of \$100 million of Webster Capital Securities. As a result, Webster today is a \$5.2 billion-asset institution with over \$400 million in capital. The year 1996 was one of significant accomplishments for Webster. Our achievements were made possible through the extraordinary dedication of our employees, the strong support of our customers and the confidence of our shareholders. Our commitment to our customers combined with our conservative business philosophy are the key to Webster's success. Webster is a strong, growing Connecticut-based bank with a bright future. We appreciate your investment.

Sincerely,

/s/ James C. Smith

James C. Smith  
Chairman and Chief Executive Officer

#### 1996 EARNINGS

Earnings for 1996 totaled \$25.6 million or \$2.79 per fully diluted share compared to \$18.3 million or \$2.30 per fully diluted share in 1995. The 1996 results represent an increase of 40 percent over 1995 results. The 1996 results were reduced by \$5.2 million in non-recurring expenses, of which \$4.7 million was related to a special assessment associated with the recapitalization of the Savings Association Insurance Fund (SAIF). Webster's 1996 earnings would have been \$28.6 million or \$3.13 per fully diluted share adjusting for the effects of the non-recurring expenses.

#### DIVIDEND

In July 1996, the Board of Directors increased the quarterly cash dividend 12.5 percent to \$.18 per common share representing Webster's fifth dividend increase since the corporation paid its first dividend in 1987. Webster has paid a regular quarterly cash dividend for 37 consecutive quarters.

#### SHAWMUT BRANCH ACQUISITION

Webster completed its purchase of 20 former Shawmut Bank branches in February, greatly expanding its market presence in Greater Hartford. In this purchase, Webster acquired approximately \$845 million in deposits and \$586 million in loans. The acquisition accelerated Webster's transition to a full-service bank through the broad expansion of business banking products and services.

#### DS BANCOR, INC. ACQUISITION

In October, Webster signed a definitive agreement to purchase DS Bancor, Inc., the holding company for Derby Savings Bank. DS Bancor, Inc. had \$1.2 billion in assets, \$1.0 billion in deposits and \$800 million in loans.

percent reported the previous year. Webster's allowance for loan losses as a percent of nonaccrual loans increased to 153 percent at year-end 1996 from 110 percent in 1995.

INTRODUCTION OF NEW PRODUCTS Webster introduced several new products in 1996, reflecting the commitment to full-service banking and to developing long-lasting customer relationships. These products included additional cash management services, Money Desk and Treasury services, VISA(R) credit and debit cards and the WebsterOne (SM) account. The expansion of Cash Management services gives business customers greater management and control of cash flows. Webster's Money Desk offers short-term investments such as jumbo CDs and repurchase agreements, for individuals, businesses and municipalities. Webster's credit card features a highly competitive interest rate for qualified borrowers, while the Webster debit card increases customer access and convenience. WebsterOne is a relationship banking account that rewards customers for consolidating their banking relationship at Webster.

#### CAPITAL MANAGEMENT

In January 1997, Webster completed the repurchase of 850,000 of its common shares. At Webster's current earnings level, the buyback is expected to have a positive impact on earnings per share on those shares of Webster stock that remain outstanding. Also in January, Webster raised \$100 million in new capital through the sale of Capital Securities that will be used for general corporate purposes. Webster formed a business trust for the purpose of issuing capital securities and investing the proceeds in subordinated debentures of the holding company. The cost of the

The acquisition was completed in January 1997 and is expected to have a positive impact on earnings per share in 1997. This acquisition also enhanced the value of the franchise, increasing the number of offices statewide to 78.

#### IMPROVED ASSET QUALITY

Webster experienced continued improvement in asset quality in 1996 as the result of strong underwriting, active loan servicing and aggressive disposition of nonaccrual assets. At year-end 1996, Webster's nonaccrual assets amounted to \$31.3 million, representing a 43 percent decrease from the \$55.0 million total reported at year-end 1995. Webster sold \$18.6 million in nonaccrual residential assets in 1996, significantly reducing the bank's total nonaccrual assets. Nonaccrual assets as a percent of total assets were 0.80 percent at year-end 1996, compared to 1.71

capital raised is materially less than the cost of capital associated with the issuance of common stock. This capital qualifies as regulatory capital.

#### ECONOMIC VALUE ADDED (EVA)

In 1996, Webster began the implementation of EVA as a management tool to improve financial performance and subsequent value to our shareholders. Simply stated, EVA tracks the cash profit remaining after subtracting the cost of the capital employed to generate that profit. It is the lens through which management can view and assess its business judgments in order to efficiently allocate, manage and deploy capital. To ensure that EVA is ingrained in Webster's corporate culture, management incentive compensation will be closely tied to achieving annual EVA goals.

### SENIOR MANAGEMENT      GROUP BRANCH LOCATIONS      CORPORATE PROFILE

#### SENIOR MANAGEMENT GROUP

##### STANDING LEFT TO RIGHT:

PETER K. MULLIGAN, Executive Vice President, Consumer and Small Business Banking

WILLIAM T. BROMAGE, Executive Vice President, Business Banking

RENEE P. SEEFRIED\*, Senior Vice President, Human Resources

##### SEATED BACK ROW LEFT TO RIGHT:

GEORGE M. BROPHY\*, Executive Vice President, Information Technologies

ROSS M. STRICKLAND, Executive Vice President, Mortgage Banking

##### SEATED FRONT ROW LEFT TO RIGHT:

JOHN V. BRENNAN, CPA, Executive Vice President, Chief Financial Officer and Treasurer

LEE A. GAGNON, CPA, Executive Vice President, Chief Operating Officer and Secretary

JEFFREY N. BROWN\*, Executive Vice President, Marketing and Communications

\*Webster Bank Only

[GRAPHIC OMITTED]

#### CORPORATE PROFILE

Webster Financial Corporation is the holding company for Connecticut-based Webster Bank, a \$5.2 billion bank with 78 full-service offices throughout the central Connecticut corridor. The company has grown steadily and profitably through the years by emphasizing customer service, asset quality, recurring earnings and expense control. A series of recent acquisitions has expanded and strengthened Webster's franchise, accelerating its transition to a full-service retail and business bank. Webster is organized along three business lines -- consumer, business and mortgage banking -- each focused on the special needs of its customers. By helping customers reach their financial goals, Webster builds strong, lasting relationships that create shareholder value.

#### CONSUMER & SMALL BUSINESS BANKING

TOP ACHIEVEMENTS. TO GIVE OUR CUSTOMERS EASIER ACCESS TO THEIR ACCOUNTS, WE EXPANDED OUR DIRECT BANKING SERVICES BEYOND OUR BRANCHES. AT THE SAME TIME WE GAVE OUR EMPLOYEES THE TOOLS TO PROVIDE HIGHER LEVELS OF SERVICE. As people attempt to do more in less time, it is critical that we make banking easier and more accessible. Electronic transactions, once the exception, are now becoming an everyday banking tool. When we introduced the Webster debit card and upgraded our ATM network in 1996, transactions soared. Anticipating our customers' need for still more convenience, we transformed our Customer Information Center into a full-service Telebanking Center. Now, no matter where they live or work, our

customers can open accounts, make deposits and apply for loans without leaving their homes or offices. We are also prepared for the next level of direct banking with a PC banking pilot, scheduled to roll out in 1997. To better meet the credit needs of our customers, we greatly expanded our home equity programs and introduced the Webster Visa(R) Credit Card. Assimilating Small Business Banking into the consumer banking delivery system was another pivotal accomplishment. It allows Webster to provide our small business customers with more points of access and contact for credit and cash management services. Our employees remain Webster's most valuable asset. As more routine transactions move through direct banking channels, our employees are taking on more consultative and referral responsibilities with customers. In redefining employees' roles, we're providing them with the training, tools and resources to assess customer needs. Ultimately, this gives them the ideal perspective for selling the right products and services. VALUE TO SHAREHOLDERS. FOCUSING ON HOW WE DELIVER OUR PRODUCTS HELPS US WIN CUSTOMER LOYALTY AND TRUST. IN EFFECT, WE'RE BUILDING STRONG BRIDGES TO PROFITABLE, LONG-TERM CUSTOMERS.

#### MORTGAGE BANKING

TOP ACHIEVEMENTS. BY CONTINUALLY STREAMLINING THE PROCESS FROM APPLICATION TO CLOSING, WE CUT APPROVAL TIMES AND RAISED CUSTOMER SATISFACTION. Timing, flexibility and responsiveness are the key differentiating factors when it comes to mortgage lending. Webster made strides in all three areas in 1996. Our next-day approval program alone resulted in \$23 million in new home loans. By introducing a convertibility option to our Adjustable Rate Mortgages (ARM), Webster added \$144 million in new mortgages. These developments coincided with a close-to-perfect score in our customer satisfaction surveys. We earned the 1996 Connecticut Homebuilders Association Best Construction Financing Award in recognition of our streamlined loan processing and innovative financing. Origination costs are down and customer satisfaction is up largely because of gains in employee productivity. New processing technology was critical in attaining high performance levels. Equipped with laptops, our loan originators now complete loan applications while meeting with customers in their homes or offices. By putting our people closer to the customer, not only have we reduced time and paperwork, we've also raised the quality of our service. In fact, automation has allowed us to deliver a true "next day approval" on most of our loan products. Similarly, by outsourcing various loan servicing functions, we further reduced operating costs. One of the year's most satisfying achievements was that we accomplished more for our customers without investing in new infrastructure. Loan originations of \$367 million were up 39 percent over 1995 levels. In December, we successfully purchased \$270 million in servicing rights from the Connecticut Housing Finance Authority (CHFA). VALUE TO SHAREHOLDERS. THE COST REDUCTIONS AND INCREASED VOLUME OF LOANS REALIZED IN 1996 HAVE HAD A POSITIVE IMPACT ON PROFITABILITY.

#### BUSINESS BANKING

TOP ACHIEVEMENTS. THROUGH SEASONED RELATIONSHIP MANAGERS, WE PROVIDED CONNECTICUT BUSINESSES WITH INNOVATIVE LENDING SERVICES AND MONEY MANAGEMENT. Webster Bank has built its business banking reputation on a foundation of superior service delivered by seasoned lending professionals. 1996 was a year of significant milestones. We added several highly regarded business bankers; developed an asset-based lending capability; expanded the range and depth of our products to include diversified cash management and international trade services; and established a regional office in Hartford. As an example, these strengths allowed Webster Bank, assisted by the Connecticut Development Agency (CDA), to develop an innovative management-buyout financing package for the Underwater Construction Company in Essex. Webster's ability to understand their business and to structure a financing package is what made the buyout feasible. We provided the reasonable terms and turn-around they required. The creative solutions we develop for our customers send a clear message to the Connecticut business community: that Webster Bank delivers innovative solutions through our locally-based team of experts. We are continually building our business banking capabilities by expanding our commercial banking team and enhancing the range of services and products we offer. Our business banking efforts have resulted in a commercial loan portfolio exceeding \$450 million. Today, Webster is one of Connecticut's leading business banks with the momentum for substantial growth. VALUE TO SHAREHOLDERS. POWERFUL BUSINESS PARTNERS PRODUCE POWERFUL RESULTS. OUR COMMITMENT TO BUSINESS BANKING HAS ENHANCED THE VALUE OF THE FRANCHISE AND CREATED OPPORTUNITIES FOR HIGHER RETURNS.

#### GLOSSARY OF TERMS

Allowance for Loan Losses: A reserve for estimated loan losses at a particular balance sheet date.

#### Capital Components and Ratios:

Leverage Ratio: Tier 1 capital as a percentage of adjusted total assets for the Bank.

Risk-Weighted Assets: The sum of risk-weighted assets plus the risk-weighted credit equivalent amounts of off-balance sheet items, less

core deposit intangibles and certain other non-qualifying intangible assets and the non-qualifying portion of the allowance for loan losses.

Tier 1 Capital: The sum of common shareholders' equity at the Bank (excluding net unrealized gains or losses on securities, except for net unrealized gains/losses on marketable equity securities) less other non-qualifying intangible assets.

Tier 1 Risk-Weighted Capital Ratio: The ratio of Tier 1 capital to net risk-adjusted assets.

Total Capital: The sum of Tier 1 capital plus the qualifying portion of the allowance for loan losses.

Total Risk-Weighted Capital Ratio: The ratio of total capital to net risk-adjusted assets.

Core Deposit Intangible: The excess of the purchase price over the fair value of the tangible net assets acquired in a purchase transaction that represents the estimated value of the deposit base.

Derivatives: Interest rate or currency swaps, futures, forwards, option contracts, or other off-balance sheet financial instruments used for asset/liability management or trading purposes. These instruments derive their values or contractually determined cash flows from the price of an underlying asset or liability, reference rate, index or other security.

Earning Assets: The sum of loans, segregated assets, mortgage loans held for sale, securities and short-term investments.

Interest Bearing Liabilities: The sum of interest-bearing deposits, securities sold under agreements to repurchase and other borrowings.

Interest Rate Spread: The difference between the average yields on earning assets and interest bearing liabilities.

Net Interest Margin: Net interest income as a percentage of average earning assets.

Nonaccrual Assets: The sum of nonaccrual loans plus other real estate owned.

Nonaccrual Loans: The sum of loans on nonaccrual status (for purposes of interest recognition) plus restructured loans (loans whose repayment criteria have been renegotiated to less-than-market terms due to the inability of the borrowers to repay the loans in accordance with their original terms).

Other Real Estate Owned: Real estate acquired in foreclosure or comparable proceedings under which possession of the collateral has been taken.

Reserve Coverage: Allowance for loan losses divided by nonaccrual loans.

Return on Average Equity: Net income as a percentage of average shareholders' equity.

#### MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS ("MD&A")

##### INTRODUCTION

-----

Webster Financial Corporation, ("Webster"), through its subsidiary, Webster Bank, (the "Bank") delivers financial services to individuals, families and businesses throughout Connecticut. Webster Bank is organized along three business lines - consumer, business and mortgage banking, supported by centralized administration and operations. The Corporation has grown significantly in recent years, primarily through a series of acquisitions which have expanded and strengthened its franchise.

Assets at December 31, 1996 were \$3.9 billion compared to \$3.2 billion a year earlier. Net loans receivable amounted to \$2.5 billion at December 31, 1996 compared to \$1.9 billion a year ago. Deposits were \$3.1 billion at December 31, 1996 compared to \$2.4 billion at December 31, 1995.

##### BUSINESS COMBINATIONS SUBSEQUENT TO DECEMBER 31, 1996

-----

###### The Derby Acquisition

On January 31, 1997, Webster acquired DS Bancor, Inc. ("Derby") and its subsidiary, Derby Savings Bank, a \$1.2 billion savings bank in Derby, Connecticut. In connection with the merger with Derby, Webster issued 3,501,370 shares of its common stock for all the outstanding shares of Derby common stock. Under the terms of the merger agreement each outstanding share of Derby common stock was converted into 1.14158 shares of Webster common stock. This acquisition was accounted for as a pooling of interests and as such, future

Consolidated Financial Statements will include Derby's financial data as if Derby had been combined at the beginning of the earliest period presented. The 1996 Financial Statements do not include Derby financial data.

#### BUSINESS COMBINATIONS

##### The Shawmut Transaction

On February 16, 1996, Webster Bank acquired 20 branches in the Greater Hartford market from Shawmut Bank Connecticut National Association (the "Shawmut Transaction"), as part of a divestiture in connection with the merger of Shawmut and Fleet Bank. In the branch purchase, Webster Bank acquired approximately \$845 million in deposits, and \$586 million in loans. As a result of this transaction, Webster recorded \$44.2 million as a core deposit intangible asset. In connection with the Shawmut Transaction, Webster raised net proceeds of \$32.1 million through the sale of 1,249,600 shares of its common stock in an underwritten public offering in December 1995. The Shawmut Transaction was accounted for as a purchase, therefore transaction results are reported only for the periods subsequent to the consummation of the Shawmut Transaction.

Prior to the Shawmut Transaction Webster completed five acquisitions as follows:

Date	Assets Acquired	Accounting Treatment	
1995	Shelton Bancorp	\$ 295 million	Pooling of Interests
1994	Shoreline Bank & Trust	\$ 51 million	Pooling of Interests
1994	Bristol Savings Bank	\$ 486 million	Purchase
1992	First Constitution Bank	\$ 1.1 billion	Purchase
1991	Suffield Bank	\$ 264 million	Purchase

#### ASSET QUALITY

##### General

Webster devotes significant attention to maintaining high asset quality through conservative underwriting standards, active servicing of loans, aggressively managing nonaccrual assets and maintaining adequate reserve coverage on nonaccrual assets. At year end 1996, residential and consumer loans comprised over 85% of the total loan portfolio. All investments are either U.S. Government or Agency securities or have an investment rating in the top two rating categories by a major rating service at time of purchase.

##### Nonaccrual Assets

The aggregate amount of nonaccrual assets decreased to \$31.3 million at December 31, 1996 from \$55.0 million at December 31, 1995 and declined as a percentage of total assets to 0.80% at December 31, 1996 from 1.71% at December 31, 1995. Nonaccrual assets decreased \$16.0 million in 1996 and foreclosed properties decreased \$7.7 million due to write-downs, sale of foreclosed properties and a bulk sale of \$18 million of nonaccrual assets. The allowance for loan losses at December 31, 1996 was \$33.5 million and represented 153.36% of nonaccrual loans. Total allowances for nonaccrual assets of \$34.2 million represented 106.72% of nonaccrual assets. The following table details Webster's nonaccrual assets for the last five years.

(IN THOUSANDS)	1996	1995	At December 31,		1992
			1994	1993	
Nonaccrual Assets:					
Loans accounted for on a nonaccrual basis:					
Residential real estate	\$ 11,272	\$ 20,560	\$ 18,390	\$27,995	\$39,633
Commercial real estate	9,051	15,296	15,268	4,132	1,846
Consumer	1,491	1,987	1,237	1,137	4,311
Foreclosed Properties:					
Residential and Consumer	3,445	6,368	9,296	18,753	11,674
Commercial	6,044	10,808	17,292	6,711	7,744
Total	\$ 31,303	\$ 55,019	\$ 61,483	\$58,728	\$65,208

A summary of the activity in the allowance for loan losses for the last five years follows:

(DOLLARS IN THOUSANDS)	1996	1995	For the Years Ended December 31,		1992
			1994	1993	
Balance at beginning of period	\$ 41,797	\$ 46,772	\$ 45,168	\$49,780	\$11,055
Charge-offs:					
Residential real estate	(12,628)	(6,952)	(12,761)	(8,208)	(1,027)
Consumer	(670)	(418)	(760)	(1,236)	(706)
Commercial	(6,348)	(3,490)	(3,578)	(2,223)	(1,424)

	(19,646)	(10,860)	(17,099)	(11,667)	(3,157)
Recoveries:					
Residential real estate	386	657	388	205	10
Consumer	162	943	1,701	749	558
Commercial	1,755	1,185	1,015	114	9
Net charge-offs	(17,343)	(8,075)	(13,995)	(10,599)	(2,580)
Acquired allowance for purchased loans	5,000	-	12,819	-	35,731
Transfer from allowance for losses for loans held for sale	-	-	-	2,390	-
Provisions charged to operations	4,000	3,100	2,780	3,597	5,574
Balance at end of period	\$ 33,454	\$ 41,797	\$ 46,772	\$45,168	\$ 49,780
Ratio of net charge-offs to average loans outstanding	0.7%	0.4%	0.8%	0.7%	0.3%

During 1996, 1995, 1994 and 1993, increased loan charge-offs were due primarily to loans acquired as a result of the acquisitions. Such charge-offs were in line with expectations and adequate loan loss allowances were established at the time of each acquisition. Included in the 1996 loan charge-offs were write-downs of \$6.3 million related to a bulk sale of \$18.0 million of nonaccrual residential loans and foreclosed properties. See Note 13 to the Consolidated Financial Statements for a summary of activity in the allowance for losses on foreclosed properties. Management believes that the allowance for loan losses is adequate to cover expected losses in the portfolio.

