FORM 10-K

WEBSTER FINANCIAL CORP - WBS

Filed: March 29, 2000 (period: December 31, 1999)

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

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10-K - FORM 10-K

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended December 31, 1999.

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

(203) 753-2921

(Registrant's telephone number, including area code)

Not Applicable

(Securities registered pursuant to Section 12(b) of the Act)

Common Stock, $.01 par value

(Securities registered pursuant to Section 12(g) of the Act, 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.

[X] 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 24, 2000, the aggregate market value of the voting common stock held by non-affiliates of the registrant is $913,166,330. 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:

Common Stock (par value $ .01)	42,650,134 Shares
Class	Issued and Outstanding at March 24, 2000

DOCUMENTS INCORPORATED BY REFERENCE

Part I and II: Portions of the Annual Report to Shareholders for fiscal year ended December 31, 1999

Part III: Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 27, 2000.

WEBSTER FINANCIAL CORPORATION
1999 FORM 10-K ANNUAL REPORT
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PART I

ITEM 1. BUSINESS

GENERAL

Webster Financial Corporation ("Webster" or the "Corporation"), through its subsidiaries, Webster Bank (the "Bank") and Damman Associates, Inc. ("Damman"), delivers financial services to individuals, families and businesses primarily in Connecticut. Webster emphasizes five business lines - consumer banking, business banking, mortgage lending, trust and investment services, and insurance services, each supported by centralized administration and operations. Webster has grown significantly in recent years, primarily through a series of acquisitions which have expanded and strengthened its franchise.

Webster on a consolidated basis at December 31, 1999 and 1998 had total assets of $9.9 billion and $9.8 billion, total securities of $3.1 billion and $3.7 billion and net loans receivable of $6.0 billion and $5.5 billion, respectively. Total deposits and shareholders' equity at December 31, 1999 and December 31, 1998 were $6.2 billion and $6.3 billion and $635.7 million and $626.5 million, respectively.

At December 31, 1999, the assets of Webster, on an unconsolidated basis consisted primarily of its investments in the Bank and Damman that totaled $732.1 million, investment securities of $118.6 million and $7.3 million of cash and interest-bearing deposits. Primary sources of income to Webster, on an unconsolidated basis are dividend payments received from the Bank and interest and dividends from investment securities. Primary expenses to Webster, on an unconsolidated basis are interest expense from borrowings and interest expense related to the capital securities. See Note 22 to the Consolidated Financial Statements contained in the 1999 Annual Report to Shareholders incorporated herein by reference for additional information concerning Webster on an unconsolidated basis.

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, 1999, approximately 74% of the Bank's deposits were subject to BIF assessment rates and 26% were subject to Savings Association Insurance Fund ("SAIF") assessment rates. (See "Regulation").

Webster, as a holding company, and the Bank are subject to comprehensive regulation, examination and supervision by the Office of Thrift Supervision (the "OTS"), as the primary federal regulator. Webster 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. Webster's internet website is www.websterbank.com.

BUSINESS COMBINATIONS

Information concerning business combinations is contained in the 1999 Annual Report to Shareholders within "Management's Discussion and Analysis of Financial Condition & Results of Operations" ("MD&A") section and incorporated herein by reference.

LENDING ACTIVITIES

General

Webster, through its consolidated Bank subsidiary, originates various types of residential, business and consumer loans. Total gross loans receivable before the allowance for loan losses were $6.1 billion and $5.6 billion at December 31, 1999 and 1998, respectively. The Bank offers commercial and residential permanent and construction mortgage loans, commercial and industrial loans and various types of consumer loans including home equity credit lines, home equity loans and other types of small business and household loans. At December 31, 1999, residential mortgage loans and commercial loans comprised 64% and 27%, respectively of gross outstanding loans as compared to 70% and 21%, respectively, at December 31, 1998. Consumer loans have remained relatively stable over recent years and represent 9% of the gross outstanding loan portfolio at December 31, 1999 and 1998. At December 31, 1999 and 1998, residential loans represented the primary part of Webster's total loan portfolio. Over recent years, Webster has placed a stronger emphasis on originating and developing its commercial loan portfolio. In order to obtain geographic and industry diversification within our commercial loan portfolio, the Bank is participating in the specialized lending market. At December 31, 1999, the Bank held $297 million in the specialized lending market, which includes approximately $86 million in the manufacturing industry, $53 million in the cable industry, $43 million in wireless communication, $26 million in radio broadcasting and $89 million in other industries. At December 31, 1999, the Bank's specialized lending portfolio represented 18% of the total commercial loan portfolio. The change in the loan portfolio mix brings an inherent higher level of credit risk that is monitored by credit administration management. Credit administration considers credit risk in addition to other factors in its determination of required loan loss allowances. The Bank, at December 31, 1999, had loan loss allowances that were 191% of nonaccrual loans and 1.2% of gross loans receivable.

The Bank originates both fixed-rate and adjustable-rate residential mortgage loans. At December 31, 1999, approximately $1.9 billion or 49% of Webster's total residential mortgage loans were adjustable-rate loans. Webster offers adjustable-rate mortgage loans at initial interest rates discounted from the fully indexed rate. Adjustable-rate loans originated during 1999, when fully indexed, will be 2.75% above the constant maturity one-year U.S. Treasury yield index. At December 31, 1999, approximately $2.0 billion or 51% 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, 1999 Webster had $7.0 million of residential mortgage loans held for sale.

The loan portfolio table that follows provides further information concerning loan types, percentages and allowance detail.

Nonaccrual loans, which include loans delinquent 90 days or more, were $38.4 million at December 31, 1999, compared to $30.7 million at December 31, 1998. The ratio of nonaccrual loans to total loans was 0.63% and 0.55% at December 31, 1999 and 1998, respectively. Nonaccrual assets, which include nonaccrual loans and foreclosed properties were $43.3 million and $35.9 million at December 31, 1999 and 1998, respectively. For additional information concerning nonaccrual and past due loans, see the MD&A section contained in the 1999 Annual Report to Shareholders incorporated herein by reference. Also see "Business" and "Nonaccrual Assets and Delinquencies" within this report for more information about Webster's asset quality, allowance for loan losses and provisions for loan losses.

The following table sets forth the composition of the Bank's loan portfolio in dollar amounts and in percentages at the dates shown.

	At December 31,					
	1999		1998		1997	
(Dollars in thousands)	Amount	%	Amount	%	Amount	%
Residential mortgage loans:						
1-4 family units	$3,544,060	58.85%	$3,679,213	66.81%	$3,900,224	70.60%
Multi-family units	52,573	0.87	689	0.01	16,736	0.30
Construction	302,310	5.02	200,417	3.64	117,619	2.13
Total residential mortgage loans	3,898,943	64.74	3,880,319	70.46	4,034,579	73.03
Commercial and commercial real estate loans:						
Commercial real estate	695,520	11.55	548,487	9.96	530,080	9.59
Commercial construction	45,648	0.76	67,717	1.23	58,888	1.07
Commercial non-mortgage	915,035	15.20	548,734	9.96	369,658	6.69
Total commercial loans	1,656,203	27.51	1,164,938	21.15	958,626	17.35
Consumer loans:						
Home equity credit loans	492,684	8.18	458,981	8.33	494,537	8.95
Other consumer	47,064	0.78	68,081	1.24	108,775	1.97
Total consumer loans	539,748	8.96	527,062	9.57	603,312	10.92
Loans receivable (net of fees and costs)	6,094,894	101.21	5,572,319	101.18	5,596,517	101.30
Allowance for loan losses	(72,658)	(1.21)	(65,201)	(1.18)	(71,599)	(1.30)
Loans receivable, net	$6,022,236	100.00%	$5,507,118	100.00%	$5,524,918	100.00%

	At December 31,			
	1996		1995	
(Dollars in thousands)	Amount	%	Amount	%
Residential mortgage loans:				
1-4 family units	$3,720,878	70.66%	$3,312,756	74.31%
Multi-family units	39,257	0.75	48,369	1.09
Construction	109,923	2.09	75,096	1.68
Total residential mortgage loan	3,870,058	73.50	3,436,221	77.08
Commercial and commercial real estate loans:				
Commercial real estate	525,697	9.98	418,019	9.38
Commercial construction	34,749	0.66	34,954	0.78
Commercial non-mortgage	328,375	6.24	169,633	3.81
Total commercial loans	888,821	16.88	622,606	13.97
Consumer loans:				
Home equity credit loans	465,220	8.83	377,225	8.46
Other consumer	104,681	1.99	90,783	2.04
Total consumer loans	569,901	10.82	468,008	10.50
Loans receivable (net of fees and costs)	5,328,780	101.20	4,526,835	101.55
Allowance for loan losses	(63,047)	(1.20)	(69,091)	(1.55)
Loans receivable, net	$ 5,265,733	100.00%	$ 4,457,744	100.00%

The following table sets forth the contractual maturity and interest-rate sensitivity of residential and commercial construction mortgage loans and commercial non-mortgage loans at December 31, 1999.

(In thousands)	One Year or Less	More Than One to Five Years	More Than Five Years	Total
		Contractual Maturity		
CONTRACTUAL MATURITY				
Construction loans:				
Residential mortgage	$300,285	$ 958	$ 1,067	$ 302,310
Commercial mortgage	14,407	16,459	14,782	45,648
Commercial non-mortgage loans	488,758	279,962	146,315	915,035
Total	$803,450	$297,379	$162,164	$1,262,993
INTEREST-RATE SENSITIVITY				
Fixed rates	$668,715	$179,960	$ 73,340	$ 922,015
Variable rates	134,735	117,419	88,824	340,978
Total	$803,450	$297,379	$162,164	$1,262,993

Purchase and Sale of Loans and Loan Servicing

The Bank has been a seller and purchaser of whole loans and participations in the secondary market. Webster, in general, sells fixed-rate mortgage loans and retains servicing for the loans sold whenever possible. Loans purchased in the secondary market by Webster are typically adjustable-rate mortgage loans and purchased, in most cases, with servicing retained by the seller. See Note 4 to the Consolidated Financial Statements contained in the 1999 Annual Report to Shareholders incorporated herein by reference for further discussion.

The table below shows for the Bank, residential and commercial first mortgage loan origination, purchase, sale and repayment activities for the periods indicated.

(In thousands)	1999	1998	1997
	Years ended December 31,		
FIRST MORTGAGE LOAN ORIGINATIONS AND PURCHASES:			
Permanent:			
Mortgage loans originated	$ 913,693	$ 960,322	$ 598,862
Construction:			
Mortgage loans originated	422,823	291,833	194,772
Total permanent and construction loans originated	1,336,516	1,252,155	793,634
Loans and participations purchased	9,948	66,173	191,078
Loans acquired through acquisition	157,156	-	34,503
Total loans originated, acquired and purchased	1,503,620	1,318,328	1,019,215
FIRST MORTGAGE LOAN SALES AND PRINCIPAL REDUCTIONS:			
Loans sold	104,227	222,165	135,338
Loan principal reductions	1,218,361	1,237,173	359,754
Reclassified to foreclosed properties	9,022	13,250	13,202
Total loans sold and principal reductions	1,331,610	1,472,588	508,294
Increase (decrease) in gross mortgage loans receivable	$ 172,010	$(154,260)	$ 510,921

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.

Interest on nonaccrual loans that would have been recorded as additional income for the years ended December 31, 1999, 1998 and 1997 had the loans been current in accordance with their original terms approximated $3.0 million, $2.8 million, and $4.6 million, respectively.

The following table shows the Bank's loans ninety days or more past due and accruing at the indicated year ends.

	Years ended December 31,				
(In thousands)	1999	1998	1997	1996	1995
LOANS PAST DUE 90 DAYS OR MORE AND ACCRUING					
Residential Mortgage	$ --	$ --	$ --	$ --	$ --
Commercial Mortgage	--	--	--	--	--
Commercial	698	1,209	1,060	395	273
Consumer	--	--	--	--	--
Total	$698	$1,209	$1,060	$395	$273

See "Asset Quality" within the MD&A section and Note 1(d) to the Consolidated Financial Statements contained in the 1999 Annual Report to Shareholders incorporated herein by reference for further nonaccrual loan information and a description of Webster's nonaccrual loan policy.

The following table sets forth information as to the Bank's loans past due 30-89 days and still accruing interest.

	December 31,									
	1999		1998		1997		1996		1995	
(Dollars in thousands)	Principal Balances	%	Principal Balances	%	Principal Balances	%	Principal Balances	%	Principal Balances	%
Past due 30-89 days and still accruing:										
Residential real estate	$20,499	0.34%	$26,727	0.48%	$31,479	0.56%	$29,826	0.56%	$32,952	0.74%
Commercial real estate	11,865	0.19	12,369	0.22	8,686	0.16	4,138	0.08	11,406	0.26
Commercial non-mortgage	7,104	0.12	5,613	0.10	4,061	0.07	794	0.01	16	--
Consumer	4,746	0.08	6,873	0.13	6,466	0.12	4,074	0.08	3,140	0.07
Total	$44,214	0.73%	$51,582	0.93%	$50,692	0.91%	$38,832	0.73%	$47,514	1.07%

Troubled Debt Restructuring

At December 31, 1999 and 1998, the Bank had total troubled debt restructurings of approximately $5.9 million and $11.0 million, respectively. Interest income booked for 1999 under the restructured terms totaled $421,000 as compared to $746,000 that would have been booked had the restructured loans been under their original terms during 1999. Interest income booked for 1998 under the restructured terms totaled $612,000 as compared to $997,000 that would have been booked had the restructured loans been under their original terms during 1998.

Potential Problem Loans

At December 31, 1999, the Bank had a commercial loan relationship with an outstanding balance of approximately $9.7 million that was classified as a watch loan and identified as a potential problem loan. The loan relationship is comprised of approximately $6.3 million of lines of credit and a commercial mortgage of approximately $3.4 million. The loan is on an accrual basis and current at December 31, 1999. This loan continues to be closely monitored by credit administration.

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 that are 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 to continue to report them 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, 1999, the Bank's classified loans totaled $40.0 million, consisting of $38.3 million in loans classified as "substandard," $1.7 million in loans classified as "doubtful" and none classified as "loss". At December 31, 1998, the Bank's classified loans totaled $48.3 million, consisting of $45.7 million in loans classified as "substandard," $2.6 million in loans classified as "doubtful" and none classified as "loss." In addition, at December 31, 1999 and 1998, the Bank had $30.3 million and $29.9 million, respectively, of special mention loans.

Allowance for Loan Losses

The Bank's allowance for loan losses at December 31, 1999 totaled $72.7 million. See MD&A "Asset Quality" and "Comparison of 1999 and 1998 Years" contained in the 1999 Annual Report to Shareholders incorporated herein by reference. In assessing the specific risks inherent in the portfolio, management takes into consideration the risk of loss on the Bank's nonaccrual loans, classified loans and watch list loans including an analysis of the collateral for the loans. Other factors considered are the Bank's loss experience, loan concentrations, local economic conditions and other factors.

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

	December 31,									
	1999		1998		1997		1996		1995	
(Dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Balance at end of period applicable to:										
Residential mortgage loans	$25,197	63.97%	$23,237	69.64%	$30,635	72.09%	$22,397	72.63%	$34,658	75.91%
Commercial mortgage loans	20,629	12.16	22,309	11.06	17,702	10.52	17,948	10.52	17,627	10.01
Commercial non-mortgage loans	13,049	15.01	13,430	9.85	12,096	6.61	12,923	6.16	5,779	3.75
Consumer loans	13,783	8.86	6,225	9.45	11,166	10.78	9,779	10.69	11,027	10.33
Total	$72,658	100.00%	$65,201	100.00%	$71,599	100.00%	$63,047	100.00%	$69,091	100.00%

INVESTMENT ACTIVITIES

Webster, as a Delaware corporation, has the 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.

The Bank has the authority to acquire, hold and transact various types of investment securities that are in accordance with applicable federal regulations, state statutes and within the guidelines of the Bank's internal investment policy. The types of investments that the Bank may invest in include in general: interest-bearing deposits of federal insured banks, federal funds, U.S. government treasuries and agencies including agency mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs"), private issue MBS and CMOs, municipal securities, corporate debt, commercial paper, banker's acceptances, structured notes, trust preferred securities (investment grade only), mutual funds and equity securities subject to restrictions applicable to federally chartered institutions. Investment types acquired by Webster are also subject to the guidelines of internal investment policy. The Corporation's asset/liability management objectives also influence investment activities at both the holding company and bank levels. The Bank is required to maintain liquid assets at regulatory minimum levels which vary from time to time. The Bank uses various investments as permitted by regulation for meeting its liquidity requirement. See "Regulation" section within this report.

Webster, directly or through its bank subsidiary, maintains an investment portfolio that is primarily structured to provide a source of liquidity for operating demands, generate net interest income as well as provide a means to balance interest-rate sensitivity. In accordance with generally accepted accounting principles, the investment portfolio is classified into three major categories consisting of: held to maturity, available for sale and trading securities.

The Bank uses interest-rate financial instruments within internal policy guidelines to hedge and manage interest-rate risk as part of its asset/liability strategy. See Note 10 to the Consolidated Financial Statements in the 1999 Annual Report to Shareholders incorporated herein by reference.

At December 31, 1999, the combined investment portfolios of Webster and the Bank totaled $3.1 billion, with $2.9 billion and $119 million held by the Bank and Webster, respectively. Webster's portfolio was all classified as available for sale and consisted primarily of equity, mutual funds and corporate trust preferred securities. The Bank's portfolio consisted primarily of mortgage-backed securities and other debt securities.

The securities portfolio of Webster and the Bank are managed by the Bank's Treasury Group in accordance with established corporate investment policy. See Note 3 to the Consolidated Financial Statements in the 1999 Annual Report to Shareholders incorporated herein by reference.

At December 31, 1999, the Bank held securities with the following single issuers whose aggregate book value exceed ten percent of total stockholders' equity at current year end.

	At December 31, 1999		
Issuer	Aggregate Book Value	Aggregate Market Value	10 % Threshold
FHLMC	$504,058	$487,851	$63,567
FNMA	827,271	804,152	63,567
GNMA	401,671	402,510	63,567
Nomura Asset Security Corp	100,444	90,459	63,567

A summary of securities follows:

	December 31,							
	1999				1998			
(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
TRADING SECURITIES:								
Mortgage-backed securities (a)	$ 50,854(b)	$ --	$ --	$ 50,854	$ 91,114(b)	$ --	$ --	$ 91,114
AVAILABLE FOR SALE PORTFOLIO:								
U.S. Treasury notes	$ 17,070	$ 18	$ (233)	$ 16,855	$ 25,617	$ 400	$ --	$ 26,017
U.S. Government Agency	92,733	--	(4,338)	88,395	106,427	1,018	(109)	107,336
Municipal bonds and notes	27,591	3	(1,463)	26,131	27,874	776	(29)	28,621
Corporate bonds and notes	75,068	--	(9,895)	65,173	92,062	601	(2,178)	90,485
Equity securities (c)	201,352	7,684	(11,060)	197,976	244,670	8,107	(4,763)	248,014
Mortgage-backed securities (a)	2,379,491	6,330	(88,848)	2,296,973	2,616,695	40,469	(5,299)	2,651,865
Purchased interest-rate contracts (Note 10)	10,874	--	(1,792)	9,082	15,985	--	(3,437)	12,548
	$2,804,179	$14,035	$(117,629)	$2,700,585	$3,129,330	$51,371	$(15,815)	$3,164,886
HELD TO MATURITY PORTFOLIO:								
U.S. Treasury Notes	$ 10,396	$ --	$ (112)	$ 10,284	$ 2,955	$ 18	$ --	$ 2,973
U.S. Government Agency	1,520	--	(6)	1,514	7,399	24	--	7,423
Municipal bonds and notes	24,861	39	(783)	24,117	15,339	477	--	15,816
Corporate bonds and notes	135,476	405	(12,322)	123,559	151,801	2,631	(1,171)	153,261
Mortgage-backed securities (a)	143,209	544	(2,945)	140,808	229,335	2,432	(1,044)	230,723
Preferred Stock	--	--	--	--	--	--	--	--
	$ 315,462	$ 988	$ (16,168)	$ 300,282	$ 406,829	$ 5,582	$ (2,215)	$ 410,196
Total	$3,170,495	$15,023	$(133,797)	$3,051,721	$3,627,273	$56,953	$(18,030)	$3,666,196

December 31,
1997

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
TRADING SECURITIES:				
Mortgage-backed securities (a)	$ 84,749	$ --	$ --	$ 84,749
AVAILABLE FOR SALE PORTFOLIO:				
U.S. Treasury notes	$ 46,760	$ 266	$ (30)	$ 46,996
U.S. Government Agency	120,310	809	(79)	121,040
Municipal bonds and notes	21,745	76	(136)	21,685
Corporate bonds and notes	21,445	122	(262)	21,305
Equity securities (c)	225,120	16,289	(1,285)	240,124
Mortgage-backed securities (a)	2,771,458	36,698	(7,754)	2,800,402
Purchased interest-rate contracts (Note 10)	15,079	--	(7,262)	7,817
	$3,221,917	$54,260	$(16,808)	$3,259,369
HELD TO MATURITY PORTFOLIO:				
U.S. Treasury Notes	$ 3,067	$ 31	$ (2)	$ 3,096
U.S. Government Agency	40,452	57	(96)	40,413
Municipal bonds and notes	15,341	196	(1)	15,536
Corporate bonds and notes	1,414	7	--	1,421
Mortgage-backed securities (a)	365,278	2,533	(2,787)	365,024
Preferred Stock	1,000	4	--	1,004
	$ 426,552	$ 2,828	$ (2,886)	$ 426,494
Total	$3,733,218	$57,088	$(19,694)	$3,770,612

(a) Mortgage-backed securities, which are guaranteed by Fannie Mae, Federal Home Loan Mortgage Corporation and Government National Mortgage Association, represent participating interests in direct pass through pools of mortgage loans originated and serviced by the issuers of the securities.

(b) Stated at fair value, including the effect of short futures positions.

(c) The fair value of equity securities at December 31, 1999 consisted of Federal Home Loan Bank ("FHLB") stock of $103.9 million, mutual funds of $13.6 million, preferred stock of $24.3 million and common stock of $56.2 million. As of December 31, 1998, the fair value of equity securities consisted of FHLB stock of $102.5 million, mutual funds of $35.1 million, preferred stock of $45.7 million and common stock of $64.7 million.

