

WEBSTER FINANCIAL CORP  
Form 10-K  
February 29, 2016  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

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Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended December 31, 2015  
Commission File Number: 001-31486

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

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Delaware (State or other jurisdiction of incorporation or organization)	06-1187536 (I.R.S. Employer Identification No.)
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145 Bank Street, Waterbury, Connecticut 06702  
(Address and zip code of principal executive offices)  
Registrant's telephone number, including area code: (203) 578-2202

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

Title of each class	Name of exchange on which registered
Common Stock, \$.01 par value	New York Stock Exchange
Depository Shares, each representing 1/1000th interest in a share of 6.40% Series E Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).  Yes  No

The aggregate market value of common stock held by non-affiliates of Webster Financial Corporation was approximately \$3.5 billion, based on the closing sale price of the common stock on the New York Stock Exchange on June 30, 2015, the last trading day of the registrant's most recently completed second quarter.

The number of shares of common stock, par value \$.01 per share, outstanding as of February 12, 2016 was 91,424,421.

Documents Incorporated by Reference

Part III: Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 2016.

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PART 1

ITEM 1. BUSINESS

Forward-Looking Statements

The required information is set forth below, in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, see the section captioned "Forward-Looking Statements," which is incorporated herein by reference.

General

Webster Financial Corporation is a bank holding company and financial holding company registered under the Bank Holding Company Act of 1956, as amended, incorporated under the laws of Delaware in 1986 and headquartered in Waterbury, Connecticut. References in this report to "Webster," the "Company," "we," "our," or "us" mean Webster Financial Corporation and its consolidated subsidiaries. At December 31, 2015, Webster had assets of \$24.7 billion, net loans and leases of \$15.5 billion, deposits of \$18.0 billion and shareholders' equity of \$2.4 billion. At December 31, 2015, Webster Financial Corporation's principal asset is all of the outstanding capital stock of Webster Bank, National Association ("Webster Bank").

At December 31, 2015, Webster had 2,946 full-time equivalent employees. None of the employees were represented by a collective bargaining group. Management considers relations with its employees to be good.

Webster Financial Corporation's common stock is traded on the New York Stock Exchange under the symbol "WBS." Webster's internet address is [www.websterbank.com](http://www.websterbank.com) and investor relations internet address is [www.wbst.com](http://www.wbst.com).

Webster makes available free of charge on its website its Annual Report on Form 10-K, quarterly reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments, if any, to those documents filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as soon as practicable after it electronically files such material with, or furnishes it to, the Securities and Exchange Commission ("SEC"). These documents are also available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov). Information on Webster's website is not incorporated by reference into this report.

Description of Business

Webster delivers financial services to individuals, families, and businesses primarily from New York to Massachusetts. Webster provides business and consumer banking, mortgage lending, financial planning, trust, and investment services through 163 banking offices, 316 ATMs, telephone banking, mobile banking, and its internet website ([www.websterbank.com](http://www.websterbank.com)). Webster also offers equipment financing, commercial real estate lending, and asset-based lending primarily across the Northeast. On a nationwide basis, through its HSA Bank division, Webster Bank offers and administers health savings accounts, and flexible spending, health reimbursement, and commuter benefit accounts.

The core of our Company's value proposition is the service delivery model that comes to life through our brand promise, "Living Up to You," which encapsulates how our bankers build meaningful relationships with our customers through a deeper understanding of their lives beyond the bank. This value proposition is delivered by our bankers who are knowledgeable, are deeply committed to the communities that we serve, know their markets well, and make decisions at the local level. We operate with a local market orientation as a community-focused, values-guided regional bank. Operating objectives include acquiring and developing high value customer relationships through sales specialists, universal bankers, marketing, and cross-sale efforts to fuel organic growth and expand contiguously.

Segments

Webster has four reportable segments: Commercial Banking, Community Banking, HSA Bank, and Private Banking, and has been operating under this structure for management reporting purposes since 2015. A description of each of the Company's segments is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 19: Segment Reporting in the Notes to Consolidated Financial Statements contained elsewhere in this report and also includes financial information for, and a description of, these reportable segments.

Subsidiaries of Webster Financial Corporation

Webster Financial Corporation's direct subsidiaries include Webster Bank, Webster Wealth Advisors, Inc., and Webster Licensing, LLC. The Company also owns all of the outstanding common stock of Webster Statutory Trust, an unconsolidated financial vehicle that has issued, and may in the future issue, trust preferred securities.



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Additionally, Webster Bank's direct subsidiaries include Webster Mortgage Investment Corporation ("WMIC"), Webster Business Credit Corporation ("WBCC"), and Webster Capital Finance, Inc. ("WCF"). Webster Bank is the primary source of community banking activity within the consolidated group. Residential mortgage origination activity is conducted through Webster Bank. WMIC is a passive investment subsidiary whose primary function is to provide servicing on qualified passive investments, such as residential real estate and commercial mortgage real estate loans acquired from Webster Bank. Various commercial lending products are provided through Webster Bank and its subsidiaries to clients primarily within our regional footprint from New York to Massachusetts. WBCC provides asset-based lending services. WCF provides equipment financing for end users of equipment. Webster Bank also has various other subsidiaries that are not significant to the consolidated group.

### Competition

Webster is subject to strong competition from banks, thrifts, credit unions, consumer finance companies, investment companies, insurance companies, e-commerce and other internet-based companies. Certain of these competitors are larger financial institutions with substantially greater resources, lending limits, larger branch systems, and a wider array of commercial banking services than Webster. Competition could intensify in the future as a result of industry consolidation, the increasing availability of products and services from non-bank entities, greater technological developments in the industry, and continued bank regulatory reforms.

Webster faces substantial competition for deposits and loans throughout its market areas. The primary factors 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 from other commercial banks, savings institutions, credit unions, mutual funds, and other investment alternatives. The primary factors in competing for consumer and commercial loans are interest rates, loan origination fees, the quality and range of lending services, personalized service and ability to close within customers desired timeframe. Competition for origination of mortgage loans comes primarily from savings institutions, mortgage banking firms, mortgage brokers, other commercial banks, and insurance companies. Other factors which affect competition include the general and local economic conditions, current interest rate levels, and volatility in the mortgage markets.

### Supervision and Regulation

Webster and its banking and non-banking subsidiaries are subject to comprehensive regulation under federal and state laws. The regulatory framework applicable to bank holding companies and their subsidiary banks is intended to protect depositors, federal deposit insurance funds, and the U.S. banking system as a whole. This system is not designed to protect equity investors in bank holding companies.

Set forth below is a summary of the significant laws and regulations applicable to Webster and its banking and non-banking subsidiaries. The description that follows is qualified in its entirety by reference to the full text of the statutes, regulations, and policies that are described. Such statutes, regulations, and policies are subject to ongoing review by Congress and state legislatures and federal and state regulatory agencies. A change in any of the statutes, regulations, or regulatory policies applicable to Webster and its banking and non-banking subsidiaries could have a material effect on the results of the Company.

### Overview

Webster Financial Corporation is a separate and distinct legal entity from Webster Bank and its other subsidiaries. As a registered bank holding company and a financial holding company it is subject to inspection, examination, and supervision by the Board of Governors of the Federal Reserve System ("FRB"), and is regulated under the Bank Holding Company Act of 1956, as amended ("BHC Act"). Webster also is under the jurisdiction of the SEC and is subject to the disclosure and other regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. Webster is subject to the rules for listed companies of the New York Stock Exchange.

Webster Bank is organized as a national banking association under the National Bank Act. Webster Bank is subject to the supervision of, and to regular examination by, the Office of the Comptroller of the Currency ("OCC") as its primary supervisory agency, as well as by the Federal Deposit Insurance Corporation ("FDIC") as its deposit insurer. In addition, the Consumer Financial Protection Bureau ("CFPB") supervises Webster for compliance with federal consumer financial protection laws. Webster also is subject to oversight by state attorneys general for compliance with state

consumer protection laws. Webster Bank's deposits are insured by the FDIC up to the applicable deposit insurance limits in accordance with FDIC laws and regulations. Webster's non-bank subsidiaries are subject to federal and state laws and regulations, including regulations of the FRB.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") significantly changed the financial regulatory regime in the United States. Since the enactment of the Dodd-Frank Act, U.S. banks and financial services firms have been subject to enhanced regulation and oversight. Several provisions of the Dodd-Frank Act are subject to further rulemaking, guidance, and interpretation by the federal banking agencies.



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Bank Holding Company Regulation

Webster Financial Corporation is a bank holding company as defined under the BHC Act. The BHC Act generally limits the business of bank holding companies to banking, managing or controlling banks, and other activities that the FRB has determined to be so closely related to banking "as to be a proper incident thereto." Bank holding companies that have elected to become financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity that is either (i) financial in nature or incidental to such financial activity (as determined by the FRB in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity, and that does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the FRB). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting, and making merchant banking investments.

If a bank holding company seeks to engage in the broader range of activities permitted under the BHC Act for financial holding companies, (i) the holding company and all of its depository institution subsidiaries, must be "well capitalized" and "well managed," as defined in FRB Regulation Y, and (ii) it must file a declaration with the FRB that it elects to be a "financial holding company."

In order for a financial holding company to commence any activity that is financial in nature, incidental thereto, or complementary to a financial activity, or to acquire a company engaged in any such activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the Community Reinvestment Act of 1977 ("CRA"). This is discussed in the "Community Reinvestment Act and Fair Lending Laws" section.

The BHC Act generally limits acquisitions by bank holding companies that are not qualified as financial holding companies to commercial banks and companies engaged in activities that the FRB has determined to be so closely related to banking "as to be a proper incident thereto." Financial holding companies also are permitted to acquire control of non-depository institution companies engaged in activities that are financial in nature and in activities that are incidental and complementary to financial activities without prior FRB approval. However, the BHC Act, as amended by the Dodd-Frank Act, requires prior written approval from the FRB or prior written notice to the FRB before a financial holding company may acquire control of a company with consolidated assets of \$10 billion or more.

The BHC Act, the Bank Merger Act, and other federal and state statutes regulate acquisitions of commercial banks. The BHC Act requires the prior FRB approval for the direct or indirect acquisition of 5% or more of the voting shares of a commercial bank or its parent holding company. Under the Bank Merger Act, the prior approval of the OCC is required for a national bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing applications seeking approval of merger and acquisition transactions, the federal banking agencies will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined banking organization, the applicant's performance record under the CRA, and the effectiveness of the subject organizations in combating money laundering activities. For further information relating to the CRA, see the section titled "Community Reinvestment Act and Fair Lending Laws."

Enhanced Prudential Standards

Section 165 of the Dodd-Frank Act imposes enhanced prudential standards on larger banking organizations, with certain of these standards applicable to banking organizations over \$10 billion, including Webster and Webster Bank. In October 2012, the FDIC, the OCC, and the FRB issued separate but similar rules requiring covered banks and bank holding companies with \$10 billion to \$50 billion in total consolidated assets to conduct an annual company-run stress test. The annual company-run stress test was conducted for Webster and Webster Bank. Webster announced the release of its company-run 2015 capital stress test results as required by the Dodd-Frank Act on June 16, 2015.

In February 2014, the FRB issued a rule further implementing the enhanced prudential standards required by the Dodd-Frank Act. Although most of the standards only apply to bank holding companies with more than \$50 billion in assets, as directed by the Dodd-Frank Act, the rule contains certain standards that apply to bank holding companies with more than \$10 billion in assets, including a requirement to establish a risk committee of the Company's board of directors to manage enterprise-wide risk. Webster meets these requirements.

Debit Card Interchange Fees

The Dodd-Frank Act requires that any interchange transaction fee charged for a debit transaction be “reasonable” and proportional to the cost incurred by the issuer for the transaction, with new regulations that establish such fee standards, eliminate exclusivity arrangements between issuers and networks for debit card transactions, and limit restrictions on merchant discounting for use of certain payment forms and minimum or maximum amount thresholds as a condition for acceptance of credit cards. In June 2011, the FRB approved a final debit card interchange rule pursuant to the Dodd-Frank Act that would cap an issuer's base fee at 21 cents per transaction and allow an additional amount equal to 5 basis points of the transaction's value. The FRB separately issued a final rule in July 2012 that also allows a fraud-prevention adjustment of 1 cent per transaction conditioned upon an issuer developing, implementing, and updating reasonably designed fraud-prevention policies and procedures.