#### SEGREGATED ASSETS

Segregated Assets consist of all commercial real estate, commercial, and multi-family loans acquired from the FDIC in the First Constitution acquisition. Segregated Assets, before the allowance for losses of \$2.9 million, totaled \$78.5 million at December 31, 1996 down from \$256.6 million at acquisition (1992). Segregated Assets are subject to a loss-sharing arrangement with the FDIC. The FDIC is required to reimburse Webster Bank quarterly for 80% of the total net charge-offs and certain related expenses on Segregated Assets through December 1997, with such reimbursement increasing to 95% (less recoveries in years six and seven) as to such charge-offs and expenses in excess of \$49.2 million (with payment at the end of the seventh year as to such excess). At December 31, 1996, cumulative net charge-offs and expenses aggregated \$54.0 million. During the first quarter of 1996, Webster began recording the additional 15% reimbursement (the difference between the 80% and 95% reimbursement levels) as a receivable from the FDIC. The impact of purchasing the Segregated Assets has been reflected primarily in increased noninterest expenses for the Bank's share of certain reimbursable expenses and all non-reimbursable expenses. The Bank's share of charge-offs reduces the allowance for losses on the Segregated Assets which was established in conjunction with the First Constitution acquisition. Management believes that the allowance for losses on Segregated Assets is adequate to cover expected losses on this portfolio. See Note 5 to the Consolidated Financial Statements.

Reimbursable net charge-offs and eligible expenses of Segregated Assets aggregated \$4.9 million for 1996. During 1996, the Bank received \$4.2 million as reimbursement for eligible charge-offs and related net expenses in accordance with the loss-sharing arrangement described above. Payments due from the FDIC upon charge-off and related expenses are recorded as receivables. Such reimbursements are made on a quarterly basis to the Bank by the FDIC and when received are invested in earning assets. Such reimbursements have no immediate impact on the consolidated statements of income.

A detail of changes in the allowance for Webster's share of losses for Segregated Assets follows:

(IN THOUSANDS)	Years Ended December 31,	
	1996	1995
Balance at beginning of period	\$ 3,235	\$4,420
Charge-offs	(621)	(1,772)
Recoveries	245	587
Balance at end of period	\$ 2,859	\$3,235

At December 31, 1996 and 1995, nonaccrual Segregated Assets were classified as follows:

(IN THOUSANDS)	At December 31,	
	1996	1995
Segregated Assets accounted for on a nonaccrual basis:		
Commercial real estate loans	\$ 3,337	\$2,604
Commercial loans	192	1,203
Multi-family real estate loans	495	1,432

Foreclosed Properties:		
Commercial real estate	269	648
Multi-family real estate	138	651
-----		
Total	\$ 4,431	\$6,538
-----		

LIQUIDITY AND CAPITAL RESOURCES

-----

Webster Bank is required to maintain minimum levels of liquid assets as defined by regulations adopted by the Office of Thrift Supervision ("OTS"). This requirement, which may be varied by the OTS, is based upon a percentage of withdrawable deposits and short term borrowings. The required liquidity ratio is currently 5.00% and the Bank's liquidity ratio was 5.79% at December 31, 1996.

The primary sources of liquidity for Webster are net cash flows from operating activities, investing activities and financing activities. Net cash flows from operating activities include net income, loans originated for sale, the sale of

loans originated for sale, net changes in other asset and liabilities and adjustments for noncash items such as depreciation, the provision for loan losses and changes in accruals. Net cash flows from investing activities primarily includes the purchase, maturity, and sale of securities and mortgage-backed securities that are classified as trading, available for sale or held to maturity, and the net change in loans and Segregated Assets. While scheduled loan amortization, maturing securities, short term investments and securities repayments generally are predictable sources of funds, loan and mortgage-backed securities prepayments are greatly influenced by general interest rates, economic conditions and competition. One of the inherent risks of investing in loans and mortgage-backed securities is the ability of such instruments to incur prepayments of principal prior to maturity at prepayment rates different than those estimated at the time of purchase. This generally occurs because of changes in market interest rates. The market values of fixed-rate loans and mortgage-backed securities are sensitive to fluctuations in market interest rates, declining in value as interest rates rise. If interest rates decrease, the market value of loans and mortgage-backed securities generally will tend to increase with the level of prepayments also normally increasing. The lower yields on such loans and mortgage-backed securities may be offset by a lower cost of funds. Changes in the volume of nonaccrual assets due to additions or sales of such assets also affect liquidity.

Financing activity net cash flows primarily include proceeds and repayments from FHL Bank advances and other borrowings, the net change in deposits and changes in the capital structure generally related to stock issuances and repurchases. The utilization of particular sources of funds depends on comparative costs and availability. Webster Bank has from time to time, chosen not to pay rates on deposits as high as certain competitors, and when necessary, supplements deposits with various borrowings. The Bank manages the prices of its deposits to maintain a stable, cost-effective deposit base as a source of liquidity.

The Bank had additional borrowing capacity from the FHL Bank of \$1.4 billion at December 31, 1996. At that date, the Bank had FHL Bank advances outstanding of \$407.7 million compared to \$383.1 million at December 31, 1995. See Note 9 to the Consolidated Financial Statements.

Webster's main sources of liquidity at the holding company level are dividends from the Bank and net proceeds from capital offerings and borrowings, while the main outflows are the payment of dividends to preferred and common stockholders, the payment of interest to holders of Webster's 8 3/4% Senior Notes and repurchases of Webster's common stock. There are certain restrictions on payment of dividends by Webster Bank to Webster. See Note 15 to the Consolidated Financial Statements. Webster also has a \$20 million line of credit with a correspondent bank. On January 31, 1997, Webster completed the sale of \$100,000,000 of Webster Capital Trust/Capital Securities further increasing its Capital Resources. The Capital Securities are further discussed in Note 18 to the Consolidated Financial Statements.

On November 19, 1996, Webster completed a previously announced stock repurchase program, which resulted in total repurchases of 549,800 shares and also announced its intention to repurchase up to 300,000 additional shares. At December 31, 1996, 255,100 shares had been repurchased under the new repurchase plan, to offset future dilution from shares of common stock that were issued in January 1997, in connection with conversions of preferred stock or issued upon exercise of options under Webster's stock option plans. The remaining shares under the plan were repurchased in January 1997. Webster previously repurchased 548,500 shares in two stock repurchase plans announced in 1988 and 1990.

Applicable OTS regulations require federal savings banks such as the Bank, to satisfy certain minimum capital requirements, including a leverage capital requirement (expressed as a ratio of core or Tier 1 capital to adjusted total assets) and risk-based capital requirements (expressed as a ratio of core or Tier 1 capital and total capital to total risk-weighted assets). As an OTS

regulated savings institution, the Bank also is subject to a minimum tangible capital requirement (expressed as a ratio of tangible capital to adjusted total assets). At December 31, 1996, the Bank was in full compliance with all applicable capital requirements as detailed below:

At December 31, 1996								
(DOLLARS IN THOUSANDS)	Tangible Capital Requirement		Tier 1 Core Capital Requirement		Tier 1 Risk-Based Capital Requirement		Total Risk-Based Capital Requirement	
	Amount	%	Amount	%	Amount	%	Amount	%
Capital for regulatory purposes	\$ 197,738	5.13%	\$ 201,720	5.22%	\$ 201,720	10.17%	\$ 226,634	11.43%
Minimum regulatory requirement	57,866	1.50	115,850	3.00	79,316	4.00	158,632	8.00
Excess over requirement	\$ 139,872	3.63%	\$ 85,870	2.22%	\$ 122,404	6.17%	\$ 68,002	3.43%

#### ASSET/LIABILITY MANAGEMENT

The goal of Webster's asset/liability policy is to manage interest-rate risk so as to maximize net interest income over time in changing interest-rate environments while maintaining acceptable levels of risk. Webster must provide for sufficient liquidity for daily operations while maintaining mandated regulatory liquidity levels. To this end, Webster's strategies for managing interest-rate risk are responsive to changes in the interest-rate environment and market demands for particular types of deposit and loan products. Management measures interest-rate risk using GAP, duration and simulation analyses with particular emphasis on measuring changes in the market value of portfolio equity and changes in net interest income in different interest-rate environments. The simulation analyses incorporate assumptions about balance sheet changes such as asset and liability growth, loan and deposit pricing and changes due to the mix and maturity of such assets and liabilities. From such simulations, interest rate risk is quantified and appropriate strategies are formulated. The overall interest rate risk position is reviewed on an ongoing basis by the Asset Liability Committee, which includes Executive Management and has representation by members of each line of business. Strategies employed in 1996 to improve the interest-rate sensitive position included (i) the selling of certain fixed-rate mortgage loans, (ii) promotion of adjustable-rate mortgage loans, (iii) emphasis on the origination of variable-rate home equity credit lines and commercial loans, (iv) emphasis on the purchase of short-term or adjustable-rate securities or mortgage-backed securities, (v) emphasis on deposits and borrowed funds that meet asset/liability management objectives and (vi) the employment of hedging techniques to reduce the interest-rate risk of certain assets or liabilities.

Based on Webster's asset/liability mix at December 31, 1996, management's simulation analysis of the effects of changing interest rates projects that an instantaneous 200 basis point increase in interest rates would decrease the market value of equity by approximately 12% at December 31, 1996. At December 31, 1996, Webster had a 6.1% positive GAP position in the one year time horizon which means that cumulative interest-rate sensitive assets exceed cumulative interest-rate sensitive liabilities for that period. Management believes that its interest-rate risk position represents a reasonable amount of interest-rate risk at this point in time. Webster also utilizes as part of its asset/liability management strategy various interest rate instruments including short futures positions, interest rate swaps, interest rate caps and interest rate floors. The notional amounts of these instruments are not reflected in Webster's statement of condition but are included in the repricing table for purposes of analyzing interest rate risk. Interest rate contracts are entered into as hedges against future rate fluctuations and not for speculative purposes.

Webster is unable to predict future fluctuations in interest rates and as such the market values of certain of Webster's financial assets and liabilities are sensitive to fluctuations in market interest rates. Changes in interest rates can affect the amount of loans originated by the Bank, as well as the value of its loans and other interest-earning assets. Increases in interest rates may cause depositors to shift funds from accounts that have a comparatively lower cost such as regular savings accounts to accounts with a higher cost such as certificates of deposit. If the cost of interest-bearing liabilities increase at a rate that is greater than the increase in yields on interest-earning assets, the interest rate spread is negatively affected. Changes in the asset and liability mix also affects the interest rate spread.

The following table sets forth the estimated maturity/repricing structure of Webster's interest-earning assets and interest-bearing liabilities at December 31, 1996. Repricing for mortgage loans is based on contractual repricing and projected prepayments and repayments of principal. Deposit liabilities without fixed maturities are assumed to decay over the periods presented based on industry standards and internal projections.

(DOLLARS IN THOUSANDS)	6 Months or less	More than 6 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years to 10 Years	More than 10 Years to 20 Years
<b>Assets</b>						
Loans	\$ 1,012,035	\$ 607,271	\$ 308,913	\$ 212,306	\$ 205,872	\$ 180,792
Securities	478,139	302,852	95,796	36,684	64,892	60,115
<b>Total Rate-Sensitive Assets</b>	<b>\$ 1,490,174</b>	<b>\$ 910,123</b>	<b>\$ 404,709</b>	<b>\$ 248,990</b>	<b>\$ 270,764</b>	<b>\$ 240,907</b>
<b>Liabilities</b>						
Deposits	\$ 1,115,904	\$ 569,675	\$ 864,373	\$ 219,672	\$ 62,036	\$ 584
Borrowings	405,062	70,000	65,700	50,000	--	--
<b>Total Rate-Sensitive Liabilities</b>	<b>\$ 1,520,966</b>	<b>\$ 639,675</b>	<b>\$ 930,073</b>	<b>\$ 269,672</b>	<b>\$ 62,036</b>	<b>\$ 584</b>
Consolidated GAP	\$ (30,792)	\$ 270,448	\$ (525,364)	\$ (20,682)	\$ 208,728	\$ 240,323
GAP to Total Assets Percent	(0.79%)	6.90%	(13.41%)	(0.53%)	5.33%	6.13%
Cumulative GAP	\$ (30,792)	\$ 239,656	\$ (285,708)	\$ (306,390)	\$ (97,662)	\$ 142,661
Cumulative GAP to Total Assets Percent	(0.79%)	6.12%	(7.29%)	(7.82%)	(2.49%)	3.64%
Total Assets	\$ 3,917,600	\$ 3,917,600	\$ 3,917,600	\$ 3,917,600	\$ 3,917,600	\$ 3,917,600

(DOLLARS IN THOUSANDS)	More than 20 Years	Total
<b>Assets</b>		
Loans	\$ 84,091	\$ 2,611,280
Securities	32,129	1,070,607
<b>Total Rate-Sensitive Assets</b>	<b>\$ 116,220</b>	<b>\$ 3,681,887</b>
<b>Liabilities</b>		
Deposits	\$ 263,632	\$ 3,095,876
Borrowings	--	590,762
<b>Total Rate-Sensitive Liabilities</b>	<b>\$ 263,632</b>	<b>\$ 3,686,638</b>
Consolidated GAP	\$ (147,412)	N/A
GAP to Total Assets Percent	(3.76%)	N/A
Cumulative GAP	\$ (4,751)	N/A
Cumulative GAP to Total Assets Percent	(0.12%)	N/A
Total Assets	\$ 3,917,600	

#### COMPARISON OF 1996 AND 1995 YEARS

General. For 1996, Webster reported net income of \$25.6 million, or \$2.79 per share on a fully diluted basis. Included in the 1996 results are non-recurring expenses totaling \$5.2 million which include: \$4.7 million of expenses related to a special assessment associated with the recapitalization of the Savings Association Insurance Fund ("SAIF") and \$500,000 of acquisition related charges for the Shawmut Transaction. Excluding the effect of these non-recurring expenses, net income for the 1996 year would have been \$28.6 million or \$3.13 per fully diluted share. Net income for 1995 amounted to \$18.3 million, or \$2.30 per share on a fully diluted basis. Included in the 1995 results are non-recurring expenses totaling \$6.4 million which include: \$3.3 million of expenses related to the Shelton acquisition, \$2.1 million of expenses related to changing the name and of merging together Webster's banking subsidiaries, and \$1.0 million of expenses related to the Shawmut Transaction. Excluding the effects of these non-recurring expenses, net income for the 1995 year would have been \$22.0 million or \$2.76 per fully diluted share. Results for the Shawmut Transaction are included in the accompanying Consolidated Financial Statements only from the date of acquisition on February 16, 1996.

Net Interest Income. Net interest income before provision for loan losses increased \$28.5 million in 1996 to \$115.8 million from \$87.3 million in 1995. The increase is primarily attributable to an increased volume of average earning assets and interest bearing liabilities related to the Shawmut Transaction. Interest rate spread for the 1996 year increased to 3.16% compared to 2.78% in 1995 also due primarily to lower costing liabilities acquired in the Shawmut Transaction.

Interest Income. Total interest income for 1996 amounted to \$265.5 million, an increase of \$46.7 million, or 21.3% compared to \$218.8 million in 1995. The

increase in interest income was due primarily to an increase in the average volume of loans and securities and to an increase in the average yield on all interest-earning assets which increased to 7.36% in 1996 from 7.20% in 1995.

Interest Expense. Interest expense for 1996 amounted to \$149.7 million, an increase of \$18.2 million compared to \$131.5 million in 1995. The increase in interest expense was due primarily to an increase in the average volume of deposits and borrowings and to a decrease in the average yield on all interest bearing liabilities to 4.20% in 1996 from 4.42% in 1995. The decrease in the average yield on interest bearing liabilities is due primarily to the increase in noninterest bearing and other deposits acquired in the Shawmut Transaction.

The following table shows the major categories of average assets and average liabilities together with their respective interest income or expense and the rates earned and paid by Webster.

YEARS ENDED DECEMBER 31,						
(DOLLARS IN THOUSANDS)	1996			1995		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Loans, net (a)	\$ 2,430,749	\$ 189,626 (b)	7.80%	\$ 1,935,608	\$144,896 (b)	7.49%
Segregated Assets, net (a)	93,034	6,470	6.95	123,293	9,592	7.78
Securities	1,049,886	67,803	6.46(c)	959,110	63,375	6.61(c)
Interest-Bearing Deposits	27,533	1,635	5.84	24,790	948	3.80
Total Interest-Earning Assets	3,601,202	265,534	7.36	3,042,801	218,811	7.20
Other Assets	210,857			101,367		
Total Assets	\$ 3,812,059			\$ 3,144,168		
Savings and Escrow	\$ 663,657	15,633	2.36%	\$ 484,786	11,284	2.33%
Money Market Savings, NOW and DDA	653,445	9,076	1.39	450,158	7,977	1.77
Time Deposits	1,668,164	89,677	5.38	1,538,454	78,874	5.13
FHL Bank Advances	394,302	24,117	6.02	419,822	27,501	6.55
Repurchase Agreements and Other Borrowings	137,192	7,582	5.44	37,830	2,237	5.91
Senior Notes	40,000	3,660	9.15	40,000	3,660	9.15
Total Interest-Bearing Liabilities	3,556,760	149,745	4.20	2,971,050	131,533	4.42
Other Liabilities	41,767			1,884		
Shareholders' Equity	213,532			171,234		
Net Interest Income and Interest Rate Spread		\$ 115,789	3.16		\$ 87,278	2.78
Total Liabilities and Shareholders' Equity	\$ 3,812,059			\$ 3,144,168		
Net Yield on Average Earning Assets			3.21%			2.89%

YEARS ENDED DECEMBER 31,			
(dollars in thousands)	1994		
	Average Balance	Interest	Average Yield
Loans, net (a)	\$ 1,810,382	\$129,859 (b)	7.17%
Segregated Assets, net (a)	126,207	9,789	7.76
Securities	794,547	50,101	6.31(c)
Interest-Bearing Deposits	30,312	1,071	3.53
Total Interest-Earning Assets	2,761,448	190,820	6.91
Other Assets	211,058		
Total Assets	\$ 2,972,506		
Savings and Escrow	\$ 455,713	12,139	2.66%
Money Market Savings, NOW and DDA	423,162	8,852	2.09
Time Deposits	1,446,191	55,844	3.86
FHL Bank Advances	351,693	17,969	5.11
Repurchase Agreements and Other Borrowings	-	-	-
Senior Notes	40,000	3,660	9.15
Total Interest-Bearing Liabilities	2,716,759	98,464	3.62
Other Liabilities	106,878		
Shareholders' Equity	148,869		
Net Interest Income and Interest Rate Spread		\$ 92,356	3.29

Total Liabilities and Shareholders' Equity	\$ 2,972,506
Net Yield on Average Earning Assets	3.34%

- (a) Interest on nonaccrual loans has been included only to the extent reflected in the Consolidated Statements of Income. Nonaccrual loans, however, are included in the average balances outstanding.
- (b) Includes discount and fee income, net of \$1.4 million, \$1.1 million and \$547,000 in 1996, 1995 and 1994, respectively.
- (c) Yields are adjusted to a fully taxable equivalent basis.