TRUST ACTIVITIES

The Bank, through its wholly-owned subsidiary, Webster Trust Company, N.A., manages the assets of and provides a comprehensive range of trust, custody, estate and administrative services to individuals, small to medium size companies and not-for-profit organizations (endowments and foundations). At December 31, 1999, there were approximately $810.0 million of assets under management.

Additional information related to the trust subsidiary is included in the MD&A and Notes to the Consolidated Financial Statements contained in the 1999 Annual Report to Shareholders incorporated herein by reference.

INSURANCE ACTIVITIES

Webster, through its wholly-owned subsidiary, Damman, offers a full range of insurance plans to both individuals and businesses. The insurance subsidiary is a regional insurance brokerage with three operating divisions: individual and family insurance, financial services, and business and professional insurance.

As of February 1, 2000, Webster acquired through Damman, The Levine Companies, a privately owned Connecticut-based insurance company. The acquisition was accounted for as a purchase transaction. Additional information on this acquisition can be referenced in the MD&A section contained in the 1999 Annual Report to Shareholders incorporated herein by reference.

Additional information related to the insurance subsidiary is included in the MD&A and Notes to Consolidated Financial Statements contained in the 1999 Annual Report to Shareholders incorporated herein by reference.

SOURCES OF FUNDS

Deposits, loan repayments, securities payments and 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 and local economic conditions. The Bank also derives funds from Federal Home Loan Bank ("FHLB") 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, interest and dividends on securities and net proceeds from capital offerings and borrowings, while the main outflows are the payments of dividends to common stockholders and interest expense on the capital securities, senior notes and other borrowings.

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 and 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 noninterest-bearing and interest-bearing account types. Webster's savings account programs include statement and passbook accounts, money market savings accounts, club accounts and certificate of deposit accounts that offer short and long-term maturity options. Webster offers IRA savings and certificate of deposit accounts that earn interest on a tax-deferred basis. Webster also offers special rollover IRA accounts for individuals who have received lump-sum distributions. 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, bank by mail services and overdraft protection. Deposit customers can access their accounts in a variety of ways including ATMs, PC banking, telephone banking or by visiting a nearby branch. Webster had $50.0 million of brokered certificate of deposits at December 31, 1999.

Webster receives retail and commercial deposits through its 118 full-service banking offices in Connecticut and 2 full-service offices in New Hampshire. 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, receive free checks, 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 fifteen million Visa merchants worldwide to pay for purchases with money in a linked checking account. The Check Card also serves as an ATM Card for receiving cash, for processing deposits and transfers, and obtaining 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 Internet Banking service allows customers the ability to transfer money between accounts, review statements, check balances and pay bills through personal computer use. The Bank's 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. Additional information concerning the deposits of Webster is included in Note 7 to the Consolidated Financial Statements contained in the 1999 Annual Report to Shareholders incorporated herein by reference.

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

	At December 31,								
	1999			1998			1997		
(Dollars in thousands)	Weighted average rate	Amount	% of total deposits	Weighted average rate	Amount	% of total deposits	Weighted average rate	Amount	% of total deposits
BALANCE BY ACCOUNT TYPE:									
Demand deposits	--%	$ 675,449	10.9%	--%	$ 626,996	9.9%	--%	$ 568,843	8.9%
NOW accounts	1.20	700,243	11.3	1.24	694,074	11.0	1.22	619,995	9.7
Regular savings and money market deposit accounts	2.56	1,719,562	27.8	2.52	1,582,424	25.1	2.46	1,555,003	24.3
Time deposits	4.84	3,095,837	50.0	5.07	3,409,480	54.0	5.34	3,667,664	57.1
Total	3.26%	$6,191,091	100.0%	3.53%	$6,312,974	100.0%	3.77%	$6,411,505	100.0%

Time deposits of $100,000 or more amounted to $493.6 million and represented approximately 8.0% of total deposits at December 31, 1999.

The following table represents the amount of time deposits of $100,000 or more maturing during the periods indicated:

(In thousands)	Totals
Maturing:	
January 1, 2000 to March 31, 2000	$184,419
April 1, 2000 to June 30, 2000	104,193
July 1, 2000 to December 31, 2000	73,706
January 1, 2001 and beyond	131,282
	$493,600

Borrowings

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

The Bank uses long-term and short-term FHLB advances as a primary source of funding to meet liquidity and planning needs when the cost of these funds are reasonable as compared to alternate funding sources. At December 31, 1999, FHLB advances totaled $1.7 billion and represented 61% of total outstanding borrowed funds.

Additional sources of funding through borrowing transactions were available to the Bank through securities sold under agreement to repurchase, purchased federal funds and lines of credit with correspondent banks. Webster, in general, utilizes various lines of credit with correspondent banks when the need for borrowed funds arises. Borrowings through securities sold under agreement to repurchase transactions are originated through the Bank's Funding and Treasury Sales Desk operations. Outstanding securities sold under agreement to repurchase borrowings totaled $943.8 million at December 31, 1999 and represented approximately 34% of total outstanding borrowed funds.

Additional information concerning FHLB advances, securities sold under agreement to repurchase and other borrowings is included in Notes 8 and 9 to the Consolidated Financial Statements contained in the 1999 Annual Report to Shareholders incorporated herein by reference.

BANK SUBSIDIARIES

The Bank's direct investment in its service corporation subsidiary, Webster Investment Services, Inc., totaled $1.5 million at December 31, 1999. The activities of this broker-dealer subsidiary consisted primarily of the selling of mutual funds and annuities. Webster Investment Services plans to introduce new products and services, including asset management products and various financial planning tools.

The Bank's direct investment in its trust subsidiary corporation, Webster Trust Company, N.A., totaled $8.6 million at December 31, 1999. The trust had approximately $810.0 million in trust assets under management at December 31, 1999.

The Bank's direct investment in its operating subsidiary corporation, FCB Properties, Inc., totaled $2.0 million at December 31, 1999. The primary function of this operating subsidiary is to dispose of foreclosed properties.

The Bank's direct investment in its real estate investment trust ("REIT") operating subsidiary corporation, Webster Preferred Capital Corporation, totaled $916.7 million at December 31, 1999. The primary function of the REIT is to provide a cost-effective means of raising funds, including capital, on a consolidated basis for the Bank. The REIT's strategy is to acquire, hold and manage real estate mortgage assets.

The Bank's investment in its internet lending subsidiary, Nowlending LLC, totaled $2.3 million at December 31, 1999. The primary function of this subsidiary is to provide an efficient national network for the origination of residential mortgages through the internet.

The Bank's direct investment in its passive investment subsidiary, Webster Mortgage Investment Corporation totaled $2.1 billion at December 31, 1999. The primary function of this subsidiary is to provide servicing on passive investments, which include loans secured by real estate, that yields state tax benefits.

EMPLOYEES

At December 31, 1999, Webster had 2,253 employees (including 340 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 401(k) 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 120 branch offices that are located in the states of Connecticut and New Hampshire. The Connecticut branches are in Waterbury, Ansonia, Bethany, Branford, Cheshire, Derby, East Haven, Hamden, Madison, Meriden, Milford, Naugatuck, New Haven, North Haven, Orange, Oxford, Prospect, Seymour, Southbury Wallingford and West Haven (New Haven County); New Milford, Torrington, Watertown and Winsted (Litchfield County); Danbury, Fairfield, Ridgefield, Shelton, Stratford, Trumbull, Westport and Wilton (Fairfield County); Avon, Berlin, Bloomfield, Bristol, Canton, East Hartford, East Windsor, Enfield, Farmington, Forestville, Glastonbury, Hartford, Kensington, Manchester, New Britain, Newington, Plainville, Rocky Hill, Simsbury, Southington, South Windsor, Suffield, Terryville, West Hartford, Wethersfield, Windsor and Windsor Locks (Hartford County); Cromwell, Essex, Middletown and Old Saybrook (Middlesex County); Old Lyme (New London County) and Ellington, Somers and Vernon (Tolland County). The New Hampshire branches are located in Portsmouth and Hampton of Rockingham County. Waterbury 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, healthcare, 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, mutual 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.

Webster has trust offices located in the towns of Kensington and Westport. The trust company manages the assets of and provides a comprehensive range of trust, custody, estate and administrative services to individuals, small to medium size companies and non-profit organizations.

Webster offers a full array of insurance services to its consumer and commercial customer base through its subsidiary Damman Associates, Inc. Damman is a full-service Westport based insurance agency, providing property-casualty, life and group coverage to commercial and individual customers. Damman has offices in Westport and Wallingford.

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 MD&A and Notes to the Consolidated Financial Statements, incorporated herein by reference in the 1999 Annual Report to Shareholders, as to the impact of certain laws, rules and regulations on the operations of the Corporation and the Bank. Set forth below is a description of certain regulatory developments.

The Bank is subject to substantial regulatory restrictions on its ability to pay dividends to Webster. Under OTS capital distribution regulations that became effective in early 1999, as long as the Bank meets the OTS capital requirements before and after the payment of dividends, the Bank may pay dividends to Webster, without prior OTS approval, equal to the net income to date over the calendar year, plus retained net income over the preceding two years. In addition, the OTS has discretion to prohibit any otherwise permitted capital distribution on general safety and soundness grounds, and must be given 30 days' advance notice of all capital distributions, during which time it may object to any proposed distribution.

On November 12, 1999, President Clinton signed the Gramm-Leach-Blilely Act that reforms the U.S. banking laws to allow full affiliation between commercial banks, insurance companies and securities firms. The legislation primarily addresses permissible activities of bank holding companies and national banks by expanding the permissible nonbanking activities of these entities. Since Webster is a unitary saving and loan holding company, it is not currently subject to restrictions on its nonbanking activities, so the expanded activities of bank holding companies should not put Webster at a competitive disadvantage. Prior to the passage of the legislation, any type of company, including commercial companies, could acquire Webster. The ability of companies that engage in nonfinancial activities to acquire federal savings banks and their holding companies has been terminated by the legislation. Now, a company may acquire Webster or the Bank and be treated as a savings and loan holding company only if it restricts its activities to those financial activities permissible for bank holding companies.

Provisions of the Gramm-Leach-Bliley Act permit national banks to establish financial subsidiaries that may engage in a broad range of financial activities, including securities underwriting activities. State-chartered commercial banks may also engage in these expanded activities if permitted by relevant state law. As a result of the legislation, the Bank's national and state commercial bank competitors may be able to engage in additional financial activities not permissible for the Bank and its subsidiaries.

The Gramm-Leach-Bliley Act also imposes certain obligations on financial institutions, including federal savings banks such as the Bank, to develop privacy policies, restrict the sharing of nonpublic customer data with nonaffiliated parties at the customer's request, and establish procedures and practices to protect and secure customer data. These privacy provisions will be implemented by regulations that will take effect on or after November 12, 2000.

TAXATION

Federal

Webster, on behalf of itself and its subsidiaries, files a calendar tax year consolidated federal income tax return, except for the Bank's REIT Subsidiary and Nowlending, which file stand alone returns. 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 to be recaptured into taxable income. At December 31, 1999, Webster had pre-1988 reserves of approximately $41.0 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 carry forward 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 carry forward years).

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

State

The State of Connecticut enacted tax law changes in May 1998, allowing for the formation of a Passive Investment Company ("PIC") by financial institutions. This legislation exempts Passive Investment Companies from state income taxation in Connecticut, and exempts from inclusion in Connecticut taxable income the dividends paid from a passive investment company to a related financial institution. Webster Bank qualifies as a financial institution under the statute, and has organized a PIC that began operations in the first quarter of 1999. The legislation is effective for tax year beginning on or after January 1, 1999. Webster's formation of a PIC has reduced its Connecticut tax expense in 1999 and, as a result of the PIC's formation, a deferred tax charge was taken in the fourth quarter of 1998. 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 Corporation and its subsidiaries, exclusive of the REIT subsidiary and PIC subsidiary, 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 8.50% (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. The Bank is not required to compute tax under method two, method one only.

Webster expects to pay no state taxes to Connecticut for the foreseeable future, due to the operation of its PIC subsidiary. Webster also pays state tax in the State of Massachusetts and New Hampshire due to having business locations in New Hampshire and business activity in Massachusetts. These state taxes are minimal.

ITEM 2. PROPERTIES

At December 31, 1999, Webster had 33 banking offices in New Haven County, 57 banking offices in Hartford County, 11 banking offices in Fairfield County, 8 banking offices in Litchfield County, 4 banking offices in Middlesex County, 3 banking offices in Tolland County, 2 banking offices in New London County, and 2 banking offices in the state of New Hampshire. Of these, 66 offices are owned and 54 offices are leased. Lease expiration dates range from 1 to 33 years with renewal options of 3 to 35 years. Additionally, the Bank maintains two trust offices: one in Fairfield County and one in Hartford County.

The total net book value of properties and furniture and fixtures owned and used for banking offices at December 31, 1999 was $103.4 million, which includes the aggregate net book value of leasehold improvements on properties used for offices of $5.8 million at that date.

ITEM 3. LEGAL PROCEEDINGS

At December 31, 1999, there were no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which Webster or any of its subsidiaries was a party to or of which any of their property was the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) A special meeting of Webster's shareholders was held on November 9, 1999.

(b) Not applicable.

(c) The following matters were voted on and approved by Webster's shareholders at the special meeting held on November 9, 1999: (i) to approve and adopt the agreement and plan of merger, dated as of June 29, 1999, between Webster Financial Corporation and New England Community Bancorp., Inc., the merger of NECB into Webster and the other transactions contemplated by the merger agreement, as described in the joint proxy statement/prospectus (Proposal 1); and (ii) to amend Webster's Second Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 200,000,000 (Proposal 2). As to Proposal 1, shareholders cast 28,905,285 votes for, 423,161 votes against, 221,714 abstentions and 88,440 broker non-votes. As to Proposal 2, shareholders cast 20,657,843 votes for, 8,704,329 votes against, 276,412 abstentions and 16 broker non-votes. The record date for the special meeting was September 24, 1999.

(d) Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

The following table shows dividends declared and the market price per share by quarter for 1999 and 1998. Webster increased its quarterly dividend to $.12 per share in 1999.

COMMON STOCK (PER SHARE)

1999	Cash Dividends Declared	Market Price Low	Market Price High	End of Period
Fourth	$.12	$21 7/8	$28 3/4	$23 9/16
Third	.12	24 3/4	28 13/16	25 1/2
Second	.12	26 3/16	32	27 1/8
First	.11	27 7/16	31 1/8	28 7/8

1998	Cash Dividends Declared	Market Price Low	Market Price High	End of Period
Fourth	$.11	$18 7/8	$28 1/8	$27 7/16
Third	.11	20 5/8	34 5/8	24 3/8
Second	.11	31 7/16	36 1/4	33 1/4
First	.11	28 9/16	35	34 3/4

Payment of dividends from the 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 issued and outstanding preferred stock.

OTHER EVENTS

The annual meeting of shareholders of Webster will be held on April 27, 2000.

See page 72 of the 1999 Annual Report to Shareholders incorporated herein by reference for additional information concerning Webster's annual meeting and common stock.

ITEM 6. SELECTED FINANCIAL DATA

	December 31,				
(Dollars in thousands, except per share data)	1999	1998	1997	1996	1995
STATEMENT OF CONDITION DATA					
Total assets	$9,931,744	$9,836,029	$9,902,775	$8,061,569	$7,063,945
Loans receivable, net	6,022,236	5,507,118	5,524,918	5,265,733	4,353,976
Securities	3,066,901	3,662,829	3,770,670	2,263,374	2,141,773
Intangible assets	138,829	83,227	83,731	86,400	27,122
Deposits	6,191,091	6,312,974	6,411,505	6,441,412	5,588,053
Shareholders' equity	635,667	626,454	585,603	535,087	509,808
OPERATING DATA					
Net interest income	$ 303,513	$ 282,611	$ 285,758	$ 252,643	$ 210,866
Provision for loan losses	9,000	8,103	26,449	15,741	11,989
Noninterest income	92,630	82,638	47,723	56,833	36,962
Noninterest expenses:					
Acquisition-related expenses	9,500	20,993	31,989	500	4,271
Other noninterest expenses	234,961	208,440	197,544	196,686	161,271
Total noninterest expenses	244,461	229,433	229,533	197,186	165,542
Income before income taxes	142,682	127,713	77,499	96,549	70,297
Income taxes	47,332	49,694	29,887	35,713	24,122

Net income	95,350	78,019	47,612	60,836	46,175
Preferred stock dividends	--	--	--	1,149	1,296
Income available to common shareholders	$ 95,350	$ 78,019	$ 47,612	$ 59,687	$ 44,879
SIGNIFICANT STATISTICAL DATA					
Interest-rate spread	3.18%	2.83%	3.18%	3.22%	3.04%
Net interest margin	3.32	2.97	3.35	3.40	3.26
Return on average shareholders' equity	15.33	12.82	8.61	11.44	10.30
Return on average assets	.98	.77	.53	.75	.65
Net income per common share:					
Basic	$ 2.14	$ 1.72	$ 1.06	$ 1.38	$ 1.15
Diluted	2.10	1.69	1.04	1.32	1.10
Dividends declared per common share	0.47	0.44	0.40	0.33	0.31
Dividend payout ratio	22.38%	26.04%	38.46%	25.00%	28.18%
Noninterest expenses to average assets	2.51	2.28	2.57	2.52	2.46
Noninterest expenses to average assets, adjusted (a)	2.07%	1.78%	2.04%	2.40%	2.22%
Diluted weighted average shares	45,393	46,118	45,966	46,434	42,069
Book value per common share	$ 14.09	$ 14.02	$ 13.15	$ 12.08	$ 11.61
Tangible book value per common share	11.02	12.16	11.27	10.10	10.96
Shareholders' equity to total assets	6.40%	6.37%	5.91%	6.64%	7.22%

(a) Noninterest expenses excluding foreclosed property, intangible amortization, acquisition-related, non-recurring tax, capital securities and preferred dividend expenses divided by average assets.

On December 1, 1999, under the pooling of interests method of accounting, Webster acquired New England Community Bancorp., Inc. All financial data is presented as if the combination occurred at the beginning of the earliest period presented.

All per share data and the number of outstanding shares of common stock have been adjusted retroactively to give effect to stock dividends and a stock split effected in the form of a stock dividend.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis of Financial Condition & Results of Operations" on pages 23 through 33 of the Corporation's 1999 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The required information is incorporated herein by reference to pages 27 through 28 of the Corporation's 1999 Annual Report to Shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The required information is incorporated herein by reference to pages 34 through 69 of the Corporation's 1999 Annual Report to Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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 herein 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 subsidiaries included in its Annual Report to Shareholders for the year ended December 31, 1999, 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, 1999 and 1998
Consolidated Statements of Income - Years Ended December 31, 1999, 1998 and 1997
Consolidated Statements of Shareholders' Equity - Years Ended December 31, 1999, 1998 and 1997
Consolidated Statements of Comprehensive Income - Years Ended December 31, 1999, 1998 and 1997
Consolidated Statements of Cash Flows - Years Ended December 31, 1999, 1998 and 1997
Notes to Consolidated Financial Statements
Independent Auditors' Report

(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 to First Federal Bank now mean Webster Bank:

EXHIBIT NO.	EXHIBIT DESCRIPTION
Exhibit No. 2.	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.
2.1	Agreement and Plan of Merger, dated as of December 1, 1999, by and between the Corporation and MECH Financial, Inc. (filed as Exhibit 2.1 to the Corporation's Current Report on Form 8-K filed with the SEC on December 10, 1999 and incorporated herein by reference).
2.2	Option Agreement, dated as of December 1, 1999, between MECH Financial, Inc. and the Corporation (filed as Exhibit 2.2 to the Corporation's Current Report on Form 8-K filed with the SEC on December 10, 1999 and incorporated herein by reference).

Exhibit No. 3.	Certificate of Incorporation and Bylaws.
3.1	Second Restated Certificate of Incorporation.
3.2	Certificate of Amendment.
3.3	Bylaws, as amended (filed as Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q filed with the SEC on August 13, 1999 and incorporated herein by reference).
Exhibit No. 4	Instruments Defining the Rights of Security Holders.
4.1	Specimen common stock certificate (filed as Exhibit 4.1 to the Corporation's Registration Statement on Form S-3 (File No. 333-81563) filed with the SEC on June 25, 1999 and incorporated herein by reference).
4.2	Rights Agreement, dated as of February 5, 1996, between the Corporation and Chemical Mellon Shareholder Services, L.L.C. (filed as Exhibit 1 to the Corporation's Current Report on

Form 8-K filed with the SEC on February 12, 1996 and incorporated herein by reference).

4.3	Amendment No. 1 to Rights Agreement, entered into as of November 4, 1996, by and between the Corporation and ChaseMellon Shareholder Services, L.L.C. (filed as an exhibit to the Corporation's Current Report on Form 8-K filed with the SEC on November 25, 1996 and incorporated herein by reference).
4.4	Amendment No. 2 to Rights Agreement, entered into as of October 30, 1998, between the Corporation and American Stock Transfer & Trust Company (filed as Exhibit 1 to the Corporation's Current Report on Form 8-K filed with the SEC on October 30, 1998 and incorporated herein by reference).
Exhibit No. 10.	Material Contracts.
10.1	1986 Stock Option Plan of Webster Financial Corporation (filed as Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986 and incorporated herein by reference).
10.2	1992 Stock Option Plan of Webster Financial Corporation (filed as Exhibit 10.2 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference).
10.3	Amendment to [1992] Stock Option Plan (filed as Exhibit 10.3 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
10.4	Amendment No. 1 to 1992 Stock Option Plan (filed as Exhibit 10.3 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference).
10.5	Amendment No. 2 to 1992 Stock Option Plan (filed as Exhibit 10.4 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference).
10.6	Amendment No. 3 to 1992 Stock Option Plan (filed as Exhibit 10.1 to the Corporation's Quarterly Report on Form 10-Q filed with the SEC on August 14, 1998 and incorporated herein by reference).
10.7	Amendment No. 4 to 1992 Stock Option Plan (filed as Exhibit 10.7 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
10.8	Economic Value Added Incentive Plan (the description of the plan in the last paragraph that begins on page 17 of the Corporation's definitive proxy materials for the 2000 Annual Meeting of Shareholders is incorporated herein by reference).

10.9	Performance Incentive Plan (filed as Exhibit A to the Corporation's definitive proxy materials for the Corporation's 1996 Annual Meeting of Shareholders and incorporated herein by reference).
10.10	Amendment to Webster Financial Corporation Performance Incentive Plan as amended and restated effective January 1, 1996 (filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
10.11	Amended and Restated Deferred Compensation Plan for Directors and Officers of Webster Bank (filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
10.12	First Amended and Restated Directors Retainer Fees Plan (filed as Exhibit 10.3 to the Corporation's Quarterly Report on Form 10-Q filed with the SEC on August 14, 1998 and incorporated herein by reference).
10.13	Supplemental Retirement Plan for Employees of First Federal Bank, as amended and restated effective as of October 1, 1994 (filed as Exhibit 10.26 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference).

