

New England Roots.
Regional Reach.
Expanding Opportunities.

We Find A Way.



ANNUAL REPORT FOR 2003

WEBSTER FINANCIAL
CORPORATION


FINANCIAL HIGHLIGHTS

AT OR FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands, except per share data)	2003	2002	2001
STATEMENT OF CONDITION			
Total assets	\$ 14,568,690	13,468,004	11,857,382
Total loans	9,212,809	7,912,639	6,823,300
Allowance for loan losses	121,674	116,804	97,307
Securities	4,302,181	4,124,997	3,999,133
Deposits	8,372,135	7,606,122	7,066,471
Shareholders' equity	1,152,895	1,035,458	1,006,467
STATEMENT OF INCOME			
Net interest income	\$ 413,519	405,728	367,479
Provision for loan losses	25,000	29,000	14,400
Noninterest income	232,483	185,572	162,098
Noninterest expenses	377,982	328,323	308,932
Income before income taxes, cumulative effect of accounting changes and extraordinary item	243,020	233,977	206,245
Income taxes	79,772	73,965	69,430
Income before cumulative effect of accounting changes and extraordinary item	163,248	160,012	136,815
Cumulative effect of accounting changes and extraordinary item (a)	—	(7,280)	(3,627)
NET INCOME	\$ 163,248	152,732	133,188
PER COMMON SHARE DATA			
Net income diluted	\$ 3.52	3.16	2.68
Dividends declared	0.82	0.74	0.67
Tangible book value	18.18	16.64	14.65
Book value	24.91	22.69	20.48
Diluted weighted-average shares	46,362	48,392	49,743
KEY PERFORMANCE RATIOS			
Return on average assets	1.15%	1.22	1.15
Return on average shareholders' equity	15.16	14.78	13.88
Net interest margin	3.14	3.50	3.48
Interest-rate spread	3.10	3.43	3.38
Noninterest income as a percentage of total revenue	35.99	31.38	30.61
Average shareholders' equity to average assets	7.58	8.24	8.32
ASSET QUALITY RATIOS			
Allowance for loan losses/total loans	1.32%	1.48	1.43
Nonperforming loans/total loans	0.41	0.55	0.84
Nonperforming assets/total assets	0.29	0.37	0.53

a) In 2002, cumulative effect of accounting change of \$7.3 million, net of tax, from adoption of SFAS No. 142.
In 2001, cumulative effect of accounting change of \$2.4 million, net of tax, from adoption of SFAS No. 133
and extraordinary item of \$1.2 million, net of tax, due to early extinguishment of debt.

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James C. Smith

CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Dear Shareholders:

Transformation is a continual state at Webster. Our exciting journey is marked by constant change for the better. As we execute our ambitious plans for growth, we strengthen our competitive position and build momentum for further gains. Our competitive advantage is rooted in a shared belief among Webster employees that we will *Find a Way* to exceed the expectations of our customers, our shareholders, our communities and one another.

That *We Find a Way* attitude has propelled Webster from a small thrift institution to a top 50 U.S. bank, from a local provider to a strong regional competitor, from a company growing through acquisitions to one that today relies more on organic growth. Our success in growing faster than the market comes from building on our natural strengths, what my father – Webster's founder – called "more and better."

Webster Today

Webster is a modern day, full-service bank. We are soon to be the largest publicly traded bank headquartered in southern New England, and we will operate under a national charter. We provide consumer banking, commercial banking, mortgage banking, insurance and investment management services. While our primary market has been Connecticut, we recently entered New York State, and soon our markets will include southeastern Massachusetts and Rhode Island. We have diversified our loan portfolio by type and by geography, offering broad lending capabilities regionally and nationally in equipment financing, asset-based lending, commercial real estate lending and wholesale mortgage lending.

As banking consolidation sweeps the Northeast, our vision is clear and bold. We will become *the* leading provider of financial services to individuals, families and businesses in the markets we serve. It may take a while, but we know that by executing our strategic plan, we will achieve our goal.

The notable advance in our strategic plan of today as compared to five years ago is that our primary businesses are securely in place. We are through the design and building phases and into execution, all the while, leveraging our local competitive advantage. Armed with nearly 3,000 capable, committed team members, we make a sincere effort every day to add value for our customers.

When you live in a perpetual state of transformation, continual self-assessment and renewal are essential prerequisites for success. Webster's executive team is a case in point. All eight of my direct reports have held senior positions in financial services companies considerably larger than Webster is today. Individually, and together, they enthusiastically embrace Webster's vision, mission and values. They work hard . . . and they work closely with Webster's board to bring the vision to life.

It Begins With the Board

Webster's board of directors is among our greatest strengths. The nation's corporate ethics problems of the past few years underscore the boards' responsibility to lead, in order to earn the confidence of shareholders. Board members have basic obligations, which include the duties of care, loyalty and full disclosure. Webster's board leads and nurtures a vital cycle of confidence among its members and the management team by building candid, non-defensive, trusting relationships. This openness extends outward to shareholders as well; a core principle of our corporate governance is that openness breeds credibility – the better our shareholders know us and the more they know about us, the greater will be their confidence in our ability to achieve our ambitious goals.

The board actively participates in the strategic planning process and in the design of compensation plans that motivate and reward Webster's employees for both their specific contributions and for Webster's relative performance as compared to its commercial bank peer group.

The independent directors use the corporate governance process to protect and advance the interests of Webster's shareholders and to insure that we continually assess and improve our performance. To this end, we have conducted board self-evaluations for years, and we have adopted share ownership guidelines for directors and officers. During 2003, the board led its peers in expensing stock options and decided to name a lead director, electing John Crawford to this position.

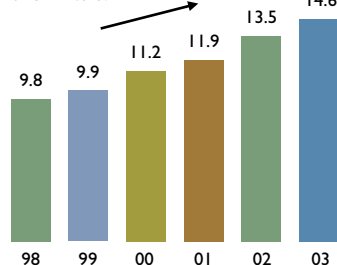
The Strategic Plan for Growth

Life at Webster revolves around the strategic plan, which in turn drives the annual business and financial plans, performance metrics and incentive compensation. The plan is organized along four pathways. Not surprisingly, the pathways encourage and support growth, the strategic imperative at Webster. Every business unit must have a growth strategy that will generate returns in excess of the cost of invested capital.