Net interest income also can be analyzed in terms of the impact of changing rates and changing volumes. The following table describes the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected Webster's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rates (changes in rates multiplied by prior volume), and (iii) the net change. The change attributable to the combined impact of volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

(IN THOUSANDS)	Years Ended December 31, 1996 v. 1995			Years Ended December 31, 1995 v. 1994		
	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume	Total	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume	Total
Interest on interest-earning assets:						
Loans and Segregated Assets	\$ 5,655	\$ 35,953	\$ 41,608	\$ 5,802	\$ 9,038	\$14,840
Securities	(897)	6,012	5,115	2,869	10,282	13,151
Total	4,758	41,965	46,723	8,671	19,320	27,991
Interest on interest-bearing liabilities:						
Deposits	(3,224)	19,475	16,251	16,161	5,139	21,300
FHL Bank advances and other borrowings	(2,178)	4,139	1,961	5,216	6,553	11,769
Total	(5,402)	23,614	18,212	21,377	11,692	33,069
Net change in net interest income	\$ 10,160	\$ 18,351	\$ 28,511	\$(12,706)	\$ 7,628	\$(5,078)

Provision for Loan Losses. The provision for loan losses for 1996 was \$4.0 million compared to \$3.1 million in 1995. The increased provision for the 1996 year is attributable to an increase in the balance of outstanding loans and the change in portfolio mix. The allowance for losses on loans amounted to \$33.4 million and represented 153.4% of nonaccrual loans at December 31, 1996 versus \$41.8 million or 110.4% of nonaccrual loans at December 31, 1995.

Noninterest Income. Noninterest income for 1996 amounted to \$25.5 million, compared to \$22.0 million in 1995. Fees and service charges totaled \$18.1 million in 1996, an increase of \$4.0 million, or 28% from 1995 due primarily to a larger customer base. Gains on the sale of loans and mortgage loan servicing rights amounted to \$1.0 million in 1996 compared to \$3.1 million in 1995. The 1995 results included gains on the sale of mortgage loan servicing rights of \$2.1 million. Gains on the sale of securities amounted to \$2.8 million in 1996 compared to \$1.2 million in 1995. Other noninterest income for 1996 and 1995 was \$3.6 million.

Noninterest Expenses. Noninterest expenses for 1996 amounted to \$97.2 million compared to \$79.6 million in 1995. The increase of \$17.6 million is due primarily to increased salaries and employee benefits, occupancy, furniture and equipment, core deposit intangible amortization, marketing, and other operating expenses with all such increases related primarily to the Shawmut Transaction. Offsetting such increases were decreased foreclosed property expenses and provisions due to a decrease in the outstanding balance of foreclosed properties. Included in the 1996 results are non-recurring expenses totaling \$5.2 million which include: \$4.7 million of expenses related to a special assessment associated with the recapitalization of the SAIF and \$500,000 related to the Shawmut Transaction. Also, included in the 1996 results were benefits from the Bank Insurance Fund ("BIF") and SAIF related to deposit premium reductions. At December 31, 1996, approximately 72% of the Bank's deposits are assessed premiums at the BIF rate and 28% at the SAIF rate. Deposits acquired in the Derby acquisition on January 31, 1997 will be assessed at the lower BIF rate. Included in the 1995 results are non-recurring expenses totaling \$6.4

million which include: \$3.3 million of expenses related to the Shelton acquisition, \$2.1 million of expenses related to changing the name and merging together Webster's banking subsidiaries, and \$1.0 million of expenses related to the Shawmut Transaction.

Income Taxes. Income tax expense for 1996 increased to \$14.5 million from \$8.2 million in 1995. The increase in income tax expense is due primarily to an increase in income before taxes. Included in the 1996 and 1995 results are \$2.0 million and \$2.9 million of benefits from the reduction of the deferred tax asset valuation allowance. The decrease in the valuation allowance was due to favorable reassessments of known risks during 1996 and 1995.

#### COMPARISON OF 1995 AND 1994 YEARS

-----

General. For 1995, Webster reported net income of \$18.3 million, or \$2.30 per share on a fully diluted basis. Included in the 1995 results are a total of \$6.4 million of non-recurring expenses which include: \$3.3 million of expenses related to the Shelton acquisition, \$2.1 million of expenses related to changing the name of and merging together Webster's banking subsidiaries, and \$1.0 million of expenses related to charges incurred in preparation for the Shawmut Transaction. Also included in the 1995 results are a \$2.2 million gain on the sale of mortgage servicing rights and \$500,000 of losses on the sale of securities as part of a portfolio restructuring plan. Net income for 1994 amounted to \$18.7 million, or \$2.44 per share on a fully diluted basis. Included in the 1994 results are \$700,000 of expenses related to the Shoreline acquisition, a \$5.0 million write-down of the First Constitution core deposit intangible asset and income tax benefits of \$3.5 million related to a reduction of the deferred tax asset valuation allowance. Results for Bristol Savings Bank are included in the accompanying Consolidated Financial Statements only from the date of acquisition on March 3, 1994.

Net Interest Income. Net interest income before the provision for loan losses decreased \$5.1 million in 1995 to \$87.3 million from \$92.4 million for 1994. The decrease was due primarily to the fact that the cost of interest-bearing liabilities increased faster than the yield on interest-earning assets, in part due to a shift of low cost deposits to longer term certificates of deposit.

Interest Income. Total interest income for 1995 amounted to \$218.8 million, an increase of \$28.0 million, or 14.7%, compared to \$190.8 million in 1994. This increase in interest income was due primarily to an increase in the average volume of loans and mortgage-backed securities and to an increase in the average yield on all interest-earning assets which increased to 7.20% in 1995 from 6.91% in 1994.

Interest Expense. Interest expense for 1995 amounted to \$131.5 million, an increase of \$33.1 million, or 33.6%, compared to \$98.5 million in 1994. The increase in interest expense of \$33.1 million was due primarily to an increase in interest rates of \$21.4 million and to an increase in the average volume of deposits and borrowings of \$11.7 million.

Provision for Loan Losses. The provision for loan losses for 1995 was \$3.1 million versus \$3.2 million for 1994. The allowance for loan losses at December 31, 1995 amounted to \$41.8 million and represented 110.45% of nonaccrual loans versus \$46.8 million or 134.04% of nonaccrual loans at December 31, 1994.

Noninterest Income. Noninterest income for 1995 amounted to \$22.0 million, compared to \$13.6 million in 1994. Fees and service charges totaled \$14.1 million in 1995, an increase of \$1.9 million, or 15.9% from 1994 due primarily to a larger customer base. Gains on the sale of loans, mortgage loan servicing rights, securities and mortgage-backed securities amounted to \$4.3 million in 1995 compared to losses of \$1.2 million in 1994. The 1995 results include non-recurring income of \$2.2 million, which represent gains on the sale of mortgage loan servicing rights and non-recurring losses on the sale of securities as part of a portfolio restructuring plan. Other noninterest income for 1995 amounted to \$3.5 million, an increase of \$900,000 from 1994.

Noninterest Expenses. Noninterest expenses for 1995 amounted to \$79.6 million compared to \$79.3 million in 1994. The increase of \$.3 million was due primarily to increased salaries and employee benefits, occupancy, furniture and equipment, and other operating expenses, offset by decreases in federal deposit insurance premiums and foreclosed properties expenses. Included in the 1995 results were a total of \$6.4 million of non-recurring expenses which include: \$3.3 million of expenses related to the Shelton acquisition, \$2.1 million of expenses related to changing the name of and merging together Webster's banking subsidiaries, and \$1.0 million of expenses related to charges incurred in preparation for the Shawmut Transaction. Also included in the 1995 results were benefits from the reduction of the BIF deposit insurance premiums. The Federal Deposit Insurance Corporation determined that the BIF had met its required reserve ratio as of June 1, 1995 and lowered the BIF insurance premiums retroactively to that date. There was no reduction by the FDIC in the premium rates of the SAIF which had not met its required reserve level. At December 31, 1995, approximately 59% of the Bank's deposits were assessed premiums at the BIF rate and 41% at the SAIF

rate. Deposits acquired in the Shawmut Transaction on February 16, 1996 were assessed at the lower BIF rates. The decrease in foreclosed property expenses was due to lower provisions for foreclosed property losses and lower foreclosed property expenses due to a decrease in the outstanding balance of foreclosed properties. Included in the

1994 results were \$700,000 of expenses related to the Shoreline acquisition and a \$5.0 million write-down of the First Constitution core deposit intangible asset. An evaluation of the core deposit intangible asset at December 31, 1995 was performed using a discounted cash flow analysis. This analysis revealed that there had not been any further impairment of this asset.

Income Taxes. Income tax expense for 1995 increased to \$8.2 million from \$4.8 million in 1994. Included in the 1995 and 1994 results were \$2.9 million and \$3.5 million of benefits from the reduction of the deferred tax asset valuation allowance primarily related to Bristol Savings Bank.

#### IMPACT OF INFLATION AND CHANGING PRICES

---

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, virtually all of the assets and liabilities of a banking institution are monetary in nature. As a result, interest rates have a more significant impact on a banking institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services. In the current interest-rate environment, the maturity structure of Webster's assets and liabilities are critical to the maintenance of acceptable performance levels.

#### RECENT FINANCIAL ACCOUNTING STANDARDS

---

In September 1996, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" which was amended by SFAS No. 127 in December 1996 to defer the effective date of certain provisions of SFAS No. 125 for one year. This statement provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on consistent application of a financial components approach that focuses on control of the underlying assets or liabilities transferred. It distinguishes transfers of financial assets that are sales from transfers that are secured borrowings. It is expected that the provisions of this statement will not have a material impact on the financial results of the corporation. This statement generally is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, except as amended by SFAS No. 127, and is to be applied prospectively.

In October 1995, the FASB issued Statement of Financial Accounting Standard No. 123 "Accounting for Stock-Based Compensation." This statement encourages all companies to adopt a new fair value based method of accounting for stock compensation plans in place of the intrinsic value method prescribed by Accounting Principal Board Opinion No. 25 ("APB 25"). In adopting the fair value based method, companies record compensation cost related to activity within their stock-based compensation plans. Companies that choose to continue to account for stock-based compensation under the provisions of APB 25 are required to disclose the impact on net income and earnings per share as if they had adopted the fair value method (See Note 16). Webster has elected not to adopt the fair value method and will continue to account for stock options as prescribed under APB 25. This standard applies to financial statements for fiscal years beginning after December 31, 1994.

In May 1995, the FASB issued Statement of Financial Accounting Standards No. 122 ("SFAS No. 122") "Accounting for Mortgage Servicing Rights," which amends SFAS No. 65 "Accounting for Certain Mortgage Banking Activities." Under SFAS No. 65, mortgage servicing rights were required to be capitalized only if servicing was purchased but prohibited separate capitalization of mortgage servicing rights when acquired through loan portfolio sales with servicing rights retained. SFAS No. 122 requires that a mortgage banking entity recognize as a separate asset the value of the right to service mortgage loans for others, regardless of how those servicing rights are acquired. Additionally, SFAS No. 122 requires that a mortgage banking entity assess its capitalized mortgage servicing rights for impairment and establish valuation allowances based on the fair value of those servicing rights, which include those servicing rights acquired prior to the adoption of SFAS No. 122. As allowed under the provisions of this statement, Webster elected early adoption of SFAS No. 122 on July 1, 1995. In September 1996 the FASB superseded SFAS No. 122 with the issuance of SFAS No. 125. See Note 7.

In October 1994, the FASB issued SFAS No. 119, "Disclosures about Derivative Financial Instruments and Fair Value of Financial Instruments." This statement requires institutions to disclose the average fair value of derivative instruments as well as net gains and losses arising from trading revenues. Webster currently holds short futures positions to minimize the price volatility of certain adjustable-rate assets held as Trading Securities. Changes in the market value of short futures positions are recognized in the statements of income as a gain or loss in the period for which the change occurred. Webster also holds various interest-rate financial instruments in the form of interest rate swaps, caps and floors as hedges against changes in interest rates. This statement applies to fiscal years ending after December 15, 1994. See Notes 3 and 11.

In November 1993, the Accounting Standards Executive Committee issued Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." This statement requires institutions with employee stock ownership plans to record compensation expense equivalent to the fair value of shares committed to be released to employees. Shares not committed to be released are excluded from outstanding shares for the calculation of net income per share. Such provisions are not required for employee stock ownership plan shares issued prior to December 31, 1992. On March 3, 1994, in conjunction with the subscription and public offerings of 1,150,000 shares of common stock of Webster, the Webster Bank Employee Stock Ownership Plan purchased 100,000 additional shares. The implementation of Statement of Position 93-6 did not have a significant effect on Webster's earnings.

#### RECENT TAX LEGISLATION

Tax law changes were enacted in August 1996 to eliminate the "thrift bad debt" method of calculating bad debt deductions for tax years after 1995 and to impose a requirement to recapture into taxable income (over a six-year period) all bad debt reserves accumulated after 1987. Since Webster previously recorded a deferred tax liability with respect to these post 1987 reserves, its total income tax expense for financial reporting purposes will not be affected by the recapture requirement. The tax law changes also provide that taxes associated with the recapture of pre-1988 bad debt reserves would become payable under more limited circumstances than under prior law. Under the tax laws, as amended, events that would result in recapture of the pre-1988 bad debt reserves include stock and cash distributions to the holding company from the Bank in excess of specified amounts. Webster does not expect such reserves to be recaptured into taxable income.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	December 31,	
	1996	1995
<b>Assets</b>		
Cash and Due from Depository Institutions	\$ 85,163	\$ 44,228
Interest-bearing Deposits	27	26,017
Securities: (Note 3)		
Trading at Fair Value	59,331	44,604
Available for Sale, at Fair Value	573,616	498,088
Held to Maturity, (Market Value: \$433,308 in 1996; \$505,775 in 1995)	437,631	501,948
Loans Receivable, Net (Note 4)	2,525,543	1,891,956
Segregated Assets, Net (Note 5)	75,670	104,839
Accrued Interest Receivable	24,147	21,585
Premises and Equipment, Net (Note 6)	49,785	40,654
Foreclosed Properties, Net (Note 13)	9,489	17,176
Core Deposit Intangible (Note 2)	44,315	4,729
Prepaid Expenses and Other Assets (Note 7)	32,883	23,846
<b>Total Assets</b>	<b>\$ 3,917,600</b>	<b>\$ 3,219,670</b>
<b>Liabilities and Shareholders' Equity</b>		
Deposits (Note 8)	\$ 3,095,876	\$ 2,400,202
Federal Home Loan Bank Advances (Note 9)	407,734	383,100
Other Borrowings (Note 10)	144,627	170,014
Advance Payments by Borrowers for Taxes and Insurance	17,785	14,435
Accrued Expenses and Other Liabilities	45,282	41,946
<b>Total Liabilities</b>	<b>3,711,304</b>	<b>3,009,697</b>
<b>Shareholders' Equity: (Notes 15 and 16)</b>		
Cumulative Convertible Preferred Stock, Series B, 98,084 shares issued and outstanding at December 31, 1996 and 172,869 shares issued and outstanding at December 31, 1995	1	2
Common Stock, \$.01 par value:		
Authorized - 14,000,000 shares;		
Issued - 8,501,746 shares at December 31, 1996 and 1995	85	85
Paid in Capital	129,805	138,263
Retained Earnings	94,771	75,858
Less Treasury Stock at cost, 575,274 shares at December 31, 1996 and 424,024 shares at December 31, 1995	(18,801)	(3,290)
Less Employee Stock Ownership Plan Shares Purchased with Debt	(2,574)	(3,207)
Unrealized Gains on Securities, Net	3,009	2,262

Total Shareholders' Equity	206,296	209,973
Commitments and Contingencies (Notes 4, 6, and 19)		
Total Liabilities and Shareholders' Equity	\$ 3,917,600	\$ 3,219,670

See accompanying notes to consolidated financial statements

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)	Years Ended December 31,		
	1996	1995	1994
Interest Income:			
Loans and Segregated Assets	\$ 196,096	\$ 154,488	\$ 139,648
Securities and Interest-bearing Deposits	69,438	64,323	51,172
Total Interest Income	265,534	218,811	190,820
Interest Expense:			
Interest on Deposits (Note 8)	114,386	98,135	76,835
Interest on Borrowings	35,359	33,398	21,629
Total Interest Expense	149,745	131,533	98,464
Net Interest Income	115,789	87,278	92,356
Provision for Loan Losses (Note 4)	4,000	3,100	3,155
Net Interest Income After Provision for Loan Losses	111,789	84,178	89,201
Noninterest Income:			
Fees and Service Charges	18,117	14,131	12,188
Gain on Sale of Loans and Loan Servicing, Net (Note 4)	989	3,116	258
Gain (Loss) on Sale of Securities, Net (Note 3)	2,845	1,173	(1,440)
Other Noninterest Income	3,579	3,555	2,623
Total Noninterest Income	25,530	21,975	13,629
Noninterest Expenses:			
Salaries and Employee Benefits	44,486	37,608	34,943
Occupancy Expense of Premises	9,353	6,390	5,696
Furniture and Equipment Expenses	9,068	5,999	5,976
Federal Deposit Insurance Premiums	1,573	3,990	5,742
Foreclosed Property Expenses and Provisions, Net (Note 13)	2,073	4,025	6,949
Core Deposit Intangible Amortization	4,617	728	1,371
Marketing Expenses	4,395	3,318	2,101
Non-recurring Expenses (Note 17)	5,230	6,371	5,700
Other Operating Expenses	16,454	11,158	10,817
Total Noninterest Expenses	97,249	79,587	79,295
Income Before Income Taxes	40,070	26,566	23,535
Income Taxes (Note 14)	14,462	8,246	4,850
Net Income	25,608	18,320	18,685
Preferred Stock Dividends	1,149	1,296	1,716
Net Income Available to Common Shareholders	\$ 24,459	\$ 17,024	\$ 16,969
Net Income Per Common Share:			
Primary	\$ 2.97	\$ 2.44	\$ 2.69
Fully Diluted	2.79	2.30	2.44