10.14	Amendment No. 1 to the Supplemental Retirement Plan for Employees of First Federal Bank (filed as Exhibit 10.15 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
10.15	Amendment No. 2 to the Supplemental Retirement Plan for Employees of First Federal Bank (filed as Exhibit 10.16 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
10.16	Amendment No. 3 to the Supplemental Retirement Plan for Employees of Webster Bank (filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
10.17	Qualified Performance-Based Compensation Plan (filed as Exhibit A to the Corporation's definitive proxy materials for the Corporation's 1998 Annual Meeting of Shareholders and incorporated herein by reference).
10.18	Employment Agreement, dated as of January 1, 1998, among James C. Smith, the Corporation and Webster Bank (filed as Exhibit 10.27 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference; see Schedule 10.27 to that Exhibit 10.27 for a list of other executive officers of the Corporation and Webster Bank who have an Employment Agreement substantially identical in all material respects to the Employment Agreement of Mr. Smith, except as to the name of the executive who is a party to the agreement and as otherwise indicated on Schedule 10.27).
10.19	Amendment to Employment Agreement, entered into as of March 17, 1998, by and among Webster Bank, the Corporation and James C. Smith (filed as Exhibit 10.28 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference; see Schedule 10.28 to that Exhibit 10.28 for a list of other executive officers of the Corporation and Webster Bank who have an Amendment to Employment Agreement substantially identical in all material respects to the Amendment to Employment Agreement of Mr. Smith, except as to the name of the executive who is a party to the agreement).
10.20	Change of Control Employment Agreement, dated as of December 15, 1997, by and between the Corporation and James C. Smith (filed as Exhibit 10.29 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference; see Schedule 10.29 to that Exhibit 10.29 for a list of other executive officers of the Corporation who have a Change of Control Employment Agreement substantially identical in all material respects to the Change of Control Employment Agreement of Mr. Smith, except as to the name of the executive who is a party to the agreement).

10.21	Purchase and Assumption Agreement, dated as of October 2, 1992, among the Federal Deposit Insurance Corporation (the "FDIC"), in its corporate capacity as receiver of First Constitution Bank, the FDIC and First Federal Bank (filed as Exhibit 2 to the Corporation's Current Report on Form 8-K filed with the SEC on October 19, 1992 and incorporated herein by reference).
10.22	Amendment No. 1 to Purchase and Assumption Agreement, made as of August 8, 1994, by and between the FDIC, the FDIC as receiver of First Constitution Bank, and First Federal Bank (filed as Exhibit 10.36 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference).
10.23	Indenture, dated as of June 15, 1993, between the Corporation and Chemical Bank, as trustee, relating to the Corporation's 8 3/4% Senior Notes due 2000 (filed as Exhibit 99.5 to the Corporation's Current Report on Form 8-K/A filed with the SEC on November 10, 1993 and incorporated herein by reference).
10.24	Junior Subordinated Indenture, dated as of January 29, 1997 between the Corporation and The Bank of New York, as trustee, relating to the Corporation's Junior Subordinated Deferrable Interest Debentures (filed as Exhibit 10.41 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 and incorporated herein by reference).
Exhibit No. 13.	Portions of 1999 Annual Report to Shareholders.

Exhibit No. 21   Subsidiaries.

Exhibit No. 23.   Consent of KPMG LLP.

Exhibit No. 27.   Financial Data Schedules.

(b) Reports on Form 8-K

Webster filed the following Current Reports on Form 8-K with the Securities and Exchange Commission (the "SEC") during the quarter ended December 31, 1999:

(i) Current Report on Form 8-K filed with the SEC on December 10, 1999 (date of report December 1, 1999) (announcing Webster's proposed acquisition of MECH Financial, Inc.).

(ii) Current Report on Form 8-K filed with the SEC on December 9, 1999 (date of report December 1, 1999) (announcing the completion of Webster's acquisition of New England Community Bancorp, Inc.)

(c) Exhibits to this Form 10-K are attached or incorporated herein 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, as of March 29, 2000.

WEBSTER FINANCIAL CORPORATION

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

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 indicated as of March 29, 2000.

Name:	Title:
/s/ James C. Smith James C. Smith	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Peter J. Swiatek Peter J. Swiatek	Controller (Acting Principal Financial Officer and Acting Principal Accounting Officer)
/s/ Richard H. Alden Richard H. Alden	Director
/s/ Achille A. Apicella Achille A. Apicella	Director
/s/ Joel S. Becker Joel S. Becker	Director
/s/ O. Joseph Bizzozero, Jr. O. Joseph Bizzozero, Jr.	Director
/s/ George T. Carpenter George T. Carpenter	Director

/s/ John J. Crawford John J. Crawford	Director

/s/ Harry P. DiAdamo, Jr Harry P. DiAdamo, Jr.	Director
/s/ Robert A. Finkenzeller Robert A. Finkenzeller	Director
/s/ P. Anthony Giorgio P. Anthony Giorgio	Director
/s/ C. Michael Jacobi C. Michael Jacobi	Director
/s/ John F. McCarthy John F. McCarthy	Director
/s/ Sister Marguerite F. Waite Sister Marguerite F. Waite	Director

EXHIBIT INDEX

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Exhibit No. 13.	Portions of 1999 Annual Report to Shareholders.
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Exhibit No. 27.	Financial Data Schedules.

EXHIBIT 3.1

SECOND 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 of its original Certificate of Incorporation with the Secretary of State of Delaware was September 10, 1986. A Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on December 17, 1986.

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

3. The text of the Restated Certificate of Incorporation as amended or supplemented heretofore, including the Certificate of Designation for the Series C Participating Preferred Stock filed with the Secretary of State of Delaware on February 20, 1996 attached to the Second Restated Certificate of Incorporation as Exhibit A, is hereby restated without further amendments or changes to read as set forth in full in the attachment hereto.

4. This Second Restated Certificate of Incorporation was duly adopted by the board of directors in accordance with Section 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 Chairman and Chief Executive Officer, and attested by Harriet Munrett Wolfe, its Secretary, this 10th day of June, 1998.

WEBSTER FINANCIAL CORPORATION

By: /s/ James C. Smith

James C. Smith
Chairman and Chief Executive Officer

ATTEST:

By: /s/ Harriet Munrett Wolfe

Harriet Munrett Wolfe
Secretary

STATE OF DELAWARE

SECOND 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 fifty-three million (53,000,000), of which fifty million (50,000,000) shall be common stock, par value $.01 per share, amounting in the aggregate to five hundred thousand dollars ($500,000), 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 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.

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 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.

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.

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 by 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 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 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.

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 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

(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 conditions shall have been met:

(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 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).

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 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. 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 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 hereinafter 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 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.

Exhibit A

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

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,

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.

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.

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.

EXHIBIT 3.2

CERTIFICATE OF AMENDMENT

OF

SECOND RESTATED

CERTIFICATE OF INCORPORATION

OF

WEBSTER FINANCIAL CORPORATION

It is hereby certified that:

FIRST: The name of the Corporation is Webster Financial Corporation (the "Corporation").

SECOND: The first sentence of Article 4 of the Second Restated Certificate of Incorporation of the Corporation is hereby amended and restated as follows:

> "The total number of shares of all classes of the capital stock which the Corporation has authority to issue is two hundred three million (203,000,000), of which two hundred million (200,000,000) shall be common stock, par value $.01 per share, amounting in the aggregate to two million dollars ($2,000,000), 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)."

THIRD: The foregoing amendment to the Second Restated Certificate of Incorporation was duly adopted at a meeting of the Board of Directors of the Corporation.

FOURTH: The foregoing amendment to the Second Restated Certificate of Incorporation has been adopted by the stockholders of the Corporation at a special meeting 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.

FIFTH: The foregoing 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, Webster Financial Corporation has caused this Certificate of Amendment to be duly executed by its Secretary as of December 17, 1999.

WEBSTER FINANCIAL CORPORATION

By: /s/ Harriet Munrett Wolfe

Name: Harriet Munrett Wolfe
Title: Secretary

Portions of 1999 Annual Report to Shareholders

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (MD&A)

Introduction
Webster Financial Corporation ("Webster" or the "Company"), through its subsidiaries, Webster Bank (the "Bank") and Damman Associates, Inc. ("Damman"), delivers financial services to individuals, families and businesses primarily in Connecticut. Webster emphasizes five business lines - consumer banking, business banking, mortgage lending, trust and investment services, and insurance services, each supported by centralized administration and operations. Webster has grown significantly in recent years, primarily through a series of acquisitions which have expanded and strengthened its franchise.

Assets at December 31, 1999 were $9.9 billion compared to $9.8 billion a year earlier. Net loans receivable amounted to $6.0 billion at December 31, 1999 and $5.5 billion at December 31, 1998. Deposits were $6.2 billion at December 31, 1999 and $6.3 billion at December 31, 1998.

Business Combinations
Pooling of Interests Transactions
All acquisitions accounted for under the pooling of interests method include financial data as if the combination occurred at the beginning of the earliest period presented.

The NECB Acquisition
On December 1, 1999, Webster acquired New England Community Bancorp., Inc., ("NECB") a multi-bank holding company headquartered in Windsor, Connecticut. Three of its wholly-owned bank subsidiaries, New England Bank and Trust, Equity Bank and Community Bank, were located in the state of Connecticut and one, Olde Port Bank and Trust, was located in New Hampshire. In connection with the merger with NECB, Webster issued 7,298,788 shares of its common stock for all of the outstanding shares of NECB's common stock. Under the terms of the merger agreement, each outstanding share of NECB's common stock was converted into 1.06 shares of Webster common stock.

The Bank of South Windsor Acquisition
On August 14, 1998, Webster acquired Bank of South Windsor ("BSW") as a result of its acquisition of NECB. In connection with the acquisition, Webster effectively issued 1,346,200 shares of its common stock for all the outstanding shares of BSW common stock after adjusting for the conversion factor related to the NECB acquisition.

The Olde Port Acquisition
On July 10, 1998, Webster acquired Olde Port Bank and Trust Company ("Olde Port") as a result of its acquisition of NECB. In connection with the acquisition, Webster effectively issued 621,160 shares of its common stock for all the outstanding shares of Olde Port common stock after adjusting for the conversion factor related to the NECB acquisition.

The Eagle Acquisition
On April 15, 1998, Webster acquired Eagle Financial Corp. ("Eagle") and its subsidiary, Eagle Bank, a $2.1 billion savings bank, headquartered in Bristol, Connecticut. In connection with the merger with Eagle, Webster issued 10,615,156 shares of its common stock for all of the outstanding shares of Eagle common stock. Under the terms of the agreement, each outstanding share of Eagle common stock was converted into 1.68 shares of Webster common stock. Prior to the acquisition, Eagle's fiscal year ended on September 30. In recording the pooling of interests combination, Eagle's financial statements as of and for the twelve months ended September 30, 1997 were combined with Webster's financial statements as of and for the twelve months ended December 31, 1997. An adjustment has been made in the 1998 Consolidated Statements of Shareholders' Equity to include Eagle's unaudited net income for the period October 1, 1997 to December 31, 1997 as a direct credit to retained earnings. Eagle's operating results for this period included net interest income of $15.7 million and net income of $4.9 million and are not included in the Consolidated Statement of Income of the combined entity for the year ended December 31, 1998.

The First Bank of West Hartford Acquisition
On August 7, 1997, Webster acquired First Bank of West Hartford ("FBWH") as a result of its acquisition of NECB. In connection with the purchase, Webster effectively issued 1,054,700 shares of its common stock for all the outstanding shares of FBWH common stock after adjusting for the conversion factor related to the NECB acquisition.

The People's Acquisition
On July 31, 1997, Webster acquired People's Savings Financial Corp. ("People's")

and its subsidiary, People's Savings Bank & Trust, a $482 million in assets savings bank headquartered in New Britain, Connecticut. In connection with the merger with People's, Webster issued 3,151,992 shares of its common stock for all the outstanding shares of People's common stock. Under the terms of the agreement, each outstanding share of People's common stock was converted into .85 shares of Webster common stock.

The MidConn Acquisition
On May 31, 1997, Webster acquired MidConn Bank ("MidConn") as a result of its acquisition of Eagle. In connection with the merger, Webster effectively issued 2,869,440 shares of its common stock for all the outstanding shares of MidConn common stock after adjusting for the conversion factor related to the Eagle Acquisition.

The Derby Acquisition
On January 31, 1997, Webster acquired DS Bancor, Inc. ("Derby") and its subsidiary, Derby Savings Bank, a $1.2 billion in assets savings bank headquartered in Derby, Connecticut. In connection with the merger with Derby, Webster issued 7,002,740 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.

Purchase Transactions
The following acquisitions were accounted for as purchase transactions, and as such, results of operations are included in the Consolidated Financial Statements subsequent to acquisition.

The Village Acquisition
On May 19, 1999, Webster acquired Village Bancorp, Inc. ("Village"), the holding company for The Village Bank & Trust Company in a tax-free, stock-for-stock exchange. Village had approximately $215 million in total assets and $200 million in deposits at six branches.

The Maritime Acquisition
On April 21, 1999, Webster acquired Maritime Bank & Trust Company ("Maritime") in a tax-free, stock-for-stock exchange. Maritime had approximately $95 million in total assets and $85 million in deposits at three branches.

The Access Acquisition
In January 1999, Webster completed its acquisition of Access National Mortgage, Inc. ("Access"). Access was founded in 1996 as a privately held Internet-based mortgage lender located in Wilmington, Massachusetts. In October 1999, Access National Mortgage, LLC was renamed Nowlending, LLC. Nowlending, LLC originates mortgages in 47 states.

The Damman Acquisition
On June 1, 1998, Webster completed its acquisition of Damman. Damman is a full service Westport-based insurance agency, providing property-casualty, life and group coverage to commercial and individual customers. Damman has offices in Westport and Wallingford and approximately 50 employees. During 1998, Webster began offering a full array of insurance services to its consumer and commercial customer base.

The Community Savings Bank Acquisition
On December 31, 1997, Webster acquired Community Savings Bank ("Community Bank") as a result of its acquisition of NECB. In connection with the purchase, Webster effectively paid $5.62 in cash for each Community Bank common share outstanding.

The Sachem Acquisition
On August 1, 1997, Webster acquired Sachem Trust National Association ("Sachem Trust"), a trust company headquartered in Guilford, Connecticut, in a tax-free stock-for-stock exchange. Sachem Trust had approximately $300 million of trust assets under management at the time of acquisition.

Purchase Transactions Pending Consummation at December 31, 1999
The Mechanics Acquisition
In December 1999, Webster announced a definitive agreement to acquire MECH Financial, Inc. ("Mechanics"), the holding company for Mechanics Savings Bank, in a tax free, stock-for-stock exchange. Mechanics Savings Bank is a state-chartered, Hartford-based savings bank with $1.1 billion in assets and 16 branch offices in the capital region. Based on the terms of the agreement, Mechanics shareholders will receive 1.52 shares of Webster common stock for each share of Mechanics. Webster expects to close the transaction and complete the conversion during the second quarter of 2000.

The Chase Branch Acquisition
In November 1999, Webster announced a definitive agreement to acquire six Connecticut branches from The Chase Manhattan Bank. The branches are located in Cheshire, Middlebury, North Haven, Waterbury (2) and Watertown and have approximately $165 million in deposit balances. The transaction includes the purchase of consumer deposits, small business deposits and loans, and brokerage and custody accounts associated with these branches. Webster expects to close the transaction and complete the acquisition during the second quarter of 2000.

The FleetBoston Branch Acquisition

In November 1999, Webster announced a definitive agreement with FleetBoston Corporation to purchase four Connecticut branches that are being divested as the result of the Fleet-BankBoston merger. The branches, with $163 million in deposit balances, are located in Brookfield, Guilford, Meriden, and Thomaston. The transaction includes the purchase of deposits and loans for individual and small business customers associated with these branches. Webster expects to close the transaction and complete the acquisition during the third quarter of 2000.

Purchase Transactions Subsequent to December 31, 1999

The Levine Acquisition

In February 2000, through Damman, Webster acquired the Levine companies ("Levine"), a privately owned Waterford and Norwich, Connecticut based insurance agency. Founded in 1928, the group combines three entities; Louis Levine Agency, Inc., Levine Financial Services, Inc. and Retirement Planning Associates, Inc. Levine has 50 employees and wrote $41 million in premiums during 1999.

Asset Quality

Nonaccrual Assets

Webster devotes significant attention to maintaining high asset quality through conservative underwriting standards, active servicing of loans and aggressively managing nonaccrual assets. The aggregate amount of nonaccrual assets increased to $43.3 million at December 31, 1999 from $35.9 million at December 31, 1998 and increased as a percentage of total assets to .44% at December 31, 1999 from .36% at December 31, 1998. Nonaccrual loans increased $7.7 million in 1999 and foreclosed properties decreased $254,000. The allowance for loan losses at December 31, 1999 was $72.7 million and represented 191% of nonaccrual loans and 1.2% of total loans. Total allowances for nonaccrual assets of $72.9 million represented 167% of nonaccrual assets. The following table details nonaccrual assets for the last five years.

	December 31,				
(In thousands)	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual Assets:					
Loans accounted for on a nonaccrual basis:					
Residential	$ 11,490	$ 12,418	$ 34,731	$ 37,073	$ 41,508
Commercial	25,722	16,449	13,626	18,416	26,288
Consumer	1,182	1,852	3,624	6,143	6,904
Foreclosed Properties:					
Residential and Consumer	2,698	1,715	8,804	11,099	12,757
Commercial	2,210	3,447	6,335	11,157	17,548
Total	$ 43,302	$ 35,881	$ 67,120	$ 83,888	$ 105,005

</TABLE>

A summary of the activity in the allowance for loan losses for the last five years follows:

	For the Years Ended December 31,				
(Dollars in thousands)	1999	1998	1997	1996	1995
Balance at beginning of period	$ 65,201	$ 71,599	$ 63,047	$ 69,091	$ 73,615
Charge-offs:					
Residential real estate	(3,246)	(13,662)	(16,281)	(21,218)	(14,184)
Consumer	(1,784)	(3,556)	(4,305)	(4,350)	(1,438)
Commercial	(2,376)	(4,044)	(6,039)	(8,895)	(6,657)
	(7,406)	(21,262)	(26,625)	(34,463)	(22,279)
Recoveries:					
Residential real estate	838	1,081	4,368	1,103	1,020
Consumer	299	302	555	416	1,068
Commercial	1,079	2,755	1,697	2,278	1,717
Net charge-offs	(5,190)	(17,124)	(20,005)	(30,666)	(18,474)
Allowances from purchase transactions	3,647	--	2,108	8,881	1,961
Reclassification of allowance for segregated asset losses	--	2,623	--	--	--
Provisions charged to operations	9,000	8,103	26,449	15,741	11,989
Balance at end of period	$ 72,658	$ 65,201	$ 71,599	$ 63,047	$ 69,091
Ratio of net charge-offs to average loans outstanding	0.1%	0.3%	0.4%	0.6%	0.4%

Net charge-offs decreased $11.9 million to $5.2 million in 1999 due primarily to decreases in residential nonaccrual loans. Included in the 1998 charge-offs were write-downs of $8.6 million related to the bulk sales of $26.3 million of primarily nonaccrual and delinquent loans. Included in the 1997 charge-offs were write-downs of $5.8 million related to a bulk sale of $17.7 million of nonaccrual residential loans and foreclosed properties. The 1998 provisions charged to operations include $1.5 million specifically related to the acquisition of Eagle. See Note 12 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 at December 31, 1999 is adequate to cover expected losses in the portfolio.

Liquidity and Capital Resources

The 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 net withdrawable deposits and short-term borrowings. The required liquidity ratio is currently 4.00% and the Bank's liquidity ratio at December 31, 1999 exceeded the requirement. Webster Bank is also required by regulation to maintain sufficient liquidity to ensure safe and sound operations. Adequate liquidity as assessed by the OTS may vary from institution to institution depending on such factors as the institution's overall asset/liability structure, market conditions, competition and the nature of the institution's deposit and loan customers. The OTS considers both an institution's liquidity ratio as well as safety and soundness issues in assessing whether an institution has sufficient liquidity.

Liquidity management allows Webster to meet cash needs at a reasonable cost under various operating environments. Liquidity is actively managed and reviewed in order to maintain stable cost effective funding to support the balance sheet. Liquidity comes from a variety of sources such as the cash flow from operating activities including principal and interest payments on loans and investments, unpledged securities which can be sold or utilized to secure funding and by maintaining the ability to attract new deposits. Webster's goal is to maintain a strong base of core deposits to support its growing balance sheet.

Management monitors current and projected cash needs and adjusts liquidity as necessary. Webster has a detailed liquidity contingency plan, which is designed to respond to liquidity concerns in a prompt and comprehensive manner. It is designed to provide early detection of potential problems and details specific actions required to address liquidity risks.

Webster is a member of the Federal Home Loan Bank ("FHLB") system and has additional borrowing capacity from the FHLB of $1.4 billion at December 31, 1999. At that date, the Bank had FHLB advances outstanding of $1.7 billion compared to $1.8 billion at December 31, 1998. See Note 8 to the Consolidated Financial Statements.

Webster's main sources of liquidity at the holding company level are dividends from the Bank, investment income and net proceeds from capital offerings and borrowings. The main uses of liquidity are purchases of available for sale securities, the payment of dividends to preferred and common stockholders, repurchases of Webster's common stock, and the payment of interest to holders of Webster's senior notes and capital securities. $40 million of senior notes will mature on June 30, 2000. Management is assessing alternatives to replace funding provided by this debt. There are certain restrictions on the payment of dividends by the Bank to Webster. See Note 14 to the Consolidated Financial Statements. Webster also maintains $90 million in revolving lines of credit with correspondent banks.

During 1999, Webster repurchased a total of 2,622,608 shares of its common stock under three announced repurchase programs. See Note 14 to the Consolidated Financial Statements for further information concerning the stock repurchases.

Applicable OTS regulations require the Bank, as a federal savings bank, to satisfy certain minimum capital requirements, including a leverage capital requirement and risk-based capital requirements. As an OTS regulated savings institution, the Bank is also subject to a minimum tangible capital requirement. At December 31, 1999, the Bank was in full compliance with all applicable capital requirements. See Note 14 to the Consolidated Financial Statements.