Pathway I: Grow the Customer Base – The first strategic pathway delivers against our goals of attracting new customers to Webster and building our brand. We grow our broad customer base in part by aggressively marketing our successful High Performance Checking initiative. Our ongoing direct marketing programs promoting "Totally Free Checking" have significantly increased market penetration. Our successful consumer model was

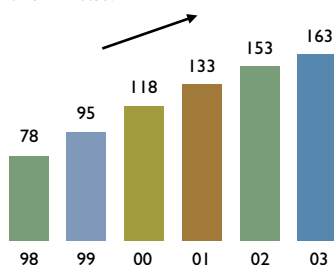
Total Assets (\$ in billions)

CAGR = 8.2%



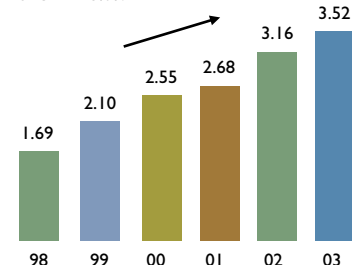
Net Income (\$ in millions)

CAGR = 15.9%



Net Income per Diluted Share (\$)

CAGR = 15.8%



migrated to small business this year, making Webster the first in New England and one of the few in the country to offer High Performance Checking to this vibrant market.

Pathway 2: Maximize the Value of Customer Relationships – We maximize the value of customer relationships by pursuing carefully timed on-boarding programs for our new customers and employing modern data base marketing techniques to identify customers likely to benefit from additional Webster services.

Webster's sales council comprises twenty teams of relationship officers from the commercial and small business banking, insurance and investment management units who work together to cross-sell in a manner that encourages customers to gain the full value of their Webster relationships.

Pathway 3: Optimize Operational Effectiveness – This pathway concentrates on the foundation of Webster: our operations and infrastructure, our people and the core discipline of risk management. 2003 saw significant progress on each of these fronts.

Our Webster Process Optimization (WPO) initiative is a fundamental re-examination of our structure and operations. Through its remapping methodology we are eliminating and streamlining processes, reducing our operating expenses and instilling continuous productivity improvement as a core Webster discipline. The goal is to balance responsibly the compatible objectives of high financial performance and the outstanding customer service that has become our trademark. We know that expense control is an essential ingredient in shareholder value creation.

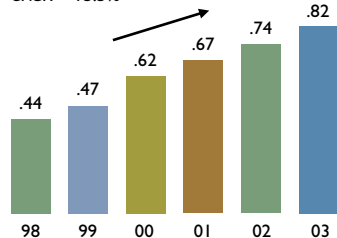
With an eye to building a better Webster, we have undertaken several foundational initiatives during the past year. All are intended to ensure that our growth is accompanied and encouraged by the institution's ability to support it. Having completed a major examination of our information technology infrastructure, we have developed a long-range plan to modernize our IT architecture by replacing our core operating system with a scaleable, outsourced solution. Our new systems will enable us to sustain our above-market growth rate while minimizing the capital expenditure required to do so.

Support for our business expansion requires a strong workforce and skilled leaders. Our new performance management system sharpens the focus on setting individual performance objectives as the primary means by which business units achieve their plans. This approach encourages alignment of each employee's objectives with strategic goals and rewards success.

In 2003, Webster set a strategic objective to become a peer leader in managing risk across the organization, creating a culture of risk awareness that will protect and enhance shareholder value. By adopting the best practices in credit risk, interest rate risk and operational risk management set forth in the Basel II Accords this past year, we will reduce organizational risk exposure and free up capital to support Webster's growth.

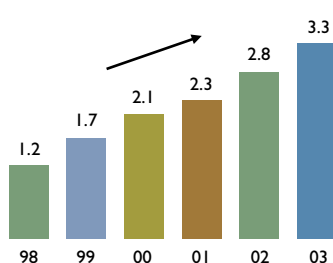
**Dividends Declared
per Common Share (\$)**

CAGR = 13.3%



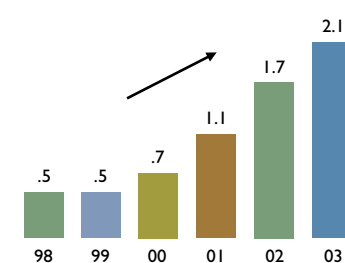
Commercial Loans (\$ in billions)

CAGR = 23.3%



Consumer Loans (\$ in billions)

CAGR = 32.6%



Pathway 4: Growth Through Strategic Initiatives –The final pathway is focused on strategic growth of our business lines and geographic expansion. We pursue strategic growth opportunities that are consistent with our acquisition discipline, which requires that any acquisition must earn out its intangibles over a measurable period, thereby creating true shareholder value. The high point in this pathway was our announced breakout partnership with FIRSTFED AMERICA BANCORP, INC (AMEX: FAB), marking a milestone in our history. The FIRSTFED combination immediately creates a powerful, competitive force in southern New England and represents a significant opportunity for future growth in FIRSTFED markets. FIRSTFED will increase our footings and our branch system by about 20% and will significantly augment our regional mortgage banking capabilities.

Our combination is strengthened by the enduring relationships we have enjoyed with FIRSTFED over the years, in particular with its Chairman, CEO and President, Bob Stoico, who will be joining Webster's board, and with senior executive Ed Hjerpe. Bob will serve as Chairman of Webster's Massachusetts and Rhode Island franchise, while Ed will be President in the region. The transaction is expected to close in the second quarter of 2004, and we will convert to our new systems sometime thereafter.

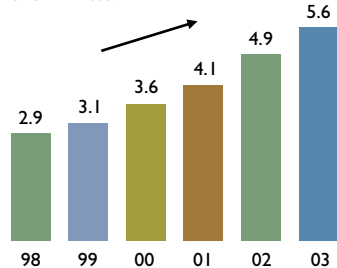
In early 2003 we forged a successful partnership with North American Bank and gained ground in new markets with our *de novo* branching strategy. We acquired Budget Installment Corporation, which provides businesses with financing that spreads the cost of commercial insurance premiums over the term of the coverage, further augmenting Webster's lending capabilities.

Webster Insurance enhanced its position as the leading insurance agency in Connecticut during 2003. The Mathog and Moniello insurance agency adds meaningfully to revenues and broadens our insurance offerings by providing risk management services to self-funded middle-market organizations. LJF Insurance Agency, a property and casualty agency, added market share.

Toward the end of 2003, we reached definitive agreement to acquire Phoenix National Trust Company, a wholly owned subsidiary of The Phoenix Companies, adding to our wealth management capabilities.