See accompanying notes to consolidated financial statements

(IN THOUSANDS, EXCEPT SHARE DATA)

	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Employee Stock Ownership Plan Shares Purchased With Debt	Unrealized Gains (Losses) On Securities, Net	Total
Balance, December 31, 1993	\$ 3	\$ 57	\$ 82,546	\$ 49,317	\$ (3,816)	\$ (1,952)	\$ 118	\$ 126,273
Net Income for 1994	-	-	-	18,685	-	-	-	18,685
Dividends Paid:								
\$ .48 Per Common Share	-	-	-	(3,053)	-	-	-	(3,053)
Dividends Paid or Accrued:								
Preferred Series B	-	-	-	(1,716)	-	-	-	(1,716)
Dividends On:								
Unallocated ESOP Shares	-	-	-	52	-	-	-	52
Reduction of Debt Related to ESOP Shares	-	-	-	-	-	352	-	352
Purchase of Additional ESOP Shares	-	-	-	-	-	(2,075)	-	(2,075)
Five Percent Stock Dividend	-	-	-	(69)	-	-	-	(69)
Exercise of Stock Options	-	-	507	-	124	-	-	631
Net Proceeds from Sale of Common Stock	-	11	21,912	-	-	-	-	21,923

Source: WEBSTER FINANCIAL CO, 10-K, March 27, 1997

Conversion of Preferred Series B to Common Stock	(1)	5	(4)	-	-	-	-	-
Net Unrealized Loss on Securities Available for Sale, Net of Taxes	-	-	-	-	-	-	(4,196)	(4,196)
Balance, December 31, 1994	\$ 2	\$ 73	\$104,961	\$ 63,216	\$ (3,692)	\$ (3,675)	\$ (4,078)	\$ 156,807
Net Income for 1995	-	-	-	18,320	-	-	-	18,320
Dividends Paid:								
\$.64 Per Common Share	-	-	-	(4,382)	-	-	-	(4,382)
Dividends Paid or Accrued:								
Preferred Series B	-	-	-	(1,296)	-	-	-	(1,296)
Allocation of ESOP Shares	-	-	(3)	-	-	468	-	465
Fractional Shares Paid	-	-	(13)	-	-	-	-	(13)
Exercise of Stock Options	-	-	1,218	-	402	-	-	1,620
Proceeds from Sale of Common Stock	-	12	32,100	-	-	-	-	32,112
Net Unrealized Gain on Securities Available for Sale, Net of Taxes	-	-	-	-	-	-	6,340	6,340
Balance, December 31, 1995	\$ 2	\$ 85	\$138,263	\$ 75,858	\$ (3,290)	\$ (3,207)	\$ 2,262	\$ 209,973
Net Income for 1996	-	-	-	25,608	-	-	-	25,608
Dividends Paid:								
\$.68 Per Common Share	-	-	-	(5,546)	-	-	-	(5,546)
Dividends Paid or Accrued:								
Preferred Series B	-	-	-	(1,149)	-	-	-	(1,149)
Allocation of ESOP Shares	-	-	94	-	-	633	-	727
Exercise of Stock Options	-	-	277	-	3,351	-	-	3,628
Conversion of Preferred Series B to Common Stock	(1)	-	(8,724)	-	8,725	-	-	-
Common Stock Repurchased	-	-	-	-	(27,611)	-	-	(27,611)
Other, Net	-	-	(105)	-	24	-	-	(81)
Net Unrealized Gain on Securities Available for Sale, Net of Taxes	-	-	-	-	-	-	747	747
Balance, December 31, 1996	\$ 1	\$ 85	\$129,805	\$ 94,771	\$ (18,801)	\$ (2,574)	\$ 3,009	\$ 206,296

See accompanying notes to consolidated financial statements

	Years Ended December 31,		
(DOLLARS IN THOUSANDS)	1996	1995	1994
Operating Activities:			
Net Income	\$ 25,608	\$ 18,320	\$ 18,685
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:			
Provision for Loan Losses	4,000	3,100	3,155
Provision for Foreclosed Property Losses	1,096	2,000	3,082
Provision for Depreciation and Amortization	7,189	4,507	4,383
Amortization of Securities Premiums, Net	3,871	884	390
Amortization and Write-down of Core Deposit Intangible	4,617	728	6,372
Amortization of Mortgage Servicing Rights	439	651	474
(Gains) Losses on Sale of Foreclosed Properties	(1,060)	(918)	465
(Gains) Losses on Sale of Loans and Securities	(3,314)	(4,398)	1,322
(Gains) Losses on Sale of Trading Securities	(520)	109	(140)
Decrease (Increase) in Trading Securities	6,085	(19,859)	25,684
Loans Originated for Sale	(51,110)	(101,537)	(288,880)
Sale of Loans, Originated for Sale	63,198	109,787	208,775
Decrease (Increase) in Interest Receivable	105	(3,171)	453
(Decrease) Increase in Interest Payable	(742)	960	3,888
(Decrease) Increase in Accrued Expenses and Other Liabilities, Net	(16,662)	3,302	(44,671)
(Increase) Decrease in Prepaid Expenses and Other Assets	(10,542)	1,589	3,069
Net Cash Provided (Used) by Operating Activities	32,258	16,054	(53,494)
Investing Activities:			
Purchases of Securities, Available for Sale	(426,887)	(148,803)	(99,631)
Purchases of Securities, Held to Maturity	(96,926)	(308,021)	(100,744)
Maturities of Securities	36,981	14,097	25,944
Proceeds from Sales of Securities, Available for Sale	283,457	140,917	26,767
Net Decrease in Interest-bearing Deposits	25,990	28,301	396
Purchase of Loans	(10,000)	(2,123)	(37,181)
Net Increase in Loans	(62,253)	(28,598)	(117,242)
Proceeds from Sale of Foreclosed Properties	17,452	12,870	23,106
Net Decrease in Segregated Assets	29,169	28,941	39,902
Principal Collected on Mortgage-Backed Securities	191,064	118,174	166,503
Purchase of Premises and Equipment, Net	(9,993)	(8,529)	(6,916)
Net Cash and Cash Equivalents Received from Bank Acquisition	113,551	-	15,490
Net Cash Provided (Used) by Investing Activities	91,605	(152,774)	(63,606)
Financing Activities:			
Net (Decrease) Increase in Deposits	(55,575)	(31,743)	26,802
Net Proceeds from Sale of Common Stock	-	32,112	21,923
Repayment of FHL Bank Advances	(1,556,845)	(1,039,613)	(1,147,042)
Proceeds from FHL Bank Advances	1,581,479	1,052,014	1,247,542
Repayment of Other Borrowings	(1,439,207)	(61,193)	-
Proceeds from Other Borrowings	1,414,548	188,077	-
Cash Dividends to Common and Preferred Shareholders	(6,695)	(5,690)	(4,724)
Net Increase (Decrease) in Advance Payments for Taxes and Insurance	3,350	1,060	(8,710)
Exercise of Stock Options	3,628	1,620	569
Common Stock Repurchased	(27,611)	-	-
Net Cash (Used) Provided by Financing Activities	(82,928)	136,644	136,360

Source: WEBSTER FINANCIAL CO, 10-K, March 27, 1997

Increase (Decrease) in Cash and Cash Equivalents	40,935	(76)	19,260
Cash and Cash Equivalents at Beginning of Period	44,228	44,304	25,044
Cash and Cash Equivalents at End of Period	\$ 85,163	\$ 44,228	\$ 44,304

See accompanying notes to consolidated financial statements

	Years Ended December 31,		
	1996	1995	1994
Supplemental Disclosures:			
Income Taxes Paid	\$ 15,684	\$ 9,087	\$ 9,253
Interest Paid	147,484	130,573	102,356
Supplemental Schedule of Noncash Investing and Financing Activities:			
Transfer of Loans to Foreclosed Properties	14,249	12,002	47,479
Transfer of Securities from Held to Maturity to Available for Sale	-	301,424	-
Securitization of Residential Real Estate Loans	-	-	137,458

Assets acquired and liabilities assumed in 1996 business combinations were as follows:

	Year Ended December 31, 1996
Assets Acquired:	
Loans	\$ 586,235
Premises and Equipment	6,327
Other Assets	3,059
Total Assets Acquired	\$ 595,621
Liabilities Assumed:	
Deposits	\$ 846,412
Less Deposits Exchanged	(95,163)
Net Deposits Assumed	751,249
Other Liabilities	922
Total Liabilities Assumed	752,171
Net Liabilities Assumed	156,550
Net Premium Paid for Deposits	(42,999)
Net Cash and Cash Equivalents Received from Bank Acquisition	\$ 113,551

See accompanying notes to consolidated financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business

Webster Financial Corporation, ("Webster"), through its subsidiary, Webster Bank, (the "Bank") delivers financial services to individuals, families and businesses throughout Connecticut. Webster Bank is organized along three business lines - consumer, business and mortgage banking, supported by centralized administration and operations. The Corporation has grown significantly in recent years, primarily through a series of acquisitions which have expanded and strengthened its franchise in Connecticut. Webster Bank was founded in 1935 and converted from a federal mutual to a federal stock institution in 1986.

b) Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of Webster and the Bank. The consolidated financial statements and notes hereto have been retroactively restated to include the accounts of Shelton Bancorp Inc. ("Shelton") acquired on November 1, 1995 and Shoreline Bank and Trust and Company ("Shoreline") acquired on December 16, 1994 as if the mergers had occurred at the beginning of the period of the earliest date presented (See Note 2). The financial statements have been prepared in conformity with generally accepted accounting principles and all significant intercompany transactions have been eliminated in consolidation.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the balance sheets and revenues and expenses for the periods presented. The actual results of Webster could differ from those estimates. Material estimates that are susceptible to near term changes include the determination of the allowance for loan losses, the valuation allowance of the deferred tax asset and the valuation of foreclosed property.

c) Allowance for Loan Losses

An allowance for loan losses is established based upon a review of the loan portfolio, loss experience, specific problem loans, current and anticipated economic conditions and other pertinent factors which, in management's judgment, deserve current recognition in estimating loan losses. Effective January 1, 1995, Webster adopted Statement of Financial Accounting Standard ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by SFAS No. 118. Under this standard, commercial and commercial real estate loans are considered impaired when it is probable that Webster will not collect all amounts due in accordance with the contractual terms of the loan. Certain loans are exempt from the provisions of SFAS No. 114, including large groups of smaller balance homogenous loans that are collectively evaluated for impairment, such as consumer and residential mortgage loans.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Webster's allowance for loan losses. Such agencies may require Webster to recognize additions to the allowance for loan losses based on judgments different from those of management.

d) Foreclosed Properties

Foreclosed properties consists of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Foreclosed properties are reported at the lower of fair value less estimated selling expenses or cost with an allowance for losses to provide for declines in value. Operating expenses are charged to current period earnings and gains and losses upon disposition are reflected in the statements of income when realized.

e) Loans

Loans are stated at the principal amounts outstanding. Interest on loans is credited to income as earned based on the rate applied to principal amounts outstanding. Interest which is more than 90 days past due is not accrued. Such interest ultimately collected, if any, is credited to income in the period received. Loan origination fees, net of certain direct origination costs and premiums and discounts on loans purchased, are recognized in interest income over the lives of the loans using a method approximating the interest method. Loans held for sale are carried at the lower of

cost or market value in aggregate. Net unrealized losses on loans held for sale, if any, are recognized in a valuation allowance by charges to income.

f) Securities

Securities are classified into one of three categories. Securities with fixed maturities that management has the intent and ability to hold to maturity are classified as Held to Maturity and are carried at cost, adjusted for amortization of premiums and accretion of discounts over the estimated terms of the securities utilizing a method which approximates the level yield method. Securities that management intends to hold for indefinite periods of time, including securities that management intends to use as part of its asset/liability strategy, or that may be sold in response to changes in interest rates, changes in prepayment risk, the need to increase regulatory capital or other similar factors, are classified as Available for Sale. All Equity Securities are classified as Available for Sale. Securities Available for Sale are carried at fair value with unrealized gains and losses recorded as adjustments to shareholders' equity on a tax effected basis. Securities classified as Trading Securities are carried at fair value with unrealized gains and losses included in earnings. Gains and losses on the sales of securities are recorded using the specific identification method.

Mortgage-backed securities include collateralized mortgage obligations ("CMOs") which are either U.S. government agency securities or are rated in at least the top two ratings categories by at least one of the major rating agencies at the time of purchase. One of the risks inherent when investing in CMOs and mortgage-backed securities is the ability of such instruments to incur prepayments of principal prior to maturity. Because of prepayments, the weighted-average yield of these securities may also change, which could effect earnings.

g) Interest-rate Instruments

Webster utilizes as part of its asset/liability management strategy various interest rate contracts including short futures positions, interest rate swaps, interest rate caps and interest rate floors. Webster holds short futures positions to minimize the price volatility of certain adjustable rate assets held as Trading Securities. Changes in the market value of short futures positions are recognized as a gain or loss in the consolidated statement of income in the period for which the change occurred.

Interest rate caps, interest rate floors and interest rate swaps are entered into as hedges against future interest rate fluctuations. Webster does not trade in speculative interest rate contracts. Those agreements meeting the criteria for hedge accounting treatment are designated as hedges and are accounted for as such. If a contract is terminated, any unrecognized gain or loss is deferred and amortized as an adjustment to the yield of the related asset or liability over the remainder of the period that was being hedged. If the linked asset or liability is disposed of prior to the end of the period being managed, the related interest rate contract is marked to fair value, with any resulting gain or loss recognized in current period income as an adjustment to the gain or loss on the disposal of the related asset or liability. Interest income or expense associated with interest rate caps and swaps is recorded as a component of net interest income. Interest rate instruments that hedge available for sale assets are marked to fair value monthly with adjustments to shareholders' equity on a tax effected basis.

h) Interest-bearing Deposits

Interest-bearing Deposits consist primarily of deposits in the Federal Home Loan Bank of Boston or other short-term overnight investments. These deposits are carried at cost which approximates market value.

i) Premises and Equipment

Depreciation of premises and equipment is accumulated on a straight-line basis over the estimated useful lives of the related assets. Estimated lives are 15 to 40 years for buildings and improvements and 3 to 20 years for furniture, fixtures and equipment. Amortization of leasehold improvements is calculated on a straight-line basis over the terms of the related leases.

Maintenance and repairs are charged to expense as incurred and improvements are capitalized. The cost and accumulated depreciation relating to premises and equipment retired or otherwise disposed of are eliminated from the accounts and any resulting gains and losses are credited or charged to income.

j) Segregated Assets

Segregated Assets represent commercial, commercial real estate and multi-family loans acquired in the October 1992 First Constitution acquisition. In addition, Segregated Assets contain foreclosed properties that have been so classified subsequent to the acquisition date. These assets are subject to a loss-sharing arrangement with the FDIC as discussed in Notes 2 and 5.

Interest on Segregated Assets is credited to income earned on loans and segregated assets based on the rate applied to principal amounts outstanding. Interest which is more than 90 days contractually past due is not accrued. Such interest ultimately collected, if any, is credited to income in the period received.

k) Core Deposit Intangible

The excess of the purchase price over the fair value of the tangible net assets acquired in acquisitions accounted for using the purchase accounting method has been allocated to deposits. The deposit intangible is being amortized on a straight-line basis over a period of ten years from the acquisition date. On a periodic basis, management assesses the recoverability of the deposit intangible. Such assessments encompass a projection of future earnings from the deposit base as compared to original expectations, based upon a discounted cash flow analysis. If an assessment of the core deposit intangible indicates that it is impaired, a charge to income for the most recent period is recorded for the amount of such impairment.

l) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

m) Employee Benefit Plans

The Bank has a noncontributory pension plan covering substantially all employees. Pension costs are accrued in accordance with generally accepted accounting principles and are funded in accordance with the requirements of the Employee Retirement Income Security Act (ERISA). The Bank also accrues costs related to postretirement benefits.

n) Net Income Per Share

Primary net income per share is calculated by dividing net income available to common shareholders by the weighted-average number of shares of common stock and common stock equivalents outstanding, when dilutive. The common stock equivalents consist of common stock options and warrants. Fully diluted net income per share is calculated by dividing adjusted net income by the weighted-average fully diluted common shares, including the effect of common stock equivalents and the hypothetical conversion into common stock of the

Series B cumulative convertible preferred stock. The weighted-average number of shares used in the computation of primary earnings per share for the years ended December 31, 1996, 1995 and 1994 were 8,288,759, 6,969,208 and 6,306,994, respectively and for fully diluted earnings per share were 9,162,756, 7,970,921, and 7,650,343 for the same periods, respectively.

o) Stock Compensation

Statement of Financial Accounting Standard No. 123 encourages all companies to adopt a new fair value based method of accounting for stock-based employee compensation plans. Under the provisions of this statement, Webster has elected to continue to measure compensation for its stock option plans using the accounting method prescribed by Accounting Principal Board Opinion No. 25 ("APB No. 25") "Accounting for Stock Issued to Employees." Entities electing to maintain accounting standards under APB No. 25 must make pro forma disclosures for net income and earnings per share as if the fair value based method of accounting had been applied. See Note 16.

p) Statements of Cash Flows

For purposes of the Statements of Cash Flows, Webster considers cash on hand and in banks to be cash equivalents.

q) Loan Sales and Servicing Sales

Gains or losses on sales of loans are recognized at the time of the sale. On July 1, 1995, Webster elected early adoption of Statement of Financial Accounting Standard No. 122 ("SFAS No. 122") "Accounting for Mortgage Servicing Rights." SFAS No. 122 requires that a mortgage banking entity recognize as a separate asset the value of the right to service mortgage loans for others, regardless of how those servicing rights are acquired. Fair values are estimated considering market prices for similar mortgage servicing rights and on the discounted anticipated future net cash flows considering loan prepayment predictions, historical prepayment rates, interest rates, and other economic factors. For purposes of impairment evaluation and measurement, Webster stratifies mortgage servicing rights based on predominate risk characteristics of the underlying loans, including loan type and amortization type (fixed or adjustable). To the extent that the carrying value of mortgage servicing rights exceeds fair value by individual stratum, a valuation allowance is established. The allowance may be adjusted for changes in fair value. The cost basis of mortgage servicing rights is amortized into noninterest income over the estimated period of servicing revenue. See Note 4.

When loans sold have an average contractual interest rate, adjusted for normal servicing costs, which differs from the agreed yield to the purchaser, gains or losses are recognized equal to the present value of such differential over the estimated remaining life of such loans. Any resulting net premium is amortized over the same estimated life using a method approximating the interest method. The aggregate of unamortized excess servicing rights arising from gains on loan sales is included in the accompanying Consolidated Statements of Condition as a component of Prepaid Expenses and Other Assets and is periodically reviewed and adjusted for changed circumstances.

r) Reclassifications

Certain financial statement balances as previously reported have been reclassified to conform to the 1996 Consolidated Financial Statements presentation.