Asset/Liability Management and Market Risk

Interest-rate risk is the sensitivity of the market value of Webster's interest-sensitive assets and liabilities and the sensitivity of Webster's earnings to changes in interest rates over short-term and long-term time horizons. The primary goal of interest-rate risk management is to control risk within limits approved by the Board of Directors. Webster's Asset & Liability Management Committee manages interest-rate risk to maximize net interest income and net market value over time in changing interest-rate environments. Management measures interest-rate risk using simulation analyses with particular emphasis on measuring changes in net market value and net interest income in different rate environments. Market value is measured as the net present value of future cash flows. Simulation analysis incorporates assumptions about balance sheet changes such as asset and liability growth, loan and deposit pricing and changes due to the mix of assets and liabilities. Key assumptions relate to the behavior of interest rates and spreads, fluctuations in product balances, prepayment speeds and decay rates on deposits. From such simulations, interest-rate risk is quantified and appropriate strategies are formulated and implemented.

Webster also uses as part of its asset/liability management strategy various interest-rate contracts including futures and options, interest-rate swaps and interest-rate caps and floors. Webster utilizes these financial instruments to manage interest-rate risk by reducing net exposures. 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 on the value of the instruments. The notional amount of interest-rate financial instruments is the amount upon which interest and other payments under the contract are based. The notional amount is not exchanged and therefore, the notional amounts should not be taken as a measure of credit risk. See Notes 3 and 10 to the Consolidated Financial Statements.

Webster holds futures and options positions and interest-rate contracts to minimize the price volatility of certain assets held as Trading Securities. Changes in the market value of these positions are recognized in the Consolidated Statements of Income in the period for which the change occurred.

The following table summarizes the estimated market value of Webster's interest-sensitive assets and interest-sensitive liabilities at December 31, 1999 and 1998, and the projected change to market values if interest rates instantaneously increase or decrease by 100 basis points.

(Dollars in thousands)	Book Value	Market Value	Estimated Market Value Impact -100 BP	+100 BP
1999				
Interest Sensitive Assets:				
Trading	$ 50,854	$ 50,854	$ 181	$ (479)
Non-trading	8,780,473	8,695,323	223,137	(256,650)
Interest Sensitive Liabilities	9,219,951	8,838,371	(139,222)	129,373
Net Impact			84,096	(127,756)
Net Impact as % of interest sensitive assets			1.0%	-1.5%
1998				
Interest Sensitive Assets:				
Trading	$ 91,114	$ 91,114	$ (84)	$ (1,236)
Non-trading	8,872,123	9,012,443	148,515	(192,378)
Interest Sensitive Liabilities	8,890,959	9,043,869	(143,097)	137,806
Net Impact			5,334	(55,808)
Net Impact as % of interest sensitive assets			0.1%	-0.6%

The tables above exclude interest-earning assets that are not directly impacted by changes in interest rates. These assets include equity securities of $201.4 million at December 31, 1999 and $244.7 million at December 31, 1998 (see Note 3 to the Consolidated Financial Statements) and nonaccrual loans of $38.4 million at December 31, 1999 and $30.7 million at December 31, 1998 (see "Asset Quality" within the MD&A). Values for mortgage servicing rights have been included in the tables above as movements in interest rates affect the valuation of the servicing rights. Equity securities and nonaccrual assets not included in the above tables are, however, subject to fluctuations in market value based on other risks. The equity securities include $103.9 million of FHLB stock which is insensitive to market fluctuations (see Note 3 to the Consolidated Financial Statements). The remaining $97.5 million of equity securities had a net unrealized loss of $3.4 million at December 31, 1999.

Interest-sensitive assets, net of interest-sensitive liabilities, when impacted by a minus 100 basis point rate change, result in a favorable $84.1 million change in net market values for 1999 compared to a favorable $5.3 million net market value change in 1998. These changes represent 1.0% of interest-sensitive assets in 1999 and 0.1% in 1998. A plus 100 basis point rate change results in an unfavorable $127.8 million or 1.5% change in 1999 compared to an unfavorable $55.8 million or 0.6% change in 1998.

Based on Webster's asset/liability mix at December 31, 1999, management estimates that an instantaneous 100 basis point increase in interest rates would decrease net interest income over the next twelve months by 3.4% compared to a 2.6% decrease at December 31, 1998. An instantaneous 100 basis point decline in interest rates would increase net interest income by 5.0% compared to a decrease in net interest income of 1.9% at December 31, 1998. These estimates assume that management takes no action to mitigate any negative effects from changing interest rates.

The market values and net interest income estimates are subject to factors that could cause actual results to differ. Management believes that Webster's interest-rate risk position at December 31, 1999, represents a reasonable level of risk.

COMPARISON OF 1999 AND 1998 YEARS

General

For 1999, Webster reported net income of $95.4 million, or $2.10 per diluted share. Included in the 1999 results are acquisition-related expenses of $9.5 million. Excluding the effect of acquisition-related expenses, net income for the 1999 year would have been $102.2 million or $2.25 per diluted share. Net income for 1998 amounted to $78.0 million or $1.69 per share on a diluted basis. Included in the 1998 results are acquisition-related expenses of $21.0 million and provisions for loan losses of $1.5 million specifically related to the Eagle acquisition. Also, included in the 1998 results is a non-recurring net tax expense of $3.2 million. Excluding the effect of acquisition-related expenses, provisions for loan losses and non-recurring net tax expense, net income for the 1998 year would have been $97.0 million or $2.10 per diluted share.

Net Interest Income

Net interest income before provision for loan losses increased $20.9 million in 1999 to $303.5 million from $282.6 million in 1998. The increase is primarily attributable to a reduction of the yield on interest-bearing liabilities. The cost of interest-bearing liabilities was lower in 1999 due primarily to lower rates on deposits. Interest-rate spread for the 1999 year increased to 3.18% compared to 2.83% in 1998. The average balance for interest-bearing deposits was $5.6 billion with a yield of 3.63% for the 1999 year compared to $5.8 billion with a yield of 4.13% for 1998. The average balance for investment securities was $3.3 billion with a yield of 6.30% for the 1999 year compared to $4.1 billion with a yield of 6.15% for 1998.

Interest Income

Total interest income for 1999 amounted to $645.8 million, a decrease of $36.4 million, or 5.3% compared to $682.2 million in 1998. The lower interest income was due primarily to a decrease in the average volume of securities partially offset by an increase in net loans.

Interest Expense

Interest expense for 1999 totaled $342.3 million, a decrease of $57.3 million compared to $399.6 million in 1998. The lower interest expense was due primarily to a decrease in the yield on interest-bearing deposits in 1999 compared to 1998.

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 or paid by Webster.

For the Years ended December 31,

	1999			1998			1997		
(Dollars in thousands)	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Loans, net (a)	$5,802,453	$435,326(b)	7.50%	$5,416,531	$430,636(b)	7.95%	$5,421,314	$429,154(b)	7.92%
Securities and interest bearing deposits	3,342,188	210,466	6.30(c)	4,098,608	251,601	6.15(c)	3,100,412	203,912	6.60(c)
Total interest-earning assets	9,144,641	645,792	7.06%	9,515,139	682,237	7.16%	8,521,726	633,066	7.43%
Other assets	600,483			564,689			420,328		
Total assets	$9,745,124			$10,079,828			$8,942,054		
Savings and escrow	$1,477,856	$ 34,058	2.30%	$1,399,519	$ 34,503	2.47%	$1,374,974	$ 32,825	2.39%
Money market savings, NOW and DDA	1,519,929	15,185	1.00	1,346,043	13,798	1.03	1,311,117	15,945	1.22
Time deposits	3,228,480	154,562	4.79	3,651,017	192,880	5.28	3,653,467	192,637	5.27
FHLB advances	1,585,458	84,498	5.33	1,675,789	96,140	5.74	1,184,948	68,690	5.80
Repurchase agreements and other borrowings	978,581	50,316	5.14	1,049,520	58,645	5.59	607,638	33,551	5.52
Senior notes	40,000	3,660	9.15	40,000	3,660	9.15	40,000	3,660	9.15
Total interest-bearing liabilities	$8,830,304	$342,279	3.88%	$9,161,888	$399,626	4.33%	$8,172,144	$347,308	4.25%
Other liabilities	93,252			109,993			94,524		
Capital securities and minority interest	199,577			199,577			122,630		
Shareholders' equity	621,991			608,370			552,756		

Net interest income and interest-rate spread	$303,513	3.18%	$282,611	2.83%	$285,758	3.18%
Total liabilities and shareholders' equity	$9,745,124		$10,079,828		$8,942,054	
Net interest margin		3.32%		2.97%		3.35%

(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 amortization of net deferred loan costs and premiums (net of discounts) of: $469,000, $1.9 million and $4.2 million in 1999, 1998 and 1997, respectively.

(c) Yields are adjusted to a fully tax 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.

	Years ended December 31,			Years ended December 31,		
	1999 v. 1998			1998 v. 1997		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
(In thousands)	Rate	Volume	Total	Rate	Volume	Total
Interest on Interest-earning Assets:						
Loans	$ (17,729)	$ 22,419	$ 4,690	$ 1,860	$ (378)	$ 1,482
Securities	6,694	(47,829)	(41,135)	(12,446)	60,135	47,689
Total	$ (11,035)	$ (25,410)	$(36,445)	$ (10,586)	$ 59,757	$ 49,171
Interest on Interest-bearing Liabilities						
Deposits	(31,096)	(6,280)	(37,376)	(2,624)	2,398	(226)
FHLB advances and other borrowings	(11,028)	(8,943)	(19,971)	(891)	53,435	52,544
Total	$ (42,124)	$ (15,223)	$(57,347)	$ (3,515)	$ 55,833	$ 52,318
Net change in net interest income	$ 31,089	$ (10,187)	$ 20,902	$ (7,071)	$ 3,924	$(3,147)

Provision for Loan Losses
The provision for loan losses for 1999 was $9.0 million compared to $8.1 million in 1998. The increase for 1999 is attributable to the increase in gross loans and a shift within the loan portfolio to a higher concentration of commercial loans. The allowance for losses on loans totaled $72.7 million and represented 189% of nonaccrual loans at December 31, 1999 versus $65.2 million or 212% of nonaccrual loans at December 31, 1998.

Noninterest Income
Noninterest income for 1999 totaled $92.6 million, compared to $82.6 million in 1998. Fees and service charges were $66.9 million in 1999, an increase of $19.7 million, or 42% from 1998 due primarily to an increase in the customer base and fees generated as a result of our expanded product offerings, including insurance and trust and investment services. Gains on the sale of loans and mortgage loan servicing rights decreased to $4.4 million in 1999 compared to $5.8 million in 1998, due primarily to the 1998 sale of the credit card portfolio. Gains on the sale of securities amounted to $4.2 million in 1999 compared to $17.0 million in 1998. Other noninterest income was $9.1 million in 1999, an increase of $2.1 million from $7.0 million in 1998. Noninterest Expenses Noninterest expenses for 1999 were $244.5 million compared to $229.4 million in 1998. Included in the 1999 total are acquisition-related expenses totaling $9.5 million for the NECB acquisition. The 1998 results include acquisition-related expenses totaling $21.0 million which include: $17.4 million for the Eagle acquisition, $3.4 million for the Bank of South Windsor acquisition and $200,000 for the Olde Port acquisition. Excluding acquisition-related expenses, noninterest expenses for 1999 increased $26.5 million compared to 1998. In 1998, salaries and benefits expenses included a $1.5 million reduction in expenses related to the consolidation of the former Eagle pension and post-retirement benefits plans into Webster's plans.

Income Taxes

Income tax expense for 1999 decreased to $47.3 million from $49.7 million in 1998. The decrease in income tax expense is due to a $3.2 million non-recurring net tax expense in 1998, related primarily to the formation of a Connecticut Passive Investment Company and the related reduction in Connecticut income tax in 1999 (see "Tax Legislation").

Comparison of 1998 and 1997 Years

General

In 1998, Webster reported net income of $78.0 million, or $1.69 per share on a diluted basis. Included in the 1998 results were acquisition-related expenses of $21.0 million and provision for loan losses of $1.5 million, the latter specifically related to the Eagle acquisition. Also included in the 1998 results was a non-recurring net tax expense of $3.2 million. Excluding the net effects of tax-effected acquisition-related expenses and non-recurring tax expense, net income for the 1998 year would have been $97.0 million or $2.10 per diluted share. Net income for 1997 amounted to $47.6 million, or $1.04 per share on a diluted basis. Included in the 1997 results were acquisition-related expenses of $32.0 million and provisions for loans losses of $9.9 million related to acquisitions. Excluding the effect of tax-effected acquisition-related expenses and provisions for loan losses, net income for the 1997 year would have been $72.9 million or $1.59 per diluted share.

Net Interest Income

Net interest income before provision for loan losses decreased $3.2 million in 1998 to $282.6 million from $285.8 million in 1997. The decrease was primarily attributed to a lower return on investment securities. The cost of interest-bearing liabilities was higher in 1998 due primarily to a higher volume of borrowings. Interest-rate spread for the 1998 year decreased to 2.83% compared to 3.18% in 1997 due primarily to a higher level of average interest-earning assets that yielded a return that was approximately twenty-seven basis points lower than realized in 1997. The average balance for investment securities was $4.1 billion with a yield of 6.15% for the 1998 year compared to $3.1 billion with a yield of 6.60% for 1997.

Interest Income

Total interest income for 1998 amounted to $682.2 million, an increase of $49.1 million, or 7.8% compared to $633.1 million in 1997. The higher interest income was due primarily to an increase in the average volume of securities partially offset by decreases in net loans and interest-bearing deposits.

Interest Expense

Interest expense for 1998 totaled $399.6 million, an increase of $52.3 million compared to $347.3 million in 1997. The higher interest expense was due primarily to an increase in the average volume of borrowings in 1998 compared to 1997.

Provision for Loan Losses

The provision for loan losses for 1998 was $8.1 million compared to $26.4 million in 1997. The decrease for 1998 is attributable to approximately $8.4 million less in provisions related to acquisitions and an overall reduction in nonaccrual loans. The provision for 1997 included $9.9 million related to acquisitions. The allowance for losses on loans totaled $65.2 million and represented 212% of nonaccrual loans at December 31, 1998 versus $71.6 million and 138% at December 31, 1997.

Noninterest Income

Noninterest income for 1998 totaled $82.6 million, compared to $47.7 million in 1997. Fees and service charges were $47.3 million in 1998, an increase of $11.6 million or 32.5% from 1997 due primarily to an increase in the customer base and fees generated as a result of the Damman and Sachem Trust acquisitions. Gains on the sale of loans and mortgage loan servicing rights increased to $5.8 million in 1998 compared to $1.7 million in 1997, due primarily to the sale of the credit card portfolio. Gains on the sale of securities amounted to $17.0 million in 1998 compared to $3.5 million in 1997. Other noninterest income increased to $7.0 million from $6.9 million from 1998 to 1997.

Noninterest Expenses

Noninterest expenses for 1998 were $229.4 million compared to $229.5 million in 1997. Included in the 1998 total are acquisition-related expenses totaling $21.0 million. The 1997 results include acquisition-related expenses totaling $32.0 million. Excluding acquisition-related expenses, noninterest expenses for 1998 increased $10.9 million compared to 1997. Increased salaries and benefits, furniture and equipment, intangible amortization, professional services expenses, capital securities and other operating expenses were partially offset by lower expenses for occupancy, federal deposit insurance, foreclosed property and marketing expenses. Salaries and benefits expenses include a $1.5 million reduction to expenses related to the consolidation of the former Eagle pension and post-retirement benefits plans into Webster's plans.

Income Taxes

Income tax expense for 1998 increased to $49.7 million from $29.9 million in

1997. The increase in income tax expense is due primarily to a $50.2 million increase in net income before taxes and a $3.2 million non-recurring net tax expense related primarily to the planned formation of a Connecticut Passive Investment Company (see "Tax Legislation").

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.

Recent Financial Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Under this statement, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk. SFAS No. 133, as amended by SFAS No. 137, is now effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Upon adoption, hedging relationships must be designated anew and documented pursuant to the provisions of this statement. Early adoption is permitted, however, retroactive application is prohibited. Management is in the process of evaluating the impact of this statement on its financial position and results of operations.

Tax Legislation

Federal 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.

The State of Connecticut enacted tax law changes in May 1998, allowing for the formation of a Passive Investment Company ("PIC") by financial institutions. This legislation exempts Passive Investment Companies from state income taxation in Connecticut, and exempts from inclusion in Connecticut taxable income the dividends paid from a passive investment company to a related financial institution. Webster Bank qualifies as a financial institution under the statute, and has organized a PIC that began operations in the first quarter of 1999. The legislation is effective for tax years beginning on or after January 1, 1999. Webster's formation of a PIC has reduced its Connecticut tax expense in 1999 and, as a result of the PIC's formation, a deferred tax charge was taken in the fourth quarter of 1998.

Year 2000 Disclosure Statement

There has been no disruption to the Company's operations as a result of the Year 2000 issue, which referred to the potential impact of the failure of computer programs and equipment to give proper recognition of dates beyond December 31, 1999 and other issues related to the Year 2000 century date change. No disruption is expected and the Company will continue to monitor its position. Total expenses incurred by the Company in conducting its Year 2000 program were about $1.0 million.

Forward Looking Statements

This annual report contains forward-looking statements within the meaning of the Securities and Exchange Act of 1934, as amended. Actual results could differ materially from those management expectations, projections and estimates. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality or composition of Webster's loan and investment portfolios, changes in accounting principles, policies or guidelines, and other economic, competitive, governmental and technological factors affecting Webster's operations, markets, products services and prices. Such developments could have an adverse impact on Webster's financial position and results of operations.

Consolidated Statements of Condition

(In thousands, except share and per share data)	December 31, 1999	1998
Assets:		
Cash and due from depository institutions	$245,783	$213,142
Interest-bearing deposits	37,838	17,819
Securities: (Note 3)		
Trading, at fair value	50,854	91,114
Available for sale, at fair value	2,700,585	3,164,886
Held to maturity, (fair value: $300,282 in 1999; $410,196 in 1998)	315,462	406,829
Loans receivable, net (Note 4)	6,022,236	5,507,118
Accrued interest receivable	58,918	60,647
Premises and equipment, net (Note 5)	103,403	93,256
Foreclosed properties, net (Note 12)	4,909	5,162
Intangible assets (Note 2)	138,829	83,227
Cash surrender value of life insurance	148,252	141,059
Prepaid expenses and other assets (Note 6)	104,675	51,770
Total assets	$9,931,744	$9,836,029
Liabilities and Shareholders' Equity:		
Deposits (Note 7)	$6,191,091	$6,312,974
Federal Home Loan Bank advances (Note 8)	1,714,441	1,801,839
Securities sold under agreement to repurchase and other borrowings (Note 9)	1,074,004	773,769
Advance payments by borrowers for taxes and insurance	41,605	34,670
Accrued expenses and other liabilities	75,359	86,746
Total liabilities	$9,096,500	$9,009,998
Corporation-obligated mandatorily redeemable capital securities of subsidiary trusts (Note 19)	$150,000	$150,000
Preferred stock of subsidiary corporation (Note 20)	49,577	49,577
Shareholders' Equity: (Note 14)		
Common stock, $.01 par value: Authorized - 200,000,000 shares at December 31, 1999 and 50,000,000 shares at December 31, 1998; Issued - 45,243,770 shares at December 31, 1999 and 45,717,089 shares at December 31,1998	452	457
Paid-in capital	301,336	308,790
Retained earnings	400,413	325,805
Less Treasury stock at cost, 140,000 shares at December 31, 1999 and 1,026,770 shares at December 31, 1998	(3,274)	(27,914)
Less employee stock ownership plan shares purchased with debt	(1,127)	(1,339)
Accumulated other comprehensive (loss) income	(62,133)	20,655
Total shareholders' equity	$635,667	$626,454
Commitments and contingencies (Notes 4, 5 and 21)		
Total liabilities and shareholders' equity	$9,931,744	$9,836,029

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(In thousands, except per share data)	Years Ended December 31, 1999	1998	1997
Interest Income:			
Loans	$435,326	$430,636	$ 429,154
Securities and interest-bearing deposits	210,466	251,601	203,912
Total interest income	645,792	682,237	633,066
Interest Expense:			
Deposits (Note 7)	203,805	241,181	241,407
Borrowings	138,474	158,445	105,901
Total interest expense	342,279	399,626	347,308
Net interest income	303,513	282,611	285,758
Provision for loan losses (Note 4)	9,000	8,103	26,449
Net interest income after provision for loan losses	294,513	274,508	259,309
Noninterest Income:			
Fees and service charges	66,936	47,250	35,651

Gain on sale of loans and loan servicing, net	4,434	5,754	1,676
Gain on sale of securities, net (Note 3)	4,248	17,015	3,517
Increase in cash surrender value of life insurance	7,892	5,607	--
Other noninterest income	9,120	7,012	6,879
Total noninterest income	92,630	82,638	47,723
Noninterest Expenses:			
Salaries and employee benefits	106,493	92,506	87,694
Occupancy expense of premises	20,892	19,068	19,278
Furniture and equipment expenses	22,302	19,335	15,892
Intangible amortization	13,780	10,033	9,563
Marketing expenses	9,584	7,392	8,258
Professional services expenses	11,223	10,257	8,483
Acquisition-related expenses (Note 17)	9,500	20,993	31,989
Capital securities expense (Note 19)	14,645	14,708	11,368
Dividends on preferred stock of subsidiary corporation (Note 20)	4,151	4,151	85
Other operating expenses	31,891	30,990	36,923
Total noninterest expenses	244,461	229,433	229,533
Income before income taxes	142,682	127,713	77,499
Income taxes (Note 13)	47,332	49,694	29,887
Net Income	$ 95,350	$ 78,019	$ 47,612
Net Income Per Common Share (Note 15):			
Basic	$ 2.14	$ 1.72	$ 1.06
Diluted	2.10	1.69	1.04

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(In thousands, except per share data)