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### Identity Theft

In April 2013, the SEC and the Commodity Futures Trading Commission (together, the “Commissions”) jointly issued final rules and guidelines implementing provisions of the Dodd-Frank Act which require certain regulated entities to establish programs to address risks of identity theft. First, the rules require financial institutions and creditors to develop and implement a written identity theft prevention program that is designed to detect, prevent, and mitigate identity theft in connection with certain existing accounts or the opening of new accounts. The rules include guidelines to assist entities in the formulation and maintenance of programs that would satisfy the requirements of the rules. Second, the rules establish special requirements for any credit and debit card issuers that are subject to the Commissions’ jurisdiction, to assess the validity of notifications of changes of address under certain circumstances. Webster implemented an ID Theft Prevention Program, approved by its Board of Directors on April 25, 2013, to address these requirements.

### Volcker Rule

Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule, restricts the ability of banking entities, such as Webster, from: (i) engaging in “proprietary trading;” and (ii) investing in or sponsoring certain types of funds (“Covered Funds”), subject to certain limited exceptions. The implementing regulation defines Covered Funds to include certain investments such as collateralized loan obligation (“CLO”) and collateralized debt obligation securities. The regulation also provides an exemption for CLOs meeting certain requirements. CLO compliance with the Volcker Rule is generally required by July 21, 2017.

### Derivatives Reform

Title VII of the Dodd-Frank Act imposes requirements related to over-the-counter derivatives. Key provisions of Title VII of the Dodd-Frank Act are implemented by the Commodity Futures Trading Commission (“CFTC”) with respect to previously unregulated derivatives, including interest rate swaps. Among other things, the CFTC’s rules apply to swap dealers, major swap participants and commercial entities that enter into OTC derivatives transactions to hedge or mitigate risk. Under rules and CFTC guidance, end users are subject to a wide range of requirements including capital, margining, clearing, documentation, reporting, eligibility and business conduct requirements.

### Dividends

The principal source of Webster Financial Corporation's liquidity is dividends from Webster Bank. The prior approval of the OCC is required if the total of all dividends declared by a national bank in any calendar year would exceed the sum of the bank's net income for that year and its undistributed net income for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits national banks from paying dividends that would be greater than the bank's undivided profits after deducting statutory bad debt in excess of the bank's allowance for loan and lease losses. At December 31, 2015, there was \$335.4 million of undistributed net income available for the payment of dividends by Webster Bank to Webster Financial Corporation. Webster Bank paid Webster Financial Corporation \$110.0 million in dividends during the year ended December 31, 2015.

In addition, Webster Financial Corporation and Webster Bank are subject to other regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine, under certain circumstances relating to the financial condition of a bank holding company or a bank, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. The appropriate banking agency authorities have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

### Federal Reserve System

FRB regulations require depository institutions to maintain reserves against their transaction accounts, primarily interest-bearing and regular checking accounts. Webster Bank's required reserves can be in the form of vault cash and, if vault cash does not fully satisfy the required reserves, in the form of a balance maintained with the Federal Reserve Bank of Boston. FRB regulations required for 2015 that reserves be maintained against aggregate transaction accounts except for transaction accounts which are exempt up to \$14.5 million. Transaction accounts greater than \$14.5 million up to and including \$103.6 million have a reserve requirement of 3%. A 10% reserve ratio will be assessed on

transaction accounts in excess of \$103.6 million. The FRB generally makes annual adjustments to the tiered reserves. Webster Bank is in compliance with these reserve requirements.

As a national bank and member of the Federal Reserve System, Webster Bank is required to hold capital stock of the Federal Reserve Bank of Boston. The required shares may be adjusted up or down based on changes to Webster Bank's common stock and paid-in surplus. Webster Bank was in compliance with these requirements, with a total investment in Federal Reserve Bank of Boston stock of \$50.7 million at December 31, 2015. The FRB paid an annual dividend of 6% in 2015.

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### Federal Home Loan Bank System

The Federal Home Loan Bank System provides a central credit facility for member institutions. Webster Bank is a member of the Federal Home Loan Bank of Boston (“FHLB”). The Bank is required to purchase and hold shares of capital stock in the FHLB in an amount equal to 0.35% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, up to a maximum of \$25.0 million. The Bank is also required to hold shares of capital stock in the FHLB in amounts that vary from 3.0% to 4.5% of its advances, depending on the maturities of those advances. At December 31, 2015, the Bank had approximately \$2.7 billion in FHLB advances. Webster Bank was in compliance with these requirements, with a total investment in FHLB stock of \$137.6 million at December 31, 2015. On October 29, 2015, the FHLB declared a quarterly cash dividend equal to an annual yield of 3.32%.

### Source of Strength Doctrine

FRB policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Section 616 of the Dodd-Frank Act codified the requirement that bank holding companies act as a source of financial strength. As a result, Webster Financial Corporation is expected to commit resources to support Webster Bank, including at times when Webster Financial Corporation may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. The U.S. bankruptcy code provides that, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

In addition, under the National Bank Act, if the capital stock of Webster Bank is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon Webster Financial Corporation. If the assessment is not paid within three months, the OCC could order a sale of the Webster Bank stock held by Webster Financial Corporation to cover any deficiency.

### Capital Adequacy and Prompt Corrective Action

In July 2013, the FRB, the OCC, and the FDIC approved final rules (the “Capital Rules”) establishing a new comprehensive capital framework for U.S. banking organizations. The Capital Rules generally implement the Basel Committee on Banking Supervision’s (the “Basel Committee”) December 2010 final capital framework referred to as “Basel III” for strengthening international capital standards. The Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions’ regulatory capital ratios. The Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions’ regulatory capital ratios and replace the existing general risk-weighting approach with a more risk-sensitive approach.

The Capital Rules: (i) introduce a new capital measure called “Common Equity Tier 1” (“CET1”) and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and “Additional Tier 1 capital” instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. Under the Capital Rules, for most banking organizations, including Webster, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock, and the most common forms of Tier 2 capital are subordinated notes and a portion of the allocation for loan and lease losses, in each case, subject to the Capital Rules’ specific requirements.

Pursuant to the Capital Rules, the minimum capital ratios effective January 1, 2015 are as follows:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets;
- and
- 4.0% Tier 1 capital to adjusted quarterly average consolidated assets, as defined (called “leverage ratio”).

The Rules also introduce a new “capital conservation buffer,” composed entirely of CET1, in addition to these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic

stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity, and other capital instrument repurchases and compensation based on the amount of the shortfall. Thus, when fully phased-in on January 1, 2019, the capital standards applicable to Webster will include an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of: (i) CET1 to risk-weighted assets of at least 7%; (ii) Tier 1 capital to risk-weighted assets of at least 8.5%; and (iii) Total capital to risk-weighted assets of at least 10.5%.

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The Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing assets, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1. The deductions and adjustments are being incrementally phased in between January 1, 2015 and January 1, 2018.

In addition, under the current general risk-based capital rules, the effects of accumulated other comprehensive income or loss items included in shareholders' equity (for example, mark-to-market of securities held in the available-for-sale portfolio) under U.S. generally accepted accounting principles are reversed for the purposes of determining regulatory capital ratios. Pursuant to the Capital Rules, the effects of certain of these items are not excluded; however, non-advanced approaches banking organizations, including the Company, may make a one-time permanent election to continue to exclude these items. The Company made the one-time permanent election to continue to exclude these items concurrently with the first filing of certain of Webster's periodic regulatory reports in 2015. This election will not affect Webster's ability to meet all capital adequacy requirements to which it is subject.

The Capital Rules also preclude certain hybrid securities, such as trust preferred securities, from inclusion in bank holding companies' Tier 1 capital, subject to phase-out in the case of bank holding companies, such as Webster Financial Corporation, that had \$15 billion or more in total consolidated assets as of December 31, 2009. As of December 31, 2014, the Company had \$75 million of trust preferred securities included in the Tier 1 capital for regulatory reporting purposes pursuant to the Federal Reserve's capital adequacy guidelines. The Capital Rules require the Company to phase out trust preferred securities from Tier 1 capital. Excluding trust preferred securities from the Tier 1 capital will not affect Webster's ability to meet all capital adequacy requirements to which it is subject.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and are being phased in over a 4-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

With respect to Webster Bank, the Capital Rules revise the "prompt corrective action" ("PCA") regulations adopted pursuant to Section 38 of the Federal Deposit Insurance Act ("FDIA"), by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the Basel I 6%); and (iii) eliminating the provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The Capital Rules do not change the total risk-based capital requirement for any PCA category.

The Capital Rules prescribe a new standardized approach for risk weightings that expand the risk-weighting categories from the four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes. Management believes Webster is in compliance, and will continue to be in compliance, with the targeted capital ratios as such requirements are phased in.

### Transactions with Affiliates and Insiders

Under federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act ("FRA") and its implementing Regulation W. In a bank holding company context, at a minimum, the parent holding company of a bank, and any companies which are controlled by such parent holding company, are affiliates of the bank. Generally, sections 23A and 23B of the FRA are intended to protect insured depository institutions from losses arising from transactions with non-insured affiliates by limiting the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the bank in the aggregate, and requiring that such transactions be on terms consistent with safe and sound banking practices. Further, Section 22(h) of the FRA and its implementing Regulation O restricts loans to directors, executive officers, and principal stockholders ("insiders"). Under Section 22(h), loans to insiders and their related interests may not exceed,

together with all other outstanding loans to such persons and affiliated entities, the institution's total capital and surplus. Loans to insiders above specified amounts must receive the prior approval of the board of directors. Further, under Section 22(h) of the FRA, loans to directors, executive officers, and principal stockholders must be made on terms substantially the same as offered in comparable transactions to other persons, except that such insiders may receive preferential loans made under a benefit or compensation program that is widely available to the bank's employees and does not give preference to the insider over the employees. Section 22(g) of the FRA places additional limitations on loans to executive officers.

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### Consumer Protection and CFPB Supervision

The Dodd-Frank Act centralizes responsibility for consumer financial protection by creating the CFPB, an independent agency charged with responsibility for implementing, enforcing, and examining compliance with federal consumer financial laws. The Company is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Procedures Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Practices Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which is part of the Dodd-Frank Act. The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. State regulation of financial products and potential enforcement actions could also adversely affect the Company's business, financial condition or operations. On January 10, 2013, the CFPB issued a final rule implementing the ability-to-repay and qualified mortgage ("QM") provisions of the Truth in Lending Act, as amended by the Dodd-Frank Act (the "QM Rule"). The ability-to-repay provision requires creditors to make reasonable, good faith determinations that borrowers are able to repay their mortgages before extending the credit based on a number of factors and consideration of financial information about the borrower from reasonably reliable third-party documents. Under the Dodd-Frank Act and the QM Rule, loans meeting the definition of "qualified mortgage" are entitled to a presumption that the lender satisfied the ability-to-repay requirements. The presumption is a conclusive presumption/safe harbor for prime loans meeting the QM requirements and a rebuttable presumption for higher-priced/subprime loans meeting the QM requirements. The definition of a "qualified mortgage" incorporates the statutory requirements, such as not allowing negative amortization or terms longer than 30 years. The QM Rule also adds an explicit maximum 43% debt-to-income ratio for borrowers if the loan is to meet the QM definition, though some mortgages that meet GSE, FHA, and VA underwriting guidelines may, for a period not to exceed seven years, meet the QM definition without being subject to the 43% debt-to-income limits. The QM Rule became effective on January 10, 2014. The CFPB is expected to continue to issue and amend rules implementing the consumer financial protection laws, which may impact Webster Bank's operations.

### Financial Privacy

Federal law and certain state laws currently contain client privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose non-public information about consumers to affiliated companies and non-affiliated third parties. These rules require disclosure of privacy policies to clients and, in some circumstances, allow consumers to prevent disclosure of certain personal information to affiliates or non-affiliated third parties by means of "opt out" or "opt in" authorizations. Pursuant to the Gramm-Leach-Bliley Act ("GLBA") and certain state laws, companies are required to notify clients of security breaches resulting in unauthorized access to their personal information. In connection with the regulations governing the privacy of consumer financial information, the federal banking agencies have also adopted guidelines for establishing information security standards and programs to protect such information.

### Depositor Preference

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

### Federal Deposit Insurance

The FDIC uses a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level and supervisory rating. The risk matrix utilizes different risk categories distinguished by capital levels. As a result of the Dodd-Frank Act, the base for insurance assessments is now consolidated average assets less average tangible equity. Assessment rates are calculated using formulas that take into account the risk of the institution being assessed.

Webster Bank's FDIC deposit insurance assessment expense totaled \$24.0 million, \$22.7 million, and \$21.1 million for the years ended December 31, 2015, 2014, and 2013, respectively. FDIC deposit insurance expense includes

deposit insurance assessments and Financing Corporation (“FICO”) assessments related to outstanding FICO bonds. FICO is a mixed-ownership government corporation established by the Competitive Equality Banking Act of 1987 whose sole purpose was to function as a financing vehicle for the now defunct Federal Savings & Loan Insurance Corporation.