NOTE 2: BUSINESS COMBINATIONS

Pooling of Interests Transaction Consummated in 1997 (Unaudited)

On January 31, 1997, Webster acquired DS Bancor, Inc. ("Derby") and its subsidiary, Derby Savings Bank, a \$1.2 billion savings bank in Derby, Connecticut. In connection with the merger with Derby, Webster issued 3,501,370 shares of its common stock for all the outstanding shares of Derby common stock. Under the terms of the agreement each outstanding share of Derby common stock was converted into 1.14158 shares of Webster common stock. This acquisition was accounted for as a pooling of interests and as such future Consolidated Financial Statements will include Derby's financial data as if Derby had been combined at the beginning of the earliest period presented.

The pro forma combined amounts in the table below are presented for informational purposes and are not necessarily indicative of the results of operations of the combined company that would have actually occurred had the merger been consummated as of the earliest date for the period presented. The pro forma combined amounts are also not necessarily indicative of future results of operations of the combined company. In particular, Webster expects to achieve significant operating cost savings as a result of the merger. No adjustment has been included in the pro forma combined amounts for anticipated operating cost savings.

The following table sets forth unaudited pro forma results of operations of the combining entities:

(IN THOUSANDS, EXCEPT PER SHARE DATA)	Year Ended December 31, 1996		
	WEBSTER	DS BANCOR	COMBINED
Net Interest Income	\$115,789	\$39,155	\$ 154,944
Provision for Loan Losses	4,000	4,850	8,850
Net Income	25,608	8,879	34,487
Fully Diluted Earnings Per Share	\$ 2.79	\$ 2.80	\$ 2.69

(IN THOUSANDS, EXCEPT PER SHARE DATA)	Year Ended December 31, 1995		
	WEBSTER	DS BANCOR	COMBINED
Net Interest Income	\$87,278	\$35,014	\$ 122,292
Provision for Loan Losses	3,100	2,525	5,625
Net Income	18,320	7,613	25,933
Fully Diluted Earnings Per Share	\$ 2.30	\$ 2.45	\$ 2.25

(IN THOUSANDS, EXCEPT PER SHARE DATA)	Year Ended December 31, 1994		
	WEBSTER	DS BANCOR	COMBINED
Net Interest Income	\$92,356	\$34,464	\$ 126,820
Provision for Loan Losses	3,155	2,325	5,480
Net Income	18,685	5,710	24,395
Fully Diluted Earnings Per Share	\$ 2.44	\$ 1.86	\$ 2.19

#### POOLING OF INTERESTS TRANSACTIONS

On November 1, 1995, Webster merged with Shelton, with \$295 million in assets, based in Shelton, Connecticut. In connection with the acquisition, Webster issued 1,292,549 shares of its common stock for all of the outstanding shares of Shelton common stock, based on an exchange ratio of .92 shares of Webster common stock for each of Shelton's outstanding shares of common stock. On December 16, 1994, Webster acquired Shoreline, with \$51 million in assets, based in Madison, Connecticut. In connection with the acquisition of Shoreline, Webster issued 266,500 shares of its common stock for all of the outstanding shares of Shoreline common stock, based on an exchange ratio of 1 share of Webster's common stock for 2 shares of Shoreline's common stock. Both acquisitions were accounted for as a pooling of interests and as such the consolidated financial statements include financial data as if both Shelton and Shoreline had been combined as of the beginning of the earliest period presented.

#### PURCHASE TRANSACTIONS

##### The Shawmut Transaction

On February 16, 1996, Webster Bank acquired 20 branches in the Hartford market from Shawmut Bank Connecticut National Association, as part of a divestiture in connection with the merger of Shawmut and Fleet Bank (the "Shawmut Transaction"). In the branch purchase, Webster Bank acquired approximately \$845 million in deposits, and \$586 million in loans. As a result of this transaction, Webster recorded \$44.2 million as a core deposit intangible asset. In connection with the Shawmut Transaction, Webster raised net proceeds of \$32.1 million through the sale of 1,249,600 shares of its common stock in an underwritten public offering in December 1995. The Shawmut Transaction was accounted for as a purchase, and results of operations related to the transaction from February 16, 1996 to December 31, 1996 are included in the accompanying Consolidated Financial Statements.

##### Bristol Savings Bank Acquisition

On March 3, 1994, Bristol Savings Bank ("Bristol") converted from a Connecticut mutual savings bank to a Connecticut capital stock savings bank and concurrently became a wholly-owned subsidiary of Webster. Bristol had 5 banking offices in Hartford County. In connection with the conversion, Webster completed the sale of 1,150,000 shares of its common stock in related subscription and public offerings. The Bristol acquisition was accounted for as a purchase, and results of operations relating to Bristol from March 3, 1994 to December 31, 1996 are included in the accompanying Consolidated Financial Statements. Negative goodwill of \$2.3 million represented the net effect of all purchase accounting adjustments and is recorded as a reduction of premises and equipment and is being amortized over a 10 year period. Bristol was merged with Webster Bank in 1995.

##### FDIC Assisted Acquisitions

Webster significantly expanded its retail banking operations through assisted

acquisitions of First Constitution Bank ("First Constitution") in October 1992 and Suffield Bank ("Suffield") in September 1991 from the Federal Deposit Insurance Corporation ("FDIC"). These acquisitions, which were accounted for as purchases, involved financial assistance from the FDIC and extended Webster's retail banking operations into new market areas by adding 21 branch offices, \$1.5 billion in retail deposits and approximately 150,000 customer accounts. See Note 5 to the Consolidated Financial Statements for additional information concerning the terms of these assisted acquisitions.

NOTE 3: SECURITIES

A summary of securities follows:

(IN THOUSANDS)	1996		December 31, 1995	
	Recorded Value	Estimated Fair Value	Recorded Value	Estimated Fair Value
<b>Trading Securities:</b>				
<b>Mortgage-Backed Securities:</b>				
GNMA	\$ 31,537	\$ 31,537	\$ 14,766	\$ 14,766
FHLMC	27,794	27,794	29,838	29,838
	59,331	59,331	44,604	44,604
<b>Available for Sale Portfolio:</b>				
<b>U.S. Treasury Notes:</b>				
Matures within 1 year	-	-	1,000	1,000
Matures over 1 within 5 years	2,508	2,544	-	-
<b>U.S. Government Agency:</b>				
Matures over 1 within 5 years	12,883	12,974	12,901	12,522
<b>Corporate Bonds and Notes:</b>				
Matures over 1 within 5 years	-	-	23,005	23,005
Matures over 5 within 10 years	2,492	2,489	2,737	2,730
Mutual Funds*	7,216	7,236	34,077	33,947
Stock in Federal Home Loan Bank of Boston	30,039	30,039	30,039	30,039
Other Equity Securities	19,361	25,225	9,195	11,930
<b>Mortgage-Backed Securities:</b>				
FNMA	127,908	127,505	139,860	142,827
FHLMC	15,369	15,563	62,572	63,221
GNMA	236,393	239,142	20,443	20,512
Collateralized Mortgage Obligations	107,684	106,863	155,321	155,539
Unamortized Hedge	5,460	4,036	816	816
Unrealized Securities Gains, Net	6,303	-	6,122	-
	573,616	573,616	498,088	498,088
<b>Held to Maturity Portfolio:</b>				
<b>U.S. Treasury Notes:</b>				
Matures within 1 year	944	956	1,577	1,577
Matures over 1 within 5 years	-	-	8,262	8,445
<b>U.S. Government Agency:</b>				
Matures within 1 year	6,867	6,867	1,003	1,006
Matures over 1 within 5 years	28,089	28,712	39,868	41,330
Matures over 5 within 10 years	499	487	999	1,008
<b>Corporate Bonds and Notes:</b>				
Matures within 1 year	301	302	-	-
Matures over 1 within 5 years	1,176	1,173	2,555	2,579
Matures over 5 within 10 years	-	-	330	325
Matures over 10 years	100	100	-	-
<b>Mortgage-Backed Securities:</b>				
FHLMC	31,013	31,435	42,877	43,714
FNMA	22,180	22,570	31,785	32,457
GNMA	1,309	1,369	1,622	1,698
Collateralized Mortgage Obligations	345,153	339,337	370,762	371,342
Other Mortgage-Backed Securities	-	-	308	294
	437,631	433,308	501,948	505,775
<b>Total</b>	<b>\$1,070,578</b>	<b>\$1,066,255</b>	<b>\$1,044,640</b>	<b>\$1,048,467</b>

\* Mutual funds consist primarily of funds that invest in U.S. Government securities, Mortgage-Backed securities and Money Market instruments.

A summary of realized gains and losses follows:

(IN THOUSANDS)	1996			December 31, 1995			1994		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
<b>Trading Securities:</b>									
Mortgage-Backed Securities	\$ 2,962	\$ (2,712)	\$ 250	\$ 1,901	\$ (194)	\$ 1,707	\$ 2,086	\$ (3,247)	\$ (1,161)
Futures and Options Contracts	10,704	(10,434)	270	3,517	(5,333)	(1,816)	5,127	(3,826)	1,301
Equity Securities	-	-	-	-	-	-	128	(128)	-
	13,666	(13,146)	520	5,418	(5,527)	(109)	7,341	(7,201)	140
<b>Available for Sale:</b>									
Mortgage-Backed Securities	1,211	(590)	621	898	(878)	20	-	-	-
U.S. Treasury Notes	-	(7)	(7)	363	-	363	-	-	-
U.S. Government Agencies	-	-	-	-	(284)	(284)	-	-	-
Mutual Funds	-	(174)	(174)	-	(139)	(139)	72	(1,653)	(1,581)
Other Equity Securities	1,863	(34)	1,829	1,322	-	1,322	28	(27)	1
Other	56	-	56	-	-	-	-	-	-
	3,130	(805)	2,325	2,583	(1,301)	1,282	100	(1,680)	(1,580)

Total	\$ 16,796	\$ (13,951)	\$ 2,845	\$ 8,001	\$ (6,828)	\$ 1,173	\$ 7,441	\$ (8,881)	\$ (1,440)
-------	-----------	-------------	----------	----------	------------	----------	----------	------------	------------

There were no sales of securities from the held to maturity portfolio for the years ended December 31, 1996 and 1995 and 1994. During the 1995 fourth quarter, the Bank elected, under guidelines issued by the Financial Accounting Standards Board, to transfer certain securities from the held to maturity to the available for sale portfolio. These securities had an approximate book value of \$301.4 million and fair market value of \$299.9 million. Under this one-time provision, the Bank was able to reassess the appropriateness of the classifications of all securities held and account for any resulting reclassifications at fair market value. The Bank reclassified certain securities to allow greater flexibility in managing interest-rate risk and to enhance its ability to react to changes in market conditions.

Webster holds short futures positions to minimize the price volatility of certain adjustable-rate assets held as Trading Securities. At December 31, 1996, Webster held 298 short positions in Eurodollar futures contracts (\$298.0 million notional amount) and 410 short positions in 5 and 10 year Treasury note futures (\$41.0 million notional amount). Changes in the market value of short futures positions are recognized as a gain or loss in the period for which the change occurred. All gains and losses resulting from short futures positions are reflected in gains (losses) on sale of securities, net in the Consolidated Statements of Income.

Summaries of unrealized gains and losses for the available for sale and held to maturity portfolios follows:

(IN THOUSANDS)	December 31,					
	Gains	1996 Losses	Net	Gains	1995 Losses	Net
<b>Available for Sale:</b>						
U.S. Treasury Notes	\$ 40	\$ (4)	\$ 36	\$ -	\$ -	\$ -
U.S. Government Agency	91	-	91	-	(379)	(379)
Corporate Bonds and Notes	-	(3)	(3)	-	(7)	(7)
Mutual Funds	20	-	20	18	(148)	(130)
Equity Securities	5,946	(82)	5,864	3,012	(278)	2,734
Mortgage-Backed Securities	5,810	(5,515)	295	6,615	(2,711)	3,904
	11,907	(5,604)	6,303	9,645	(3,523)	6,122
<b>Held to Maturity Portfolio:</b>						
U.S. Treasury Notes:						
Matures within 1 year	12	-	12	1	(1)	-
Matures within 5 years	-	-	-	184	(1)	183
U.S. Government Agency						
Matures within 1 year	-	-	-	3	-	3
Matures over 1 within 5 years	935	(312)	623	1,465	(2)	1,463
Matures over 5 within 10 years	-	(12)	(12)	8	-	8
Corporate Bonds and Notes						
Matures within 1 year	1	-	1	-	-	-
Matures over 1 within 5 years	5	(8)	(3)	26	(2)	24
Matures over 5 within 10 years	-	-	-	-	(5)	(5)
Mortgage-Backed Securities	2,069	(7,013)	(4,944)	4,844	(2,693)	2,151
	3,022	(7,345)	(4,323)	6,531	(2,704)	3,827
Total	\$ 14,929	\$ (12,949)	\$ 1,980	\$ 16,176	\$ (6,227)	\$ 9,949

#### NOTE 4: LOANS RECEIVABLE, NET

A summary of loans receivable, net follows:

(IN THOUSANDS)	December 31,	
	1996	1995
<b>Loans Secured by Mortgages on Real Estate:</b>		
Conventional, VA and FHA	\$1,834,308	\$1,504,506
Conventional, VA and FHA Loans Held for Sale	3,705	2,872
Residential Participation	14,933	9,368
Residential Construction	84,442	54,410
Commercial Construction	6,297	8,887
Other Commercial	198,633	135,843
	2,142,318	1,715,886
<b>Consumer Loans:</b>		
Home Equity Credit Lines	155,935	122,737
Other Consumer Loans	79,574	49,546
Credit Cards	13,675	-
	249,184	172,283
Commercial Non-Mortgage Loans	177,766	53,194
Gross Loans Receivable	2,569,268	1,941,363
Less:		

Loans in Process	28,766	20,642
Allowance for Losses on Loans	33,454	41,797
Premiums on Loans Purchased, Deferred Loan Fees and Unearned Discounts, Net	(18,495)	(13,032)
-----		
Loans Receivable, Net	\$2,525,543	\$1,891,956
-----		

Included above at December 31, 1996 and 1995 are \$395.7 million and \$466.9 million, respectively, of residential and consumer loans acquired from the FDIC in the First Constitution acquisition ("Reserve Assets"). In 1992, the Bank established \$46.5 million in allowances for loan losses and allowances for loans held for sale through purchase accounting adjustments to cover its portion of losses on the Reserve Assets. For four years after the acquisition date, the FDIC was required to reimburse the Bank quarterly, in an aggregate amount up to \$20 million, for 80% of all net charge-offs on the Reserve Assets and the Bank's share of net charge-offs and expenses associated with Segregated Assets ("Webster Bank's Shared Losses"), if such charge-offs on the Reserve Assets and Webster Bank's portion of the Shared Losses collectively exceed \$52 million. Cumulative net charge-offs on Reserve Assets and the Bank's share of net charge-offs and expenses associated with Segregated Assets from acquisition date through 1996 totaled \$38.0 million. The reporting period for contingent reserve assets expired at December 31, 1996 and the losses recognized by the Bank on these assets were less than those required for the FDIC to make additional payments to the Bank. See Note 4 for a discussion on Segregated Assets.

Webster adopted SFAS No. 114 "Accounting by Creditors for Impairment of a Loan" on January 1, 1995 as amended by SFAS No. 118, with no impact on its results of operations. At December 31, 1996, Webster had \$7.5 million of impaired loans, of which \$1.1 million was measured based upon the fair value of the underlying collateral and \$6.4 million was measured based upon the expected future cash flows of the impaired loans. Of the total impaired loans of \$7.5 million, \$1.6 million had allowances for losses on impaired loans of \$556,000. In 1996 and 1995, the average balance of impaired loans was \$9.8 million and \$12.8 million, respectively. The allowance for losses on impaired loans was established as a result of an allocation from the allowance for losses on loans.

Webster's policy with regard to the recognition of interest income on impaired loans includes an individual assessment of each loan. Interest which is more than 90 days past due is not accrued. When payments on impaired loans are received, Webster records interest income on a cash basis or applies the total payment to principal based on an individual assessment of each loan. Cash basis interest income recognized on impaired loans for the twelve months ended December 31, 1996 and 1995 amounted to \$74,623 and \$50,362, respectively.

A detail of the changes in the allowances for loan losses for the three years follows:

(IN THOUSANDS)	December 31,				
	1996		Allowance	1995	1994
	Impaired Loans	Total Loans			
Balance at Beginning of Period	\$39,704	\$ 2,093	\$ 41,797	\$ 46,772	\$ 45,168
Provisions Charged to Operations	4,000	-	4,000	3,100	2,780
Acquired Allowance for Purchased Loans	5,000	-	5,000	-	12,819
Allocation to General Allowance	304	(304)	-	-	-
Charge-offs	(18,414)	(1,233)	(19,647)	(10,860)	(17,099)
Recoveries	2,304	-	2,304	2,785	3,104
-----					
Balance at End of Period	\$32,898	\$ 556	\$ 33,454	\$ 41,797	\$ 46,772
-----					

Webster is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments included commitments to extend credit and commitments to sell residential first mortgage loans. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized on the balance sheet.

The estimated fair value of commitments to extend credit is considered insignificant at December 31, 1996 and 1995. Future loan commitments represent residential mortgage loan commitments, letters of credit, standby letters of credit, credit card lines and unused home equity credit lines. Rates for these loans are generally established shortly before closing. The rates on home equity lines of credit generally vary with the prime rate.

At December 31, 1996 and 1995 residential mortgage commitments outstanding totaled \$49.2 million and \$45.8 million, respectively. Residential commitments outstanding at December 31, 1996 consist of adjustable and fixed-rate mortgages of \$27.6 million and \$21.6 million respectively, at rates ranging from 5.9% to 8.3%. Commitments to originate loans generally expire within 60 days. In addition, at December 31, 1996 and 1995, there were unused portions of home equity credit lines extended by Webster of \$165.7 million and \$158.5 million, respectively. Unused commercial lines of credit, letters of credit, standby letters of credit and outstanding commercial new loan commitments totaled \$87.6 million and \$40.3 million at December 31, 1996 and 1995, respectively. Additionally, unused credit card lines were \$33.0 million at December 31, 1996.

There were no credit card lines outstanding at December 31, 1995.

Webster uses forward commitments to sell residential first mortgage loans which are entered into for the purpose of reducing the market risk associated with originating loans held for sale. The types of risk that may arise are from the possible inability of Webster or the other party to fulfill the contracts. At December 31, 1996 and 1995, Webster had forward commitments to sell loans totaling \$3.7 million and \$2.9 million, respectively, at rates between 5.75% and 9.0% and 5.5% and 8.0%, respectively. The estimated fair value of commitments to sell loans is considered insignificant at December 31, 1996 and 1995.

At December 31, 1996, 1995 and 1994, Webster serviced, for the benefit of others, mortgage loans aggregating approximately \$965.1 million, \$753.1 million and \$944.5 million, respectively. During 1996, Webster purchased mortgage loan servicing assets with a principal balance of \$272.5 million and recorded a mortgage servicing asset of \$2.8 million and during 1995, Webster sold mortgage servicing assets with a principal balance of \$290.0 million and recorded a \$2.2 million gain on their sale.