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Employee Stock Ownership Plan Shares Purchased With Debt	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 1996	$ 1	$ 450	$ 312,666	$ 243,035	$(18,801)	$ (2,574)	$ 310	$535,087
Net income for 1997	--	--	--	47,612	--	--	--	47,612
Dividends paid:								
$.40 per common share	--	--	--	(10,508)	--	--	--	(10,508)
Cash dividends declared by pooled companies prior to mergers	--	--	--	(7,133)	--	--	--	(7,133)
Allocation of ESOP shares	--	--	166	--	--	603	--	769
Exercise of stock options	--	10	416	--	5,058	--	--	5,484
Conversion of preferred Series B to common stock	(1)	--	(18,499)	--	18,500	--	--	--
Common stock repurchased	--	--	--	--	(6,020)	--	--	(6,020)
Common stock issued in consideration for purchase acquisitions	--	2	3,971	(1)	--	--	--	3,972
Pooling adjustments, net	--	(53)	(8,785)	2,909	--	--	--	(5,929)
Stock dividend granted by pooled company and cash paid on fractional shares	--	47	11,831	(11,906)	--	--	--	(28)
Net unrealized gain on securities available for sale, net of taxes	--	--	--	--	--	--	21,603	21,603
Other, net	--	(6)	703	(61)	147	--	(89)	694
Balance, December 31, 1997	$ --	$ 450	$ 302,469	$ 263,947	$ (1,116)	$ (1,971)	$ 21,824	$585,603
Net income for 1998	--	--	--	78,019	--	--	--	78,019
Dividends paid:								
$.44 per common share	--	--	--	(17,687)	--	--	--	(17,687)
Cash dividends declared by pooled companies prior to mergers	--	--	--	(3,371)	--	--	--	(3,371)
Allocation of ESOP shares	--	--	411	--	--	632	--	1,043
Exercise of stock options	--	(1)	7,349	--	3,778	--	--	11,126
Common stock repurchased	--	--	--	--	(39,873)	--	--	(39,873)
Common stock issued in consideration for purchase acquisitions	--	--	185	--	9,083	--	--	9,268
Pooling adjustments, net	--	(2)	(1,906)	--	--	--	133	(1,775)
Net unrealized loss on securities available for sale, net of taxes	--	--	--	--	--	--	(1,302)	(1,302)
Adjustment for the effect of the change of Eagle's fiscal year end (Note 2)	--	--	--	4,898	--	--	--	4,898
Other, net	--	10	282	(1)	214	--	--	505
Balance, December 31, 1998	$ --	$ 457	$ 308,790	$ 325,805	$(27,914)	$ (1,339)	$ 20,655	$626,454

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity (Continued)
(In thousands, except per share data)

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Employee Stock Ownership Plan Shares Purchased With Debt	Accumulated Other Comprehensive Income (Loss)	Total
Net income for 1999	--	--	--	95,350	--	--	--	95,350
Dividends paid:								
$.47 per common share	--	--	--	(17,532)	--	--	--	(17,532)
Cash dividends declared by pooled companies prior to mergers	--	--	--	(3,197)	--	--	--	(3,197)
Allocation of ESOP shares	--	--	348			212		560
Exercise of stock options	--	--	(3,130)	--	12,472	--	--	9,342
Common stock repurchased	--	--	--	--	(72,161)	--	--	(72,161)
Common stock issued in consideration for purchase acquisitions	--	(5)	(4,672)	--	84,456	--	--	79,779
Net unrealized loss on securities available for sale, net of taxes	--	--	--	--	--	--	(82,788)	(82,788)
Other, net	--	--	--	(13)	(127)	--	--	(140)
Balance, December 31, 1999	$ --	$ 452	$ 301,336	$ 400,413	$ (3,274)	$ (1,127)	$(62,133)	$635,667

Consolidated Statements of Comprehensive Income

(In thousands)	Years Ended December 31, 1999	1998	1997
Net Income	$ 95,350	$ 78,019	$ 47,612
Other comprehensive (loss) income, net of tax			
Unrealized net holding gain (loss) on securities available for sale arising during year (net of income tax effect of $(54,370), $6,410, and $16,052 for 1999, 1998 and 1997, respectively)	(79,865)	9,407	23,558
Reclassification adjustment for net gains included in net income (net of income tax effect of $1,992, $7,206, and $1,333 for 1999, 1998 and 1997, respectively)	(2,923)	(10,576)	(1,955)
Other comprehensive (loss) income	82,788)	(1,169)	21,603
Comprehensive income	$ 12,562	$ 76,850	$ 69,215

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands)	Years Ended December 31, 1999	1998	1997
Operating Activities:			
Net income	$ 95,350	$ 78,019	$ 47,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	9,000	8,103	26,449
Provision for foreclosed property losses	100	330	1,637
Provision for depreciation on premises and equipment	13,190	14,131	12,507
Amortization (accretion) of securities and loan premiums, net	4,753	7,371	(1,626)
Amortization of intangible assets	13,780	10,033	9,563
Amortization of hedging costs, net	4,696	4,669	2,985
Amortization of mortgage servicing rights	1,639	1,303	930
Gains on sale of deposits	--	--	(546)
Gains on sale of foreclosed properties, net	(906)	(822)	(1,274)
Gains on sale of loans and securities, net	(9,156)	(23,536)	(4,964)
Losses (gains) on sale of trading securities, net	474	767	(229)
Decrease (increase) in trading securities	39,786	(7,132)	(40,952)
Loans originated for sale	(221,171)	(106,156)	(60,578)
Proceeds from sales of loans, originated for sale	228,280	111,109	70,410
Other loan sales	--	46,400	--
Decrease (increase) in interest receivable	3,734	(2,509)	(6,318)
Decrease (increase) in prepaid expenses and other assets	3,847	15,430	(5,397)
(Decrease) increase in interest payable	(12,513)	2,890	18,389

(Decrease) increase in accrued expenses and other liabilities, net	(334)	(8,006)	8,670
Increase in cash surrender value of life insurance	(7,193)	(5,621)	--
Adjustment to conform Eagle's fiscal year end	--	4,898	--
Net cash provided by operating activities	167,356	151,671	77,268
Investing Activities:			
Purchases of securities, available for sale	(1,150,893)	(2,501,136)	(2,231,443)
Purchases of securities, held to maturity	(1,283)	(152,662)	(25,239)
Principal collected on investment securities	648,648	988,390	368,000
Maturities of securities	446,910	253,893	238,246
Proceeds from sales of securities, available for sale	513,714	1,527,959	204,228
Proceeds from sales of securities, held to maturity	15,458	--	--
Net (increase) decrease in interest-bearing deposits	(18,654)	76,856	(40,648)
Purchase of loans	--	(66,173)	(191,078)
Net (increase) decrease in loans	(325,366)	21,395	(84,450)
Proceeds from sale of foreclosed properties	10,081	16,383	41,538
Purchases of life insurance, net	--	(122,700)	(12,750)
Purchase of premises and equipment, net	(16,339)	(22,050)	(12,107)
Net cash received (paid) through purchase acquisitions	16,706	(67)	7,924
Net cash provided (used) by investing activities	138,982	20,088	(1,737,779)
Financing Activities:			
Net decrease in deposits	(405,124)	(98,531)	(85,852)
Sale of deposits	--	--	(9,179)
Repayment of FHLB advances	(2,976,192)	(4,425,651)	(5,172,660)
Proceeds from FHLB advances	2,888,794	4,688,547	5,927,764
Repayment of securities sold under agreement to repurchase and other borrowings	(48,069,816)	(19,133,606)	(4,451,441)
Proceeds from securities sold under agreement to repurchase and other borrowings	48,365,295	18,858,140	5,316,703
Net proceeds from issuance of capital securities	--	5,000	141,327
Net proceeds from preferred stock of subsidiary corporation	--	--	49,577
Cash dividends to common and preferred shareholders	(20,729)	(21,058)	(17,641)
Net increase (decrease) in advance payments for taxes and insurance	6,894	1,629	(7,747)
Exercise of stock options	9,342	11,126	5,484
Common stock repurchased	(72,161)	(39,873)	(6,020)
Net cash (used) provided by financing activities	1,690,315	(273,697)	(154,277)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Continued)

	Years Ended December 31,		
(In thousands)	1999	1998	1997
Increase in cash and cash equivalents	32,641	17,482	29,804
Cash and cash equivalents at beginning of year	213,142	195,660	165,856
Cash and cash equivalents at end of year	$245,783	$213,142	$ 195,660

	Years Ended December 31,		
(In thousands)	1999	1998	1997
Supplemental Disclosures:			
Income taxes paid	$ 50,862	$ 39,324	$ 30,962
Interest paid	353,414	395,806	334,679
Supplemental Schedule of Noncash Investing and Financing Activities:			
Transfer of loans to foreclosed properties	9,022	5,498	32,076
Transfer of securities from held to maturity to available for sale	--	2,492	109,329

Assets acquired and liabilities assumed in purchase business combinations were as follows:

	Twelve Months Ended December 31,		
(In thousands)	1999	1998	1997
Fair value of noncash assets acquired in purchase acquisitions	$283,609	$ 1,160	$ 61,761
Fair value of liabilities assumed in purchase acquisitions	289,918	1,991	65,713
Common stock issued in purchase acquisitions	79,779	9,268	3,972

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business

Webster Financial Corporation ("Webster" or the "Company"), through its subsidiaries, Webster Bank and Damman Associates Inc. ("Damman"), delivers financial services to individuals, families and businesses primarily in Connecticut. Webster emphasizes five business lines - consumer banking, business banking, mortgage lending, trust and investment services, and insurance services, and each is supported by centralized administration and operations. 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 its subsidiaries. The Consolidated Financial Statements and notes hereto have been restated to include the accounts of New England Community Bancorp., Inc. ("NECB") acquired on December 1, 1999, Bank of South Windsor acquired on August 14, 1998 (through Webster's acquisition of NECB), Olde Port Bank and Trust acquired on July 10, 1998 (through Webster's acquisition of NECB), Eagle Financial Corp. ("Eagle") acquired on April 15, 1998, First Bank of West Hartford acquired on August 7, 1997 (through Webster's acquisition of NECB), People's Savings Financial Corp. ("People's") acquired on July 31, 1997, MidConn Bank acquired on May 31, 1997 (through Webster's acquisition of Eagle) and DS Bancor, Inc. ("Derby") acquired on January 31, 1997 as though these pooling-of-interests mergers had occurred at the beginning of the earliest period presented (see Note 2). The number of common shares have been restated for stock dividends and stock splits (see Note 14). The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles and all significant intercompany transactions have been eliminated in consolidation.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the consolidated financial statements and the reported amounts of 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 and the valuation allowance for the deferred tax asset.

c) Foreclosed Properties
Foreclosed properties are 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 Consolidated Statements of Income when realized.

d) Loans Receivable, Net
A significant portion of the Company's loans are secured by real estate in the state of Connecticut. In addition, a substantial portion of foreclosed properties are located in the state of Connecticut. Accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio, and the recovery of the carrying amount of foreclosed properties are dependent on economic and market conditions in Connecticut.

Loans receivable are stated at the principal amounts outstanding, net of deferred loan fees and/or costs and an allowance for loan losses. 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 when ultimately collected, if any, is credited to income in the period received. Loans are removed from nonaccrual status when they become current as to principal and interest or demonstrate a period of performance under contractual terms and, in the opinion of management, are fully collectible as to principal and interest.

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 the aggregate as determined by outstanding loan commitments from investors or current market prices for loans with no sale commitments. Net unrealized losses on loans held for sale, if any, are recognized in a valuation allowance by charges to income.

The allowance for loan losses is maintained at a level estimated by management to provide adequately for probable losses inherent in the loan portfolio. Probable losses are estimated based upon a review of the loan portfolio, loss experience, specific problem loans, economic conditions and other pertinent factors which, in management's judgment, deserve current recognition in estimating loan losses. The allowance is increased by provisions for loan losses charged to operations.

A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement, or the loan is restructured in a troubled debt restructuring. These standards are applicable principally to commercial real estate loans, however, certain provisions related to restructured loans are applicable to all loan types.

The allowance for loan losses related to impaired loans is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain loans where repayment of the loan is expected to be provided solely by the underlying collateral (collateral dependent loans). The Company's impaired loans are generally collateral dependent. The Company considers estimated costs to sell on a discounted basis, when determining the fair value of collateral in the measurement of impairment if these costs are expected to reduce the cash flows available to repay or otherwise satisfy the 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.

e) Securities
Securities are classified as either, available-for-sale, held-to-maturity or trading. Management determines the appropriate classification of securities at the time of purchase. Securities are classified as held-to-maturity when the Company has the intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Securities classified as trading are carried at fair value, with net unrealized gains and losses recognized currently in income. Securities not classified as held-to-maturity or trading are classified as available-for-sale and are stated at fair value. Unrealized gains and losses, net of tax, on available-for-sale securities are included in accumulated other comprehensive income (loss), net of income taxes - a separate component of shareholders' equity. The value at which held-to-maturity or available-for-sale securities are reported are adjusted for amortization of premiums or accretion of discounts over the estimated terms of the securities using a method which approximates the level yield method. Such amortization and accretion is included in interest income from securities. Unrealized losses on securities are charged to earnings when the decline in fair value of a security is judged to be other than temporary. The specific identification method is used to determine realized gains and losses on sales of securities.

f) Interest-rate Instruments
Webster uses derivatives (swaps, caps, floors, futures and options) in connection with its risk management strategies. These products are used to reduce the volatility in earnings and market value arising from mismatches in assets and liabilities during periods of changing interest rates.

Risk management strategies that meet the criteria for hedge accounting treatment are designated as hedges and are accounted for as such. Interest income or expense associated with derivative products are recorded as a component of net interest income. Derivatives that hedge available-for-sale assets are marked to fair value monthly with adjustments to shareholders' equity as a component of accumulated other comprehensive income (loss), net of income taxes. Premiums paid are amortized as an adjustment to interest income or expense of the asset or liability being hedged. If the derivative is disposed of prior to the end of the hedge period, any gain or loss is realized over the remainder of the period that was being hedged. If the asset or liability is disposed of prior to the end of the period being hedged, the related derivative is marked to fair value, with any gain or loss recognized in current period income as an adjustment to the gain or loss on the disposed asset or liability.

g) Interest-bearing Deposits
Interest-bearing deposits consist primarily of deposits in the Federal Home Loan Bank ("FHLB") or other short-term investments. These deposits are carried at cost which approximates market value.

h) Premises and Equipment
Premises and equipment are carried at cost, less accumulated depreciation. 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 and any resulting gains and losses are credited or charged to income.

i) Intangible Assets
Intangible assets consist of core deposit intangibles and goodwill. Intangible assets equal the excess of the purchase price over the fair value of the tangible net assets acquired in acquisitions accounted for using the purchase method of accounting. The core deposit intangibles are being amortized on a straight-line basis over a period of seven to ten years from the acquisition dates. On a periodic basis, management assesses the recoverability of the core deposit intangibles. Goodwill is being amortized on a straight-line basis over periods up to twenty years from the acquisition dates. The Company also reviews goodwill on a periodic basis for events or changes in circumstances that may

indicate that the carrying amount of goodwill may not be recoverable, and impairment is recognized as a charge to income if a permanent loss in value is indicated.

j) 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. A valuation allowance has been provided for a portion of the deferred tax asset that may not be realized. The valuation allowance is adjusted, by a charge or credit to tax expense, as facts and circumstances warrant.

k) 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 post-retirement benefits. The provisions of SFAS No. 132, "Employers' Disclosure about Pensions and Other Post-retirement Benefits," were adopted on December 31, 1998. SFAS No. 132 revised disclosures about pension and other post-retirement benefit plans; it did not change the measurement or recognition of these plans. Prior period disclosures have been revised to conform with SFAS No. 132.

l) Net Income Per Common Share
Basic net income per share is calculated by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding. Diluted net income per share is calculated by dividing adjusted net income by the weighted-average diluted common shares, including the effect of potential common stock, and for the hypothetical conversion into common stock of the Series B cumulative preferred stock. Potential common stock consists of common stock options and warrants. Unallocated employee stock ownership plan ("ESOP") shares are not included in the weighted average number of common shares outstanding for either basic or diluted earnings per share.

m) Stock Based Compensation
SFAS No. 123, "Accounting for Stock-Based Compensation," 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 Principles Board Opinion No. 25 ("APB No. 25") "Accounting for Stock Issued to Employees." Entities electing to continue to follow 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.

Compensation expense in connection with the Company's ESOP is recorded based on average market value of the Company's common stock and the number of shares committed to be released.

n) Statements of Cash Flows
For the purposes of the Statements of Cash Flows, Webster includes cash on hand and in banks as cash and cash equivalents.

o) Loan Sales and Servicing Sales
Gains or losses on sales of loans are recognized at the time of sale. SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," 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 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, interest-rate (fixed or adjustable) and amortization type. To the extent that the carrying value of mortgage ser- vicing rights exceeds fair value by individual stratum, a valuation allowance is established by a charge to earnings. The allowance is adjusted for subsequent changes in fair value. The cost basis of mortgage servicing rights is amortized into noninterest income over the estimated period of servicing revenue.

p) Cash Surrender Value of Life Insurance
The investment in life insurance represents the cash surrender value of life insurance policies on officers of the Bank. Increases in the cash surrender value are recorded as other noninterest income. Decreases are the result of collection on the policies due to the death of an insured.

q) Comprehensive Income
The provisions of SFAS No. 130, "Reporting Comprehensive Income," were adopted as of January 1, 1998. SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components. Comprehensive income includes net income and any changes in equity from non-owner sources that bypass the statements of income (such as changes in net unrealized gains and losses on

securities available for sale). The purpose of reporting comprehensive income is to report a measure of all changes in equity of an enterprise that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. The adoption of SFAS No. 130 resulted in a change in financial statement disclosures only and had no effect on Webster's financial position or results.

r) Reclassifications
Certain financial statement balances as previously reported have been reclassified to conform to the 1999 Consolidated Financial Statements presentation.

NOTE 2: BUSINESS COMBINATIONS

Pooling of Interests Transactions
All acquisitions accounted for under the pooling of interests method include financial data as if the combination occurred at the beginning of the earliest period presented.

The NECB Acquisition
On December 1, 1999, Webster acquired New England Community Bancorp, Inc., a multi-bank holding company headquartered in Windsor, Connecticut. Three of its wholly-owned bank subsidiaries, New England Bank and Trust, Equity Bank and Community Bank, were located in the state of Connecticut and one, Olde Port Bank and Trust, was located in New Hampshire. In connection with the merger with NECB, Webster issued 7,298,788 shares of its common stock for all of the outstanding shares of NECB's common stock. Under the terms of the merger agreement, each outstanding share of NECB's common stock was converted into 1.06 shares of Webster common stock.

The Bank of South Windsor Acquisition
On August 14, 1998, Webster acquired Bank of South Windsor ("BSW") as a result of its acquisition of NECB. In connection with the acquisition, Webster effectively issued 1,346,200 shares of its common stock for all the outstanding shares of BSW common stock after adjusting for the conversion factor related to the NECB acquisition.

The Olde Port Acquisition
On July 10, 1998, Webster acquired Olde Port Bank and Trust Company ("OPBT") as a result of its acquisition of NECB. In connection with the acquisition, Webster effectively issued 621,160 shares of its common stock for all the outstanding shares of OPBT common stock after adjusting for the conversion factor related to the NECB acquisition.

The Eagle Acquisition
On April 15, 1998, Webster acquired Eagle Financial Corp., ("Eagle") and its subsidiary, Eagle Bank, a $2.1 billion savings bank, headquartered in Bristol, Connecticut. In connection with the merger with Eagle, Webster issued 10,615,156 shares of its common shares for all of the outstanding shares of Eagle common stock. Under the terms of the agreement, each outstanding share of Eagle common stock was converted into 1.68 shares of Webster common stock. Prior to the acquisition, Eagle's fiscal year ended on September 30. In recording the pooling of interests combination, Eagle's financial statements as of and for the twelve months ended September 30, 1997 were combined with Webster's financial statements as of and for the twelve months ended December 31, 1997. An adjustment has been made in the 1998 Consolidated Statement of Shareholders' Equity to include Eagle's unaudited net income for the period October 1, 1997 to December 31, 1997 as a direct credit to retained earnings. Eagle's operating results for this period included net interest income of $15.7 million and net income of $4.9 million and are not included in the Consolidated Statements of Income of the combined entity for the year ended December 31, 1998.

The First Bank of West Hartford Acquisition
On August 7, 1997, Webster acquired First Bank of West Hartford ("FBWH") as a result of its acquisition of NECB. In connection with the purchase, Webster effectively issued 1,054,700 shares of its common stock for all the outstanding shares of FBWH common stock after adjusting for the conversion factor related to the NECB acquisition.

The People's Acquisition
On July 31, 1997, Webster acquired People's Savings Financial Corp. ("People's") and its subsidiary, People's Savings Bank & Trust, a $482 million in assets savings bank headquartered in New Britain, Connecticut. In connection with the merger with People's, Webster issued 3,151,992 shares of its common stock for all the outstanding shares of People's common stock. Under the terms of the agreement, each outstanding share of People's common stock was converted into .85 shares of Webster common stock.

The MidConn Acquisition
On May 31, 1997, Webster acquired MidConn as a result of its acquisition of Eagle. In connection with the merger, Webster effectively issued 2,869,440 shares of its common stock for all the outstanding shares of MidConn common stock after adjusting for the conversion factor related to the Eagle Acquisition and subsequent common stock split.

The Derby Acquisition
On January 31, 1997, Webster acquired DS Bancor, Inc. ("Derby") and its subsidiary, Derby Savings Bank, a $1.2 billion in assets savings bank headquartered in Derby, Connecticut. In connection with the merger with Derby, Webster issued 7,002,740 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.

Purchase Transactions
The following acquisitions were accounted for as purchase transactions, and as such, results of operations are included in the Consolidated Financial Statements subsequent to acquisition.

The Village Acquisition
On May 19, 1999, Webster acquired Village Bancorp, Inc. ("Village"), the holding company for The Village Bank & Trust Company in a tax-free, stock-for-stock exchange. Village had approximately $215 million in total assets and $200 million in deposits at six branches. In connection with the acquisition, Webster issued 1,666,116 shares of its common stock for all the outstanding shares of Village.

The Maritime Acquisition
On April 21, 1999, Webster acquired Maritime Bank & Trust Company ("Maritime") in a tax-free, stock-for-stock exchange. Maritime had approximately $95 million in total assets and $85 million in deposits at three branches. In connection with the acquisition, Webster issued 778,855 shares of its common stock for all the outstanding shares of Maritime.

The Access Acquisition
In January 1999, Webster completed its acquisition of Access National Mortgage, Inc. ("Access"). Access was founded in 1996 as a privately held Internet-based mortgage lender located in Wilmington, Massachusetts. In October 1999, Access National Mortgage, LLC was renamed Nowlending, LLC. Nowlending, LLC originates mortgages in 47 states. In connection with the acquisition, Webster issued 125,998 shares of its common stock for a majority ownership in Access.