The Dodd-Frank Act increased the FDIC’s deposit insurance limits to \$250,000 per depositor, per insured bank, for each account ownership category. The Dodd-Frank Act also changed the deposit insurance assessment base and increased the reserve ratio of the Deposit Insurance Fund (“DIF”) to ensure the future strength of the DIF. Substantially all of the deposits of Webster Bank are insured up to applicable limits by the DIF of the FDIC and are subject to deposit insurance assessments to maintain the DIF.

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The Dodd-Frank Act also requires the FDIC to raise the minimum reserve ratio of the DIF from 1.15% to 1.35% by September 30, 2020. Further, the Dodd-Frank Act made banks with \$10 billion or more in total assets responsible for this increase. In November 2015 the FDIC proposed regulations that would impose a surcharge of 4.5 cents per \$100 on the assessment base, after making certain adjustments on depository institutions with total consolidated assets of more than \$10 billion. The proposed regulations have not yet been finalized. Under a separate rule adopted by the FDIC in 2011, regular assessment rates for all banks will decline when the DIF ratio reaches 1.15%, which the FDIC expects will occur in early 2016. If the regulations regarding the surcharge are adopted in the form initially proposed, the FDIC deposit insurance assessment premiums paid by Webster Bank, will increase, but the increase will be offset by the reduction in the regular assessment rate when the DIF reaches 1.15%. The FDIC also has authority to further increase deposit insurance assessments.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. Webster's management is not aware of any practice, condition, or violation that might lead to the termination of its deposit insurance.

### Incentive Compensation

The Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, including Webster and Webster Bank, with at least \$1 billion in total consolidated assets that encourage inappropriate risks by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits that could lead to material financial loss to the entity. The federal banking agencies and the SEC proposed such regulations in 2011, but the regulations have not yet been finalized. If the regulations are adopted in the form initially proposed, they will restrict the manner in which executive compensation is structured.

The Dodd-Frank Act also requires publicly traded companies to give stockholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on so-called "golden parachute" payments in connection with approvals of mergers and acquisitions. At its 2011 Annual Meeting of Shareholders, Webster's shareholders voted on a non-binding, advisory basis to hold a non-binding, advisory vote on the compensation of named executive officers of Webster annually. As a result of the vote, the Board of Directors determined to hold the vote annually.

### Community Reinvestment Act and Fair Lending Laws

Webster Bank has a responsibility under the CRA, as implemented by OCC regulations to help meet the credit needs of its communities, including low and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. In connection with its examination, the OCC assesses Webster Bank's record of compliance with the CRA. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit discrimination in lending practices on the basis of characteristics specified in those statutes. Webster Bank's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities and the activities of Webster. Webster Bank's failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions against it by the OCC, as well as other federal regulatory agencies, including the CFPB and the Department of Justice. Webster Bank's latest OCC CRA rating was "satisfactory."

### USA PATRIOT Act

Under Title III of the USA PATRIOT Act, all financial institutions are required to take certain measures to identify their customers, prevent money laundering, monitor customer transactions, and report suspicious activity to U.S. law enforcement agencies. Financial institutions also are required to respond to requests for information from federal banking regulatory authorities and law enforcement agencies. Information sharing among financial institutions for the above purposes is encouraged by an exemption granted to complying financial institutions from the privacy provisions of the GLBA and other privacy laws. Financial institutions that hold correspondent accounts for foreign banks or provide private banking services to foreign individuals are required to take measures to avoid dealing with certain foreign individuals or entities, including foreign banks with profiles that raise money laundering concerns, and are

prohibited from dealing with foreign “shell banks” and persons from jurisdictions of particular concern. The primary federal banking regulators and the Secretary of the Treasury have adopted regulations to implement several of these provisions. All financial institutions also are required to establish internal anti-money laundering programs. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act. Webster has in place a Bank Secrecy Act and USA PATRIOT Act compliance program and engages in very few transactions of any kind with foreign financial institutions or foreign persons.

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### Office of Foreign Assets Control Regulation

The United States government has imposed economic sanctions that affect transactions with designated foreign countries, nationals, and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”). The OFAC-administered sanctions targeting countries take many different forms. Generally, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (property and bank deposits) cannot be paid out, withdrawn, set off, or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

### Future Legislative Initiatives

From time to time, various legislative and regulatory initiatives are introduced by Congress, state legislatures, and financial regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and/or depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of the Company. A change in statutes, regulations, or regulatory policies applicable to Webster or any of its subsidiaries could have a material effect on the business of the Company.

### Risk Management Framework

Webster’s Enterprise Risk Management (“ERM”) framework provides a structured approach for identifying, assessing and managing risks across the Company in a coordinated manner, including strategic and reputational risks, as well as, credit, market, liquidity, capital, and operational risks as discussed in detail below.

The ERM framework enables the aggregation of risk across the enterprise and ensures the Company has the tools, programs and processes in place to support informed decision making, anticipate risks before they materialize and maintain Webster's risk profile consistent with its risk strategy and appetite.

Key components of the ERM framework include a culture that promotes proactive risk management by all Webster bankers, a risk appetite framework, which is embedded in the corporate strategy and risk culture of the bank and consists of a risk appetite statement and board and business-level scorecards with defined risk tolerance limits, and robust risk governance with effective and credible challenge including three lines of defense to manage and oversee risk. Bankers in each line of business serve as the first line of defense and have responsibility for identifying, managing and owning the risks in their businesses. Risk and other corporate support functions (for example, Human Resources and Legal departments) serve as the second line of defense and are responsible for providing guidance, oversight and appropriate challenge to the first line of defense. Internal Audit and Credit Risk Review, both of which are independent of management, serve as the third line of defense and ensure that appropriate risk management controls, processes and systems are in place and functioning effectively.

The Risk Committee of the Board of Directors (“Risk Committee”), comprised of independent directors, oversees all Webster's risk-related matters and provides input and guidance to the Board of Directors and the Executive team, as appropriate. Webster's ERM Committee (“ERMC”), which reports directly to the Risk Committee, is chaired by the Chief Risk Officer (“CRO”) and is comprised of members of Webster's Executive Management Committee and Senior Risk Officers.

The CRO is responsible for establishing and maintaining the Company's ERM framework and overseeing credit risk, operational risk, compliance risk, Bank Secrecy Act and loan workout/recovery programs. The Corporate Treasurer, who reports to the Chief Financial Officer (“CFO”), is responsible for overseeing market, liquidity, and capital risk

management activities.

**Credit Risk**

Webster manages and controls credit risk in its loan and investment portfolios through established underwriting practices, adherence to standards, and utilization of various portfolio and transaction monitoring tools and processes. Credit policies and underwriting guidelines provide limits on exposure and establish various other standards as deemed necessary and prudent. Additional approval requirements and reporting are implemented to ensure proper risk identification, decision rationale, risk ratings, and disclosure of policy exceptions.

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Credit Risk Management ("CRM") policies and transaction approvals are managed under the supervision of the Chief Credit Officer ("CCO") who reports to the CRO. The CCO and team of credit executives are independent of the loan production and Treasury areas. The credit risk function oversees the underwriting, approval and portfolio management process, establishes and ensures adherence to credit policies, and manages the collections and problem asset resolution activities.

As part of CRM governance, Webster established a CRM Committee ("CRMC") that meets regularly to review key credit risk topics, issues, and policies. The CRMC reviews Webster's credit risk scorecard, which covers key risk indicators and limits established as part of the Company's risk appetite framework. The CRMC is chaired by the CCO and includes senior managers responsible for lending as well as senior managers from the CRM function. Important findings regarding credit quality and trends within the loan and investment portfolios are regularly reported by the CCO to the ERMC and Risk Committee.

In addition to the CRM team, there is an independent Credit Risk Review function that assesses risk ratings and credit underwriting process for all areas of the organization that incur credit risk. The head of Credit Risk Review reports directly to the Risk Committee and administratively to the CRO. Credit Risk Review findings are reported to the CRMC, ERMC and Risk Committee. Corrective measures are monitored and tested to ensure risk issues are mitigated or resolved.

### Market Risk

Market risk refers to the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, commodity prices, and other relevant market rates and prices, such as equity prices. The risk of loss is assessed from the perspective of adverse changes in fair values, cash flows, and future earnings. Due to the nature of its operations, Webster is primarily exposed to interest rate risk. Webster's interest rate sensitivity is monitored on an ongoing basis by its Asset and Liability Committee ("ALCO"). ALCO's primary goal is to manage interest rate risk to maximize earnings and net economic value in changing interest rate and business environments within risk appetite limits approved by the Board of Directors. ALCO is chaired by Webster's Corporate Treasurer and members include the CEO, CFO and CRO. ALCO activities and findings are regularly reported to the ERMC, Risk Committee and Board of Directors.

### Liquidity Risk

Liquidity risk refers to the ability to meet a demand for funds by converting assets into cash or cash equivalents and by increasing liabilities at acceptable costs. Liquidity management of Webster Bank involves maintaining the ability to meet day-to-day and longer-term cash flow requirements of customers, whether they are depositors wishing to withdraw funds or borrowers requiring funds to meet their credit needs. Sources of funds include deposits, borrowings, or sales of assets such as unencumbered investment securities.

Webster requires funds for dividends to shareholders, payment of debt obligations, repurchase of shares, potential acquisitions, and for general corporate purposes. Its sources of funds include dividends from Webster Bank, income from investment securities, the issuance of equity, and debt in the capital markets.

Both Webster and Webster Bank maintain a level of liquidity necessary to achieve their business objectives under both normal and stressed conditions. Liquidity risk is monitored and managed by ALCO and reviewed regularly with the ERMC, Risk Committee and Board of Directors.

### Capital Risk

Webster aims to maintain adequate capital in both normal and stressed environments to support its business objectives and risk appetite. ALCO monitors regulatory and tangible capital levels according to regulatory requirements and management operating ranges and recommends capital conservation, generation, and/or deployment strategies. ALCO also has responsibility for the annual capital plan, capital ratio range setting, contingency planning and stress testing, which are all reviewed and approved by the Risk Committee and Board of Directors at least annually.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, such as fraud, cyber-attacks, or natural disasters. The Operational Risk function is responsible for establishing processes and tools to identify, manage, and aggregate operational risk across the organization; providing guidance and advice on operational risk matters; and educating the organization on operational risks. Specific

programs and functions have been implemented to manage the risks associated with legal and regulatory requirements, suppliers and other third-parties, information security, business disruption, fraud, analytical and forecasting models, and new products and services.

Webster's Operational Risk Management Committee ("ORMC"), which consists of senior risk officers and senior managers responsible for operational risk management to periodically review the aforementioned programs, key operational risk trends, concerns, and mitigation best practices. The ORMC is chaired by the Director of Operating Risk Management, who is responsible for overseeing Webster's operational risk management framework.



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Internal Audit

Internal Audit provides an independent and objective assessment of the design and execution of internal controls for all major business units and operations throughout Webster, including our management systems, risk governance, and policies and procedures. Internal Audit activities are designed to provide reasonable assurance that resources are safeguarded so that significant financial, managerial and operating information is complete, accurate and reliable, and that employee actions comply with our policies and applicable laws and regulations.

Results of Internal Audit reviews are reported to management and the Audit Committee of the Board of Directors. Corrective measures are monitored to ensure risk issues are mitigated or resolved. The General Auditor reports directly to the Audit Committee and administratively to the Chief Executive Officer. The appointment or replacement of the General Auditor is overseen by the Audit Committee.

Additional information on risks and uncertainties and additional factors that could affect the Company's results of operations can be found in Item 1A and elsewhere within this Form 10-K for the year ended December 31, 2015 and in other reports filed by Webster Financial Corporation with the SEC.

ITEM 1A. RISK FACTORS

An investment in our securities involves risks, some of which are inherent in the financial services industry and others of which are more specific to our business. The discussion below addresses the material risks and uncertainties, of which we are currently aware, that could affect our business, results of operations and financial condition. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could suffer.

Risks Relating to the Economy, Financial Markets, Interest Rates and Liquidity.

Difficult conditions in the economy and the financial markets may have a materially adverse effect on our business, financial condition and results of operations.

Our financial performance is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, decreases in business activity, weakening of investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation, changes in interest rates, high unemployment, natural disasters or a combination of these or other factors.

In particular, we may face the following risks in connection with the current economic and market environment:

- economic and market developments may affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates;
- our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors;
- we could suffer decreases in customer desire to do business with us, whether as a result of a decreased demand for loans or other financial products and services or decreased deposits or other investments in accounts with us; and
- competition in our industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions, or otherwise.