NOTE 5: SEGREGATED ASSETS, NET

Segregated Assets, Net are certain assets purchased from the FDIC in the First Constitution acquisition which are subject to a loss-sharing arrangement with the FDIC:

(IN THOUSANDS)	At December 31,	
	1996	1995
Commercial Real Estate Loans	\$ 58,745	\$ 79,995
Commercial Loans	6,606	10,439
Multi-Family Real Estate Loans	12,772	16,341
Other Real Estate Owned	406	1,299
	78,529	108,074
Allowance for Segregated Asset Losses	(2,859)	(3,235)
Segregated Assets, Net	\$ 75,670	\$104,839

The FDIC is required to reimburse Webster quarterly through 1997 for 80% of all net charge-offs (i.e., the excess of charge-offs over recoveries) and certain permitted expenses related to the Segregated Assets.

During 1998 and 1999, Webster is required to pay quarterly to the FDIC an amount equal to 80% of the recoveries during such years on Segregated Assets which were previously charged off after deducting certain permitted expenses related to those assets. Webster is entitled to retain 20% of such recoveries during the sixth and seventh years following the First Constitution acquisition and 100% thereafter.

Upon termination of the seven-year period after the First Constitution acquisition (December, 1999), if the sum of Webster's 20% share of net charge-offs on Segregated Assets for the first five years after the acquisition date plus permitted expenses during the entire seven-year period, less any recoveries during the sixth and seventh year on Segregated Assets charged off during the first five years, exceeds \$49.2 million, the FDIC is required to pay Webster an additional 15% of any such excess over \$49.2 million at the end of the seventh year. At December 31, 1996, cumulative net charge-offs and expenses aggregated \$53.9 million. During the first quarter of 1996, Webster began recording the additional 15% reimbursement as a receivable from the FDIC (See Note 7). As of December 31, 1996, Webster had received a total of \$42.2 million in reimbursements for net charge-offs and permitted expenses from the FDIC. At December 31, 1996 and 1995, Webster had allowances for losses of \$2.9 million and \$3.2 million, respectively, to cover its portion of Segregated Assets losses.

A detail of changes in the allowance for Webster's share of losses for Segregated Assets follows:

(IN THOUSANDS)	At December 31,	
	1996	1995
Balance at Beginning of Period	\$ 3,235	\$ 4,420
Charge-offs	(621)	(1,772)
Recoveries	245	587
Balance at End of Period	\$ 2,859	\$ 3,235

At December 31, 1996 and 1995, nonperforming Segregated Assets are classified as follows:

(IN THOUSANDS)	At December 31,	
	1996	1995
Commercial Real Estate Loans	\$ 3,337	\$ 2,604
Commercial Loans	192	1,203
Multi-Family Real Estate Loans	495	1,432
Foreclosed Property:		
Commercial Real Estate	269	648
Multi-Family Real Estate	138	651
Total	\$ 4,431	\$ 6,538

NOTE 6: PREMISES AND EQUIPMENT, NET

A summary of premises and equipment, net follows:

(IN THOUSANDS)	December 31,	
	1996	1995
Land	\$ 6,969	\$ 6,162
Buildings and Improvements	36,322	29,809
Leasehold Improvements	3,046	1,772
Furniture, Fixtures and Equipment	31,580	27,020
Total Premises and Equipment	77,917	64,763
Accumulated Depreciation and Amortization	28,132	24,109
Premises and Equipment, Net	\$ 49,785	\$ 40,654

At December 31, 1996, Webster was obligated under various non-cancelable operating leases for properties used as branch office facilities. The leases contain renewal options and escalation clauses which provide for increased rental expense based primarily upon increases in real estate taxes over a base year. Rental expense under leases was \$2,177,000, \$827,000 and \$950,000 in 1996, 1995 and 1994, respectively. Webster is also entitled to rental income under various non-cancelable operating leases for properties owned. Rental income under these leases was \$1,917,000, \$1,682,000 and \$1,474,000 in 1996, 1995 and 1994, respectively.

The following is a schedule of future minimum rental payments and receipts required under these leases as of December 31, 1996:

(IN THOUSANDS)	Payments	Receipts
Years ending December 31:		
1997	\$ 2,304	\$ 820
1998	2,095	577
1999	1,804	513
2000	1,461	468
2001	1,338	415
Later years	6,697	948
Total	\$ 15,699	\$ 3,741

NOTE 7: PREPAID EXPENSES AND OTHER ASSETS

A summary of prepaid expenses and other assets follows:

(IN THOUSANDS)	December 31,	
	1996	1995
Due from FDIC	\$ 1,420	\$ 1,174
Income Taxes Receivable	6,913	1,809
Deferred Tax Asset, Net (Note 14)	13,714	14,820
Mortgage Servicing Rights, Net	5,108	2,617
Other Assets	5,728	3,426
Prepaid Expenses and Other Assets	\$ 32,883	\$ 23,846

Of the \$1.4 million due from FDIC at December 31, 1996, \$926,000 represents Webster's 80% reimbursement for fourth quarter net charge-offs and expenses on Segregated Assets which will be received in the first quarter of 1997. The remaining 474,000 represents the additional 15% reimbursement of charge-offs and expenses which Webster will receive at the end of the seventh year (See Note 5). The increase in Income Taxes Receivable is due to the timing of the SAIF recapitalization in the third quarter of 1996. Other Assets are primarily comprised of prepaid expenses and various miscellaneous assets.

During the 1995 second quarter, Webster adopted Statement of Financial Accounting Standard No. 122 ("SFAS 122") "Accounting for Mortgage Servicing Rights." This statement requires that a mortgage banking entity recognize as a separate asset the value of the right to service mortgage loans for others, regardless of how those servicing rights are acquired. Amortization of mortgage servicing rights was \$439,000, \$651,000, and \$474,000 for the years ended December 31, 1996, 1995 and 1994 respectively. During 1996 and 1995 Webster capitalized mortgage servicing assets of \$308,000 and \$184,000, respectively related to originating loans and selling them servicing retained. Also, during 1996 Webster purchased mortgage loan servicing assets with a principal balance of \$272.5 million and recorded a mortgage loan servicing asset of \$2.8 million. At December 31, 1996 the allowance for decline in value of mortgage loan servicing rights was \$95,000 and was established through a provision in 1996. There was no allowance for mortgage servicing rights at December 31, 1995.

NOTE 8: DEPOSITS

Deposits and weighted average rates are summarized as follows:

(IN THOUSANDS)	1996		December 31,		1995	
	Weighted Average Rate	Balance	% of Total	Weighted Average Rate	Balance	% of Total
Regular Savings	2.49%	\$ 652,175	21.1%	2.09%	\$ 471,588	19.6%
NOW Accounts	1.64	343,271	11.1	1.83	226,770	9.4
Demand Deposits	-	263,445	8.5	-	124,419	5.2
Money Market Deposit Accounts	3.76	101,552	3.3	4.03	87,371	3.6
Certificate Accounts:						
Up to 12 months	5.00	927,827	30.0	5.19	707,540	29.5
13 to 24 months	5.67	530,827	17.1	5.92	521,104	21.7
25 to 36 months	5.77	55,765	1.8	5.52	70,812	3.0
Over 36 months	6.14	221,014	7.1	6.16	190,598	8.0
Total Certificates	5.37	1,735,433	56.0	5.59	1,490,054	62.2
Total Deposits	3.84%	\$3,095,876	100.0%	4.20%	\$2,400,202	100.0%

Interest expense on deposits is summarized as follows:

(IN THOUSANDS)	Years Ended December 31,		
	1996	1995	1994
Regular Savings	\$ 15,665	\$ 11,284	\$ 12,139
NOW Accounts	5,096	2,838	3,906
Money Market Deposit Accounts	3,943	5,139	4,946
Certificate Accounts	89,682	78,874	55,844
Total	\$ 114,386	\$ 98,135	\$ 76,835

The following table presents the amount of time deposits in amounts of \$100,000 or more at December 31, 1996 maturing during the periods indicated:

(IN THOUSANDS)	Maturing	Amount
January 1, 1997 to March 31, 1997		\$ 37,697
April 1, 1997 to June 30, 1997		41,701
July 1, 1997 to December 31, 1997		39,387
January 1, 1998 and beyond		34,924
Total		\$ 153,709

NOTE 9: FEDERAL HOME LOAN BANK ADVANCES

Advances payable to the Federal Home Loan Bank of Boston are summarized as follows:

(DOLLARS IN THOUSANDS)	At December 31,	
	1996	1995
-----		
Fixed Rate:		
-----		
4.82% to 8.61% Due 1996	\$ -	\$ 295,400
5.34% to 7.39% Due 1997	293,000	50,000
5.40% to 6.48% Due 1998	65,000	15,000
8.86% Due 1999	700	700
6.31% Due 2000	10,000	10,000
-----		
	368,700	371,100
-----		
Variable Rate:		
-----		
5.94% to 6.41% Due in 1996	-	12,000
7.32% Due in 1997	39,034	-
-----		
	39,034	12,000
-----		
Total Federal Home Loan Bank Advances	\$ 407,734	\$ 383,100
-----		

The weighted average cost of the Federal Home Loan Bank Advances at December 31, 1996 and 1995 was 5.87% and 6.31%, respectively.

At December 31, 1996, the Bank had additional borrowing capacity of over \$1.4 billion from the Federal Home Loan Bank, including a line of credit of approximately \$41.3 million. Advances are secured by the Bank's investment in FHLB stock and a blanket security agreement. This agreement requires the Bank to maintain as collateral certain qualifying assets, principally mortgage loans and securities. At December 31, 1996 and 1995, the Bank was in compliance with the Federal Home Loan Bank collateral requirements.

NOTE 10: OTHER BORROWINGS

The following table summarizes other borrowings at December 31, 1996 and 1995.

(DOLLARS IN THOUSANDS)	At December 31,	
	1996	1995
-----		
Reverse Repurchase Agreements	\$ 77,585	\$ 126,884
Senior Notes	40,000	40,000
Bank Line of Credit	18,000	-
ESOP Borrowings	2,546	3,130
Other Borrowings	6,496	-
-----		
Total	\$ 144,627	\$ 170,014
-----		

The weighted average rates for other borrowed funds for the 1996 and 1995 year periods were 6.28% and 7.58%, respectively.

During 1996, reverse repurchase agreement transactions were the primary source of borrowed funds with the exception of FHLB advance borrowings (See Note 9). The average balance and weighted average rate for repurchase transactions for the 1996 year period was \$129.2 million and 5.52% as compared to \$37.8 million and 5.91% for the 1995 year period. Securities underlying the reverse repurchase transactions held as collateral are primarily U.S. Agency securities consisting of GNMA and FNMA securities. Securities for reverse repurchase agreement transactions related to Webster's funding operations are delivered to broker-dealers who arrange the transactions. Webster also enters into reverse repurchase agreements directly with certain customers.

Information concerning borrowings under reverse repurchase agreements is summarized below:

(DOLLARS IN THOUSANDS)			
Balance at December 31, 1996	Weighted Average Maturity Date	Book Value of Collateral	Market Value of Collateral
\$77,585	1.2 months	\$78,491	\$79,287

The maximum amount of outstanding reverse repurchase agreements at any month-end during the 1996 period was \$180.7 million.

In 1996, Webster also utilized a variable rate line of credit through a

Source: WEBSTER FINANCIAL CO, 10-K, March 27, 1997

correspondent bank with a credit limit of \$20 million. Webster has established multiple sources of funding and uses the most favorable source under the circumstances in conjunction with asset and liability management strategies. The ESOP borrowings are from a correspondent bank at a floating rate based on the correspondent bank's base (prime) rate and such rates at December 31, 1996 and 1995 were 7.90% and 8.36%, respectively. The estimated fair value of the ESOP borrowings approximates book value at December 31, 1996 and 1995. The terms of the loan agreements call for the ESOP to make annual scheduled principal repayments through the year 2001. Interest is paid quarterly and the borrowings are secured and guaranteed by Webster. See Note 15 for a description of the increase in the ESOP's outstanding indebtedness in 1994.

On June 29, 1993, Webster completed a registered offering of \$40 million of 8 3/4% Senior Notes due 2000 ("the Senior Notes"). Webster used \$18.25 million from the net proceeds of the offering to redeem the remaining shares of Series A Stock issued by Webster to the FDIC in connection with the First Constitution acquisition. The Senior Notes may not be redeemed by Webster prior to maturity and are not exchangeable for any shares of Webster's common stock.

NOTE 11: INTEREST RATE FINANCIAL INSTRUMENTS

Webster utilizes as part of its asset/liability management strategy various interest rate contracts including short futures positions, interest rate swaps, interest rate caps and interest rate floors. (See Note 3 for disclosures on futures positions). Webster utilized interest rate financial instruments to hedge mismatches in interest rate maturities to reduce exposure to movements in interest rates. These interest rate financial instruments involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur if a counterparty to a transaction fails to perform according to the terms of the contract. Market risk is the effect of a change in interest rates or currency rates on the value of the financial instrument. The notional amount of interest rate financial instruments is the amount upon which interest and other payments under the contract are based. For interest rate financial instruments, the notional amount is not exchanged and therefore, the notional amounts should not be taken as a measure of credit or market risk.

The fair value, which approximates the cost to replace the contract at the current market rates is generally representative of market risk. Credit risk related to the interest rate swaps at December 31, 1996 is not significant due to counterparty ratings and to the fact that Webster is currently paying amounts that are greater than it is receiving. Credit risk related to interest rate caps and interest rate floors approximates their fair market value at December 31, 1996. In the event of a default by a counterparty, the cost to Webster, if any, would be the replacement cost of the contract at the current market rate.

Interest rate financial instruments are summarized as follows:

(IN THOUSANDS)	Notional Amount December 31,		Fair Market Value December 31,		Book Value December 31,	
	1996	1995	1996	1995	1996	1995
Interest rate swap agreements	\$ 50,000	\$ 150,000	\$ (15)	\$ (4,954)	-	-
Interest rate floor agreements	100,000	-	1,602	-	1,482	-
Interest rate cap agreements	225,000	125,000	2,449	173	3,978	816
Total	\$ 375,000	\$ 275,000	\$ 4,036	\$ (4,781)	\$ 5,460	\$ 816

Interest rate swap agreements involve the exchange of fixed and variable interest payments based upon notional amounts paid to a maturity date. At December 31, 1996, Webster had one interest rate swap agreement in which the corporation received a variable rate based on LIBOR and paid a fixed rate of 6.04%. Total net interest expense paid on swap agreements totaled \$903,000 for the year ended December 31, 1996.

Interest rate cap agreements require cash payments to be made or received only if current interest rates rise above a predetermined interest rate. At December 31, 1996, Webster had two outstanding cap agreements with an interest rate cap of 7% and one outstanding interest rate cap agreement with an interest rate cap of 6.50%. The amount paid for entering into the interest rate cap is amortized over the life of the agreement as an adjustment to mortgage-backed securities available for sale interest income. At December 31, 1996, Webster had \$4.0 million of unamortized interest rate cap balances and during the 1996 period amortized \$496,000. Similarly, interest-rate floor agreements require cash payments to be made or received if current interest rates fall below a predetermined interest rate. At December 31, 1996, Webster had one outstanding interest rate floor agreement with an interest rate floor of 5.75%. The amount paid for entering into an interest rate floor agreement is amortized over the life of the agreement as an adjustment to mortgage-backed securities available for sale interest income. At December 31, 1996, Webster had \$1.5 million of unamortized floor balances and during the 1996 period amortized \$235,000.

## NOTE 12: SUMMARY OF ESTIMATED FAIR VALUES

A summary of estimated fair values consisted of the following:

(IN THOUSANDS)	1996		December 31,		1995	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets:</b>						
Securities (Note 3)	\$ 1,065,118	\$ 1,062,316	\$ 1,044,640	\$ 1,048,467		
Residential Loans	1,922,190	1,975,421	1,560,823	1,620,103		
Consumer Loans	94,353	93,698	49,814	51,892		
Home Equity Loans	157,500	162,682	123,724	127,794		
Commercial Loans	384,953	379,557	199,392	199,040		
Less Allowance for Loan Losses	33,454	-	41,797	-		
Segregated Assets, Net (Note 5)	75,670	75,670	104,839	104,839		
Interest rate contracts (Note 11)	5,460	4,036	816	(4,781)		
Mortgage Servicing Rights, Net	5,108	5,934	2,617	2,617		
Other Assets	240,702	240,702	174,802	174,802		
<b>Liabilities:</b>						
Deposits Other than Certificates	\$ 1,360,443	\$ 1,360,443	\$ 910,148	\$ 910,148		
Certificate Accounts:						
Maturing in Less than One Year	927,826	926,238	1,109,471	1,111,199		
Maturing in One Year and Beyond	807,607	807,603	380,583	389,233		
Federal Home Loan Bank Advances	407,734	408,023	383,100	385,678		
Other Borrowings	144,627	144,565	170,014	170,890		
Other Liabilities	63,067	63,607	56,381	56,381		

In December 1991, the Financial Accounting Standards Board issued Statement No. 107, "Disclosures about Fair Value of Financial Instruments," which requires all entities to disclose the fair value of financial instruments, including both assets and liabilities recognized and not recognized in the statement of financial position, for which it is practicable to estimate fair value.

The carrying amounts for interest-bearing deposits approximate fair value since they mature in 90 days or less and do not present unanticipated credit concerns. The fair value of securities (Note 3) is estimated based on prices published in financial newspapers or quotations received from securities dealers or pricing services. The fair value of interest rate contracts was based on the amount Webster would receive or pay to terminate the agreements. Federal Home Loan Bank stock has no active market and is required to be held by member banks. The estimated fair value of Federal Home Loan Bank stock equals the carrying amount.

In estimating the fair value of loans, portfolios with similar financial characteristics were classified by type. Loans were segmented into four generic types: residential, consumer, home equity and commercial. Residential loans were further segmented into fifteen and thirty year fixed-rate contractual maturities, with the remaining classified as variable-rate loans. The fair value of each category is calculated by discounting scheduled cash flows through estimated maturity using market discount rates. Adjustments were made to reflect credit and rate risks inherent in the portfolio.

Due to the loss-sharing arrangement with the FDIC, a yield on Segregated Assets that approximates a market yield and the allowance for Webster's share of losses on Segregated Assets, Webster believes that the estimated fair value of Segregated Assets approximates their carrying amount of \$75.7 million and \$104.8 million at December 31, 1996 and December 31, 1995, respectively.

The estimated fair value of deposits with no stated maturity, such as noninterest bearing demand deposits, regular savings, NOW accounts and money market accounts, is equal to the amount payable on demand. The estimated fair values of certificates of deposit, Federal Home Loan Bank Advances, and other borrowings were calculated using the discounted cash flow method. The discount rate is estimated using rates currently offered for deposits and Federal Home Loan Bank Advances of similar remaining maturities. The discount rate used for the Senior Notes was calculated using a spread over Treasury Notes consistent with the spread used to price the Senior Notes at their inception.

The calculation of fair value estimates of financial instruments is dependent upon certain subjective assumptions and involves significant uncertainties, resulting in variability in estimates with changes in assumptions. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed. Fair value estimates are not intended to reflect the liquidation value of the financial instruments.