The Damman Acquisition
On June 1, 1998, Webster completed its acquisition of Damman Insurance Associates, Inc. ("Damman"). Damman is a full service Westport-based insurance agency, providing property-casualty, life and group coverage to commercial and individual customers. Damman has offices in Westport and Wallingford and approximately 50 employees. During 1998, Webster began offering a full array of insurance services to its consumer and commercial customer base. In connection with the acquisition, Webster issued 274,609 shares of its common stock for 100% ownership interest of Damman.

The Community Savings Bank Acquisition
On December 31, 1997, Webster acquired Community Savings Bank ("Community Bank") as a result of its acquisition of NECB. In connection with the purchase, Webster effectively paid $5.62 in cash for each Community Bank common share outstanding. The acquisition was accounted for as a purchase, and therefore, results are reported only for the periods subsequent to the acquisition.

The Sachem Acquisition
On August 1, 1997, Webster acquired Sachem Trust National Association ("Sachem Trust"), a trust company headquartered in Guilford, Connecticut which had approximately $300 million of trust assets under management, in a tax-free stock-for-stock exchange.

Purchase Transactions Pending Consummation at December 31, 1999 (Unaudited)
The Mechanics Acquisition
In December 1999, Webster announced a definitive agreement to acquire MECH Financial, Inc. ("Mechanics"), the holding company for Mechanics Savings Bank, in a tax- free, stock-for-stock exchange. Mechanics Savings Bank is a state-chartered, Hartford-based savings bank with $1.1 billion in assets and 16 branch offices in the capital region. Based on the terms of the agreement, Mechanics shareholders will receive 1.52 shares of Webster common stock for each share of Mechanics. Webster expects to close the transaction and complete the conversion during the second quarter of 2000.

The Chase Branch Acquisition
In November 1999, Webster announced a definitive agreement to acquire six Connecticut branches from The Chase Manhattan Bank. The branches are located in Cheshire, Middlebury, North Haven, Waterbury (2) and Watertown and have approximately $165 million in deposit balances. The transaction includes the purchase of consumer deposits, small business deposits and loans, and brokerage and custody accounts associated with these branches. Webster expects to close the transaction and complete the acquisition during the second quarter of 2000.

The FleetBoston Branch Acquisition
In November 1999, Webster announced a definitive agreement with FleetBoston Corporation to purchase four Connecticut branches that are being divested as the result of the Fleet-BankBoston merger. The branches, with $163 million in

deposit balances, are located in Brookfield, Guilford, Meriden, and Thomaston. The transaction includes the purchase of deposits and loans for individual and small business customers associated with these branches. Webster expects to close the transaction and complete the acquisition during the third quarter of 2000.

Purchase Transactions Subsequent to December 31, 1999 (Unaudited)
The Levine Acquisition
In February 2000, through Damman, Webster acquired the Levine companies ("Levine"), a privately owned Waterford and Norwich, Connecticut based insurance agency. Founded in 1928, the group combines three entities; Louis Levine Agency, Inc., Levine Financial Services, Inc. and Retirement Planning Associates, Inc. Levine has 50 employees and wrote $41 million in premiums during 1999.

NOTE 3: SECURITIES

A summary of securities follows:

(In thousands)	1999 Amortized Cost	1999 Unrealized Gains	1999 Unrealized Losses	1999 Estimated Fair Value	1998 Amortized Cost	1998 Unrealized Gains	1998 Unrealized Losses	1998 Estimated Fair Value
	December 31,							
Trading Securities:								
Mortgage-backed securities(a)	$50,854(b)	$ --	$ --	$ 50,854	$91,114 (b)	$--	$ --	$ 91,114
Available for Sale Portfolio:								
U.S. Treasury Notes	$ 17,070	$ 18	$ (233)	$ 16,855	$ 25,617	$ 400	$ --	$ 26,017
U.S. Government Agency	92,733	--	(4,338)	88,395	106,427	1,018	(109)	107,336
Municipal bonds and notes	27,591	3	(1,463)	26,131	27,874	776	(29)	28,621
Corporate bonds and notes	75,068	--	(9,895)	65,173	92,062	601	(2,178)	90,485
Equity securities (c)	201,352	7,684	(11,060)	197,976	244,670	8,107	(4,763)	248,014
Mortgage-backed securities (a)	2,379,491	6,330	(88,848)	2,296,973	2,616,695	40,469	(5,299)	2,651,865
Purchased interest-rate contracts (Note 10)	10,874	--	(1,792)	9,082	15,985	--	(3,437)	12,548
	$2,804,179	$ 14,035	$(117,629)	$2,700,585	$3,129,330	$ 51,371	$(15,815)	$3,164,886
Held to Maturity Portfolio:								
U.S. Treasury Notes	$ 10,396	$ --	$ (112)	$ 10,284	$ 2,955	$ 18	$ --	$ 2,973
U.S. Government Agency	1,520	--	(6)	1,514	7,399	24	--	7,423
Municipal bonds and notes	24,861	39	(783)	24,117	15,339	477	--	15,816
Corporate bonds and notes	135,476	405	(12,322)	123,559	151,801	2,631	(1,171)	153,261
Mortgage-backed securities (a)	143,209	544	(2,945)	140,808	229,335	2,432	(1,044)	230,723
	315,462	988	(16,168)	300,282	406,829	5,582	(2,215)	410,196
Total	$3,170,495	$ 15,023	$(133,797)	$3,051,721	$3,627,273	$ 56,953	$(18,030)	$ 3,666,196

(a) Mortgage-backed securities, which are guaranteed by Fannie Mae, Federal Home Loan Mortgage Corporation and Government National Mortgage Association, represent participating interests in direct pass through pools of mortgage loans originated and serviced by the issurers of the securities.

(b) Stated at fair value, including the effect of short futures positions.

(c) The fair value of equity securities at December 31, 1999 consisted of FHLB stock of $103.9 million, mutual funds of $13.6 million, preferred stock of $24.3 million and common stock of $56.2 million. As of December 31, 1998, the fair value of equity securities consisted of FHLB stock of $102.5 million, mutual funds of $35.1 million, preferred stock of $45.7 million and common stock of $64.7 million.

A summary of realized gains and losses follows:

(In thousands)	1999 Gains	1999 Losses	1999 Net	1998 Gains	1998 Losses	1998 Net	1997 Gains	1997 Losses	1997 Net
	Years ended December 31,								
Trading Securities:									
Mortgage-backed securities	$2,006	$ (5,328)	$(3,322)	$ 4,789	$(3,548)	$ 1,241	$ 4,052	$ (2,647)	$ 1,405
Futures and options contracts	13,107	(10,259)	2,848	8,015	(10,023)	(2,008)	7,318	(8,494)	(1,176)
	15,113	(15,587)	(474)	12,804	(13,571)	(767)	11,370	(11,141)	229
Held to Maturity:									
Corporate debt	--	(193)	(193)	--	--	--	--	--	--

Available for Sale:

Mortgage-backed securities	2,704	(428)	2,276	7,149	(230)	6,919	600	(119)	481
U.S. Treasury Notes	15	(5)	10	5	--	5	15	(46)	(31)
U.S. Government Agencies	38	(556)	(518)	49	(6)	43	111	(222)	(111)
Corporate debt	210	(118)	92	--	(6)	(6)	81	(12)	69
Mutual funds	263	(90)	173	1,156	--	1,156	1,210	(58)	1,152
Other equity securities	3,456	(429)	3,027	9,627	(899)	8,728	1,415	(21)	1,394
Other	27	(172)	(145)	982	(45)	937	920	(586)	334
	6,713	(1,798)	4,915	18,968	(1,186)	17,782	4,352	(1,064)	3,288
Total	$21,826	$(17,578)	$ 4,248	$31,772	$(14,757)	$17,015	$15,722	$(12,205)	$ 3,517

During the first quarter of 1999, Webster sold $15.5 million of securities classified as held to maturity, which resulted in a loss of $193,000. The securities were sold due to a regulator's request that Webster divest of the holdings as the securities did not meet regulatory guidelines published subsequent to the acquisition of the securities. There were no sales of securities from the held to maturity portfolio for the years ended December 31, 1998 and 1997.

On June 30, 1997 Eagle transferred securities with a book value of $109.3 million from held to maturity to available for sale. The transfer resulted in an unrealized gain of approximately $299,000 which is net of income taxes of approximately $200,000, being recorded as an increase to shareholders' equity. The securities were transferred due to a change in intent with respect to holding the securities to maturity precipitated by changes in the balance sheet following the merger with MidConn.

Webster enters into short futures and long options positions to minimize the price volatility of certain assets held as Trading Securities. At December 31, 1999, Webster had 321 short positions in Eurodollar futures contracts ($321.0 million notional amount) and 310 short positions in 5 year Treasury note futures ($31.0 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.

The following is a summary of the amortized cost, estimated fair value and weighted average yield (based on amortized cost) of debt securities at December 31, 1999, by contractual maturity. Mortgage backed securities are included by final contractual maturity. Actual maturities will differ from contractual maturities because certain issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	As of December 31, 1999								
	Trading Securities			Available for Sale			Held to Maturity		
(In thousands)	Amortized Cost	Estimated Fair Value	Weighted Average Yield	Amortized Cost	Estimated Fair Value	Weighted Average Yield	Amortized Cost	Estimated Fair Value	Weighted Average Yield
Within 1 year	$ --	$ --	--%	$ 217,320	$ 213,902	5.21%	$14,181	$ 14,114	5.87%
After 1 but within 5 years	--	--	--	76,675	72,090	5.63	29,273	28,754	6.00
After 5 but within 10 years	4,740	4,740	6.55	459,165	430,160	6.52	32,759	31,712	6.41
After 10 years	46,114	46,114	5.90	2,051,019	1,984,433	6.76	239,249	225,702	7.29
	$50,854	$ 50,854	5.96%	$2,804,179	$2,700,585	6.57%	$315,462	$300,282	7.01%

NOTE 4: LOANS RECEIVABLE, NET

A summary of loans receivable, net follows:

	December 31,			
(Dollars in thousands)	1999 Amount	%	1998 Amount	%
Mortgage loans secured by real estate:				
Conventional, VA and FHA	$3,558,636	59.1%	$3,602,834	65.5%
Conventional, VA and FHA loans held for sale	7,022	0.1	9,409	0.2
Residential participation	15,895	0.3	55,820	1.0
Residential construction	427,186	7.1	294,542	5.3
Commercial construction	45,648	0.8	67,717	1.2
Other commercial	695,442	11.5	547,497	9.9
	4,749,829	78.9	4,577,819	83.1
Consumer loans:				
Home equity loans	489,257	8.1	458,454	8.3

Other consumer loans	46,737	0.8	65,130	1.2
	535,994	8.9	523,584	9.5
Commercial loans (a)	918,583	15.3	550,373	10.0
Gross loans receivable	6,204,406	103.1	5,651,776	102.6
Less:				
Loans in process	129,665	2.2	96,646	1.8
Allowance for loan losses	72,658	1.2	65,201	1.2
Premiums on loans purchased, deferred loan fees and unearned discounts, net	(20,153)	(0.3)	(17,189)	(0.4)
Loans receivable, net	$6,022,236	100.0%	$5,507,118	100.0%

(a) Commercial loans include syndicated loans and collateralized loan obligations totaling $297 million and $105 million at December 31, 1999 and 1998, respectively.

At December 31, 1999, Webster had $8.1 million of impaired loans, of which $4.8 million were measured based upon the fair value of the underlying collateral and $3.3 million were measured based upon the expected future cash flows of the impaired loans. The $4.8 million of impaired loans have an allowance for loan losses of $1.5 million and $3.3 million of impaired loans had no related specific allowance for loan losses. At December 31, 1998, Webster had $19.4 million of impaired loans, of which $9.0 million were measured based upon the expected fair value of the underlying collateral and $10.4 million were measured based upon the expected future cash flows of the impaired loans. The $9.0 million of impaired loans have an allowance for loan losses of $2.2 million and $10.4 million of impaired loans had no related specific allowance for loan losses. In 1999, 1998 and 1997, the average balance of impaired loans was $13.1 million, $18.3 million and $37.4 million, respectively.

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, interest income is recorded on a cash basis or is applied to principal based on an individual assessment of each loan. Cash basis interest income recognized on impaired loans for the years 1999, 1998 and 1997 amounted to $782,000, $603,000 and $733,000, respectively.

Webster's nonaccrual loans are $38.4 million and $30.7 million, respectively at December 31, 1999 and 1998.

A detail of the changes in the allowances for loan losses for three years follows:

	December 31,		
(In thousands)	1999	1998	1997
Balance at beginning of period	$ 65,201	$ 71,599	$ 63,047
Provisions charged to operations	9,000	8,103	26,449
Allowances from purchase transactions	3,647	--	2,108
Reclassification of allowance for segregated asset losses	--	2,623	--
Charge-offs	(7,406)	(21,262)	(26,625)
Recoveries	2,216	4,138	6,620
Balance at end of period	$ 72,658	$ 65,201	$ 71,599

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 Consolidated Statements of Condition.

The estimated fair value of commitments to extend credit is considered insignificant at December 31, 1999 and 1998. Future loan commitments represent residential mortgage loan commitments, letters of credit, standby letters of credit, as well as unused credit card lines and home equity and commercial 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.

As of December 31, 1999 and 1998, residential mortgage commitments totaled $71.4 million and $120.3 million, respectively. Residential commitments outstanding at December 31, 1999 consisted of adjustable-rate and fixed-rate mortgages of $48.7 million and $22.7 million, respectively, at rates ranging from 5.25% to 11.5%. Commitments to originate loans generally expire within 60 days. In addition, at December 31, 1999 and 1998, there were unused portions of home equity credit lines extended of $367.3 million and $355.0 million, respectively. Unused commercial lines of credit, letters of credit, standby letters of credit and outstanding commercial new loan commitments totaled $610.6 million and $342.4 million at December 31, 1999 and 1998, respectively. Unused credit card lines were $3.7 million at December 31, 1998.

Webster uses forward commitments to sell residential 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, 1999 and 1998, Webster had forward commitments to sell loans totaling $7.0 million and $9.4 million, respectively, at rates between 6.5% and 8.75%, and 5.9% and 7.5%, respectively. The estimated fair value of commitments to sell loans is considered insignificant at December 31, 1999 and 1998.

At December 31, 1999, 1998 and 1997, Webster serviced, for the benefit of others, mortgage loans aggregating approximately $1.3 billion, $1.4 billion and $1.4 billion, respectively.

During 1999 and 1998, Webster capitalized mortgage servicing assets of $801,000 and $1.4 million, respectively, related to originating loans and selling them with servicing retained. Amortization of mortgage servicing rights was $1.6 million, $1.3 million and $930,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 5: PREMISES AND EQUIPMENT, NET

A summary of premises and equipment, net follows:

(In thousands)	December 31, 1999	December 31, 1998
Land	$ 15,841	$ 12,860
Buildings and improvements	78,392	68,876
Leasehold improvements	10,182	8,480
Furniture, fixtures and equipment	87,240	80,895
Total premises and equipment	191,655	171,111
Accumulated depreciation and amortization	(88,252)	(77,855)
Premises and equipment, net	$103,403	$ 93,256

At December 31, 1999, 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 $7.1 million, $6.3 million and $6.0 million in 1999, 1998 and 1997, respectively. Webster is also entitled to rental income under various non-cancelable operating leases for properties owned. Rental income under these leases was $2.4 million, $3.1 million and $2.3 million in 1999, 1998 and 1997, respectively.

The following is a schedule of future minimum rental payments and receipts required under these leases as of December 31, 1999:

Years ending December 31,

(In thousands)	Payments	Receipts
2000	$ 6,735	$ 1,449
2001	6,010	1,229
2002	5,217	1,003
2003	4,487	824
2004	3,996	770
Later years	34,635	1,960
Total	$ 61,080	$ 7,235

NOTE 6: PREPAID EXPENSES AND OTHER ASSETS

A summary of prepaid expenses and other assets follows:

(In thousands)	December 31, 1999	December 31, 1998
Due from FDIC	$ 679	$ 769
Income taxes receivable	2,077	3,260
Deferred tax asset, net (Note 13)	68,744	15,707
Mortgage servicing rights, net	6,429	5,868
Other assets	26,746	26,166
Prepaid expenses and other assets	$104,675	$ 51,770

The $679,000 due from the Federal Deposit Insurance Corporation (FDIC) at December 31, 1999 is net of a $499,000 payable amount that represents the FDIC's 80% reimbursement for fourth quarter 1999 recoveries less certain permitted expenses on segregated assets which will be paid in the first quarter of 2000. The $1.2 million receivable balance represents the additional 15% reimbursement on net charge-offs and certain related expenses, which Webster expects to receive during the first quarter of 2000.

NOTE 7: DEPOSITS

Deposits categories are summarized as follows:

	December 31, 1999			1998		
(Dollars in thousands)	Weighted Average Rate	Balance	% of Total	Weighted Average Rate	Balance	% of Total
Demand deposits	--%	$ 675,449	10.9%	--%	$626,996	9.9%
NOW accounts	1.20	718,016	11.6	1.24	694,074	11.0
Regular savings and money market deposit accounts	2.56	1,701,789	27.5	2.52	1,582,424	25.1
Time deposits	4.84	3,095,837	50.0	5.07	3,409,480	54.0
Total deposits	3.26%	$6,191,091	100.0%	3.53%	$6,312,974	100.0%

Interest expense on deposits is summarized as follows:

(In thousands)	December 31, 1999	1998	1997
NOW accounts	$ 14,587	$ 12,724	$ 10,446
Regular savings and money market deposit accounts	34,655	35,935	38,324
Time deposits	154,563	192,522	192,637
Total	$203,805	$241,181	$ 241,407

Time deposits of $100,000 or more amounted to $493.6 million and represented 7.97% of total deposits at December 31, 1999.

The following table represents the amount of time deposits maturing during the periods indicated:

(In thousands)	Totals
Maturing:	
January 1, 2000 to December 31, 2000	$2,139,820
January 1, 2001 to December 31, 2001	572,878
January 1, 2002 to December 31, 2002	290,791
January 1, 2003 to December 31, 2003	31,345
January 1, 2004 to December 31, 2004	31,377
January 1, 2005 and beyond	29,626
Total	$3,095,837

NOTE 8: FEDERAL HOME LOAN BANK ADVANCES

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

(In thousands)	December 31, 1999	1998
Fixed Rate:		
4.54% to 8.86% due in 1999	$ --	$1,322,435
4.75% to 6.68% due in 2000	833,860	232,554
5.39% to 8.20% due in 2001	230,413	31,143
6.30% to 6.87% due in 2002	2,250	7,040
5.69% to 6.14% due in 2003	31,462	32,477
5.25% to 6.78% due in 2004	200,540	657
5.25% to 6.01% due in 2005	14,296	10,632
4.85% to 6.31% due in 2006	307,520	3,748
6.98% due in 2007	2,520	3,156
5.93% due in 2008	3,461	25,239
5.50% due in 2009	5,000	83
8.44% due in 2010	602	14
6.60% due in 2011	2,517	2,661
	$1,634,441	$1,671,839
Variable Rate:		
5.07% to 5.09% due in 1999	--	50,000
5.76% due in 2004	80,000	80,000

Total Federal Home Loan Bank advances (a)	$1,714,441	$1,801,839

(a) Of the $1.7 billion FHLB advances at December 31, 1999, the FHLB holds the option to call $539 million in 2000 and $5 million in 2004. In early 2000, the FHLB called a total of $400 million.

At December 31, 1999, the Bank had additional borrowing capacity of $1.4 billion from the FHLB, 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, 1999 and 1998, the Bank was in compliance with the FHLB collateral requirements.

NOTE 9: SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE AND OTHER BORROWINGS

The following table summarizes securities sold under agreement to repurchase and other borrowings:

(In thousands)	December 31, 1999	1998
Securities sold under agreement to repurchase	$ 943,801(a)	$700,034
Senior notes	40,000	40,000
Bank lines of credit	39,000	10,000
Treasury tax and loan	41,187	11,368
ESOP borrowings	766	1,367
Federal funds purchased	9,250	11,000
Total (b)	$ 1,074,004	$773,769

(a) Of the $943.8 million securities sold under agreements to repurchase, $75 million are structured so that the broker has the option to call the agreement in mid-2000.

(b) The weighted average rates on these borrowings were 5.69% and 5.60% at December 31, 1999 and 1998, respectively.

During 1999, securities sold under agreements to repurchase was the primary source of borrowed funds with the exception of FHLB advance borrowings (see Note 8). The average balance and weighted average rate for securities sold under agreement to repurchase for 1999 were $786.5 million and 5.1% as compared to $953.8 million and 5.1% for 1998. Securities underlying the repurchase transactions held as collateral are primarily U.S. Government agency securities consisting of Fannie Mae, GNMA and FHLMC securities. Securities sold under agreement to repurchase related to Webster's funding operations are delivered to broker-dealers. Webster also enters into repurchase agreement transactions directly with commercial and municipal customers through its treasury sales desk.

Information concerning short-term and long-term borrowings under securities sold under agreement to repurchase as of the end of the current period is as follows:

(Dollars in thousands)	Balance at December 31, 1999	Book Value of Collateral	Market Value of Collateral	Weighted Average Rate	Weighted Average Maturity
Maturity up to 30 days	$220,612	$222,935	$222,558	4.80%	3.9 days
31 to 90 days	162,831	172,587	169,276	5.69	2.7 months
Over 90 days	560,360	597,807	585,870	5.77	10.8 months
Totals	$943,803	$993,329	$977,704	5.53%	6.9 months

While the Bank used several types of short-term borrowings as part of funding its daily operations, only securities sold under agreement to repurchase transactions had an average balance that was 30% or more of the Bank's total equity at the end of the 1999 and 1998 periods. The following table sets forth certain information as to the Bank's short-term securities sold under agreement to repurchase borrowings at the dates and for the years indicated.