The business environment in the U.S. has experienced volatility in recent years and may continue to do so for the foreseeable future. There can be no assurance that economic conditions will not worsen. Difficult economic conditions could adversely affect our business, results of operations and financial condition.

Changes in local economic conditions could adversely affect our business.

A significant percentage of our mortgage loans are secured by real estate in the State of Connecticut. Our success depends in part upon economic conditions in this and our other geographic markets. Adverse changes in such local markets could reduce our growth in loans and deposits, impair our ability to collect our loans, increase problem loans and charges-offs, and otherwise negatively affect our performance and financial condition.



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The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated if the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect our business, financial condition or results of operations.

Changes in interest rates and spreads could have an impact on earnings and results of operations which could have a negative impact on the value of our stock.

Our consolidated earnings and financial condition are dependent to a large degree upon net interest income, which is the difference between interest earned from loans and investments and interest paid on deposits and borrowings. The narrowing of interest rate spreads could adversely affect our earnings and financial condition. We cannot predict with certainty or control changes in interest rates. Regional and local economic conditions and the policies of regulatory authorities, including monetary policies of the Federal Reserve Board, affect interest income and interest expense. While we have ongoing policies and procedures designed to manage the risks associated with changes in market interest rates, changes in interest rates still may have an adverse effect on our profitability. For example, high interest rates could affect the amount of loans that we can originate because higher rates could cause customers to apply for fewer mortgages, or cause depositors to shift funds from accounts that have a comparatively lower cost to accounts with a higher cost, or experience customer attrition due to competitor pricing. If the cost of interest-bearing deposits increases at a rate greater than the yields on interest-earning assets increase, net interest income will be negatively affected. Changes in the asset and liability mix may also affect net interest income. Similarly, lower interest rates cause higher yielding assets to prepay and floating or adjustable rate assets to reset to lower rates. If we are not able to reduce our funding costs sufficiently, due to either competitive factors or the maturity schedule of existing liabilities, then our net interest margin will decline.

We may not pay dividends if we are not able to receive dividends from our subsidiary, Webster Bank.

We are a separate and distinct legal entity from our banking and non-banking subsidiaries and depend on the payment of cash dividends from Webster Bank and our existing liquid assets as the principal sources of funds for paying cash dividends on our common stock. Unless we receive dividends from Webster Bank or choose to use our liquid assets, we may not be able to pay dividends. Webster Bank's ability to pay dividends is subject to its ability to earn net income and to meet certain regulatory requirements. See "Supervision and Regulation—Dividends" for a discussion of regulatory and other restrictions on dividend declarations.

Our stock price can be volatile.

Stock price volatility may negatively impact the price at which our common stock may be sold, and may also negatively impact the timing of any sale. Our stock price can fluctuate widely in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly operating results;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- new technology used, or services offered, by competitors;
- perceptions in the marketplace regarding us and/or our competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;

- additional investments from third parties;
- issuance of additional shares of stock;
- changes in government regulations; or
- geo-political conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes, credit loss trends or currency fluctuations, could also cause our stock price to decrease regardless of our operating results.

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Regulatory, Compliance, Environmental and Legal Risks

We are subject to extensive government regulation and supervision, which may interfere with our ability to conduct our business and may negatively impact our financial results.

We, primarily through Webster Bank and certain non-bank subsidiaries, are subject to extensive federal and state regulation and supervision. Banking regulations are intended to protect depositors' funds, the Federal Deposit Insurance Fund and the safety and soundness of the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer, and/or limit the pricing we may charge on certain banking services, among other things. Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") has and will continue to change the current bank regulatory structure and affect the lending, investment, trading and operating activities of financial institutions and their holding companies. Since the global financial crisis, financial institutions generally have been subject to increased scrutiny from regulatory authorities. Recent changes to the legal and regulatory framework governing our operations, including the passage and continued implementation of the Dodd-Frank Act, have drastically revised the laws and regulations under which we operate. In general, bank regulatory agencies have increased their focus on risk management and customer compliance, and we expect this focus to continue. Additional compliance requirements are likely and can be costly to implement. Compliance personnel and resources may increase our costs of operations and adversely impact our earnings.

Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations. While we have policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. See the section captioned "Supervision and Regulation" in Item 1 of this report for further information.

We are subject to financial and reputational risks from potential liability arising from lawsuits.

The nature of our business ordinarily results in a certain amount of claims and legal action. Whether claims and related legal action are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us they may result in significant financial liability and/or adversely affect our market perception, the products and services we offer, as well as impact customer demand for those products and services. We assess our liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable we will incur a loss and the amount can be reasonably estimated, we establish an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings or threatened claims, however, may turn out to be substantially higher than the amount accrued. These costs adversely affect our business, results of operations and prospects.

We are exposed to risk of environmental liabilities with respect to properties to which we obtain title.

A large portion of our loan portfolio is secured by real estate. In the course of our business, we may foreclose and take title to real estate and could be subject to environmental liabilities with respect to these properties. We may be held liable to a government entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation and remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect our business, results of operations and prospects.

Proposed health care reforms could adversely affect our HSA Bank division and our revenues, financial position and our results of operations.

The enactment of health care reforms affecting health savings accounts at the federal or state level may affect our HSA Bank division, which is a bank custodian of health savings accounts. We cannot predict if any such reforms will ultimately become law, or, if enacted, what their terms or the regulations promulgated pursuant to such laws will be. Any health care reforms enacted may be phased in over a number of years but, if enacted, could, with respect to the operations of HSA Bank, reduce our revenues, increase our costs, and require us to revise the ways in which we conduct business or put us at risk for loss of business. In addition, our results of operations, financial position, and cash flows could be materially adversely affected by such changes.

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### Risks Relating to the Competitive Environment in which We Operate

We operate in a highly competitive industry and market area. If we fail to compete effectively, our financial condition and results of operations may be materially adversely affected.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources than we do. Such competitors primarily include national, regional, and community banks within the various markets in which we operate. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we do, as well as better pricing for those products and services.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets;
- the ability to expand market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We may not be able to attract and retain skilled people.

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities in which we engage can be intense and we may not be able to hire people or to retain them. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on the business because we would lose their skills, knowledge of the market, years of industry experience and may have difficulty promptly finding qualified replacement personnel.

### Risks Relating to Risk Management

We continually encounter technological change. The failure to understand and adapt to these changes could negatively impact our business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology can increase efficiency and enable financial institutions to better serve customers and to reduce costs. However, some new technologies needed to compete effectively result in incremental operating costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in operations. Many of our competitors, because of their larger size and available capital, have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

New lines of business or new products and services may subject us to additional risks. A failure to successfully manage these risks may have a material adverse effect on our business.

From time to time, we may implement new lines of business, offer new products and services within existing lines of business or shift our asset mix. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new

products and services and/or shifting asset mix, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove attainable. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and financial condition.

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A failure or breach of our systems, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses, result in the misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

As a large financial institution, we depend on our ability to process, record, and monitor a large number of customer transactions, and customer, public and regulatory expectations regarding operational and information security have increased over time. Accordingly, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled as a result of a number of factors that may be wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; natural disasters; pandemics; events arising from political or social matters, including terrorist acts; and cyber attacks. Although we have business continuity plans and believe we have robust information security procedures and controls in place, disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices on which customers' personal information is stored and that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, which could materially adversely affect our results of operations and financial condition.

Third parties with whom we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened and as a result the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. As an additional layer of protection, we have purchased network and privacy liability risk insurance coverage which includes digital asset loss, business interruption loss, network security liability, privacy liability, network extortion and data breach coverage. As cyber threats continue to evolve, we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate any information security vulnerabilities.

We recognize that there is increasing risk that an event could occur and therefore have a high priority focus on our resiliency or recovery processes. Our Crisis and Incident Response process identifies and considers the various scenarios that could occur, and we will continue to carry out scenario specific tests across the enterprise.

Disruptions in services provided by third-party vendors that we rely on may result in a material adverse effect on our business.

We rely on third-party vendors to provide products and services necessary to maintain day-to-day operations. For example, we are dependent on our vendor-provided core banking processing systems to process a large number of increasingly complex transactions. Accordingly, we are exposed to the risk that these vendors might not perform in accordance with the contracted arrangements or service level agreements because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason. Such failure to perform could be disruptive to our operations, which could have a materially adverse impact on our business, results of operations and financial condition. In addition we require third-party outsourced service providers to have Business Continuity and Disaster Recovery Plans that are aligned with our overall recovery plans.

Our controls and procedures may fail or be circumvented, which may result in a material adverse effect on our business.

Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are

met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

We face risks in connection with completed or potential acquisitions.

From time to time we may evaluate expansion through the acquisition of banks or branches, or other financial businesses or assets. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things:

- The possible loss of key employees and customers of the target;
- Potential disruption of the target business;
- Potential changes in banking or tax laws or regulations that may affect the target business;
- Potential exposure to unknown or contingent liabilities of the target; and
- Potential difficulties in integrating the target business into our own.

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Acquisitions typically involve the payment of a premium over book and market values, and therefore, some dilution of the Corporation's tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Risks Relating to Accounting Estimates

Our allowance for loan and lease losses may be insufficient.

Our business is subject to periodic fluctuations based on national and local economic conditions. These fluctuations are not predictable, cannot be controlled and may have a material adverse impact on our operations and financial condition. For example, declines in housing activity including declines in building permits, housing starts and home prices, may make it more difficult for our borrowers to sell their homes or refinance their debt. Sales may also slow, which could strain the resources of real estate developers and builders. We may suffer higher loan and lease losses as a result of these factors and the resulting impact on our borrowers. Recent economic uncertainty continues to affect employment levels and impact the ability of our borrowers to service their debt. Bank regulatory agencies also periodically review our allowance for loan and lease losses and may require an increase in the provision for loan and lease losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan and lease losses, we may need, depending on an analysis of the adequacy of the allowance for loan and lease losses, additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan and lease losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on our financial condition and results of operations. If our goodwill and intangible assets are determined to be impaired it could have a negative impact on our profitability.

Applicable accounting standards require that the purchase method of accounting be used for all business combinations. Under purchase accounting, if the purchase price of an acquired company exceeds the fair value of the acquired company's net assets, the excess is carried on the acquirer's balance sheet as goodwill. A significant decline in our expected future cash flows, a continuing period of market disruption, market capitalization to book value deterioration, or slower growth rates may require us to record charges in the future related to the impairment of our goodwill and intangible assets. There can be no assurance that future evaluations of goodwill and intangible assets will not result in findings of impairment and related write-downs. If we were to conclude that a future write-down is necessary, we would record the appropriate charge, which may have a material adverse effect on our financial condition and results of operations.

If all or a significant portion of the unrealized losses in our portfolio of investment securities were determined to be other-than-temporarily impaired, we would recognize a material charge to our earnings and our capital ratios would be adversely impacted.

When the fair value of a security declines, management must assess whether that decline is other-than-temporary. When management reviews whether a decline in fair value is other-than-temporary, it considers numerous factors, many of which involve significant judgment. No assurance can be provided that the amount of the unrealized losses will not increase.

To the extent that any portion of the unrealized losses in our portfolio of investment securities is determined to be other-than-temporarily impaired, we will recognize a charge to our earnings in the quarter during which such determination is made and our capital ratios will be adversely impacted. If any such charge is deemed significant, a rating agency might downgrade our credit rating or put us on a credit watch. A downgrade or a significant reduction in our capital ratios might adversely impact our ability to access the capital markets or might increase our cost of capital. Even if we do not determine that the unrealized losses associated with the investment portfolio require an impairment charge, increases in such unrealized losses adversely impact the tangible common equity ratio, which may adversely impact credit rating agency and investor sentiment. Any such negative perception also may adversely impact our ability to access the capital markets or might increase our cost of capital.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None



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The Company maintains its headquarters in Waterbury, Connecticut. This owned facility houses the Company's executive and primary administrative functions, as well as the principal banking headquarters of Webster Bank. The Company considers its properties are suitable and adequate for present needs.

In addition to the property noted above, the Company's segments maintain the following offices, all of which are either located at facilities shared with Webster Bank or are leased. Lease expiration dates vary, up to 72 years, with renewal options for 1 to 25 years. For additional information regarding leases and rental payments see Note 20: Commitments and Contingencies in the Notes to Consolidated Financial Statements contained elsewhere in this report.

**Community Banking**

The Community Banking segment maintains the following banking centers:

Location	Leased	Owned	Total
Connecticut	79	43	122
Massachusetts	8	12	20
Rhode Island	9	4	13
New York	8	—	8
Total banking centers	104	59	163

**Commercial Banking**

The Commercial Banking segment maintains offices across a footprint that primarily ranges from Boston, Massachusetts to Washington D.C. Significant properties include but are not limited to offices in: Hartford, New Haven, Stamford, and Waterbury, Connecticut; New York and White Plains, New York; Conshohocken, Pennsylvania; and Providence, Rhode Island.