## NOTE 13: FORECLOSED PROPERTY EXPENSES AND PROVISIONS, NET AND ALLOWANCE FOR LOSSES ON FORECLOSED PROPERTIES

Foreclosed property expenses and provisions, net are summarized as follows:

(IN THOUSANDS)	Years Ended December 31,		
	1996	1995	1994

(Gain) Loss on Sale of Foreclosed Properties			
Acquired in Settlement of Loans, Net	\$ (1,061)	\$ (918)	\$ 465
Provision for Losses on Foreclosed Properties	1,096	2,000	3,082
Rental Income	(230)	(646)	(1,017)
Foreclosed Property Expenses	2,268	3,589	4,419
<b>Total</b>	<b>\$ 2,073</b>	<b>\$ 4,025</b>	<b>\$ 6,949</b>

Webster has an allowance for losses on foreclosed properties. A detail of the changes in the allowance follows:

(IN THOUSANDS)	Years Ended December 31,		
	1996	1995	1994
Balance at Beginning of Period	\$ 991	\$ 2,504	\$ 1,036
Provisions	1,096	2,000	3,082
Losses Charged to Allowance	(1,513)	(3,795)	(8,966)
Recoveries Credited to Allowance	144	282	852
Additions to Allowance for Acquired Foreclosed Properties	-	-	6,500
<b>Balance at End of Period</b>	<b>\$ 718</b>	<b>\$ 991</b>	<b>\$ 2,504</b>

In connection with the Bristol acquisition in 1994, a purchase accounting adjustment of \$5.9 million for the allowance for losses on foreclosed properties was recorded at the time of the acquisition and added to Bristol's existing allowance of \$600,000 to reflect an accelerated disposition strategy.

#### NOTE 14: INCOME TAXES

Charges for income taxes in the Consolidated Statements of Income are comprised of the following:

(IN THOUSANDS)	Years Ended December 31,		
	1996	1995	1994
<b>Current:</b>			
Federal	\$ 12,011	\$ 10,370	\$ 7,929
State	1,874	3,170	2,751
	13,885	13,540	10,680
<b>Deferred:</b>			
Federal	(1,292)	(4,171)	(4,452)
State	1,869	(1,123)	(1,378)
	577	(5,294)	(5,830)
<b>Total:</b>			
Federal	10,719	6,199	3,477
State	3,743	2,047	1,373
	\$ 14,462	\$ 8,246	\$ 4,850

Income tax expense of \$14.5 million, \$8.2 million and \$4.8 million for the years ended December 31, 1996, 1995 and 1994, respectively, differed from the amounts computed by applying the Federal income tax rate of 35% in 1996, 1995 and 1994 to pre-tax income as a result of the following:

(IN THOUSANDS)	Years Ended December 31,		
	1996	1995	1994
Computed "Expected" Tax Expense	\$ 14,024	\$ 9,298	\$ 8,238
Reduction in Income Taxes Resulting From:			
Dividends Received Deduction	(125)	(123)	(135)
State Income Taxes, Net of Federal Income Tax Benefit, Including Change in Valuation Allowance and Rate	2,433	1,330	895
Adjustment to Deferred Tax Assets and Liabilities:			
Change in Federal Tax Rate	-	-	(265)
Change in Valuation Allowance (Federal)	(2,000)	(2,294)	(3,781)
Other, Net	130	35	(102)
<b>Income Taxes</b>	<b>\$ 14,462</b>	<b>\$ 8,246</b>	<b>\$ 4,850</b>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1996 and 1995 are presented below.

(IN THOUSANDS)

Deferred Tax Assets:	December 31, 1996	December 31, 1995
Loan Loss Allowances & Other Allowances, Net	\$ 18,286	\$ 23,285
Accrued Compensation and Pensions	2,331	1,995
Tax Loss Carry Forwards	-	2,025
Intangibles	3,050	2,786
Other	1,889	2,506
<b>Total Gross Deferred Tax Assets</b>	<b>25,556</b>	<b>32,597</b>
Less Valuation Allowance	(6,207)	(8,207)
<b>Deferred Tax Asset after Valuation Allowance</b>	<b>19,349</b>	<b>24,390</b>
<b>Deferred Tax Liabilities:</b>		
Loan Discount	\$ 2,337	\$ 6,132
Plant and Equipment, Principally due to Differences in Depreciation	-	281
Unrealized Gain on Securities	2,178	1,649
Other	1,120	1,508
<b>Total Gross Deferred Tax Liabilities</b>	<b>5,635</b>	<b>9,570</b>
<b>Net Deferred Tax Asset</b>	<b>\$ 13,714</b>	<b>\$ 14,820</b>

At December 31, 1996 Webster had a net deferred tax asset of \$13.7 million. In order to fully realize the net deferred tax asset, Webster must either incur tax losses to carryback or generate future taxable income. Based on Webster's historical and current taxable earnings, management believes it is more likely than not that Webster will realize the net deferred tax asset. There can be no assurance, however, that Webster will generate taxable earnings or a specific level of continuing taxable earnings in the future.

Webster's deferred tax valuation allowance is principally for a portion of temporary differences that may be subject to review by taxing authorities. The net decreases in the valuation allowance in 1996, 1995 and 1994 were due to favorable reassessments of known risks and resulted in reductions of income tax expense in those years.

#### NOTE 15: SHAREHOLDERS' EQUITY

Shareholders' equity decreased \$3.7 million to \$206.3 million at December 31, 1996 from \$210.0 million at December 31, 1995. The reduction in shareholders' equity from 1995 to 1996 was due primarily to the repurchase of 804,900 shares of common stock in 1996 as part of two share repurchase programs. See Consolidated Statements of Shareholders' Equity.

In December 1995, Webster completed the sale of 1,249,600 shares of common stock in an underwritten public offering raising \$32.1 million of additional capital, net of expenses, which was invested in the Bank to facilitate its completion of the Shawmut Transaction and to have the Bank remain well capitalized for regulatory purposes.

On November 1, 1995, Webster acquired Shelton (See Note 2). In connection with the acquisition, Webster issued 1,292,549 shares of its common stock for all the outstanding shares of Shelton common stock. Under the terms of the agreement, Shelton shareholders received .92 of a share of Webster common stock in a tax free exchange for each of their shares of Shelton common stock.

On December 16, 1994, Webster acquired Shoreline (See Note 2). In connection with the acquisition, Webster issued 266,500 shares of its common stock for all 533,000 outstanding shares of Shoreline common stock, based on an exchange ratio of 1 share of Webster's common stock for 2 shares of Shoreline's common stock.

On March 3, 1994, Webster completed the sale of 1,150,000 shares of its common stock in subscription and underwritten public offerings that were conducted in connection with the Bristol acquisition. Of the 1,150,000 shares sold in the subscription and public offerings, 100,000 shares were purchased by Webster Bank's ESOP. The ESOP's outstanding loan balance was increased by approximately \$2.1 million in connection with the purchase.

On December 30, 1992, through a registered offering, Webster issued 250,000 shares of Series B 7 1/2% Cumulative Convertible Preferred Stock (the "Series B Stock") for \$25 million. Webster used 50% of the net proceeds of \$23.5 million from this equity offering to redeem \$11.75 million of its Series A Preferred Stock issued to the FDIC in connection with the purchase of certain assets and liabilities of First Constitution Bank in October 1992. On June 29, 1993, Webster completed a registered offering of \$40 million aggregate principal amount of 8 3/4% Senior Notes due 2000. Webster used \$18.25 million of the proceeds from this offering to redeem the remaining shares of its Series A Preferred Stock. During 1996 and 1995 holders of the Series B Stock converted

73,785 shares and 260 shares into 423,525 shares and 1,492 shares, respectively of Webster's common stock. The remaining 98,084 shares of Series B Stock converted into 563,002 shares of common stock in January 1997.

Retained earnings at December 31, 1996 included \$16.4 million of earnings of the Bank appropriated to bad debt reserves (pre-1988), which were deducted for federal income tax purposes. Tax law changes were enacted in August 1996 to eliminate the "thrifty bad debt" method of calculating bad debt deductions for tax years after 1995 and to impose a requirement to recapture into taxable income (over a six-year period) all bad debt reserves accumulated after 1987. Since Webster previously recorded a deferred tax liability with respect to these post-1987 reserves, its total income tax expense for financial reporting purposes will not be affected by the recapture requirement. The tax law changes also provide that taxes associated with the recapture of pre-1988 bad debt reserves would become payable under more limited circumstances than under prior law. Under the tax laws, as amended, events that would result in recapture of the pre-1988 bad debt reserves include stock and cash distributions to the holding company from the Bank in excess of specified amounts. Webster does not expect such reserves to be recaptured into taxable income.

Applicable OTS regulations require federal savings banks such as the Bank, to satisfy certain minimum capital requirements, including a leverage capital requirement (expressed as a ratio of core or Tier 1 capital to adjusted total assets) and risk-based capital requirements (expressed as a ratio of core or Tier 1 capital and total capital to total risk-weighted assets). As an OTS regulated institution, Webster Bank is also subject to a minimum tangible capital requirement (expressed as a ratio of tangible capital to adjusted total assets). At December 31, 1996 the Bank exceeded all OTS regulatory capital requirements and met the FDIC requirements for a "well capitalized" institution. In order to be considered "well capitalized" a depository institution must have a ratio of Tier 1 capital to adjusted total assets of 5%, a ratio of Tier 1 capital to risk-weighted assets of 6% and a ratio of total capital to risk-weighted assets of 10%. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that if undertaken, could have a direct material effect on Webster's Consolidated Financial Statements. Webster's capital amounts and classifications are also subject to qualitative judgements by the OTS about components, risk weightings, and other factors. At December 31, 1996, the Bank was in full compliance with all applicable capital requirements as detailed below:

(DOLLARS IN THOUSANDS)	Actual		OTS Minimum Capital Requirements		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1996						
Total Capital (to Risk-Weighted Assets)	\$226,634	11.43%	\$158,632	8.00%	\$198,290	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	\$201,720	10.17%	\$ 79,316	4.00%	\$118,974	6.00%
Tier 1 Capital (to Adjusted Total Assets)	\$201,720	5.22%	\$115,850	3.00%	\$193,084	5.00%
Tangible Capital (to Adjusted Total Assets)	\$197,738	5.13%	\$ 57,866	1.50%	No Requirement	
As of December 31, 1995						
Total Capital (to Risk-Weighted Assets)	\$209,174	13.30%	\$125,863	8.00%	\$157,329	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	\$189,444	12.04%	\$ 62,932	4.00%	\$ 94,397	6.00%
Tier 1 Capital (to Adjusted Total Assets)	\$189,444	5.99%	\$ 94,810	3.00%	\$158,016	5.00%
Tangible Capital (to Adjusted Total Assets)	\$184,715	5.85%	\$ 47,334	1.50%	No Requirement	

At the time of the respective conversions of the Bank and certain predecessors from mutual to stock form, each institution established a liquidation account for the benefit of eligible depositors who continue to maintain their deposit accounts after conversion. In the event of a complete liquidation of the Bank, each eligible depositor will be entitled to receive a liquidation distribution from the liquidation account. The Banks may not declare or pay a cash dividend on or repurchase any of its capital stock if the effect thereof would cause its regulatory capital to be reduced below applicable regulatory capital requirements or the amount required for its liquidation accounts.

The OTS capital distribution regulations establish three tiers of institutions for purposes of determining the level of dividends that can be paid. Since the Bank's capital levels exceeded all fully phased-in OTS capital requirements at December 31, 1996, it is considered a Tier 1 Institution. Tier 1 Institutions generally are able to pay dividends up to an amount equal to one-half of their excess capital at the beginning of the year plus all income for the calendar year. In accordance with the OTS capital distribution regulations, the Bank must provide a 30 day notice prior to the payment of any dividends to Webster. As of December 31, 1996, the Bank had \$74.8 million available for the payment of dividends under the OTS capital distribution regulations. The Bank has paid dividends to Webster amounting to \$20.8 million and \$13.1 million for 1996 and 1995, respectively. Under the prompt corrective action regulations adopted by the OTS and the FDIC, the Bank is precluded from paying any dividends if such action would cause it to fail to comply with applicable minimum capital requirements.

The Bank has an ESOP that invests in Webster common stock as discussed in Notes 10 and 16. Since Webster has secured and guaranteed the ESOP debt, the outstanding ESOP loan balance is shown as a reduction of shareholders' equity.

Shareholders' equity is increased by the amount of principal repayments on the ESOP loan. Principal repayments totaled \$583,000, \$545,000 and \$384,000 during the years ended December 31, 1996, 1995 and 1994, respectively.

On February 6, 1996, Webster's Board of Directors adopted a stockholders' rights plan in which preferred stock purchase rights have been granted as a dividend at the rate of one right for each share of common stock held of record as of the close of business on February 16, 1996. The plan is designed to protect all Webster shareholders against hostile acquirers who may seek to take advantage of Webster and its shareholders through coercive or unfair tactics aimed at gaining control of Webster without paying all shareholders a fair price. Each right initially would entitle the holder thereof to purchase under certain circumstances one 1/1,000th of a share of a new Series C Preferred Stock at an exercise price of \$100 per share. The rights will expire in February 2006. The rights will be exercisable only if a person or group in the future becomes the beneficial owner of 15% or more of the common stock, or announces a tender or exchange offer which would result in its ownership of 15% or more of the common stock, or if the Board declares any person or group to be an "adverse person" upon a determination that such person or group has acquired beneficial ownership of 10% or more and that such ownership is not in the best interests of the company.

NOTE 16: EMPLOYEE BENEFIT AND STOCK OPTION PLANS

The Bank maintains a noncontributory pension plan for employees who meet certain minimum service and age requirements. Pensions are based upon earnings of covered employees during the period of credited service. The Bank also has an employee investment plan under section 401(k) of the Internal Revenue Code. Under the savings plan the Bank will match \$.50 for every \$1.00 of the employee's contribution up to 6% of the employee's annual compensation. Operations were charged with \$728,000, \$438,000 and \$388,000 for the years ended December 31, 1996, 1995 and 1994, respectively, for contributions to the investment plan.

The Bank's ESOP, which is noncontributory by employees, is designed to invest, on behalf of employees of the Bank who meet certain minimum age and service requirements, in Webster common stock. The Bank may make contributions to the ESOP in such amounts as the board of directors may determine on an annual basis. To the extent that the Bank's contributions are used to repay the ESOP loan, Webster common stock is allocated to the accounts of participants in the ESOP. Stock and other amounts allocated to a participant's account become fully vested after the participant has completed five years of service under the ESOP. Operations were charged with \$847,000, \$848,000 and \$384,000 for the years ended December 31, 1996, 1995 and 1994, respectively, for contributions to the ESOP. The

1996 ESOP charge includes \$583,525 for principal payments and \$77,283 of interest payments (net of \$133,052 of dividends on unallocated ESOP shares) and \$315,266 of compensation expense recorded as required under the Accounting Standards Executive Committee's Statement of Position 93-6, "Employers Accounting for Stock Ownership Plans."

The following table sets forth the funded status of the Bank's pension plan and amounts recognized in Webster's Consolidated Statements of Condition as of December 31, 1996 and 1995.

(IN THOUSANDS)	December 31,	
	1996	1995
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$ 8,904	\$ 7,518
Nonvested benefit obligation	1,136	642
Accumulated benefit obligation	10,040	8,160
Effect of projected future compensation levels	1,721	1,740
Projected benefit obligation for service rendered to date	11,761	9,900
Plan assets at fair value, primarily listed stocks and U.S. bonds	11,184	10,782
Excess (Deficiency) of plan assets over benefit obligation	(577)	882
Items not yet recognized in earnings:		
Unrecognized prior service cost	(2,221)	(1,913)
Unrecognized net gain (loss)	582	(312)
Unrecognized net asset at January 1, 1987 being recognized over 20.9 years	(130)	(139)
Unfunded Accrued Pension Benefit (Liability)	\$ (2,346)	\$ (1,482)

The weighted average discount rate, rate of increase of future compensation levels and the expected long-term rate of return on assets used in determining the actuarial present value of the projected benefit obligation were 7.25%, 5.0% and 9.0% for 1996 and 1995.

Net pension expense for 1996, 1995 and 1994 included the following components:

Source: WEBSTER FINANCIAL CO, 10-K, March 27, 1997

(IN THOUSANDS)	December 31,		
	1996	1995	1994
Service cost benefits earned during the period	\$ 1,177	\$ 700	\$ 922
Interest cost on projected benefit obligations	799	665	462
Return on plan assets	(1,376)	(2,170)	517
Amortization and deferral	264	1,281	(1,131)
Total	\$ 864	\$ 476	\$ 770

The components of postretirement benefits cost were as follows:

(IN THOUSANDS)	Year Ended December 31,	
	1996	1995
Service cost	\$ -	\$ -
Interest cost	39	39
Net Periodic Postretirement Benefit Cost	\$ 39	\$ 39

The following table sets forth the status of Webster's accumulated postretirement benefit obligation:

(IN THOUSANDS)	December 31,	
	1996	1995
Accumulated benefit obligation	\$ (555)	\$ (550)
Unrecognized net (loss) gain	19	(4)
Unfunded Accrued Postretirement Benefit (Liability)	\$ (536)	\$ (554)

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.25%. The assumed weighted average health care cost trend rate was 4.25% for 1996. An increase of 1% in the assumed health care cost trend rate would result in an increase in the accumulated benefit obligation by \$33,000.

Webster maintains stock option plans (the "Option Plans") for the benefit of its directors and officers. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 123 ("SFAS No. 123") "Accounting for Stock-Based Compensation." This statement establishes financial accounting and reporting standards for stock-based employee compensation plans. Under the provisions of this statement, Webster has elected to continue to measure compensation for its option plans using the accounting prescribed by APB Opinion No. 25 "Accounting for Stock Issued to Employees." Disclosure information requirements are effective for financial statements for fiscal years beginning after December 15, 1995, or for an earlier fiscal year for which this statement is initially adopted for recognizing compensation cost. Pro forma disclosures required for entities that elect to continue to measure compensation cost using APB Opinion No. 25 must include the effects of all awards granted in fiscal years that begin after December 31, 1994.

At December 31, 1996, Webster had two fixed stock option based compensation plans, which are described below. Webster applies the provisions of APB Opinion No. 25 and related interpretations in accounting for these plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans in the Consolidated Statements of Income. Had compensation cost for Webster's stock option based compensation plans been determined consistent with SFAS No. 123; Webster's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(IN THOUSANDS, EXCEPT SHARE DATA)	Years Ended December 31,	
	1996	1995
Net Income:		
As Reported	\$ 25,608	\$ 18,320
Pro Forma	\$ 25,359	\$ 18,083
Primary Earnings Per Share:		
As Reported	\$ 2.97	\$ 2.44
Pro Forma	\$ 2.94	\$ 2.41
Fully Diluted Earnings Per Share:		
As Reported	\$ 2.79	\$ 2.30
Pro Forma	\$ 2.77	\$ 2.27

During the initial phase-in period, the effects of applying this Statement for providing pro forma disclosures are not likely to be representative of the effects on reported net income and earnings per share for future years. This is due to the fact that awards may vest over several years and stock options may be granted each year.