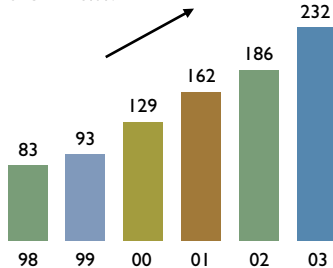
We have learned a lot about partnership building through our 30 acquisitions over the past decade. One lesson is that not all partnerships work out exactly as planned. As we have narrowed and sharpened our focus on growing Webster's banking, investment and insurance businesses in southern New England, we have concluded that our strategy for synergistic revenue development with Duff & Phelps, LLC, our majority-owned, Chicago-based financial advisory and investment banking firm, is not compelling for Webster. Duff & Phelps remains a strong, respected and capable firm whose revenues have risen from the date of our investment three years ago. While we want Duff & Phelps and Webster customers to have continuing access to our collective services, we believe it makes more sense to provide those services through an alliance rather than through Webster's majority ownership. So, we have agreed to divest our interest in Duff & Phelps in early 2004. We have learned and benefited from our association with the fine people at Duff & Phelps, and we expect our relationship to remain strong and mutually beneficial.

Core Deposits (\$ in billions) *
CAGR = 14.0%

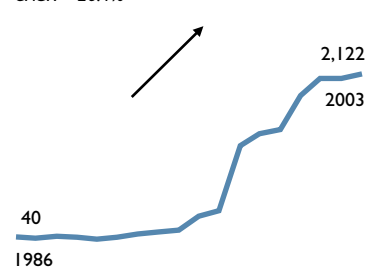


*Consisting of checking, money market and savings accounts

Total Noninterest Income (\$ in millions)
CAGR = 23.0%



Market Capitalization (\$ in millions)
CAGR = 26.4%



Transformation Equals Value Creation

Webster's growth and transformation have enhanced the quality of the earnings stream, which should have positive implications for our valuation. By reducing reliance on mortgage loans and increasing wholesale mortgage banking activities, we have lessened the impact of interest rate risk on the earnings stream. Increasingly our loan portfolio comprises floating rate commercial and consumer loans funded by low-cost, core deposits. More of our revenue comes from recurring, fee-based services, balancing the revenue mix between fees and spread. As the transformation continues, Webster's competitive position will only strengthen further.

We have emphasized to the investment community the transformation in Webster's earnings stream, and we have been gratified in recent months to see some improvement in Webster's relative valuation.

If total shareholder return is the ultimate measure of performance, Webster has performed well. Even as our price to earnings multiple lags our peer group of mid-cap commercial banks, our total shareholder return exceeds the peer group's performance over the 1, 3 and 5-year time horizons. Operating earnings and operating earnings per share have grown at double-digit rates – in fact in the teens – over the past five years, and we earned more in 2003 than all other publicly traded Connecticut-based banks combined.

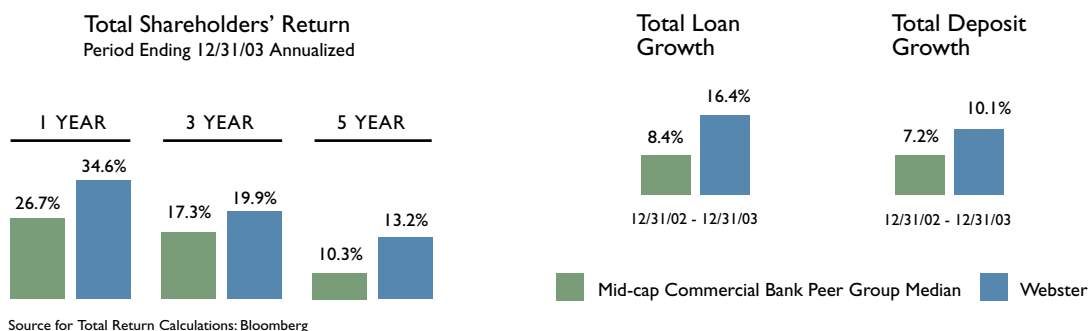
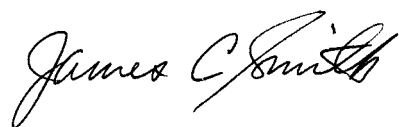
One measure of our performance is return on equity, which on average has exceeded 15% over the past 5 years. Another measure of our progress is the annual cash dividend, which we increased yet again in 2003, and which is now twice our total market capitalization at the end of 1990. We consider this performance to be proof positive that Webster is creating value at a rapid rate.

Webster's transformation is creating value – for customers, employees, shareholders and our communities. As a company we adapt well, and quickly, to change. Steady state is not an option...we demand more of one another.

As we build on our strong foundation and pursue Webster's unlimited potential for value-adding growth, we are confident in our prospects for success.

We Find a Way.

Thank you for your continuing support.



The background of the entire page is a close-up, artistic photograph of several US coins, including quarters and dimes, scattered and overlapping. The lighting creates soft highlights and shadows, giving the coins a three-dimensional appearance. The coins are slightly out of focus in some areas, creating a bokeh effect.

Our Profile

\$14.6 billion in assets.

\$2.1 billion market capitalization.

119 branches and 233 ATMs.

One of the top 50 banks in the United States and soon to be the largest publicly traded bank headquartered in southern New England.

A full-scale provider of commercial products, serving more than 35,000 businesses.

The largest Connecticut-based insurance agency, and among the ten largest bank-owned insurance agencies in the country.

A provider of investment management services, with over \$2 billion in assets under management and administration.

Employees and a management team with extensive, specialized experience in banking, insurance and investment management.



At Webster we believe success is about acquiring, satisfying and retaining customers, deepening relationships and capitalizing on market opportunities.

It's about faithfully building the Webster brand and capitalizing on market opportunities by offering a robust value proposition.

Our mission: *We Find a Way* to help individuals, families and businesses achieve their financial goals.

Our vision: to be *the* leading financial services provider in our region. We plan to realize that vision by relentless building on our natural strengths.



Webster has proven its ability to execute its strategy to drive growth and shareholder value by increasing the areas that count: deposits, loans and fee income.

WILLIAM T. BROMAGE
PRESIDENT AND
CHIEF OPERATING OFFICER

We began 69 years ago as a small, Connecticut-based thrift institution. Today, as our profile demonstrates, we are a strong, growing, regional financial services provider with the capability and expertise of a full-service commercial bank.

Today's market offers opportunities for Webster. As the banking landscape changes, Webster is increasingly the institution individuals and businesses turn to in southern New England. As a locally based bank, our roots and interests are firmly planted in our region. We make decisions quickly and locally. We understand the communities in which our customers live and work, we contribute to the benefit of those communities, and we have a vested interest in seeing them thrive. It's the difference between "being here" and "being *from* here" – a difference that customers can see and feel in our *We Find a Way* service attitude. As other locally based financial providers disappear, Webster is becoming the attractive, trusted, local choice.