(Dollars in thousands)	December 31, 1999	1998	1997
Average amount outstanding during the period	$786,536	$953,789	$ 571,808
Amount outstanding at end of period	861,160	620,034	917,108
Highest month end balance	938,285	1,222,750	920,348
Weighted-average interest rate at end of period	5.49%	5.00%	5.69%

Weighted-average interest rate during the period	5.14%	5.06%	5.64%

During 1999, Webster at times also used variable-rate lines of credit through correspondent banks and purchased federal funds. The Employee Stock Ownership Plan ("ESOP") borrowings are from a correspondent bank at a floating rate based on the correspondent bank's base (prime) rate and the weighted average interest rates at December 31, 1999 and 1998 were 8.5% and 7.75%, respectively. The terms of the loan agreements call for the ESOP to make annual scheduled principal repayments through the year 2004. Interest is paid quarterly and the borrowings are guaranteed and secured by unallocated shares of Webster common stock under the ESOP Plan.

In 1993, Webster completed a registered offering of $40 million of 8 3/4% Senior Notes due 2000 (the "Senior Notes"). Webster used $18.3 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 the maturity date of June 30, 2000, and are not exchangeable for any shares of Webster's common stock.

NOTE 10: INTEREST-RATE FINANCIAL INSTRUMENTS

Webster employs as part of its asset/liability management strategy various interest-rate contracts including short futures positions, interest-rate swaps and interest-rate caps and floors. See Note 3 for disclosures on futures positions. Webster uses financial instruments to hedge mismatches in 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 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.

Fair value, which approximates the cost to replace the contract at current market rates, is generally representative of market risk. Credit risk related to the interest-rate swaps, interest-rate caps and floors at December 31, 1999 is not considered to be significant due to counterparty ratings. 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:

						December 31,
		1999			1998	
(In thousands)	Notional Amount	Fair Value	Amortized Cost	Notional Amount	Fair Value	Amortized Cost
Swap agreements	$ 25,000	$ (1,226)	$ --	$ 25,000	$ (219)	$ --
Floor agreements	500,000	137	2,154	500,000	8,501	4,148
Cap agreements	410,000	8,945	8,720	451,000	4,047	11,837
Total	$ 935,000	$ 7,856	$ 10,874	$ 976,000	$ 12,329	$ 15,985

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, 1999, Webster had one interest-rate swap agreement, hedging $25 million of brokered certificates of deposit, in which Webster receives a fixed rate of 6.65% and pays a variable rate based on Libor. For the years ended December 31, 1999 and 1998, net income recorded on the deposit swap was $360,000 and $263,000, respectively.

Interest-rate cap agreements will result in cash payments to be received by Webster only if index rates rise above a predetermined strike. At December 31, 1999, Webster had five outstanding cap agreements with notional amounts of $410 million related to the available for sale securities portfolio with interest-rate caps ranging from 6.00% to 9.00%. At December 31, 1999, this portfolio had $8.7 million of unamortized interest-rate cap balances and during the 1999 period amortized $2.7 million as a reduction of interest income. Similarly, interest-rate floor agreements will result in cash payments to be received by Webster only if current interest rates fall below a predetermined strike. At December 31, 1999, Webster had two outstanding interest-rate floor agreements with notional amounts of $500 million and interest-rate floors of 5.25% and 5.75%. At December 31, 1999, Webster had $2.2 million of unamortized floor expense and during the 1999 period amortized $2.0 million as a reduction of available for sale interest income. The premium paid for caps and floors is amortized over the life of the contract.

NOTE 11: SUMMARY OF ESTIMATED FAIR VALUES

A summary of estimated fair values consisted of the following:

	December 31,			
	1999		1998	
(In thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and due from depository institutions	$ 245,783	$245,783	$ 213,142	$ 213,142
Interest-bearing deposits	37,838	37,838	17,819	17,819
Securities	3,057,819	3,042,639	3,650,281	3,653,648
Residential loans	3,898,943	3,869,912	3,880,319	4,013,742
Consumer loans	47,064	47,520	68,081	70,206
Home equity loans	492,684	492,106	458,981	478,339
Commercial loans	1,656,203	1,599,584	1,164,938	1,158,010
Allowance for loan losses	(72,658)	(72,658)	(65,201)	(65,201)
Interest-rate contracts	9,082	9,082	12,548	12,548
Liabilities:				
Deposits other than time deposits	$3,095,254	$3,095,254	$2,903,494	$2,
Time deposits:				
Maturing in less than one year	2,143,180	2,149,981	2,849,755	2,
Maturing in one year and beyond	952,657	965,132	559,725	
Federal Home Loan Bank advances	1,714,441	1,706,299	1,801,839	1,
Securities sold under agreement to repurchase and other borrowings	1,074,004	1,071,871	773,769	
Capital securities and preferred stock of subsidiary corp.	199,577	194,344	199,577	

</TABLE>

In December 1991, the FASB issued SFAS 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 condition, for which it is practicable to estimate fair value.

The carrying amounts for interest-bearing deposits other than time deposits approximate fair value since they mature in 90 days or less and do not present unanticipated credit concerns. The fair value of securities (see Note 3) is estimated based on prices or quotations received from third parties or pricing services. The fair value of interest-rate contracts was based on the amount Webster could receive or pay to terminate the agreements. FHLB stock has no active market and is required to be held by member banks. The estimated fair value of FHLB 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 15 and 30 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.

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 time deposits, FHLB advances, other borrowings, capital securities and preferred stock of subsidiary corporation were calculated using the discounted cash flow method. The discount rate for time deposits is based on rates currently offered by Webster and the discount rates for FHLB advances and securities sold under agreements to repurchase is based on Libor rates that coincide with the 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 discount rates used for the capital securities and preferred stock of subsidiary corporation liabilities were calculated using a spread over Libor that coincides with the remaining maturities.

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 12: ALLOWANCE FOR LOSSES ON FORECLOSED PROPERTIES

Webster has an allowance for losses on foreclosed properties. A detail of the changes in the allowance follows:

(In thousands)	Years ended December 31, 1999	1998	1997
Balance at beginning of period	$ 207	$ 1,222	$ 819
Provisions	100	330	1,637
Losses charged to allowance	(81)	(1,466)	(1,355)
Recoveries credited to allowance	23	121	121
Balance at end of period	$ 249	$ 207	$ 1,222

NOTE 13: INCOME TAXES

Income taxes in the Consolidated Statements of Income comprises the following:

(In thousands)	Years ended December 31, 1999	1998	1997
Current:			
Federal	$ 49,740	$ 35,788	$ 32,248
State	494	1,821	6,195
	50,234	37,609	38,443
Deferred:			
Federal	(2,902)	1,104	(7,122)
State	--	10,981	(1,434)
	(2,902)	12,085	(8,556)
Total:			
Federal	46,838	36,892	25,126
State	494	12,802	4,761
	$ 47,332	$ 49,694	$ 29,887

Income tax expense of $47.3 million, $49.7 million and $29.9 million for the years ended December 31, 1999, 1998 and 1997, respectively, differed from the amounts computed by applying the Federal income tax rate of 35% in 1999, 1998 and 1997 to pre-tax income as a result of the following:

(In thousands)	Years ended December 31, 1999	1998	1997
Computed "expected" tax expense	$ 49,939	$ 44,699	$ 27,125
Increase (decrease) in income taxes resulting from:			
Dividends received deduction	(1,091)	(756)	(412)
State income taxes, net of federal income tax benefit including change in state valuation allowance and tax rate	321	8,241	2,834
Tax exempt interest	(853)	(178)	(99)
Goodwill	1,158	459	29
Acquisition-related expenses	781	1,520	1,431
Increase in cash surrender value of life insurance	(2,762)	(1,963)	--
Other, net	(161)	(2,328)	(1,021)
Income taxes	$ 47,332	$ 49,694	$ 29,887

At December 31, 1999, Webster had a net deferred tax asset of $68.7 million. In order to fully realize the net deferred tax asset, Webster must either generate future taxable income or incur tax losses to carry back. Based on Webster's historical and current taxable earnings, management believes 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.

A deferred tax valuation allowance has been established for the state portion of temporary differences that may not be realized due to having no expected state taxable income for the foreseeable future.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1999 and 1998 are presented below.

(In thousands)	December 31, 1999	1998
Deferred tax assets:		
Loan loss allowances and other allowances, net	$ 28,808	$ 24,321
Accrued compensation and pensions	6,557	5,544
Deferred expenses	3,061	3,544

Unrealized loss on securities	41,463	--
Intangibles	6,946	5,812
Net operating loss carry forward	1,696	641
Other	2,007	1,686
Total gross deferred tax assets	90,538	41,548
Less state valuation allowance, net of federal benefit	(4,329)	(5,000)
Deferred tax asset after valuation allowance	86,209	36,548
Deferred tax liabilities:		
Loan discount	3,777	2,837
Intangibles	9,177	--
Unrealized gain on securities	--	14,809
Mortgage servicing rights	1,127	810
Other	3,384	2,294
Total gross deferred tax liabilities	17,465	20,750
Net deferred tax asset	$ 68,744	$ 15,798

NOTE 14: SHAREHOLDERS' EQUITY

On April 6, 1998, Webster's common stock split two-for-one; the stock split was effected in the form of a stock dividend. Basic and diluted common shares have been restated for all periods presented as if the stock split took place at the beginning of the earliest period shown. Also, shareholders' equity accounts for all periods presented have been restated to give retroactive recognition of the stock split.

Retained earnings at December 31, 1999 included $41.0 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 "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 is not 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, the Bank is also subject to a minimum tangible capital requirement (expressed as a ratio of tangible capital to adjusted total assets). At December 31, 1999 and 1998, 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 judgments by the OTS about components, risk weightings, and other factors.

At December 31, 1999 and 1998, the Bank was in full compliance with all applicable capital requirements as detailed below:

(Dollars in thousands)	Actual Amount	Ratio	OTS Minimum Capital Requirements Amount	Ratio	Well Capitalized Amount	Ratio
At December 31, 1999						
Total capital (to risk-weighted assets)	$727,399	12.30%	$473,243	8.00%	$591,554	10.00%
Tier 1 capital (to risk-weighted assets)	656,561	11.10	236,621	4.00	354,932	6.00
Tier 1 capital (to adjusted total assets)	656,561	6.73	390,374	4.00	487,967	5.00
Tangible capital (to adjusted total assets)	652,439	6.69	195,104	2.00	No Requirement	
At December 31, 1998						
Total capital (to risk-weighted assets)	$627,791	12.53%	$400,978	8.00%	$501,223	10.00%
Tier 1 capital (to risk-weighted assets)	567,614	11.32	200,489	4.00	300,734	6.00
Tier 1 capital (to adjusted total assets)	567,614	5.93	382,868	4.00	478,585	5.00
Tangible capital (to adjusted total assets)	562,438	5.88	191,331	2.00	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 Bank 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.

Regulatory rules currently impose limitations on all capital distributions by savings institutions, including dividends, stock repurchase and cash-out mergers. Under current OTS capital distribution regulations, as long as the Bank meets the OTS capital requirements before and after the payment of dividends and meets the standards for expedited treatment of applications (including having certain regulatory composite, compliance and Community Reinvestment Act ratings), the Bank may pay dividends to the Company without prior OTS approval equal to the net income to date over the calendar year, plus retained net income over the preceding two years. In addition, the OTS has the discretion to prohibit any otherwise permitted capital distribution on general safety and soundness grounds, and must be given 30 days advance notice of all capital distributions during which time it may object to any proposed distribution. The Bank has paid dividends and made distributions to Webster amounting to $60.8 million and $130.8 million for 1999 and 1998, respectively.

The Bank has an ESOP that invests in Webster common stock as discussed in Notes 9 and 16. Since Webster has secured and guaranteed the ESOP debt, the outstanding ESOP loan balance, which is considered unearned compensation expense, is recorded as a reduction of shareholders' equity. Both the loan obligation and the unearned compensation expense are reduced by the amount of any loan repayments made by the ESOP. Principal repayments totaled $601,300, $610,900 and $568,000 during the years ended December 31, 1999, 1998 and 1997, respectively.

During 1999, Webster repurchased 2,622,608 shares of its common stock under three repurchase programs that were announced in November 1998 and December 1999. The two plans announced in November 1998 were specifically related to the purchase acquisitions of Maritime and Village that closed in the second quarter of 1999. The plan announced in December 1999 is specifically related to the purchase acquisition of Mechanics that is scheduled to close during the second quarter of 2000.

In February 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 15: NET INCOME PER COMMON SHARE

The following tables reconcile the components of basic and diluted earnings per share.

(In thousands)	Year ended December 31, 1999	1998	1997
Basic Earnings Per Share:			
Net income	$ 95,350	$ 78,019	$ 47,612
Weighted-average common shares outstanding	44,553,859	45,275,165	44,835,738
Basic earnings per share	$ 2.14	$ 1.72	$ 1.06
Diluted Earnings Per Share:			
Net income	$ 95,350	$ 78,019	$ 47,612
Weighted-average common shares outstanding	44,553,859	45,275,165	44,835,738
Dilutive potential common stock:			
Effect of conversion of preferred stock series B	--	--	34,106
Options	839,629	842,376	902,404
Warrant	--	--	194,088
Total weighted-average diluted shares	45,393,488	46,117,541	45,966,336
Diluted earnings per share	$ 2.10	$ 1.69	$ 1.04

At December 31, 1999 and 1998, options to purchase 711,097 and 664,423 shares of common stock at exercise prices between $28.25 and $35.38 and $31.75 and $35.38, respectively, were not considered in the computation of diluted potential common stock since the options' exercise prices were greater than the average market price of Webster common stock for 1999 and 1998, respectively.

NOTE 16: EMPLOYEE BENEFIT AND STOCK OPTION PLANS

The Bank 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 $1.6 million for the year ended December 31, 1999 and $1.5 million for the years ended December 31, 1998 and 1997, respectively, for contributions to the investment plan.

The Bank's ESOP, which is noncontributory by employees, is designed to invest in Webster common stock on behalf of employees of the Bank who meet certain minimum age and service requirements. 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 participation service under the ESOP. At December 31, 1999, there were 108,831 unallocated shares of Webster common stock in the ESOP with 46,931 shares scheduled for release in 2000. Subsequent to the release, approximately 61,900 unallocated shares will remain in the ESOP for future distributions. At December 31, 1999, the unallocated shares in the ESOP had an aggregate market value of approximately $2.6 million. Total principal reductions on the ESOP loan during 1999 and 1998 totaled $601,300 and $610,900, respectively. Operations were charged with $727,000 for the year ended December 31, 1999 and $1.2 million for the years ended December 31, 1998 and 1997 for costs related to the ESOP. The 1999 ESOP charge includes $560,000 of compensation expense, $20,000 of interest payments (net of $58,000 of dividends on unallocated ESOP shares) and $147,000 of administrative costs.

The Bank maintains a noncontributory pension plan for employees who meet certain minimum service and age requirements. Pension benefits are based upon earnings of covered employees during the period of credited service. The following tables set forth changes in benefit obligation, changes in plan assets and the funded status of the Bank's pension plan and amounts recognized in Webster's Consolidated Statements of Condition at December 31, 1999 and 1998.

December 31, (In thousands)	1999	1998
Change in benefit obligation:		
Accumulated benefit obligation-beginning of year	$ 26,751	$ 20,829
Service cost	3,053	2,257
Interest cost	1,741	1,536
Plan amendment	--	114
Actuarial (gain) loss	(3,328)	3,675
Acquisition-related	--	651
Benefits paid	(2,244)	(2,007)
Curtailment adjustments	--	(304)
Accumulated benefit obligation-end of year	$ 25,973	$ 26,751
Change in plan assets:		
Plan assets at fair value-beginning of year	$ 26,601	$ 24,351
Actual return on plan assets	1,608	2,982
Contributions	1,400	624
Acquisition-related	--	651
Benefits paid	(2,244)	(2,007)
Settlements	--	--
Plan assets at fair value-end of year	$ 27,365	$ 26,601
Funded status	1,392	$ (150)
Unrecognized prior service cost	(1,131)	(1,207)
Unrecognized net gain	(2,887)	(362)
Unrecognized net asset	(104)	(112)
Accrued pension liability	$ (2,730)	$ (1,831)

The pension plan held in its asset portfolio 62,000 shares of Webster common stock as of December 31, 1999 and 1998. The discount rate, the 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%, 5.00% and 9.00%, respectively for 1999, and 6.25%, 4.50% and 9.00% for 1998.

Net pension expense for 1999, 1998 and 1997 included the following components.

(In thousands)	Years ended December 31, 1999	1998	1997

Service cost-benefits earned during the period	$ 3,053	$ 2,257	$ 2,027
Interest cost on projected benefit obligations	1,741	1,536	1,554
Expected return on plan assets	(2,412)	(2,242)	(2,476)
Amortization and deferral of unrecognized prior service cost, transition and gains (losses)	(83)	(630)	516
Total	$ 2,299	$ 921	$ 1,621

The Bank also provides other post-retirement benefits to certain retired employees. The following tables set forth the changes in benefit obligation and the funded status of the plan at December 31, 1999 and 1998:

(In thousands)	December 31, 1999	1998
Change in benefit obligation:		
Accumulated benefit obligation-beginning of year	$ 3,743	$ 3,655
Service cost	--	11
Interest cost	202	277
Actuarial (gain) loss	(711)	443
Benefits paid	(200)	(231)
Curtailment adjustments	--	(412)
Accumulated benefit obligation-end of year	$ 3,034	$ 3,743
Fair value of plan assets	--	--
Funded status	$ (3,034)	$ (3,743)
Unrecognized prior service cost	--	--
Unrecognized net (gain) loss	(352)	359
Accumulated post-retirement liability	$ (3,386)	$ (3,384)

The discount rate used in determining the accumulated other post-retirement benefit obligation of 1999 and 1998 was 7.25% and 6.25%, respectively. The assumed healthcare cost-trend rate is 6.00% for 2000, decreasing 0.5% per year to 5.0% for 2002 and thereafter. An increase of 1% in the assumed healthcare cost-trend rate would increase net periodic post-retirement benefit cost by $14,537 and increase the accumulated benefit obligation by $226,657. A decrease of 1% in the assumed healthcare cost trend rate would decrease net periodic post-retirement cost by $12,717 and decrease the accumulated benefit obligation by $198,531.

The components of post-retirement benefits cost were as follows:

(In thousands)	Years ended December 31, 1999	1998	1997
Service cost	$ --	$ 11	$ 58
Interest cost	202	277	249
Amortization and deferral of unrecognized prior service cost, transition and gains (losses)	--	112	(49)
Net periodic post-retirement benefit cost	$ 202	$ 400	$ 258

Webster maintains stock option plans (the "Option Plans") for the benefit of its directors and officers. Webster applies the provisions of APB Opinion No. 25 and related interpretations in accounting for the fixed stock option 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 and recorded in the Consolidated Statements of Income, Webster's net income and earnings per share would have been reduced to the pro forma amounts indicated as follows:

(Dollars in thousands, except per share data)	Years ended December 31, 1999	1998	1997
Net income:			
As reported	$ 95,350	$ 78,019	$ 47,612
Pro forma	93,981	74,005	45,885
Basic earnings per share:			
As reported	$ 2.14	$ 1.72	$ 1.06
Pro forma	2.11	1.63	1.02
Diluted earnings per share:			
As reported	$ 2.10	$ 1.69	$ 1.04
Pro forma	2.07	1.60	1.00

Webster had eight active fixed stock option plans at December 31, 1999. Six of the option plans were acquired through the NECB, Village, Maritime, Eagle, People's and Derby acquisitions. The acquired plans had options outstanding of 470,046, 12,817, 89,026, 256,416, 24,476 and 11,322, respectively, at December 31, 1999. Webster's 1992 option plan was amended in 1999, 1998, 1996, 1994 and 1992. Stock appreciation rights ("SARS") were granted in tandem with stock options issued under the Derby option plan. In accordance with generally accepted accounting principles, compensation expense for the SARS is recorded when the market value of Webster's common stock exceeds the SARS' strike price. During 1999, there were no SARS transacted and there were no remaining SARS outstanding at December 31, 1999. Compensation expense recorded for 1998 and 1997 was $89,695 and $229,000 respectively. During the years ended December 31, 1998 and 1997 the number of SARS exercised were 4,612, and 1,050 respectively. Under the terms of the option plans, the exercise price of each option granted equals the approximate market price of Webster's stock on the date of grant and each option has a maximum contractual life of ten years.

The fair value of each option is estimated on the grant date using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions used for grants issued during 1999: expected option term 9.0 years, expected dividend yield 2.35%, expected volatility 33.94%, expected forfeiture rate 2.00%, and weighted risk-free interest-rate of 5.89%. The weighted-average assumptions used for grants issued during 1998 were: 8.7 years, 1.70%, 31.19%, 2.13% and 4.96%, respectively; and for 1997 were 8.6 years, 1.85%, 25.14%, 2.23% and 5.83%.

A summary of the status of Webster's fixed stock option plans at December 31, 1999, 1998, and 1997 and changes during the years then ended is presented below:

	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	3,036,414	$ 17.30	3,174,383	$ 13.23	2,875,896	$ 9.66
Granted	340,147	25.56	627,350	31.92	922,337	21.18
Options acquired through purchase acquisitions	136,166	7.98	--	--	--	--
Exercised	(577,355)	11.51	(714,330)	11.63	(591,492)	8.08
Forfeited/canceled	(10,467)	21.37	(50,989)	23.47	(32,358)	16.08
Options outstanding at end of year	2,924,905	$ 19.00	3,036,414	$ 17.30	3,174,383	$ 13.23
Options exercisable at year end	2,176,068		2,148,197		1,956,710	
Weighted-average per share fair value of options granted during the year	$ 9.87		$ 12.30		$ 7.36	

The following table summarizes information about Webster's fixed stock option plans by price range for options outstanding and exercisable at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 3.54 and under	23,760	0.9	$ 2.27	23,760	$ 2.27
$ 3.55 - $7.08	249,102	1.7	5.68	249,102	5.68
$ 7.09 - $10.61	620,712	4.7	9.41	620,712	9.41
$ 10.62 - $14.15	341,397	5.4	12.40	341,397	12.40
$ 14.16 - $17.69	290,390	7.3	16.24	267,653	16.23
$ 17.70 - $21.23	230,958	6.9	18.82	214,958	18.81
$ 21.24 - $24.76	274,444	9.4	24.48	14,294	23.61
$ 24.77 - $28.30	185,545	9.0	26.49	695	26.50
$ 28.31 - $31.84	239,597	8.2	31.29	35,497	30.22
$ 31.85 - $35.38	469,000	8.4	33.77	408,000	33.84
	2,924,905	6.5	$ 19.00	2,176,068	$16.16

Webster also has two restricted stock plans consisting of a First Amended and Restated Directors Retainer Fees Plan, which was established in 1996, and a Restricted Stock Plan, which was established in 1992. Under the Directors Retainer Fee Restricted Stock Plan, a total of 5,928 shares were issued to thirteen directors in 1999 with each receiving 456 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. There were 39,093 and 15,908 restricted shares granted during 1999 and 1997 under the 1992 Restricted Stock Plan. There were no restricted shares granted during 1998 from the 1992 Restricted Stock Plan. During 1999, 52,900 restricted shares were granted to management under the 1992 Stock Option Plan. The cost of all restricted shares is amortized to compensation expense over the service or vesting period and such expense is reflected in Webster's Consolidated Statements of Income.