Webster's two fixed stock option plans were established in 1992 and 1986. Under these plans, the number of shares that may be granted are 780,500 and 385,085 respectively, after having been adjusted for a 10% stock dividend that occurred in June 1993 that affected the number of shares under both plans and amendments to the 1992 plan. The 1992 plan was amended in April 1994 and 1996 to increase shares under the Plan by an additional 235,000 and 375,000 shares, respectively. Under the terms of both plans, the exercise price of each option granted equals the market price of the Company's stock on the date of grant and each option has a maximum contractual life of ten years. Tables that

follow provide disclosures and information required under SFAS No. 123 and summarizes stock compensation activity for the years of 1996, 1995 and 1994 for which Consolidated Statements of Income are presented.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted average assumptions used for grants issued during 1996 and 1995: expected option term 10 years, expected dividend yield 1.91%, expected volatility 21.0%, expected forfeiture rate 1.14%, and weighted average risk-free interest rate of 6.42%.

A summary of the status of Webster's two fixed stock option plans at December 31, 1996, 1995, and 1994 and changes during the years ended on those dates is presented below:

	1996		1995		1994	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options Outstanding at Beginning of Year	649,395	\$17.15	559,895	\$ 14.46	390,567	\$ 11.93
Granted	113,681	36.10	148,250	25.32	193,153	19.54
Exercised	(176,005)	11.76	(51,850)	11.18	(20,725)	12.94
Forfeited/Canceled	(8,250)	22.68	(6,900)	18.75	(3,100)	18.99
Options Outstanding at End of Year	578,821	\$22.48	649,395	\$ 17.15	559,895	\$ 14.48
Options Exercisable at Year End	265,721		426,845		433,545	
Weighted Average Per Share Fair Value of Options Granted During the Year		\$12.62		\$ 8.65		N/A

The following table summarizes information about Webster's fixed stock option plans for options granted that are outstanding at December 31, 1996.

Range of Exercise Prices	Options Outstanding at December 31, 1996		Options Exercisable at December 31, 1996		
	Number Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$4.55-\$9.77	59,380	3.3	\$ 7.90	59,380	\$ 7.90
\$10.91-\$19.88	230,558	7.1	\$17.79	154,408	\$ 17.56
\$20.50-\$24.75	89,350	7.3	\$21.16	37,550	\$ 21.05
\$25.25-\$28.13	103,033	8.9	\$27.82	14,383	\$ 27.16
\$34.25-\$38.19	96,500	9.9	\$37.90	-	-
Totals	578,821	7.5	\$22.48	265,721	\$ 16.41

Webster also has two restricted stock plans consisting of a Director Fee Retainer Restricted Stock Plan, which was established in 1996 and a Restricted Stock Plan, which was established in 1992. Under the Director Fee Restricted Stock Plan, a total of 3,120 shares were issued to ten directors with each receiving 312 shares. These restricted shares were reissued from treasury stock and the cost was measured as of the grant date using the fair market value of Webster's stock as of the grant date. Under the Restricted Stock Plan, there were no shares granted in 1996 or 1995 and 8,944 shares granted in 1994. The cost of all restricted shares are amortized to compensation expense over the contractual service period and such expense is reflected in Webster's Consolidated Statements of Income.

NOTE 17: NON-RECURRING EXPENSES

A summary of non-recurring expenses follows:

(IN THOUSANDS)	1996	Years Ended December 31,	
		1995	1994
SAIF Recapitalization Expense	\$ 4,730	\$ -	\$ -
Non-recurring Acquisition Expenses:			
Shawmut Transaction	500	1,000	-
Shelton	-	3,271	-
Shoreline	-	-	\$ 700
Name Change and Subsidiary Merger Expense	-	2,100	-
Core Deposit Intangible Writedown	-	-	5,000
<b>Total</b>	<b>\$ 5,230</b>	<b>\$ 6,371</b>	<b>\$ 5,700</b>

NOTE 18: SUBSEQUENT EVENTS

On January 30, 1997, Webster completed the sale of \$100 million of Webster Capital Trust I Capital Securities. Webster Capital Trust I is a business trust formed for the purpose of issuing capital securities and investing the proceeds in subordinated debentures, due 2027, issued by Webster. Interest payments on the debentures are tax deductible by Webster. The securities have an annual rate of 9.36%, payable semiannually, beginning July 29, 1997. Webster will use the capital for general corporate purposes.

NOTE 19: LEGAL PROCEEDINGS

Webster is party to various legal proceedings normally incident to the kind of business conducted. Management believes that no material liability will result from such proceedings.

NOTE 20: PARENT COMPANY CONDENSED FINANCIAL INFORMATION

The Statements of Condition for 1996 and 1995 and the Statements of Income and Cash Flows for the three-year period ended December 31, 1996 (parent only) are presented below.

Statements of Condition

(IN THOUSANDS)	December 31,	
	1996	1995
<b>Assets</b>		
Cash and Due from Depository Institutions	\$ 168	\$ 440
Securities Available for Sale	24,148	61,400
Investment in Subsidiaries	241,776	191,661
Due from Subsidiaries	117	-
Other Assets	1,470	2,845
<b>Total Assets</b>	<b>\$ 267,679</b>	<b>\$ 256,346</b>
<b>Liabilities and Shareholders' Equity</b>		
Senior Notes due 2000	\$ 40,000	\$ 40,000
Line of Credit	18,400	-
ESOP Borrowings	2,546	3,130
Due to Subsidiaries	-	2,149
Other Liabilities	437	1,094
Shareholders' Equity	206,296	209,973
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 267,679</b>	<b>\$ 256,346</b>

Statements of Income

(IN THOUSANDS)	Years Ended December 31,		
	1996	1995	1994
Dividends from Subsidiary	\$ 20,826	\$ 13,072	\$ 4,596
Interest on Securities	964	1,098	964
Gain (Loss) on Sale of Securities	1,520	503	(413)
Other Noninterest Income	2	2	-
Interest Expense on Borrowings	3,780	3,660	3,660
Other Noninterest Expenses	2,333	3,453	1,475

Income Before Income Taxes and Equity in Undistributed Earnings of Subsidiaries	17,199	7,562	12
Income Tax Benefit	1,523	2,429	1,955
Income Before Equity in Undistributed Earnings of Subsidiaries	18,722	9,991	1,967
Equity in Undistributed Earnings of Subsidiaries	6,886	8,329	16,718
Net Income	25,608	18,320	18,685
Preferred Stock Dividends	1,149	1,296	1,716
Net Income Available to Common Shareholders	\$ 24,459	\$ 17,024	\$ 16,969

#### Statements of Cash Flows

(IN THOUSANDS)	Years Ended December 31,		
	1996	1995	1994
Operating Activities:			
Net Income	\$ 25,608	\$ 18,320	\$ 18,685
Decrease (Increase) in Interest Receivable	42	(16)	(15)
Decrease in Other Assets	117	2,048	6,666
(Gains) Losses on Sale of Securities	(1,520)	(503)	413
Equity in Undistributed Earnings of Subsidiaries	(6,886)	(8,329)	(16,718)
Other, Net	868	1,932	511
Net Cash Provided by Operating Activities	18,229	13,452	9,542
Investing Activities:			
Purchases of Securities Available for Sale	(35,076)	(45,168)	(2,369)
Sales of Securities Available for Sale	76,465	4,445	8,400
Net Cash Provided (Used) by Investing Activities	41,389	(40,723)	6,031
Financing Activities:			
Repayment of Borrowings	(7,000)	-	-
Proceeds from Borrowings	25,400	-	-
Net Proceeds from Sale of Common Stock	-	32,112	21,923
Cash Dividends to Shareholders	(6,679)	(5,691)	(4,724)
Common Stock Repurchases	(27,611)	-	-
Investment in Subsidiary	(44,000)	-	(32,000)
Net Cash (Used) Provided by Financing Activities	(59,890)	26,421	(14,801)
(Decrease) Increase in Cash and Cash Equivalents	(272)	(850)	772
Cash and Cash Equivalents at Beginning of Year	440	1,290	518
Cash and Cash Equivalents at End of Year	\$ 168	\$ 440	\$ 1,290

#### NOTE 21: SELECTED QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Selected quarterly data for 1996 and 1995 follows:

(IN THOUSANDS, EXCEPT PER SHARE DATA)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1996:				
Interest Income	\$ 61,932	\$ 66,782	\$ 68,177	\$ 68,643
Interest Expense	35,926	37,064	38,059	38,696
Net Interest Income	26,006	29,718	30,118	29,947
Provision for Loan Losses	1,000	1,000	1,000	1,000
Gain on Sale of Loans and Securities, Net	171	340	303	175
Other Noninterest Income	4,669	6,259	6,367	7,246
Noninterest Expenses	21,174	23,623	28,451	24,001
Income Before Taxes	8,672	11,694	7,337	12,367
Income Taxes	3,141	4,247	2,488	4,586
Net Income	5,531	7,447	4,849	7,781
Preferred Stock Dividends	323	321	283	222
Net Income Available to Common Shareholders	\$ 5,208	\$ 7,126	\$ 4,566	\$ 7,559
Net Income Per Share:				
Primary	\$ 0.63	\$ 0.86	\$ 0.55	\$ 0.92
Fully Diluted	\$ 0.60	\$ 0.81	\$ 0.52	\$ 0.87
1995:				
Interest Income	\$ 50,954	\$ 54,288	\$ 56,548	\$ 57,156
Interest Expense	28,907	32,380	34,907	35,339
Net Interest Income	22,047	21,908	21,641	21,817
Provision for Loan Losses	385	455	555	1,705
Gain on Sale of Loans and Securities, Net	337	678	1,256	2,018
Other Noninterest Income	4,453	4,316	4,317	4,465

Noninterest Expenses	18,723	18,998	18,369	23,497
Income Before Taxes	7,729	7,449	8,290	3,098
Income Taxes	2,495	2,226	2,718	807
Net Income	5,234	5,223	5,572	2,291
Preferred Stock Dividends	324	324	324	324
Net Income Available to Common Shareholders	\$ 4,910	\$ 4,899	\$ 5,248	\$ 1,967
Net Income Per Share:				
Primary	\$ 0.71	\$ 0.71	\$ 0.76	\$ 0.27
Fully Diluted	\$ 0.67	\$ 0.67	\$ 0.70	\$ 0.27

All periods presented have been retroactively restated to reflect the inclusion of the results of Shelton, which was acquired on November 1, 1995 and accounted for using the pooling of interests method.

#### MANAGEMENT'S REPORT

To Our Shareholders:

The management of Webster is responsible for the integrity and objectivity of the financial and operating information contained in this annual report, including the consolidated financial statements covered by the Report of Independent Auditors. These statements were prepared in conformity with generally accepted accounting principles and include amounts that are based on the best estimates and judgements of management.

Webster has a system of internal accounting controls which provides management with reasonable assurance that transactions are recorded and executed in accordance with its authorizations, that assets are properly safeguarded and accounted for, and that financial records are maintained so as to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes formal procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors. Webster has also instituted policies which require employees to maintain the highest level of ethical standards.

In addition, the Audit Committee of the Board of Directors, consisting solely of outside directors, meets periodically with management, the internal auditors and the independent auditors to review internal accounting controls, audit results and accounting principles and practices, and annually recommends to the Board of Directors the selection of independent public accountants.

James C. Smith  
Chairman and Chief Executive Officer

John V. Brennan  
Executive Vice President,  
Chief Financial Officer and Treasurer

#### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of  
Webster Financial Corporation  
Waterbury, Connecticut

We have audited the accompanying consolidated statements of condition of Webster Financial Corporation and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Webster Financial Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles.

Hartford, Connecticut  
January 21, 1997, except as to Notes 2 and 18, as to which the date is February 1, 1997

#### Annual Meeting

The annual meeting of shareholders of Webster Financial Corporation will be held on April 17, 1997 at 4:00 P.M. at the Courtyard by Marriott, 63 Grand Street, Waterbury, Connecticut. As of February 28, 1997, there were 11,949,991 shares of common stock outstanding and approximately 3,394 shareholders of record.

#### Corporate Headquarters

Webster Financial Corporation and Webster Bank  
Webster Plaza  
Waterbury, CT 06702  
(203) 753-2921

#### Transfer Agent and Registrar

American Stock Transfer & Trust Co.  
Shareholder Services  
40 Wall Street  
New York, NY 10005  
1-800-937-5449

#### Dividend Reinvestment and Stock Purchase Plan

Stockholders wishing to receive a prospectus for the Dividend Reinvestment and Stock Purchase Plan are invited to write to American Stock Transfer & Trust Co. at the address listed above, or call 1-800-278-4353.

#### Stock Listing Information

The common stock of Webster is traded over-the-counter on the NASDAQ National Market System under the symbol "WBST."

General Inquiries: Contact Lee A. Gagnon (203) 578-2217  
Financial Inquiries: Contact John V. Brennan (203) 578-2335

Webster Financial Corporation  
Webster Plaza  
Waterbury, Connecticut 06702

#### Form 10K and Other Reports

Our annual report to the Securities and Exchange Commission (Form 10K), additional copies of this report, and quarterly reports may be obtained free of charge by contacting Lee A. Gagnon, Executive Vice President and Secretary, Webster Plaza, Waterbury, CT 06702.

#### Common Stock Dividends and Market Prices

The following table shows dividends declared and the market price per share by quarter for 1996 and 1995.

----- Common Stock (Per Share) -----				
----- Market Price -----				
	Cash Dividends Declared	Low	High	End of Period
1996				
Fourth	\$ .18	\$ 33 1/2	\$38 1/4	\$ 36 3/4
Third	.18	28	35 3/4	35 1/4
Second	.16	26 3/4	29 3/8	28
First	.16	27 1/2	30 1/4	28
1995				
Fourth	\$ .16	\$ 24 1/2	\$ 29 1/2	\$ 29 1/2
Third	.16	23	31	26 1/4
Second	.16	21 1/4	26	23 7/8
First	.16	18	22 1/4	21 1/4

#### Market Makers:

Advest, Inc.  
First Albany Corporation

Herzog, Heine, Geduld, Inc.  
Keefe, Bruyette & Woods, Inc.  
Knight Securities L.P.  
Legg Mason Wood Walker Inc.  
M.A. Schapiro & Co., Inc.  
MacAllister Pitfield MacKay  
Mayer & Schweitzer Inc.  
Merrill Lynch, Pierce, Fenner & Smith  
OTA Limited Partnership  
Paine Webber Inc.  
Ryan Beck & Co., Inc.  
Sandler O'Neill & Partners  
Sherwood Securities Corp.  
Smith Barney Inc.  
Troster Singer Corp.  
Tucker Anthony Incorporated

Webster Bank Information

For more information on Webster Bank products and services, call 1-800-325-2424,  
or write:

Webster Bank  
Telebanking Center  
P.O. Box 191  
CH420  
Waterbury, Connecticut 06720-0191

DIRECTORS

JAMES C. SMITH, Chairman and Chief Executive Officer  
JOEL S. BECKER, Chairman and Chief Executive Officer, Torrington Supply Company  
O. JOSEPH BIZZOZERO, Jr., M.D., BCB Medical Group  
JOHN J. CRAWFORD, Chairman and Chief Executive Officer, Aristotle Corporation  
President and Chief Executive Officer, South Central Connecticut Regional  
Water Authority  
ROBERT A. FINKENZELLER, President, Eyelet Crafters, Inc.  
WALTER R. GRIFFIN, Griffin, Griffin & O'Brien, P.C.  
J. GREGORY HICKEY, CPA, Retired Managing Partner of Hartford office of Ernst &  
Young  
C. MICHAEL JACOBI, President and Chief Executive Officer, Timex Corporation  
J. ALLEN KOSOWSKY\*, CPA, J. Allen Kosowsky, CPA, P.C.  
HAROLD W. SMITH, Chairman Emeritus  
Sr. MARGUERITE WAITE, President and Chief Executive Officer, St. Mary's Hospital

SENIOR MANAGEMENT GROUP

JAMES C. SMITH, Chairman and Chief Executive Officer  
LEE A. GAGNON, CPA, Executive Vice President, Chief Operating Officer and  
Secretary  
JOHN V. BRENNAN, CPA, Executive Vice President, Chief Financial Officer and  
Treasurer  
WILLIAM T. BROMAGE, Executive Vice President, Business Banking  
GEORGE M. BROPHY\*, Executive Vice President, Information Technologies  
JEFFREY N. BROWN\*, Executive Vice President, Marketing and Communications  
PETER K. MULLIGAN, Executive Vice President, Consumer and Small Business Banking  
RENEE P. SEEFRIED\*, Senior Vice President, Human Resources  
ROSS M. STRICKLAND, Executive Vice President, Mortgage Banking

\*Webster Bank only

Subsidiaries

The Registrant operates one subsidiary, Webster Bank. Webster Bank has four wholly owned subsidiaries, Webster Investment Services, Inc., FCB Properties, Inc., Bristol Financial Services, Inc. ("BFSI"), and Omni Financial Services, Inc. In addition, BFSI has one wholly owned subsidiary, Pequabuck Capital Corporation.

KPMG PEAT MARWICK LLP

CityPlace II  
Hartford, CT 06103-4103

Consent of Independent Auditors  
-----

The Board of Directors  
Webster Financial Corporation:

We consent to the incorporation by reference in the registration statements (Nos. 33-13244 and 33-38286) on Forms S-8 of Webster Financial Corporation of our report dated January 21, 1997, except as to Notes 2 and 18, as to which the date is February 1, 1997, relating to the consolidated statements of condition of Webster Financial Corporation and subsidiaries as of December 31, 1996 and 1995 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in the December 31, 1996 annual report on Form 10-K of Webster Financial Corporation.

/s/ KPMG Peat Marwick LLP

Hartford, Connecticut  
March 25, 1997

<ARTICLE>		5
<MULTIPLIER>		1000
<CURRENCY>		US
<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1996
<PERIOD-START>		OCT-01-1996
<PERIOD-END>		DEC-31-1996
<EXCHANGE-RATE>		1
<CASH>		85,163
<SECURITIES>		1,070,605
<RECEIVABLES>		2,558,997
<ALLOWANCES>		33,454
<INVENTORY>		0
<CURRENT-ASSETS>		186,504
<PP>		49,785
<DEPRECIATION>		0
<TOTAL-ASSETS>		3,917,600
<CURRENT-LIABILITIES>		3,095,876
<BONDS>		552,361
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		206,296
<OTHER-SE>		63,067
<TOTAL-LIABILITY-AND-EQUITY>		3,917,600
<SALES>		291,064
<TOTAL-REVENUES>		0
<CGS>		0
<TOTAL-COSTS>		0
<OTHER-EXPENSES>		97,249
<LOSS-PROVISION>		4,000
<INTEREST-EXPENSE>		149,745
<INCOME-PRETAX>		40,070
<INCOME-TAX>		14,462
<INCOME-CONTINUING>		0
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		25,608
<EPS-PRIMARY>		2.97
<EPS-DILUTED>		2.79