Webster seeks to draw customers into a positive relationship that deepens over time. Customers see in Webster an institution expanding geographically in concentric circles from our base, offering increasing access and convenience. They see an institution with full-scale commercial banking capabilities to provide a broad array of banking, insurance and investment management solutions, so that both businesses and individuals receive what they need from a single, local source of service that pays attention to their needs. They see an ethical company, firmly committed to our long-standing corporate value statement, *The Webster Way*.

They also see a strong, disciplined company with a history of exceptional execution against its strategic goals, strong financial performance, proven management expertise and disciplined credit practices.

Shareholders can rely on Webster. After all, when we build more value for customers, we also build more value for shareholders. History proves it. Since the end of 2000, Webster's Total Shareholders' Return has been almost 68% compared to 58% for our peers,* and we have increased our cash dividend 13 times since 1987. Our approach to creating value for shareholders has been fivefold:

1. Grow loans and deposits faster than the market.
2. Increase income from fee-based businesses.
3. Control credit risk.
4. Remap our core processes to enhance service quality, increase efficiency and contain expenses.
5. Make disciplined, strategic acquisitions that broaden and deepen our service capabilities, and help us grow market share.

Each of Webster's business units plays a role. Each is vital in attracting new customers, deepening our relationships with existing customers and ensuring that Webster realizes its potential. Webster is a growth story. And the story continues.

*Peer group represents 17 publicly traded commercial bank holding companies with asset size of approximately \$10 - \$25 billion. Source for total return calculation: Bloomberg.

In 2003, Webster again performed strongly in a challenging economic environment. That's a profound testament to management expertise and credit discipline.

WILLIAM J. HEALY
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER



Retail Banking

Consumer Banking
Small Business Banking



There is no more visible sign of Webster's expanding presence in southern New England than our growing list of retail bank branches. Today, Webster serves its retail customers, including consumers and small businesses, through a network of 119 branches, 233 ATMs and an Internet site that has been rated by Gomez Research as one of the top 25 banking sites in the nation.

We approach growth through our people. New branches, totally free checking and deeper relationships with our existing customers all depend for their success upon gaining confidence and trust through skilled professionals in the field. We select, motivate and rely on very talented individuals in our retail banking system.

Our geographic reach stretches from Westchester County, New York and Fairfield County, Connecticut – one of the most affluent regions in the U.S. – through Connecticut. In 2003 we continued our expansion into Rhode Island and southeastern Massachusetts, thereby extending our franchise across southern New England, by entering into a merger agreement with FIRSTFED AMERICA BANCORP, INC. We expect the merger to be consummated during the second quarter of 2004.

Our leadership within our service region is widely recognized. In terms of deposit share, Webster Bank ranks either #1 or #2 in our primary markets. These rankings are starting points for continued organic growth in the years ahead. Webster's Retail Banking segment is intently focused on three main goals:

1. Grow core deposits that fuel Webster's profitability.
2. Attract a growing number of customers.
3. Offer products and services that deepen our relationships with customers.

Beginning in 2002, we introduced High Performance Checking (HPC), special checking products designed to meet a wide range of consumer needs, which is promoted through a proven, aggressive direct mail promotional campaign to bring new customers through the doors. Throughout 2002 and 2003, High Performance Checking has produced sustained results, doubling the rate at which we previously acquired new checking accounts.

Webster has migrated the HPC concept to small business as well – we are one of only a handful of banks nationwide to do so. In March 2003, we launched "Totally Free Small Business Checking," with products and promotional campaigns specifically tailored to business owners within our existing footprint. We experienced a sustained doubling in the rate at which we opened new accounts. Our deposit growth demonstrates the success of Webster's small business strategic execution, with small business deposits increasing 14% from \$864 million to \$984 million during the year.

The second major retail-banking program is *de novo* branch expansion – the process of building new Webster branches to broaden



We work hard to acquire deposits, but that's just the first step. We also have a very strong service component to support exceptional cross-sell and retention.

CANDACE H. FITZEK
EXECUTIVE VICE PRESIDENT
CONSUMER BANKING



our geographic presence and reach new customers. To date, we have established six *de novo* Webster branches. A key to *de novo* success is location, and Webster has followed the sound strategy of seeking prime branch locations in our growing market areas. We have made important inroads in Fairfield and Westchester Counties, communities with customers who seek both banking services and the kind of sophisticated insurance and wealth management services we provide.

While it has taken longer to ramp-up to our two branches per quarter goal, the results for branches opened have exceeded our expectations. Our new *de novo* branches experienced ongoing deposit generation of \$2.5 million per branch, per month, for a total of \$160 million in new deposits by the end of 2003. According to First Manhattan Consulting Group data, that represents top quintile deposit performance compared to our peers. Good locations, good people and sound execution are catalysts for performance.

Today, Webster has firm plans to open 25 to 30 additional *de novo* branches, which are expected to generate \$1.2 billion in deposits by the end of 2006.

Total deposit growth generated by the Webster Retail Banking segment was also impressive – more than 8 percent, with core deposits growing 14.6% to more than \$5 billion in 2003. Correspondingly, deposit-related fee income grew by 12.9%, or \$6.2 million to \$55 million, underscoring Retail Banking's continued importance as a driver of Webster's revenues and profits.

Commercial Banking

Middle-Market Banking
Commercial Real Estate

Asset-Based Lending
Equipment Financing

Deposit and
Cash Management



Success is all about relationships, and Webster's opportunities in commercial banking are truly promising. Webster has already demonstrated its ability to build strong, rewarding relationships with middle-market companies (those with revenues between \$10 million and \$250 million) in our market area.

In fact, just seven years after entering the Hartford, Connecticut market, Webster has achieved a 30% market share and is a major presence throughout this service region.

Our 2003 results demonstrate the power of our value proposition. Despite an economic climate that caused many businesses of different sizes to rein in expenditures, Webster's middle-market portfolio grew by an impressive 30%. Webster has become a strong commercial competitor.

The reasons are Webster's people, products and locale. Through a steadily executed program of building our service capabilities – including the acquisitions of nationally prominent asset-based lending (2002) and equipment financing (2001) firms – Webster is clearly an organization that can serve the full spectrum of middle-market lending needs. We offer commercial loans, commercial real estate loans, asset-based loans, equipment financing and deposit and cash management services. In addition, through Webster Insurance, we provide a comprehensive line of commercial coverage, risk management services and employee benefit programs. Already 12% of our middle-market clients are Webster Insurance

customers. And through our wealth management business we serve the personal financial needs of business owners and executives.

What's more, to ensure we serve customer needs as comprehensively as possible, our commercial banking, small business banking, insurance and investment management units have established a sales council. Through it, teams of members from all business units regularly review our customers' needs and work together to deliver expert, custom-tailored solutions.