NOTE 17: ACQUISITION-RELATED EXPENSES

A summary of acquisition-related expenses follows:

(In thousands)	Years ended December 31, 1999	1998	1997
Derby	$ --	$ --	$ 19,858
MidConn	--	--	2,734
People's	--	--	7,200
FBWH	--	--	2,197
Eagle	--	17,400	--
OPBT	--	207	--
BSW	--	3,386	--
NECB	9,500	--	--
Total	$ 9,500	$ 20,993	$ 31,989

Webster recorded $9.5 million in acquisition-related expenses in connection with the acquisition of NECB which was completed on December 1, 1999. In 1998, Webster recorded approximately $17.4 million in acquisition-related expenses for the acquisition of Eagle, which was completed on April 15, 1998. Webster also recorded in 1998 acquisition-related expenses of $3.4 million and $207,000 in connection with the purchases of BSW, which was completed on August 14, 1998, and OPBT which was completed on August 10, 1998. In connection with the acquisitions of Derby, MidConn, People's, and FBWH, which were completed on January 31, 1997, May 31, 1997, July 31, 1997 and August 7, 1997, respectively, Webster recorded approximately $32.0 million of acquisition-related expenses.

The following table presents a summary of the acquisition-related accrued liabilities:

(In thousands)	Derby	People's	Eagle	OPBT	BSW	NECB
Balance of acquisition-related accrued liabilities at December 31, 1997	$ 5,400	$ 2,400	$ --	$ --	$ --	$ --
Additions/provisions	--	--	17,400	207	3,386	--
Payments and charges against the liabilities:						
Compensation (severance and related costs)	(400)	(300)	(7,800)	--	(1,650)	
Data processing contract termination	(600)	--	(1,200)	--	(1,000)	--
Transaction costs (including investment bankers, attorneys and accountants)	--	--	(4,100)	(207)	(150)	--
Writedown of fixed assets and facilities costs		(150)	(200)	(500)	--	--
Acquisition-related miscellaneous expenses (a)	(450)	(300)	(2,400)	--	(586)	--
Balance of acquisition-related accrued liabilities at December 31, 1998	$ 3,800	$ 1,600	$ 1,400	$ --	$ --	$ --
Additions/provisions	--	--	--	--	--	9,500
Payments and charges against the liabilities:						
Compensation (severance and related costs)	--	--	--	--	--	(3,000)
Data processing contract termination	(700)	--	--	--	--	(400)
Transaction costs (including investment bankers, attorneys and accountants)	--	--	(50)	--	--	(1,300)
Writedown of fixed assets and facilities costs	(100)	(1,100)	(400)	--	--	(700)
Acquisition-related miscellaneous expenses (a)	--	(100)	(175)	--	--	(800)
Balance of acquisition-related accrued liabilities at December 31, 1999	$ 3,000	$ 400	$ 775	$ --	$ --	$ 3,300

(a) Includes customer retention, data conversion and supplies expenses.

The remaining total accrued liability of $7.5 million at December 31, 1999 represents, for the most part, an accrual for data processing contract termination costs payable over future periods and the estimated loss on sale of excess fixed assets due to consolidation of overlapping branch locations.

NOTE 18: BUSINESS SEGMENTS

Webster has four segments for business segment reporting purposes. These segments include consumer banking, business banking, mortgage lending and treasury. The organizational hierarchies that define the business segments are periodically reviewed and revised. Results may be restated in future periods to reflect changes in organizational structure. The following table presents the statement of operations for Webster's reportable segments.

Operating income and total assets by business segment are as follows:

Year Ended December 31, 1999

(In thousands)	Consumer Banking	Business Banking	Mortgage Lending	Treasury	All Other	Total Segments
Net interest income	$ 166,393	$ 47,413	$ 73,809	$ 13,715	$ 2,183	$ 303,513
Provision for loan losses	1,181	3,891	3,928	--	--	9,000
Net interest income after provision	165,212	43,522	69,881	13,715	2,183	294,513
Noninterest income	49,070	3,353	11,515	16,913	11,779	92,630
Noninterest expenses	137,476	34,190	17,609	13,364	13,526	216,165
Income before income taxes	76,806	12,685	63,787	17,264	436	170,978
Income taxes	25,480	4,208	21,160	5,727	148	56,723
Net income after taxes	$ 51,326	$ 8,477	$ 42,627	$ 11,537	$ 288	$ 114,255
Total assets	$1,150,354	$1,294,651	$3,973,558	$3,491,527	$ 21,654	$9,931,744

Year Ended December 31, 1998

(In thousands)	Consumer Banking	Business Banking	Mortgage Lending	Treasury	All Other	Total Segments
Net interest income	$ 131,508	$ 47,816	$ 82,090	$ 20,879	$ 318	$ 282,611
Provision for loan losses	1,227	2,063	4,813	--	--	8,103
Net interest income after provision	130,281	45,753	77,277	20,879	318	274,508
Noninterest income	34,327	3,820	10,266	19,609	7,402	75,424
Noninterest expenses	117,671	28,351	26,452	12,122	9,137	193,733
Income (loss) before income taxes	46,937	21,222	61,091	28,366	(1,417)	156,199
Income taxes	17,373	7,884	22,607	10,540	(525)	57,879
Net income (loss) after taxes	$ 29,564	$ 13,338	$ 38,484	$ 17,826	$ (892)	$ 98,320
Total assets	$ 770,704	$1,047,640	$3,771,493	$4,224,685	$ 21,507	$9,836,029

The consumer banking segment includes consumer lending and the Bank's deposit generation and direct banking activities, which include the operation of automated teller machines and telebanking customer support, sales and small business lending. The business banking segment includes the Bank's investment in commercial and industrial loans and commercial real estate loans. The business banking segment also includes deposits and cash management activities for business banking. The mortgage lending segment includes the Bank's investment in residential real estate loan origination, servicing and secondary marketing activities. The treasury segment includes the Bank's investment in assets and liabilities managed by Treasury and includes interest-bearing deposits, securities, FHLB advances, repurchase agreements and other borrowings. All other includes the results of Webster's trust and investment and insurance subsidiaries, which offer products to both consumer and business customers.

During 1999 Webster changed its internal funds transfer pricing methodology, which charges or credits for use or source of funds. This change effected net interest income for all reported segments. As a result of the change in methodology there was an increase in interest income allocated to Consumer Banking and an increase in interest expense allocated to Business Banking, Mortgage Lending and Treasury.

The allocations are subject to periodic adjustment as the internal management accounting system is revised and business or product lines within the segments change. Also, because the development and application of these methodologies is a dynamic process, the financial results presented may be periodically revised.

Management allocates indirect expenses to its business segments. These expenses include administration, finance, operations and other support related functions. Net income (loss) after income taxes for the segments do not include certain income and expense categories (net of taxes), that aggregate to net expenses of $18.9 million for the year ended December 31, 1999 and $20.3 million for the year ended December 31, 1998, that do not directly relate to segments. The major categories not included in the segments for the year ended December 31, 1999, were (on a before tax basis) $14.6 million of capital securities expense, $4.2 million of dividend expense on the preferred stock of subsidiary corporation and $9.5 million of acquisition-related expenses. For the year ended December 31, 1998, the major categories not included in the segments were (on a before tax basis) $14.7 million of capital securities expense, $4.2 million of dividend expense on preferred stock and $21.0 million of acquisition-related expense.

NOTE 19: CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

During 1997, Webster formed a statutory business trust, Webster Capital Trust I ("Trust I"), of which Webster owns all of the common stock. Trust I exists for the sole purpose of issuing trust securities and investing the proceeds in an equivalent amount of subordinated debentures of the Corporation. On January 31, 1997, Trust I completed a $100 million underwritten public offering of 9.36% Corporation-Obligated Manditorily Redeemable Capital Securities of Webster Capital Trust I ("capital securities"). The sole asset of Trust I is the $100 million of Webster's 9.36% junior subordinated deferrable interest debentures due in 2027 ("subordinated debt securities"), purchased by Trust I on January 30, 1997.

On April 1, 1997, Eagle Financial Capital Trust I, subsequently renamed Webster Capital Trust II ("Trust II"), completed a $50 million private placement of 10.00% capital securities. Proceeds from the issue were invested by Trust II in junior subordinated deferrable debentures issued by Eagle due in 2027. These debentures represent the sole assets of Trust II.

Total expenses for Trusts I and II were $14.6 million, $14.7 million and $11.4 million for 1999, 1998 and 1997 respectively, inclusive of issuance cost amortization. The expense associated with Trust I and Trust II is tax deductible.

At December 31, 1997, Webster owned $5.0 million of Trust II securities which were eliminated as a result of the pooling of interests. Subsequent to December 31, 1997 and prior to Webster's acquisition of Eagle, these securities were sold to a third party and were outstanding at December 31, 1998.

The subordinated debt securities are unsecured obligations of Webster and are subordinate and junior in right of payment to all present and future senior indebtedness of Webster. Webster has entered into a guarantee, which together with Webster's obligations under the subordinated debt securities and the declaration of trust governing Trust I and Trust II, including its obligations to pay costs, expenses, debts and liabilities (other than trust securities), provides a full and unconditional guarantee of amounts on the capital securities. The capital securities qualify as Tier I capital under regulatory definitions.

NOTE 20: PREFERRED STOCK OF SUBSIDIARY CORPORATION
The Bank formed and incorporated Webster Preferred Capital Corporation ("WPCC") in March 1997. WPCC was formed to provide a cost-effective means of raising funds, including capital, on a consolidated basis for the Bank. WPCC's strategy is to acquire, hold and manage real estate mortgage assets.

In December 1997, WPCC raised $50.0 million in a public offering in which $40 million was issued as Series A 7.375% cumulative redeemable preferred stock and $10.0 million was issued as Series B 8.625% cumulative redeemable preferred stock that is quoted under NASDAQ listing (WBSTP). All of WPCC's common stock is owned by the Bank. Dividend expense on the preferred stock for 1999 and 1998, inclusive of issuance cost amortization, was $4.2 million for each respective period and $85,000 for 1997. The preferred shares are not exchangeable into common stock or any other securities of the Bank or Webster, and will not constitute regulatory capital of either the Bank or Webster.

NOTE 21: 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 22: PARENT COMPANY CONDENSED FINANCIAL INFORMATION
The Statements of Condition for 1999 and 1998 and the Statements of Income and Cash Flows for the three-year period ended December 31, 1999 (parent only) are presented below.

Statements of Condition

(In thousands)	December 31, 1999	1998
Assets:		
Cash and due from depository institutions	$ 7,032	$ 1,021
Interest-bearing deposits	300	735
Securities available for sale	118,584	146,534
Investment in subsidiaries	735,335	679,422
Due from subsidiaries	2	22
Accrued interest receivable	1,263	1,191
Other assets	7,429	5,929
Total assets	$869,945	$834,854
Liabilities and shareholders' equity:		
Senior notes due 2000	$ 40,000	$ 40,000
Lines of credit	39,000	10,000
ESOP borrowings	766	1,367
Due to subsidiaries	36	--
Other liabilities	4,476	7,033
Corporation-obligated mandatorily redeemable capital securities of subsidiary trusts	150,000	150,000
Shareholders' equity	635,667	626,454
Total liabilities and shareholders' equity	$869,945	$834,854

Statements of Income

(In thousands)	Years ended December 31, 1999	1998	1997
Dividends from subsidiary	$ 50,806	$ 80,776	$ 52,895
Interest on securities	8,088	5,750	2,384
Gain on sale of securities	1,834	8,039	937
Other noninterest income	1	24	11
Interest expense on borrowings	5,541	5,018	3,812
Capital securities expense	14,645	14,708	11,368

Other noninterest expenses	7,304	7,104	8,062
Income before income taxes and equity in undistributed earnings of subsidiaries	33,239	67,759	32,985
Income tax benefit	6,524	3,856	7,765
Income before equity in undistributed earnings of subsidiaries	39,763	71,615	40,750
Equity in undistributed earnings of subsidiaries	55,587	6,404	6,862
Net income	$ 95,350	$ 78,019	$ 47,612

Statements of Cash Flows

(In thousands)	Years ended December 31, 1999	1998	1997
Operating Activities:			
Net income	$ 95,350	$ 78,019	$ 47,612
Increase in interest receivable	(72)	(940)	(186)
(Increase) decrease in other assets	(1,500)	11,428	(3,483)
Gains on sale of securities	(1,834)	(8,039)	(937)
Equity in undistributed earnings of subsidiaries	(55,587)	(6,404)	(6,862)
(Decrease) increase in other liabilities	(2,557)	(3,036)	587
Other, net	1,080	1,038	11,786
Net cash provided by operating activities	34,880	72,066	48,517
Investing activities:			
Purchases of securities available for sale	(132,824)	(265,132)	(114,819)
Decrease (increase) in interest-bearing deposits	435	2,158	(2,088)
Other, net	(183)	(1,265)	(5,409)
Sales and maturities of securities available for sale	148,852	176,688	61,986
Distribution from (investment in) bank subsidiary	10,000	50,000	(93,793)
Net cash provided (used) by investing activities	26,280	(37,551)	(154,123)
Financing activities:			
Repayment of borrowings	(151,607)	(85,611)	(28,400)
Proceeds from borrowings	180,006	95,000	10,000
Net proceeds from issuance of capital securities	--	4,846	141,327
Exercise of stock options	9,342	10,816	5,808
Cash dividends to shareholders	(20,729)	(20,848)	(17,477)
Common stock repurchases	(72,161)	(39,861)	(6,020)
Net cash (used) provided by financing activities	(55,149)	(35,658)	105,238
Increase (decrease) in cash and cash equivalents	6,011	(1,143)	(368)
Cash and cash equivalents at beginning of year	1,021	2,164	2,532
Cash and cash equivalents at end of year	$ 7,032	$ 1,021	$ 2,164

NOTE 23: SELECTED QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Selected quarterly data for 1999 and 1998 follows:

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999:				
Interest income	$160,026	$ 159,813	$162,179	$163,774
Interest expense	87,340	83,372	84,331	87,236
Net interest income	72,686	76,441	77,848	76,538
Provision for loan losses	2,165	2,268	2,245	2,322
Gain (loss) on sale of loans, loan servicing and securities, net	3,444	3,572	(499)	2,165
Other noninterest income	18,132	18,998	22,402	24,416
Noninterest expenses	55,646	58,272	59,136	71,407
Income before income taxes	36,451	38,471	38,370	29,390
Income taxes	12,478	13,121	11,973	9,760
Net income	$ 23,973	$ 25,350	$ 26,397	$ 19,630
Net income per common share:				
Basic	$ 0.55	$ 0.57	$ 0.58	$ 0.44
Diluted	0.54	0.56	0.57	0.43

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1998:				
Interest income	$174,300	$ 174,648	$167,185	$166,104
Interest expense	101,586	105,713	98,333	93,994
Net interest income	72,714	68,935	68,852	72,110
Provision for loan losses	2,339	2,266	1,887	1,611
Gain on sale of loans, loan servicing and securities, net	4,190	10,438	2,510	5,631

Other noninterest income	13,228	13,548	15,943	17,150
Noninterest expenses	52,321	70,218	56,355	50,539
Income before income taxes	35,472	20,437	29,063	42,741
Income taxes	13,255	8,908	8,900	18,631
Net income	$ 22,217	$ 11,529	$ 20,163	$ 24,110
Net income per common share:				
Basic	$ 0.49	$ 0.25	$ 0.44	$ 1.71
Diluted	0.47	0.25	0.44	0.53

Quarters affected by acquisition-related charges include the quarter ended December 31, 1999 with approximately $9.5 million of NECB expenses, the quarter ended September 30, 1998 with approximately $3.6 million of BSW and OPBT expenses and the quarter ended June 30, 1998 which includes $1.5 million of provision for loan losses and $17.4 million of Eagle acquisition-related expenses.

All periods presented have been retroactively restated to reflect the inclusion of the results of NECB and Eagle, which were acquired on December 1, 1999 and April 15, 1998, respectively, and were 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 Independent Auditors' Report. These statements were prepared in conformity with generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

Webster has internal controls which provide 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. The internal control components include 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 independent outside directors, meets periodically with management, the internal auditors and the independent auditors to review internal controls, audit results and accounting principles and practices, and annually recommends to the Board of Directors the selection of independent auditors.

/s/ James C. Smith

James C. Smith
Chairman and Chief Executive Officer

/s/ Peter J. Swiatek

Peter J. Swiatek
Controller

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, 1999 and 1998, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company'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, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP
Hartford, Connecticut
January 28, 2000

Shareholder Information
Corporate Headquarters

Webster Financial Corporation and Webster Bank
Webster Plaza
Waterbury, CT 06702
(203) 753-2921
www.websterbank.com
Transfer Agent and Registrar
American Stock Transfer & Trust Co.
Shareholder Services
40 Wall Street
New York, NY 10005
1-800-937-5449
www.amstock.com

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 on the NASDAQ National Market System under the symbol "WBST."

Investor Relations Contact:
James M. Sitro, CPA, Senior Vice President,
Investor Relations (203) 578-2399
jsitro@websterbank.com

Form 10-K and Other Reports
Our annual report to the Securities and Exchange Commission (Form 10-K), additional copies of this report, and quarterly reports may be obtained free of charge by accessing our Web site (www.websterbank.com) or by contacting James M. Sitro, CPA, Senior Vice President, Investor Relations, 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 1999 and 1998.

Common Stock

	(Per Share)	Market Price		
1999	Cash Dividends Declared	Low	High	End of Period
Fourth	$ .12	$ 21 7/8	$ 28 3/4	$ 23 9/16
Third	.12	24 3/4	28 13/16	25 1/2
Second	.12	26 3/16	32	27 1/8
First	.11	27 7/16	31 1/8	28 7/8
1998	Cash Dividends Declared	Low	High	End of Period
Fourth	$ .11	$ 18 7/8	$ 28 1/8	$ 27 7/16
Third	.11	20 5/8	34 5/8	24 3/8
Second	.11	31 7/16	36 1/4	33 1/4
First	.11	28 9/16	35	34 3/4

Market Makers:
Adams, Harkness & Hill, Inc.
Advest, Inc.
Bear, Stearns & Co., Inc.
First Albany Corporation
F.J. Morrissey & Co., Inc.
Fox-Pitt, Kelton, Inc.
Friedman, Billings, Ramsey & Co., Inc.
Herzog, Heine, Geduld, Inc.
Jeffries & Company, Inc.
J.P. Morgan Securities Inc.
Keefe, Bruyette & Woods, Inc.
Knight Securities, L.P.
Legg Mason Wood Walker Inc.
Lehman Brothers Inc.
Mayer & Schweitzer Inc.
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Paine Webber Inc.
Ryan Beck & Co., Inc.
Sandler O'Neill & Partners
Sherwood Securities Corp.
Salomon Smith Barney Inc.
Spear, Leeds & Kellogg
Troster Singer Corp.
Tucker Anthony Incorporated
USCC Trading, Div. Fleet Secs
Warburg Dillon Read, L.L.C.

Research Coverage:
Advest, Inc.
Duff & Phelps Credit Rating Co.
First Albany Corporation
Fitch IBCA, Inc.
Fox-Pitt, Kelton
Friedman, Billings, Ramsey & Co., Inc.
Keefe, Bruyette & Woods, Inc.
Johnston Lemon and Co.
Lehman Brothers, Inc.
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Ryan Beck and Co.
Sandler O'Neil & Partners
Standard and Poor's
Tucker Cleary Incorporated
Value Line

Annual Meeting

The annual meeting of shareholders of Webster Financial Corporation will be held on April 27, 2000 at 4:00 P.M. at the Courtyard by Marriott, 63 Grand Street, Waterbury, Connecticut. As of February 28, 2000 there were 43,010,202 shares of common stock outstanding and approximately 12,000 shareholders of record.

Webster Bank Information
For more information on Webster Bank products and services, call 1-800-325-2424, or write:

Webster Bank
Customer Contact Center
P.O. Box 191
CH420
Waterbury, Connecticut 06720-0191
www.websterbank.com

EXHIBIT 21

Subsidiaries

Webster Bank, a federally chartered savings bank, is a direct subsidiary of Webster. Webster also owns all of the common securities of Webster Capital Trust I and Webster Capital Trust II, which are Delaware business trusts, and all of the common stock of Damman Associates, Inc., a Connecticut corporation. Webster Bank has six wholly-owned subsidiaries: Webster Trust Company, N.A., FCB Properties, Inc., Webster Investment Services, Inc., and Access National Mortgage, Inc. Access National Mortgage, Inc. holds 80% of the equity interests of Nowlending, LLC. Webster Bank also directly owns all of the outstanding common stock of Webster Preferred Capital Corporation, a publicly traded real estate investment trust and Webster Mortgage Investment Corporation, a passive investment subsidiary. Damman Associates, Inc. has one subsidiary, LLIA, Inc., which has one subsidiary, the Louis Levine Agency, Inc. (the "Agency"). The Agency has four subsidiaries, Retirement Planning Associates, Inc., Levine Financial Services, Inc., Religious Benefit Services, Inc. and Levine Surety, Inc.

WEBSTER SUBSIDIARIES

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION	NAMES UNDER WHICH THE SUBSIDIARY DOES BUSINESS
<S>	<C>	<C>
Webster Bank	United States	same
Webster Capital Trust I	Delaware	same
Webster Capital Trust II	Delaware	same
Damman Associates, Inc.	Connecticut	Damman Insurance Associates; Webster Insurance

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EXHIBIT 23

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 and the registration statement on Form S-4 related to the registration of shares for the purchase of MECH Financial, Inc. of Webster Financial Corporation of our report dated January 28, 2000, relating to the consolidated statements of condition of Webster Financial Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999, which report appears in the December 31, 1999 annual report on Form 10-K of Webster Financial Corporation.

/s/ KPMG LLP

Hartford, Connecticut
March 29, 2000

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EXHIBIT 27

Financial Data Schedule information for 1998 and 1997 periods have been restated due to acquisition under the pooling method that occurred during the 1999 period.

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EXHIBIT 27

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EXHIBIT 27

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