Also included in the Commercial Bank are the subsidiaries Webster Capital Finance with headquarters in Kensington, Connecticut and Webster Business Credit Corporation with headquarters in New York, New York and offices in: Baltimore, Maryland; Boston, Massachusetts; Conshohocken, Pennsylvania; and New Milford, Connecticut.

**Private Banking**

The Private Banking segment is headquartered in Stamford, Connecticut with offices in: Hartford, Connecticut; New Haven, Connecticut; Waterbury, Connecticut; Greenwich, Connecticut; Wilton, Connecticut; Boston, Massachusetts; White Plains, New York; and Providence, Rhode Island.

**HSA Bank**

HSA Bank is headquartered in Milwaukee, Wisconsin with an office in Sheboygan, Wisconsin.

**ITEM 3. LEGAL PROCEEDINGS**

From time to time, Webster and its subsidiaries are subject to certain legal proceedings and claims in the ordinary course of business. Management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not be material to Webster or its consolidated financial position. Webster establishes an accrual for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Legal proceedings are subject to inherent uncertainties, and unfavorable rulings could occur that could cause Webster to adjust its litigation accrual or could have, individually or in the aggregate, a material adverse effect on its business, financial condition, or operating results.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

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## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

## Market Information

Webster Financial Corporation's common shares trade on the New York Stock Exchange under the symbol "WBS." The following table sets forth the high and low intra-day sales prices per share of Webster Financial Corporation's common stock and the cash dividends declared per share:

	2015		Cash Dividends Declared	2014		Cash Dividends Declared
	High	Low		High	Low	
Fourth quarter	\$40.72	\$34.17	\$0.23	\$33.32	\$26.53	\$0.20
Third quarter	40.60	30.97	0.23	32.49	27.77	0.20
Second quarter	41.34	34.88	0.23	31.91	28.21	0.20
First quarter	37.38	29.02	0.20	32.67	28.71	0.15

On January 26, 2016, Webster Financial Corporation's Board of Directors declared a quarterly dividend of \$0.23 per share.

On February 12, 2016, there were 6,421 shareholders of record as determined by Broadridge, the Company's transfer agent.

## Restrictions on Dividends

Holders of Webster Financial Corporation's common stock are entitled to receive such dividends as the Board of Directors may declare out of funds legally available for such payments. Webster Financial Corporation, as a bank holding company, is dependent on dividend payments from Webster Bank for its legally available funds. The Bank paid the holding company \$110.0 million in dividends during the year ended December 31, 2015.

The Bank's ability to make dividend payments to the holding company is subject to certain regulatory and other requirements. Under OCC regulations, subject to the Bank meeting applicable regulatory capital requirements before and after payment of dividends, the Bank may declare a dividend, without prior regulatory approval, limited to net income for the current year to date as of the declaration date, plus undistributed net income from the preceding two years. At December 31, 2015, Webster Bank was in compliance with all applicable minimum capital requirements, and there was \$335.4 million of undistributed net income available for the payment of dividends by the Bank to the holding company.

Under the regulations, the OCC may grant specific approval permitting divergence from the requirements and also has the discretion to prohibit any otherwise permitted capital distribution on general safety and soundness grounds. In addition, the payment of dividends is subject to certain other restrictions, none of which is expected to limit any dividend policy that the Board of Directors may in the future decide to adopt.

If the capital of Webster is diminished by depreciation in the value of its property, by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, no dividends may be paid out of net profits until such deficiency has been repaired. See the "Supervision and Regulation" section contained elsewhere in this report for additional information on dividends.

Webster Financial Corporation has 5,060,000 outstanding Depository Shares, each representing 1/1000th interest in a share of 6.40% Series E Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$25,000 per share, or \$25 per depository share ("Series E Preferred Stock"). The Series E Preferred Stock is redeemable at Webster Financial Corporation's option, in whole or in part, on December 15, 2017, or any dividend payment date thereafter, or in whole but not in part, upon a "regulatory capital treatment event" as defined in the Prospectus Supplement. The terms of the Series E Preferred Stock prohibit the holding company from declaring or paying any cash dividends on its common stock, unless the holding company has declared and paid full dividends on the Series E Preferred Stock for the most recently completed dividend period.

## Exchanges of Registered Securities

Registered securities are exchanged as part of employee and director stock compensation plans.

Recent Sales of Unregistered Securities

No unregistered securities were sold by Webster during the year ended December 31, 2015.

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## Issuer Purchases of Equity Securities

The following table provides information with respect to any purchase of equity securities for Webster Financial Corporation's common stock made by or on behalf of Webster or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, during the three months ended December 31, 2015:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount Available for Repurchase Under the Plans or Programs (1)	Total Number of Warrants Purchased (2)	Average Price Paid Per Warrant
October 1-31, 2015	21,999	\$ 36.90	—	\$26,695,115	—	\$ —
November 1-30, 2015	1,326	39.47	—	26,695,115	—	—
December 1-31, 2015	1,833	38.63	—	26,695,115	—	—
Total	25,158	37.16	—	26,695,115	—	—

On December 6, 2012, the Company announced that its Board of Directors had approved the current stock repurchase program which authorizes management to repurchase, in open market or privately negotiated transactions, subject to market conditions and other factors, up to a maximum of \$100 million of common stock, and will remain in effect until fully utilized or until modified, superseded, or terminated.

(1) All 25,158 shares repurchased were purchased outside of the repurchase program, at market prices, to fund equity compensation plans.

On June 3, 2011, the Company announced that, with approval from its Board of Directors, it had repurchased a significant number of the warrants issued as part of Webster's participation in the U.S. Treasury's Capital Purchase Program in a public auction conducted on behalf of the U.S. Treasury. The Board approved plan provides for additional repurchases from time-to-time, as permitted by securities laws and other legal requirements. There remain 63,344 outstanding warrants to purchase a share (1:1) of the Company's common stock, which carry an exercise price of \$18.28 per share and expire on November 21, 2018.



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## Performance Graph

The performance graph compares Webster's cumulative shareholder return on its common stock over the last five fiscal years to the cumulative total return of the Standard & Poor's 500 Index ("S&P 500 Index") and the Keefe, Bruyette & Woods Regional Banking Index ("KRX Index"). The KRX Index is used as the industry index because Webster believes it provides a representative comparison and appropriate benchmark against which to measure relative bank stock performance.

Total shareholder return is measured by dividing total dividends (assuming dividend reinvestment) for the measurement period plus share price change for a period by the share price at the beginning of the measurement period. Webster's cumulative shareholder return over a five-year period is based on an initial investment of \$100 on December 31, 2010.

## Comparison of Five Year Cumulative Total Return Among Webster, S&amp;P 500 Index, KRX Index

	Period Ending					
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Webster Financial Corporation	\$ 100	\$ 104	\$ 107	\$ 166	\$ 177	\$ 208
S&P 500 Index	\$ 100	\$ 102	\$ 118	\$ 157	\$ 178	\$ 181
KRX Index	\$ 100	\$ 95	\$ 107	\$ 158	\$ 162	\$ 171

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ITEM 6. SELECTED FINANCIAL DATA

The required information is set forth below, in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, see the section captioned "Results of Operations," which is incorporated herein by reference.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements of Webster Financial Corporation and Notes thereto contained elsewhere in this report (collectively, the "Consolidated Financial Statements").

Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). Forward-looking statements can be identified by words such as "believes," "anticipates," "expects," "intends," "targeted," "continue," "remain," "will," "should," "may," "plans," "estimates," and similar future periods; however, such words are not the exclusive means of identifying such statements.

Examples of forward-looking statements include, but are not limited to:

- projections of revenues, expenses, income or loss, earnings or loss per share, and other financial items;
- statements of plans, objectives and expectations of Webster or its management or Board of Directors;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Forward-looking statements are based on Webster's current expectations and assumptions regarding its business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Webster's actual results may differ materially from those contemplated by the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance.

Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- local, regional, national and international economic conditions and the impact they may have on us and our customers and our assessment of that impact;
- volatility and disruption in national and international financial markets;
- government intervention in the U.S. financial system;
- changes in the level of non-performing assets and charge-offs;
- changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- adverse conditions in the securities markets that lead to impairment in the value of securities in our investment portfolio;
- inflation, interest rate, securities market and monetary fluctuations;
- the timely development and acceptance of new products and services and perceived overall value of these products and services by customers;
- changes in consumer spending, borrowings and savings habits;
  - technological changes and cyber-security matters;
- the ability to increase market share and control expenses;
- changes in the competitive environment among banks, financial holding companies and other financial services providers;
- the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which we and our subsidiaries must comply, including the Dodd-Frank Act and the Capital Rules;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;

the costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews; and our success at managing the risks involved in the foregoing items.

Any forward-looking statements made by the Company in this Annual Report on Form 10-K speaks only as of the date they are made. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

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### Critical Accounting Policies and Accounting Estimates

The Company's significant accounting policies, as described in the Notes to Consolidated Financial Statements, are fundamental to understanding its results of operations and financial condition. As disclosed in Note 1: Summary of Significant Accounting Policies, the preparation of Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make judgments and accounting estimates that affect the amounts reported in the Consolidated Financial Statements and the accompanying Notes. While the Company bases estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ materially from those estimates.

Accounting estimates are necessary in the application of certain accounting policies and procedures that are particularly susceptible to significant change. Critical accounting policies are defined as those that are most important to the portrayal of the Company's financial condition and results of operation and require the most difficult, subjective and complex judgment, and could potentially result in materially different results under different assumptions and conditions. The Company has classified four policies as critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies which have been identified by management and discussed with the appropriate committees of the Board of Directors govern:

- Allowance for Loan and Lease Losses;
- Fair Value Measurements;
- Goodwill Valuation; and
- Income Taxes.

The following is a summary of the Company's critical accounting policies and accounting estimates.

#### Allowance for Loan and Lease Losses

The allowance for loan and lease losses is a reserve established through a provision for credit losses charged to expense, which represents management's best estimation of probable losses that are inherent within the Company's portfolio of loans and leases as of the balance sheet date. The allowance for loan and lease losses is based on guidance provided in SEC Staff Accounting Bulletin No. 102, "Selected Loan Loss Allowance Methodology and Documentation Issues" and includes amounts calculated in accordance with Accounting Standards Codification ("ASC") Topic 310, "Receivables" and allowance allocation calculated in accordance with ASC Topic 450, "Contingencies."

The level of the allowance for loan and lease losses reflects management's judgment based on continuing evaluation of industry concentrations, specific credit risks, loss experience, current portfolio quality, present economic, political, and regulatory conditions and inherent risks not captured in quantitative modeling and methodologies, as well as trends therein. This allowance balance may be allocated for specific portfolio credits; however, the entire allowance balance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance for loan and lease losses is dependent upon a variety of factors beyond the Company's control, including performance of the Company's loan portfolio, the economy, changes in interest rates, and regulatory authorities altering their loan classification guidance. Composition of the allowance for loan and lease losses is more fully illustrated in Note 4: Loans and Leases in the Notes to Consolidated Financial Statements contained elsewhere in this report.

#### Fair Value Measurements

The Company records certain assets and liabilities at fair value in the Consolidated Financial Statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, as defined by applicable accounting guidance.

To increase consistency and comparability in fair value measures, management adheres to the three-level hierarchy established to prioritize the inputs used in valuation techniques, which consists of: (i) unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; (ii) inputs other than quoted prices that are directly or indirectly observable for the asset or liability; and (iii) inputs that are not observable, rather are reliant upon pricing models and techniques that require significant management judgment or estimation. All assets and liabilities recorded at fair value are categorized both on a recurring and nonrecurring basis into the above three levels. At the end of each quarter, management assesses the

valuation hierarchy for each asset or liability and, as a result, assets or liabilities may be transferred between hierarchy levels due to changes in availability of observable market inputs used to measure fair value at that measurement date.

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When observable market prices are not available, fair value is estimated using modeling techniques such as discounted cash flow analysis. These modeling techniques utilize assumptions that market participants would use in pricing the asset or liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating the instrument's fair value. In addition, changes in legislation or regulatory environment could further impact these assumptions.