While our primary commercial banking focus remains on the middle market, Webster is also moving forward on other fronts. Our asset-based lending operation, Webster Business Credit Corporation, as well as our equipment financing company, Center Capital Corporation, service commercial customers in the Northeast and across the nation. In commercial real estate, we opened loan production offices in Stamford, Connecticut and the greater Boston market during 2003, realized solid growth and retained our notably strong credit performance.

In fact, tight credit discipline has always been the hallmark of Webster's lending operations. Our \$3.3 billion commercial loan portfolio is balanced among the full spectrum of our business units. We actively manage our portfolio to limit exposure to individual credit risks and maintain diversity. We are extremely well diversified among our customers' industry segments.



All these elements – a strong value proposition, unequaled foundations within the communities we serve and tight credit discipline – will serve Webster well as we continue to execute our five-pronged growth strategy:

1.

Leverage our experienced commercial banking leadership –
Webster has already formed a commercial banking team with extensive experience in large commercial banking operations.

2.

Maintain a disciplined business segment focus –
Webster will maximize the success of customer acquisition by focusing on business segments where we can add value either locally, regionally or nationally because of our specific expertise, product breadth and people.

3.

Establish direct customer relationships –
Webster believes that by owning, deepening and broadening relationships, we deliver maximum value to both our customers and our shareholders.

4.

Grow concentrically – Just as our Retail Banking segment finds strength in concentric growth, Webster's Commercial Banking segment has grown faster than the market by entering high opportunity markets within our reach and by capitalizing on strong roots in our main service region.

5.

Maintain a balanced/diversified portfolio –
Profitable growth requires discipline, and Webster remains firmly committed to a portfolio strategy that mitigates credit risk.



Throughout our commercial lending activities, the breadth and depth of Webster's offerings, combined with our local roots, give us a distinct competitive advantage.

JOSEPH J. SAVAGE
EXECUTIVE VICE PRESIDENT
COMMERCIAL BANKING

Consumer Finance

Retail Residential Lending
Wholesale Mortgage Banking
Home Equity and Consumer Lending



Opening doors to opportunity often means eliminating barriers and finding faster, smarter and more efficient ways to do business. Without doubt, the doors are open for Webster's Consumer Finance group.

Over the past several years, we have transformed ourselves from a traditional "portfolio lender" to a true mortgage banking operation. Today we originate loans in regional markets and around the country and sell them, servicing released, in the secondary market.

In just three years, Webster has grown its wholesale mortgage origination business to \$3.0 billion in annual volume. Almost 60% of our mortgage loan origination volume in 2003 came through this channel. This progress dramatically illustrates the advantages of building a distribution system fully capable of capturing opportunity anywhere in the country.

Our structure makes Webster's Consumer Finance group a significant source of fee income. In 2003, Webster enjoyed its best year ever in consumer financing, originating close to \$5 billion in first and second mortgages. Certainly, last year's low interest rate environment bolstered the results of many lending institutions.



But just as certainly, Webster's growth was aided by two key elements:

A distribution strategy that allows us to capture opportunities in our local markets and throughout the United States; and

A sophisticated technological infrastructure designed to deliver fast, efficient and cost-effective service.

These are precisely the advantages that make Webster's Consumer Finance group a strong competitor today – within our own Retail Banking footprint and nationwide.

With Webster's expertise in residential lending, its national wholesale network and its centralized technology, we can capitalize on opportunities as they arise.

ROSS M. STRICKLAND
EXECUTIVE VICE PRESIDENT
CONSUMER FINANCE

Webster's distribution strategy includes two channels:

Retail Distribution that originates loans through our Webster Bank branch network and a dedicated sales team, based primarily in Connecticut.

Wholesale Distribution that, through Webster offices in Chicago, Phoenix, Atlanta, Seattle and Cheshire, Connecticut, originates loans through relationships with a broad, expanding network of independent mortgage brokers.

Our use of technology is an important factor in attracting brokers to Webster. They know that in mortgage lending, speed is key. We've built a single, centralized loan processing system that handles our entire loan volume. This system produces seamless, electronic transactions between Webster and its brokers, as well as quick approval and contract delivery, anywhere in the country.

In Webster's retail distribution channel, this same technology has long been a competitive strength. Our technology also reduces Webster's costs, speeds product delivery and enhances our overall operating efficiency. This advantage was made clear in 2003 when, despite an overwhelming demand for refinancing that ground some lending institutions to a temporary halt, Webster's loan processing capacity was able to deliver consistently high-quality results.

Now our goal is to use our infrastructure and technology to build on our success. As homeowners use equity in their homes to finance automobiles, higher education and make major purchases, the opportunities for home equity lines and loans increase. We are also focused on growing geographically by establishing a limited number of new Webster regional offices in select growth markets. Our mortgage banking platform is easily exported, meaning that we can cover large territories with relatively few offices – making consumer finance an efficient and rewarding way to reach new customers and increase mortgage banking revenue.



Insurance Brokerage

Commercial Property & Casualty
Financial Services

Risk Management Services
Personal Insurance



Webster competes effectively with insurance organizations in southern New England by leveraging its size, scope and expertise. We have one of the ten largest bank-owned insurance agencies in the nation, and the largest in Connecticut.

Its focus is primarily on commercial lines, and its products range from extremely sophisticated risk management and self-insurance arrangements for middle-market businesses to basic offerings such as homeowners and life insurance for families and individuals.

Insurance is an essential component of any sound financial plan for individuals and businesses. It replaces lost assets and earning power and mitigates the impact of tragedy, allowing families and businesses to go on. This is why Webster Insurance is an important partner to all of Webster's business lines.

As Webster Insurance has grown over the past five years, its primary focus – and strength has been its ability to serve the more sophisticated needs of middle-market businesses and affluent households. Through a strategic series of acquisitions, Webster Insurance is able to offer solutions for virtually any insurance, risk management or financial services need these customers require.



Webster Insurance is distinguished by its deep expertise, excellent carrier relationships and broad delivery capabilities across a wide spectrum of products.

JOHN J. QUEIROLO
PRESIDENT AND CEO
WEBSTER INSURANCE

In 2003, Webster Insurance culminated an important acquisition: the purchase of The Mathog & Moniello Companies, itself one of the largest independent retail insurance agencies in Connecticut. The firm specializes in alternatives to traditional insurance that include self-funded, risk management services and is one of the largest workers' compensation producers in New England. This acquisition strengthens Webster's ability to bring a "total solutions" platform to southern New England's middle-market businesses.

Our strategy is to leverage this platform in order to grow our middle-market business faster than the market, and make inroads with larger middle-market customers. Webster Insurance delivers its broad capabilities and high-quality service through six regional offices in Connecticut and New York, a clear competitive advantage.

Another advantage of size is Webster Insurance's relationships with prominent, national insurance carriers. These carriers know that Webster Insurance is a high-volume broker, and Webster has longstanding relationships with executives at the highest levels of these insurance companies. As a result, we're able to bring our customers powerful leverage when it comes to purchasing policies with favorable premium rates and superior terms and conditions.

These strengths have served Webster Insurance well in our pursuit of organic growth, which has approximated 15% annually. Insurance is a plentiful source of strong, stable, recurring fee income – 90% of Webster Insurance products have annual renewable contracts, which translates into a long-term, reliable income stream. And because its product line is broad and diversified, Webster Insurance is somewhat protected from individual product cycles and volatility. With our full product line firmly established, Webster Insurance has a powerful platform from which to drive organic growth and increasing operating margins.

Investment Management

Trust and Financial Advisory Services
Broker-Dealer Investment Services



Webster is fortunate to have wealthy communities within our franchise areas. We are headquartered in one of the most affluent regions in the nation – and among Webster’s current retail and commercial customers there is an unusually large number of individuals, institutions and not-for-profit organizations with significant investable assets.

Serving the wealth management needs of these customers is one of Webster’s most compelling growth opportunities. Webster has structured its wealth management business model around customer needs, not product categories. For individuals and institutions with investable assets up to \$500,000 – we offer Webster Investment Services – an organization distributing select investment products mainly through our retail bank branches. For individuals and institutions with investable assets up to \$10 million – we offer Webster Financial Advisors, an organization that delivers sophisticated, personalized financial advisory services through a staff of Webster relationship managers highly skilled in financial planning.

Over the past two years, Webster has strengthened our organization and created stronger relationships with customers through a financial-planning-driven platform – a platform that allows us to develop long-term relationships with clients by becoming their trusted, personal financial advisor.



Webster delivers personalized attention, comprehensive product selection and trusted advice to a market that welcomes superior service.

BRUCE E. WOLFE
EXECUTIVE VICE PRESIDENT
WEBSTER FINANCIAL ADVISORS



Already our efforts have produced positive results. Today, Webster's assets under management and assets under administration total over \$2 billion, reflecting solid growth despite the recently uncertain financial markets. Yet we have only scratched the surface of our potential. Our goal is to grow smartly over the next several years by tapping into our natural customer base within Webster; by building our brand in our markets and through selected, accretive acquisitions.

We have good reason to feel confident in our ability to achieve our growth objectives. Webster is exactly the kind of wealth and investment advisory organization that our primary clients – individuals and institutions with up to \$10 million in investable assets – are looking for:

An organization that's big enough. Webster offers both a broad spectrum of sophisticated products as well as the ability to provide highly personalized attention to these customers.

An organization that's objective. With this breadth of focus on the best interests of our clients, our organization is able to offer a "best of the best" selection of both non-proprietary and proprietary investments.

An organization that lives where our customers live. Like other Webster businesses, our wealth management business benefits from its roots in our communities. Clients want a local, trusted advisor – someone they know will give them more attention and more personalized service because they live and work in the same community.

An organization that can integrate customer services. The more complex a client's needs, the more he or she appreciates an advisor who can bring a number of disciplines to bear on a challenge, including banking, trust services, insurance, personal and commercial financing.



We are encouraged by the prospective opportunities right in our own backyard. Given the many Webster customers in banking, insurance and commercial services who already trust our advisory capabilities, we are focused on building our wealth management clientele through an active cross-selling effort. As our banking franchise reaches deeper into more affluent communities – like Fairfield County, Connecticut and Westchester County, New York – and eastward to Rhode Island and Massachusetts, we will pursue opportunities to benefit from greater exposure to a growing number of individuals and institutions who meet our primary customer profile.

Webster Financial Corporation Board of Directors

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Joel S. Becker
*Chairman and Chief Executive Officer,
Torrington Supply Co., Inc.*

William T. Bromage
President and Chief Operating Officer

George T. Carpenter
*President and Treasurer,
S. Carpenter Construction Co.,
and Carpenter Realty Co.*

John J. Crawford
President, Strategem, LLC

Robert A. Finkenzeller
President, Eyelet Crafters, Inc.

Roger A. Gelfenbien
*Former Managing Partner,
Andersen Consulting*

C. Michael Jacobi
*President, Chief Executive Officer
and Director, Katy Industries, Inc.*

Laurence C. Morse
*Co-founder and Co-Managing Partner,
Fairview Capital Partners, Inc.*

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and Carpenter Realty Co.*

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*Co-founder and Co-Managing Partner,
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Subsidiary Management Group

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*President and Chief Executive Officer,
Webster Trust Company, N.A.*

Norman Cohen
*President,
Budget Installment Corporation*

Chester A. Gougis
*President,
Duff & Phelps, LLC*

Thomas N. Howe
*President,
Webster Investment Services, Inc.*

Warren K. Mino
*President and Chief Operating Officer,
Webster Business Credit Corporation*

John J. Queirolo
*President and Chief Executive Officer,
Webster Insurance*

Mitchell D. Weiss
*President and Chief Executive Officer,
Center Capital Corporation*

Executive Management Group – Webster Bank

James C. Smith
Chairman and
Chief Executive Officer
Page 1

William T. Bromage
President, Vice Chairman and
Chief Operating Officer
page 8

Below, left to right

Jeffrey N. Brown *
Executive Vice President,
Marketing and
Communications

Jo D. Keeler *
Executive Vice President,
Chief Credit Policy Officer
and Chief Risk Officer

Zeynep Fredrick †
Executive Vice President
And Chief Information Officer

Joseph J. Savage *
Executive Vice President,
Commercial Banking

Patrick T. Murphy †
Executive Vice President,
Human Resources

Nathaniel C. Brinn †
Executive Vice President,
Corporate Development

Bruce E. Wolfe
Executive Vice President,
Webster Financial Advisors

Candace H. Fitzek
Executive Vice President,
Consumer Banking

William J. Healy *
Executive Vice President and
Chief Financial Officer

Harriet Munrett Wolfe, Esq.*
Executive Vice President,
General Counsel and Secretary

Ross M. Strickland
Executive Vice President,
Consumer Finance
(not pictured)

* Same title for Webster Financial Corporation

† Senior Vice President for Webster Financial Corporation



Webster at a glance

One source. A multitude of disciplines. We Find a Way.