Information for financial instruments measured at fair value on a recurring basis is as follows:

Financial Instrument	Hierarchy	Valuation Methodology
Available for sale securities	Level 2	Consists of agency collateralized mortgage obligations, agency mortgage-backed securities, agency commercial mortgage-backed securities, non-agency commercial mortgage-backed securities, collateralized loan obligations, corporate debt, and single-issuer trust preferred securities, for which quoted market prices are not available. Management employs an independent pricing service that utilizes matrix pricing to calculate fair value. This fair value measurement considers observable data such as dealer quotes, dealer price indications, market spreads, credit information, and the respective terms and conditions for debt instruments. Procedures are in place to monitor assumptions and establish processes to challenge valuations received from pricing services that appear unusual or unexpected.
Derivative instruments	Level 2	Consists of interest rate swaps and mortgage banking derivatives. Management uses readily observable market parameters to value these contracts. Further, for interest rate swaps, third-party consultants are utilized.

#### Goodwill Valuation

Goodwill represents the excess purchase price of businesses acquired over the fair value, at acquisition, of the identifiable net assets acquired and is assigned to specific reporting units. Goodwill is evaluated for impairment, at least annually, in accordance with ASC Topic 350, "Intangibles - Goodwill and Other." Quarterly, an assessment of potential triggering events is performed and should events or circumstances be present that, more likely than not, would reduce the fair value of a reporting unit below its carrying value, the Company would then evaluate: periods of market disruption; market capitalization to book value erosion; financial services industry-wide factors; geo-economic factors, and internally developed forecasts to determine if its recorded goodwill may be impaired. Goodwill is evaluated for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. In the annual quantitative analysis, a discounted cash flow methodology and a comparable company methodology were used. Discounted cash flow estimates, which include significant management assumptions relating to asset and revenue growth rates, net interest and operating margins, capital requirements, weighted-average cost of capital, and future economic and market conditions, are used to determine fair value under the two-step quantitative test. A comparable company methodology is based on a comparison of financial and operating statistics of publicly traded companies to each of the reporting units, and the appropriate multiples, such as equity value-to-tangible book value, core deposit premium multiples and/or price-to-earnings per share multiples, are applied to arrive at indications of value for each reporting unit. In "Step 1," the fair value of a reporting unit is compared to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired, and it is not necessary to continue to "Step 2" of the impairment process. Otherwise, Step 2 is performed where the implied fair value of goodwill is compared to the carrying value of goodwill in the reporting unit. If a reporting unit's carrying value of goodwill exceeds fair value, an impairment is recognized and this difference is charged to non-interest expense.

During 2015, Webster performed its annual impairment test under Step 1 as of its elected measurement date of November 30. The valuation of goodwill involves estimates which require significant management judgment. The Company utilizes a combined equally weighted income approach based on discounted cash flows, and comparable company market approach to arrive at an indicated fair value range for the reporting unit.

The income approach involves several management estimates, including developing a discounted cash flow valuation model which utilizes variables such as asset and revenue growth rates, expense trends, capital requirements, discount rates, and terminal values. Based upon an evaluation of key data and market factors, management selects the specific variables to be incorporated into the valuation model. Projected future cash flows are discounted using estimated rates based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and unsystematic risk and size premium adjustments specific to the reporting unit. In the income approach the discount rate used for Consumer Deposits, Business Banking and HSA Bank was 7.7%, 10.4%, and 9.7%, respectively. The long-term growth rate used in determining the terminal value of the reporting unit's cash flows was estimated at 4.0% and is based on management's assessment of the minimum expected growth rate of each reporting unit as well as broader economic and regulatory considerations.

The comparable company market approach includes small to mid-sized banks based in the Northeast with significant geographic or product line overlap to Webster and its reporting units to determine a fair value of each reporting unit.

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At November 30, 2015, Webster calculated the following multiples for the selected comparable companies, as appropriate for each reporting unit: core deposit premium, equity value-to-tangible book value, equity value-to-revenue and price-to-earnings per share. In determining the appropriate multiples to be applied for each reporting unit, the financial and operating statistics of the reporting units were compared to the comparable companies. Certain financial statistics were compared in identifying the reporting unit's most appropriate comparable companies whose multiples were used as the basis for the selected multiple range. For price-to-earnings per share, 2015 to 2017 net income compound annual growth rate and 2017 net income margins were used, while the return on tangible book value and return on assets were used for equity value-to-tangible book value multiples. For core deposit premium multiples, each of those four financial statistics were used. Additionally, a control premium was applied as the comparable company multiples are on a minority basis.

The indicated values derived from the discounted cash flows and the market comparable company methodologies were equally weighted to derive the fair value of each reporting unit. This fair value is then compared against the carrying value of each reporting unit to determine if a Step 2 test is required. In estimating the carrying value of each reporting unit, Webster uses a methodology that is based upon Basel III asset risk weightings and fully allocates book capital to all assets and liabilities of each reporting unit. Capital is allocated to assets based on risk weightings and to funding liabilities based on an assessment of operational risk, collateral needs and residual leverage capital as appropriate.

There was no impairment indicated as a result of the Step 1 test performed as of November 30, 2015. The fair value of the Consumer Deposits, Business Banking, and HSA Bank reporting units where goodwill resides exceeded carrying value by 19.9%, 80.5%, and 804.5%, respectively. The Consumer Deposits, Business Banking and HSA Bank reporting units had \$377.6 million, \$139.0 million, and \$21.8 million of goodwill at December 31, 2015, respectively. With respect to sensitivity analysis related to the Consumer Deposits unit, by which the fair value exceeded the carrying amount by approximately 20%, stressing: (i) the deposit premium multiple, as part of the Comparable Company Method, down approximately 100 basis points ("bps") and the discount rate up approximately 100 bps; or (ii) the deposit premium multiple, as part of the Comparable Company Method, down approximately 100 basis points and the projection of net income downward by approximately 20%, assuming no changes in any other variable, would result in the Company having to perform additional analysis under Step 2.

Calculations around sensitivity are hypothetical and should not be considered to be predictive of future performance. Impacts to implied fair value based on adverse changes in assumptions should not be extrapolated as the relationship of change in assumption to the change in fair value may not be linear.

### Income Taxes

In accordance with ASC Topic 740, "Income Taxes," certain aspects of accounting for income taxes require significant management judgment, including assessing the realizability of deferred tax assets ("DTAs") and the measurement of uncertain tax positions ("UTPs"). Such judgments are subjective and involve estimates and assumptions about matters that are inherently uncertain. Should actual factors and conditions differ materially from those used by management, the actual realization of DTAs and resolution of UTPs could differ materially from the amounts recorded in the Consolidated Financial Statements.

DTAs generally represent items for which a benefit has been recognized for financial accounting purposes that cannot be realized for tax purposes until a future period. The realization of DTAs depends upon future sources of taxable income and the availability of prior years' taxable income to which loss-carryback, refund claims may be made. Valuation allowances are established for those DTAs determined not likely to be realized based on management's judgment.

Income taxes are more fully described in Note 8: Income Taxes in the Notes to Consolidated Financial Statements contained elsewhere in this report.

### Recently Issued Accounting Standards Updates

Refer to Note 1: Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements contained elsewhere in this report for a summary of recently issued accounting standards and their expected impact on the Company's financial statements.





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## Results of Operations

Selected financial data is presented in the following table:

	At or for the years ended December 31,					
(Dollars in thousands, except per share data)	2015	2014	2013	2012	2011	
<b>BALANCE SHEETS</b>						
Total assets	\$24,677,820	\$22,533,172	\$20,853,145	\$20,147,081	\$18,714,561	
Loans and leases, net	15,496,745	13,740,761	12,547,203	11,851,567	10,991,917	
Investment securities	6,907,683	6,666,828	6,465,652	6,243,689	5,848,491	
Deposits	17,952,778	15,651,605	14,854,420	14,530,835	13,656,025	
Borrowings	4,041,895	4,336,424	3,612,448	3,238,048	2,969,904	
Series E preferred stock	122,710	122,710	122,710	122,710	—	
Total shareholders' equity	2,415,571	2,322,815	2,209,348	2,093,783	1,845,985	
<b>STATEMENTS OF INCOME</b>						
Interest income	\$760,040	\$718,941	\$687,640	\$693,502	\$699,723	
Interest expense	95,415	90,500	90,912	114,594	135,955	
Net interest income	664,625	628,441	596,728	578,908	563,768	
Provision for loan and lease losses	49,300	37,250	33,500	21,500	22,500	
Non-interest income (less securities amounts)	239,046	197,754	197,615	189,411	175,018	
Gain on sale of investment securities, net	609	5,499	712	3,347	3,823	
Impairment losses on securities, recognized in earnings	(110)	(1,145)	(7,277)	—	—	
Loss on trading securities, net	—	—	—	—	(1,799)	
Non-interest expense	554,554	501,600	497,709	501,294	510,580	
Income from continuing operations before income tax expense	300,316	291,699	256,569	248,872	207,730	
Income tax expense	93,976	91,973	77,113	75,133	58,419	
Income from continuing operations	\$206,340	\$199,726	\$179,456	\$173,739	\$149,311	
Earnings applicable to common shareholders	\$196,969	\$188,496	\$168,036	\$170,531	\$147,285	
<b>Per Share Data</b>						
Basic income from continuing operations per common share	\$2.17	\$2.10	\$1.90	\$1.96	\$1.67	
Basic earnings per common share	2.17	2.10	1.90	1.96	1.69	
Diluted income from continuing operations per common share	2.15	2.08	1.86	1.86	1.59	
Diluted earnings per common share	2.15	2.08	1.86	1.86	1.61	
Dividends and dividend equivalents declared per common share	0.89	0.75	0.55	0.35	0.16	
Dividends declared per Series A preferred share	21.25	85.00	85.00	85.00	85.00	
Dividends declared per Series E preferred share	1,600.00	1,600.00	1,648.89	—	—	
Book value per common share	25.01	23.99	22.77	22.76	20.74	
Tangible book value per common share (non-GAAP)	18.71	18.10	16.85	16.43	14.51	
Key Performance Ratios	7.12	%7.45	%7.49	%7.15	%7.00	%

Tangible common equity ratio (non-GAAP)						
Return on average assets	0.87	0.93	0.89	0.90	0.83	
Return on average common shareholders' equity	8.77	8.85	8.44	8.97	8.19	
Return on average tangible common shareholders' equity (non-GAAP)	12.05	11.90	11.77	12.80	12.04	
Net interest margin	3.08	3.21	3.26	3.32	3.47	
Efficiency ratio (non-GAAP)	59.73	59.23	60.32	62.71	65.08	
Asset Quality Ratios						
Non-performing loans and leases as a percentage of loans and leases <sup>(1)</sup>	0.89	%0.93	%1.28	%1.61	%1.67	%
Non-performing assets as a percentage of loans and leases plus OREO <sup>(1)</sup>	0.92	0.98	1.34	1.64	1.71	
Non-performing assets as a percentage of total assets <sup>(1)</sup>	0.59	0.61	0.82	0.98	1.03	
Allowance for loan and lease losses as a percentage of non-performing loans and leases <sup>(1)</sup>	125.05	122.62	94.10	91.25	124.47	
Allowance for loan and lease losses as a percentage of loans and leases	1.12	1.15	1.20	1.47	2.08	
Net charge-offs as a percentage of average loans and leases	0.23	0.23	0.47	0.68	1.00	
Ratio of allowance for loan and lease losses to net charge-offs	5.21 x	5.21 x	2.63 x	2.28 x	2.11 x	

(1) U.S. Government guaranteed loans were reclassified from non-accrual to over 90 days past due and accruing to reflect a policy change effective in 2015 and applied retrospectively. As a result, the ratio has been recalculated and presented accordingly.

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The non-GAAP financial measures, identified in the preceding table, have been presented because management believes their use provides additional clarity in assessing the results of the Company. Other companies may define or calculate non-GAAP financial measures differently.

The following tables reconcile these non-GAAP financial measures with financial measures defined by GAAP, :

At December 31,

(Dollars and shares in thousands, except per share data)	2015	2014	2013	2012	2011	
Tangible book value per common share (non-GAAP):						
Shareholders' equity (GAAP)	\$2,415,571	\$2,322,815	\$2,209,348	\$2,093,783	\$1,845,985	
Less: Preferred equity (GAAP)	122,710	151,649	151,649	151,649	28,939	
Goodwill and other intangible assets (GAAP)	577,699	532,553	535,238	540,157	545,577	
Tangible common equity (non-GAAP)	\$1,715,162	\$1,638,613	\$1,522,461	\$1,401,977	\$1,271,469	
Common shares outstanding	91,677	90,512	90,369	85,341	87,600	
Tangible book value per common share (non-GAAP)	\$18.71	\$18.10	\$16.85	\$16.43	\$14.51	
Tangible common equity ratio (non-GAAP):						
Shareholders' equity (GAAP)	\$2,415,571	\$2,322,815	\$2,209,348	\$2,093,783	\$1,845,985	
Less: Preferred stock (GAAP)	122,710	151,649	151,649	151,649	28,939	
Goodwill and other intangible assets (GAAP)	577,699	532,553	535,238	540,157	545,577	
Tangible common shareholders' equity (non-GAAP)	\$1,715,162	\$1,638,613	\$1,522,461	\$1,401,977	\$1,271,469	
Total assets (GAAP)	\$24,677,820	\$22,533,172	\$20,853,145	\$20,147,081	\$18,714,561	
Less: Goodwill and other intangible assets (GAAP)	577,699	532,553	535,238	540,157	545,577	
Tangible assets (non-GAAP)	\$24,100,121	\$22,000,619	\$20,317,907	\$19,606,924	\$18,168,984	
Tangible common equity ratio (non-GAAP)	7.12	%7.45	%7.49	%7.15	%7.00	%

For the years ended December 31,

(Dollars in thousands)	2015	2014	2013	2012	2011
Return on average tangible common shareholders' equity (non-GAAP):					
Income from continuing operations (GAAP)	\$206,340	\$199,726	\$179,456	\$173,739	\$149,311
Preferred stock dividends (GAAP)	8,711	10,556	10,803	2,460	3,286
Intangible assets amortization, tax-affected at 35% (GAAP)	4,121	1,745	3,197	3,523	3,632
Income from discontinued operations, net of tax and loss attributable to non-controlling interest (GAAP)	—	—	—	—	1,996
Income adjusted for preferred stock dividends and amortization of intangibles (non-GAAP)	\$201,750	\$190,915	\$171,850	\$174,802	\$151,653
	\$2,388,897	\$2,289,699	\$2,149,873	\$1,946,833	\$1,846,369

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Average shareholders' equity (non-GAAP)						
Less: Average preferred stock (non-GAAP)	134,682	151,649	151,649	38,335	28,942	
Average goodwill and other intangible assets (non-GAAP)	579,366	533,549	537,650	542,782	548,340	
Average non-controlling interests (non-GAAP)	—	—	—	—	9,119	
Average tangible common equity (non-GAAP)	\$1,674,849	\$1,604,501	\$1,460,574	\$1,365,716	\$1,259,968	
Return on average tangible common shareholders' equity (non-GAAP)	12.05	% 11.90	% 11.77	% 12.80	% 12.04	%
Efficiency ratio (non-GAAP):						
Non-interest expense (GAAP)	\$554,554	\$501,600	\$497,709	\$501,294	\$510,580	
Less: Foreclosed property expense (GAAP)	827	1,223	1,338	1,028	3,050	
Intangible assets amortization (GAAP)	6,340	2,685	4,919	5,420	5,588	
Other expense (non-GAAP)	665	1,732	4,354	3,762	11,075	
Non-interest expense (non-GAAP)	\$546,722	\$495,960	\$487,098	\$491,084	\$490,867	
Net interest income (GAAP)	\$664,625	\$628,441	\$596,728	\$578,908	\$563,768	
Add: FTE adjustment (non-GAAP)	10,617	11,124	13,221	14,751	15,497	
Non-interest income (GAAP)	239,545	202,108	191,050	192,758	177,042	
Less: Gain on sale of investment securities, net (GAAP)	609	5,499	712	3,347	2,024	
Other (non-GAAP)	(1,111)	) (1,145	) (7,277	) —	—	
Income (non-GAAP)	\$915,289	\$837,319	\$807,564	\$783,070	\$754,283	
Efficiency ratio (non-GAAP)	59.73	% 59.23	% 60.32	% 62.71	% 65.08	%

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The following table summarizes daily average balances, interest and average yields, and net interest margin on a fully tax-equivalent basis:

(Dollars in thousands)	Years ended December 31,								
	2015			2014			2013		
	Average Balance	Interest	Average Yields	Average Balance	Interest	Average Yields	Average Balance	Interest	Average Yields
<b>Assets</b>									
<b>Interest-earning assets:</b>									
Loans and leases	\$14,746,168	\$554,632	3.76 %	\$13,275,340	\$513,705	3.87 %	\$12,235,821	\$490,985	4.01 %
Securities <sup>(1)</sup>	6,846,297	207,675	3.04	6,446,799	210,721	3.28	6,268,889	204,287	3.28
Federal Home Loan and Federal Reserve Bank stock	188,631	6,479	3.43	168,036	4,719	2.81	158,233	3,437	2.17
Interest-bearing deposits	107,569	281	0.26	24,376	63	0.26	21,800	84	0.39
Loans held for sale	41,101	1,590	3.87	22,642	857	3.78	63,870	2,068	3.24
Total interest-earning assets	21,929,766	\$770,657	3.52 %	19,937,193	\$730,065	3.67 %	18,748,613	\$700,861	3.74 %
Non-interest-earning assets	1,673,793			1,523,768			1,514,052		
Total assets	\$23,603,559			\$21,460,961			\$20,262,665		
<b>Liabilities and equity</b>									
<b>Interest-bearing liabilities:</b>									
Demand deposits	\$3,564,751	\$—	— %	\$3,216,777	\$—	— %	\$2,939,324	\$—	— %
Savings, checking, & money market deposits	11,846,049	21,472	0.18	9,863,703	17,800	0.18	9,511,386	18,376	0.19
Time deposits	2,138,778	24,559	1.15	2,280,668	26,362	1.16	2,357,321	28,206	1.20
Total deposits	17,549,578	46,031	0.26	15,361,148	44,162	0.29	14,808,031	46,582	0.31
Securities sold under agreements to repurchase and other borrowings	1,144,963	16,861	1.47	1,353,308	19,388	1.43	1,228,002	20,800	1.69
Federal Home Loan Bank advances	2,084,496	22,858	1.10	2,038,749	16,909	0.83	1,652,471	16,229	0.98
Long-term debt	226,292	9,665	4.27	252,368	10,041	3.98	233,850	7,301	3.12
Total borrowings	3,455,751	49,384	1.43	3,644,425	46,338	1.27	3,114,323	44,330	1.42
Total interest-bearing liabilities	21,005,329	\$95,415	0.45 %	19,005,573	\$90,500	0.48 %	17,922,354	\$90,912	0.51 %
Non-interest-bearing liabilities	209,333			165,689			190,438		
Total liabilities	21,214,662			19,171,262			18,112,792		
Preferred stock	134,682			151,649			151,649		
	2,254,215			2,138,050			1,998,224		

Common shareholders' equity				
Webster Financial Corporation	2,388,897		2,289,699	2,149,873
shareholders' equity				
Total liabilities and equity	\$23,603,559		\$21,460,961	\$20,262,665
Tax-equivalent net interest income	675,242		639,565	609,949
Less: tax equivalent adjustments	(10,617 )		(11,124 )	(13,221 )
Net interest income	\$664,625		\$628,441	\$596,728
Net interest margin		3.08 %		3.21 %
				3.26 %

(1) Daily average balances and yields of securities available for sale are based upon historical amortized cost.

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Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest income is the Company's largest source of revenue, representing 73.5% of total revenue for the year ended December 31, 2015. Net interest margin is the ratio of tax-equivalent net interest income to average earning assets for the period. Net interest income and net interest margin are impacted by the level of interest rates secured, mix of assets earning and liabilities paying those interest rates, and the volume of interest-earning assets and interest-bearing liabilities. These conditions are influenced by changes in economic conditions that impact interest rate policy, competitive conditions that impact loan and deposit pricing strategies, as well as the extent of interest ceded to non-performing assets.

Webster manages the risk of changes in interest rates on net interest income and net interest margin through its Asset/Liability Committee ("ALCO") and through related interest rate risk monitoring and management policies. Four main tools are used for managing interest rate risk: (i) the size and duration and credit risk of the investment portfolio; (ii) the size and duration of the wholesale funding portfolio; (iii) off-balance sheet interest rate contracts; and (iv) the pricing and structure of loans and deposits. ALCO meets at least monthly to make decisions on the investment and funding portfolios based on the economic outlook, its interest rate expectations, the portfolio risk position, and other factors. See the "Asset/Liability Management and Market Risk" section for further discussion of Webster's interest rate risk position.

Market interest rates remained at historically low levels during the periods covered by this report. However, the federal funds rate target range, which had been at 0-0.25% since December 16, 2008, was increased to 0.25-0.5% by the Federal Reserve, effective December 16, 2015.

Comparison of 2015 to 2014

#### Financial Performance

Net income of \$206.3 million for the year ended December 31, 2015 increased 3.3% over the year ended December 31, 2014, largely due to record high levels of loan growth offsetting margin pressure, increased fee income; primarily due to acquired HSA accounts, and continued expense discipline.

Income before income tax expense was \$300.3 million for the year ended December 31, 2015, an increase of \$8.6 million from \$291.7 million for the year ended December 31, 2014.

The primary factors positively impacting income before income tax expense include:

- interest income increased \$41.1 million;
- and

• deposit service fees increased \$33.1 million.

The primary factors negatively impacting income before income tax expense include:

- non-interest expense increased \$53.0 million; and
- provision for loan and lease losses increased \$12.1 million.

The impact of the items outlined above, coupled with the effect from income taxes of \$94.0 million and \$92.0 million for the years ended December 31, 2015 and 2014, respectively, resulted in net income of \$206.3 million and diluted earnings per share of \$2.15 for the year ended December 31, 2015 compared to net income of \$199.7 million and diluted earnings per share of \$2.08 for the year ended December 31, 2014.

Expense discipline, coupled with net interest and fee income growth maintained an operating efficiency below 60%.

The efficiency ratio, a non-GAAP financial measure which quantifies the cost expended to generate a dollar of revenue was 59.73% for 2015 and 59.23% for 2014.

Credit quality improved as demonstrated by the decline in asset quality ratios. Net charge-offs as a percentage of average loans and leases was 0.23% for both the year ended December 31, 2015 and 2014. Non-performing assets as a percentage of loans, leases, and other real estate owned decreased to 0.93% at December 31, 2015 from 0.98% at December 31, 2014, driven by loan growth exceeding a slight increase in non-performing assets.



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## Net Interest Income

Net interest income totaled \$664.6 million for the year ended December 31, 2015 compared to \$628.4 million for the year ended December 31, 2014, an increase of \$36.2 million. Net interest income increased primarily due to an increase in average interest-earning assets, substantially strong loan and lease growth of 12.7%, partially offset by an overall decline in reinvestment spreads on earning assets, most notably securities. Average interest-earning assets during 2015 increased \$2.0 billion compared to 2014. The average yield on interest-earning assets decreased 15 basis points to 3.52% during 2015 from 3.67% during 2014. The average yield on interest-earning assets is primarily impacted by changes in market interest rates as well as changes in the volume and relative mix of interest-earning assets. Average interest-bearing liabilities during 2015 increased \$2.0 billion compared to 2014, primarily from health savings accounts, while the average cost of interest-bearing liabilities decreased 3 basis points to 0.45% during 2015 compared to 0.48% during 2014.

Net interest margin decreased 13 basis points to 3.08% for the year ended December 31, 2015 from 3.21% for the year ended December 31, 2014. The decrease in net interest margin is due primarily to reinvestment at reduced spreads on loans and leases and securities, somewhat offset by a rise in lower cost deposits.

The following table presents the components of the change in net interest income attributable to changes in rate and volume, and reflects net interest income on a fully tax-equivalent basis:

(In thousands)	Years ended December 31, 2015 vs. 2014		
	Increase (decrease) due to Rate <sup>(1)</sup>	Volume	Total
Change in interest on interest-earning assets:			
Loans and leases	\$(19,489)	) \$60,416	\$40,927
Loans held for sale	151	) 583	734
Investments <sup>(2)</sup>	(16,403)	) 15,334	(1,069)
Total interest income	\$(35,741)	) \$76,333	\$40,592
Change in interest on interest-bearing liabilities:			
Deposits	\$(2,691)	) \$4,560	\$1,869
Borrowings	6,263	(3,217)	) 3,046
Total interest expense	\$3,572	\$1,343	\$4,915
Change in tax-equivalent net interest income	\$(39,313)	) \$74,990	\$35,677

(1) The change attributable to mix, a combined impact of rate and volume, is included with the change due to rate.

(2) Investments include: Securities; Federal Home Loan and Federal Reserve Bank stock; and Interest-bearing deposits.

Average loans and leases increased \$1.5 billion during the year ended December 31, 2015 as compared to the year ended December 31, 2014. The loan and lease portfolio comprised 67.2% of the average interest-earning assets at December 31, 2015 as compared to 66.6% of the average interest-earning assets at December 31, 2014. The loan and lease portfolio yield decreased 11 basis points to 3.76% for the year ended December 31, 2015, compared to the loan and lease portfolio yield of 3.87% for the year ended December 31, 2014. The decrease in the yield on average loans and leases is due to the repayment of higher yielding loans and leases coupled with the addition of lower yielding loans and leases in the current low interest rate environment.