Webster Bank

Webster Bank provides a full range of commercial, consumer and small business banking services. Commercial banking offers financial services for businesses with over \$10 million in revenues, including cash management, asset-based lending, commercial real estate, syndicated lending and international banking. Consumer and small business banking offers comprehensive solutions for the transaction, credit, savings and investment needs of families and small businesses (\$10 million or less in revenues) delivered through more than 119 branches, 233 ATMs and the Internet.

Webster Insurance

The largest Connecticut-based independent insurance agency, offering a comprehensive portfolio of business and personal insurance, employee benefits and risk management services.

Webster Investment Services

Full-service guidance on mutual funds, annuities and other investments from licensed professionals located in Webster branches. Brokerage and online investing services are available for customers who prefer to access and manage their own investments. Presently serving more than 50,000 customers representing \$1 billion in account assets.

Webster Financial Advisors

Dedicated to serving the comprehensive financial needs of affluent individuals, businesses and not-for-profit institutions. Clients benefit from a comprehensive array of customized services that help them achieve and maintain financial security: Investment management, financial planning, lending, trust, estate planning and consumer finance. Presently serving more than 1,000 clients with over \$1.3 billion in assets under management or administration.

Webster Business Credit Corporation

Offering a variety of specialized lending services to middle market companies across the country for more than 30 years. A leading provider of customized asset-based lending services, financing for retailers and cash management services.

Center Capital Corporation

Providing equipment leasing and financing to companies throughout the United States for more than 15 years, with a special focus on the manufacturing, environmental, construction and transportation industries.

Duff & Phelps, LLC

A nationally recognized leader in financial advisory services and investment banking, including extensive expertise in middle-market mergers and acquisitions, private placements, and ESOP and ERISA compliance services.

Budget Installment Corporation

An insurance premium financing company that finances commercial property and casualty premiums for businesses that pay their premiums on a monthly basis. The 30 year old company has approximately 8,000 active borrower accounts located in New York and New Jersey.

Corporate Profile Webster Financial Corporation is the holding company for Webster Bank and Webster Insurance. With \$14.6 billion in assets, Webster provides business and consumer banking, mortgage, insurance, financial planning, trust and investment services through 119 banking offices, 233 ATMs, a Connecticut-based call center and the Internet. Webster Financial Corporation is majority owner of Chicago-based Duff & Phelps, LLC, a leader in financial advisory services. Webster Bank owns the asset-based lending firm Webster Business Credit Corporation, the insurance premium finance company Budget Installment Corp., Center Capital Corporation, an equipment finance company headquartered in Farmington, Connecticut and Webster Trust Company, N.A. For more information about Webster, including past press releases and the latest Annual Report, visit the Webster Bank web site at WebsterOnline.com

Shareholder Information

Corporate Headquarters

Webster Financial Corporation and Webster Bank
Webster Plaza
Waterbury, CT 06702
1-800-325-2424
WebsterOnline.com

Transfer Agent and Registrar

American Stock Transfer & Trust Co.
59 Maiden Lane
Plaza Level
New York, NY 10038
1-800-937-5449
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 New York Stock Exchange under the symbol "WBS."

Investor Relations Contact

Terrence K. Mangan, Senior Vice President,
Investor Relations (203) 578-2318
tmangan@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 investor relations web site (wbst.com) or by contacting Terrence K. Mangan, 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 2003 and 2002. Webster increased its quarterly dividend in the second quarter of 2003 to \$.21 per share.

COMMON STOCK (PER SHARE)		MARKET PRICE		
	CASH DIVIDENDS DECLARED			END OF PERIOD
		LOW	HIGH	
2003				
Fourth	\$.21	\$ 39.93	\$ 46.76	\$ 45.86
Third	.21	36.31	40.89	39.88
Second	.21	34.97	38.81	37.80
First	.19	33.60	36.95	35.12
2002				
Fourth	\$.19	\$ 30.65	\$ 35.46	\$ 34.80
Third	.19	31.95	38.89	33.58
Second	.19	36.77	39.96	38.24
First	.17	31.18	37.45	37.43

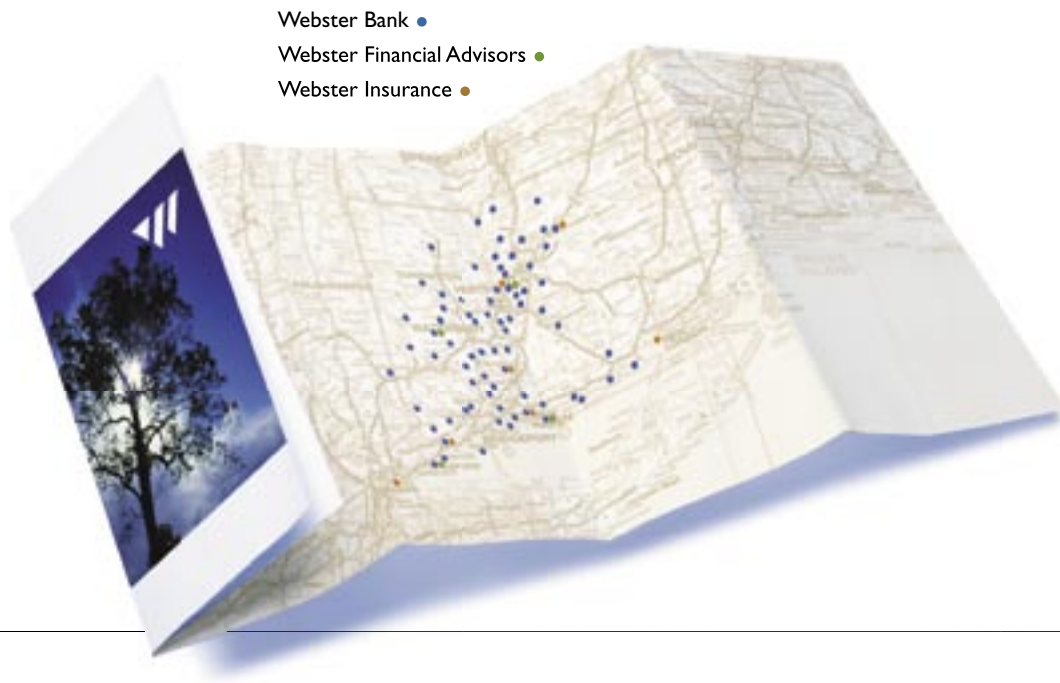
Annual Meeting

The annual meeting of shareholders of Webster Financial Corporation will be held on April 22, 2004 at 4:00 P.M. at the Courtyard by Marriott, 63 Grand Street, Waterbury, Connecticut. As of February 27, 2004 there were 46,282,461 shares of common stock outstanding and 11,944 shareholders of record.

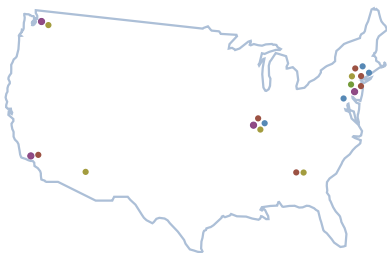
Webster Information

For more information on Webster products and services, call 1-800-325-2424, write or email:
service@websterbank.com

Webster Locations



Ansonia ●	Derby ●	Kensington ●	Newington ●	Somers ●	Waterbury ●●
Avon ●	East Hartford ●	Litchfield ●	North Haven ●	South Windsor ●	Waterford ●
Berlin ●	East Haven ●●	Madison ●	Old Lyme ●	Southbury ●	Watertown ●
Bethany ●	East Windsor ●	Manchester ●	Old Saybrook ●	Southington ●	West Hartford ●●
Bloomfield ●	Enfield ●	Meriden ●	Orange ●	Stamford ●●	West Haven ●
Branford ●	Essex ●	Middlebury ●	Oxford ●	Stratford ●	Westport ●●
Bristol ●	Fairfield ●	Middletown ●	Plainville ●	Suffield ●	Wethersfield ●
Brookfield ●	Farmington ●	Milford ●	Prospect ●	Terryville ●	Wilton ●
Canton ●	Forestville ●	Monroe ●	Ridgefield ●	Thomaston ●	Windsor ●
Cheshire ●	Glastonbury ●	Naugatuck ●	Rocky Hill ●	Torrington ●	Winsted ●
Cromwell ●	Guilford ●	New Britain ●	Seymour ●	Trumbull ●	Wolcott ●
Danbury ●	Hamden ●	New Haven ●●	Shelton ●	Vernon ●●	Harrison, NY ●
Darien ●	Hartford ●●	New Milford ●	Simsbury ●	Wallingford ●●	Scarsdale Village, NY ●



Webster Reach

Atlanta ●●	Los Angeles ●●
Boston ●●	New York ●●
Cheshire, CT ●	Philadelphia ●
Chicago ●●●●	Phoenix ●
Farmington, CT ●	Rockville Centre, NY ●
Hartford ●	Seattle ●●

Budget Installment Corporation ●
Center Capital Corporation ●
Duff & Phelps, LLC ●
Mortgage Origination Offices ●
Webster Business Credit Corporation ●

The Webster Way

WE TAKE PERSONAL RESPONSIBILITY
for meeting our customers' financial needs.

WE RESPECT THE DIGNITY
of every individual.

WE EARN PEOPLE'S CONFIDENCE
through ethical behavior.

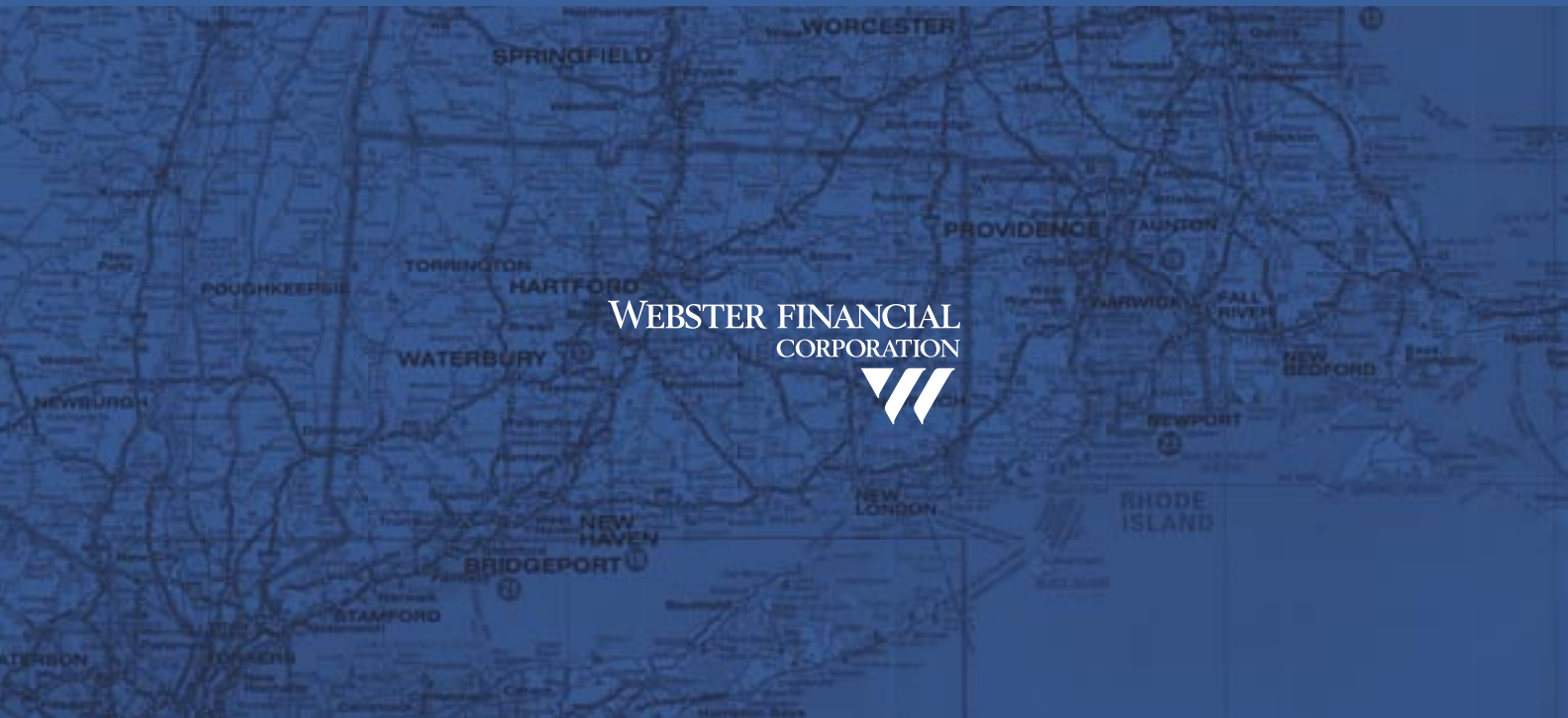
WE GIVE OF OURSELVES
in the communities we serve.

WE STRIVE FOR EXCELLENCE
in everything we do.

With uncompromising commitment
to these core principles, we will add value for our
customers, shareholders, employees and the
communities we serve.

Our Mission

To help individuals, families and
businesses achieve their financial goals.



WEBSTER FINANCIAL
CORPORATION



WebsterOnline.com