Average investments increased \$503.3 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014. The investments portfolio comprised 32.6% of the average interest-earning assets at December 31, 2015 as compared to 33.3% of the average interest-earnings assets at December 31, 2014. The investments portfolio yield decreased 25 basis points to 3.00% for the year ended December 31, 2015 compared to the investments portfolio yield of 3.25% for the year ended December 31, 2014. The decrease in the yield on securities is due to lower market rates on purchases made during 2015.

Average deposits increased \$2.2 billion during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase comprised of \$348.0 million in non-interest-bearing deposits and \$1.8 billion in interest-bearing deposits. The increase in interest-bearing deposits, and an improved product mix to low-cost deposits

was primarily a result of \$1.4 billion in acquired health savings account deposits. The average cost of deposits decreased 3 basis points to 0.26% for the year ended December 31, 2015 from 0.29% for the year ended December 31, 2014. The decrease in the average cost of deposits is the result of product mix, the maturity of higher costing certificates of deposit, and pricing on certain deposit products.

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Average borrowings decreased \$188.7 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. Cash received as part of the health savings account acquisition was utilized to pay down certain short-term FHLB advances. Average securities sold under agreements to repurchase and other borrowings decreased \$208.3 million, and average FHLB advances increased \$45.7 million. The \$26.1 million decrease in average long-term debt is due to the issuance of \$150 million aggregate principal amount of senior notes in February 2014, ahead of a prior issuance that matured in April 2014. The average cost of borrowings increased 16 basis points to 1.43% for the year ended December 31, 2015 from 1.27% for the year ended December 31, 2014. The increase in average cost of borrowings is a result of the pay down of short-term lower cost FHLB borrowings and subsequent additional borrowings at higher rates.

Cash flow hedges impacted the average cost of borrowings as follows:

(In thousands)	Years ended December 31,	
	2015	2014
Interest rate swaps on repurchase agreements	\$1,442	\$2,224
Interest rate swaps on FHLB advances	8,272	6,043
Interest rate swaps on senior fixed-rate notes	306	267
Interest rate swaps on brokered CDs and deposits	632	151
Net increase to interest expense on borrowings	\$10,652	\$8,685
Provision for Loan and Lease Losses		

Management performs a quarterly review of the loan and lease portfolio to determine the adequacy of the allowance for loan and lease losses. At December 31, 2015, the allowance for loan and lease losses totaled \$175.0 million, or 1.12% of total loans and leases, compared to \$159.3 million, or 1.15% of total loans and leases, at December 31, 2014.

Several factors are considered when determining the level of the allowance for loan and lease losses, including loan growth, portfolio composition, portfolio risk profile, credit performance, changes in the levels of non-performing loans and leases and changes in the economic environment. These factors, coupled with current and projected net charge-offs, impact the required level of the provision for loan and lease losses. For the year ended December 31, 2015, total net charge-offs were \$33.6 million compared to \$30.6 million for the year ended December 31, 2014. The provision for loan and lease losses totaled \$49.3 million for the year ended December 31, 2015, an increase of \$12.1 million compared to the year ended December 31, 2014. The increase in provision for loan and lease losses was due primarily to the increase in loan balances and increase in specific reserves on impaired loans, partially offset with improved credit quality.

See the "Allowance for Loan and Lease Losses Methodology" section for further details.

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## Non-Interest Income

(Dollars in thousands)	Years ended December 31,		Increase (decrease)		
	2015	2014	Amount	Percent	
Deposit service fees	\$136,578	\$103,431	\$33,147	32.0	%
Loan and lease related fees	25,594	23,212	2,382	10.3	
Wealth and investment services	32,486	34,946	(2,460)	(7.0)	)
Mortgage banking activities	7,795	4,070	3,725	91.5	
Increase in cash surrender value of life insurance policies	13,020	13,178	(158)	(1.2)	)
Gain on sale of investment securities, net	609	5,499	(4,890)	(88.9)	)
Impairment loss on securities recognized in earnings	(110)	(1,145)	(1,035)	(90.4)	)
Other income	23,573	18,917	4,656	24.6	
Total non-interest income	\$239,545	\$202,108	\$37,437	18.5	%

Total non-interest income was \$239.5 million for the year ended December 31, 2015, an increase of \$37.4 million from the year ended December 31, 2014. The increase is attributable to higher deposit service fees, other income, mortgage banking activities, loan and lease related fees and a decrease in impairment loss on securities, partially offset by lower net gain on sale of investment securities and wealth and investment services.

Deposit service fees totaled for \$136.6 million 2015 compared to \$103.4 million for 2014. The increase was a result of increased checking account service charges and check card interchange income due primarily to the acquired health savings accounts and new account growth.

Other income totaled \$23.6 million for 2015 compared to \$18.9 million for 2014. The increase was primarily due to alternative investment income, estimated interest on refundable income taxes, credit card fees, and client swap activity, partially offset by lower death benefit proceeds from bank owned life insurance.

Mortgage banking activities totaled \$7.8 million for 2015 compared to \$4.1 million for 2014. The increase was due to higher settlement volume and gain on sale rate driven by lower interest rates in 2015.

Loan and lease related fees totaled \$25.6 million for 2015 compared to \$23.2 million for 2014. The increase was primarily due to increased syndication activity, unused line fees, and loan servicing fees.

Impairment loss on securities recognized in earnings totaled \$0.1 million for 2015 compared to \$1.1 million for 2014. The decrease was due to lower impairment losses recognized on collateralized loan obligation securities.

Net gain on investment securities totaled \$0.6 million for 2015 compared to \$5.5 million for 2014. The prior year's amount included gains from the sale of non-Volcker Rule compliant pooled trust preferred securities.

Wealth and investment services totaled \$32.5 million for 2015 compared to \$34.9 million for 2014. The decrease was primarily due to an adverse impact on sales production driven by market volatility, and lower revenue as a result of lower assets under administration values.

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## Non-Interest Expense

(Dollars in thousands)	Years ended December 31,		Increase (decrease)		
	2015	2014	Amount	Percent	
Compensation and benefits	\$297,517	\$270,151	\$27,366	10.1	%
Occupancy	48,836	47,325	1,511	3.2	
Technology and equipment	80,026	61,993	18,033	29.1	
Intangible assets amortization	6,340	2,685	3,655	136.1	
Marketing	16,053	15,379	674	4.4	
Professional and outside services	11,156	8,296	2,860	34.5	
Deposit insurance	24,042	22,670	1,372	6.1	
Other expense	70,584	73,101	(2,517)	(3.4)	)
Total non-interest expense	\$554,554	\$501,600	\$52,954	10.6	%

Total non-interest expense was \$554.6 million for the year ended December 31, 2015, an increase of \$53.0 million from the year ended December 31, 2014. The increase for the year ended December 31, 2015 is primarily attributable to higher compensation and benefits, technology and equipment, professional and outside services, occupancy, intangible assets amortization, and deposit insurance expenses, partially offset by a reduction in other expenses. Compensation and benefits totaled \$297.5 million for 2015 compared to \$270.2 million for 2014. The increase was primarily driven by base compensation and temporary help to support HSA Bank's account growth, incentives and commissions, and larger group medical claims.

Technology and equipment totaled \$80.0 million for 2015 compared to \$62.0 million for 2014. The increase was due to transitional service costs related to the HSA acquisition and implementation costs associated with a new HSA technology platform.

Professional and outside services totaled \$11.2 million for 2015 compared to \$8.3 million for 2014. The increase was primarily due to information technology consulting services.

Occupancy costs totaled \$48.8 million for 2015 compared to \$47.3 million for 2014. The increase was primarily due to the addition of HSA Bank's facility in Milwaukee, WI, and additional snow removal costs.

Intangible assets amortization totaled \$6.3 million for 2015 compared to \$2.7 million for 2014. The increase was due to intangibles acquired as part of the health savings accounts acquisition.

Deposit Insurance totaled \$24.0 million for 2015 compared to \$22.7 million for 2014. The increase was primarily due to growth in assets.

Other expense totaled \$70.6 million for 2015 compared to \$73.1 million for 2014. The decrease was due to a favorable adjustment to the unfunded reserve related to the refinement of estimates and a recovery of previous years deposit insurance expense.

**Income Taxes**

Webster recognized income tax expense of \$94.0 million in 2015 and \$92.0 million in 2014, and the effective tax rates were 31.3% and 31.5%, respectively. The decrease in the effective rate principally reflects a \$4.4 million net deferred tax benefit recognized in 2015, partially offset by the effects of increased state and local tax expense in 2015.

The \$4.4 million net deferred tax benefit was part of a \$5.8 million reduction in the Company's beginning-of-year valuation allowance on its state and local deferred tax assets, due to a change in their estimated realizability. This change is expected to result in increased deferred expense in future years, including \$2.0 million in 2016, or about 0.6% in effective-rate terms.

For additional information on Webster's income taxes, including its deferred tax assets and uncertain tax positions, see Note 8: Income Taxes in the Notes to Consolidated Financial Statements contained elsewhere in this report.

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## Comparison of 2014 and 2013

## Financial Performance

The Company achieved a record level of net income available to common shareholders of \$189.2 million for the year ended December 31, 2014. The Company's operating efficiency continued to improve as evidenced by a decrease of 106 basis points in the efficiency ratio, record high levels of low cost deposits, continued total loan growth, steady improvement in credit quality, and continued strong capital ratios.

Income before income tax expense was \$291.7 million for the year ended December 31, 2014, an increase of \$35.1 million from \$256.6 million for the year ended December 31, 2013.

The primary factors positively impacting income before tax expense include:

- interest income increased \$31.3 million;
- impairment losses on securities decreased by \$6.1 million;
- net gain on sale of investment securities increased \$4.8 million;
- deposit service fees increased \$4.5 million;
- loan and lease related fees increased \$1.4 million;
- interest expense decreased \$0.4 million; and
- wealth and investment service fees increased \$0.2 million.

The primary factors negatively impacting income before income tax expense include:

- income from mortgage banking activities decreased \$12.3 million;
- non-interest expense increased \$3.9 million; and
- provision for loan and lease losses increased \$3.8 million.

The impact of the items outlined above, and the effect from income taxes of \$92.0 million and \$77.1 million, and preferred stock dividends of \$10.6 million and \$10.8 million for the years ended December 31, 2014 and 2013, respectively, resulted in net income available to common shareholders of \$189.2 million for the year ended December 31, 2014 compared to \$168.7 million for the year ended December 31, 2013. Diluted net income available to common shareholders was \$2.08 and \$1.86 per share for the years ended December 31, 2014 and 2013, respectively.

Net interest income increased \$31.7 million to \$628.4 million for the year ended December 31, 2014. Average total interest-earning assets increased by \$1.2 billion, while the average yield decreased by 7 basis points in 2014 compared to 2013. Average total interest-bearing liabilities increased \$1.1 billion, while the average cost decreased by 3 basis points in 2014 compared to 2013.

Credit quality improved as evidenced by improvement in asset quality ratios. Net charge-offs as a percentage of average loans and leases decreased to 0.23% for the year ended December 31, 2014 from 0.47% for the year ended December 31, 2013, and non-performing assets as a percentage of loans, leases and other real estate owned decreased to 1.00% at December 31, 2014 from 1.35% at December 31, 2013. The continued improvement in credit quality in 2014 resulted in a reduction in total past due and non-accrual loans at December 31, 2014 compared to December 31, 2013.

## Net Interest Income

Net interest income totaled \$628.4 million for the year ended December 31, 2014 compared to \$596.7 million for the year ended December 31, 2013, an increase of \$31.7 million. Net interest income increased primarily due to an increase in average interest-earning assets, partially offset by an overall decline in reinvestment spreads on earning assets. Average interest-earning assets during the year ended December 31, 2014 increased \$1.2 billion compared to the year ended December 31, 2013. The average yield on interest-earning assets decreased 7 basis points to 3.67% for the year ended December 31, 2014 from 3.74% for the year ended December 31, 2013. The average yield on interest-earning assets is primarily impacted by changes in market interest rates as well as changes in the volume and relative mix of interest-earning assets. The net interest margin decreased 5 basis points to 3.21% during the year ended December 31, 2014 from 3.26% for the year ended December 31, 2013. The decrease in net interest margin is due primarily to reinvestment of interest-earning assets at reduced spreads, partially offset by less premium amortization on mortgage-backed securities. Market interest rates remained at historically low levels during the periods reported.



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The following table presents the components of the change in net interest income attributable to changes in rate and volume, and reflects net interest income on a fully tax-equivalent basis:

(In thousands)	Years ended December 31, 2014 vs. 2013		
	Increase (decrease) due to Rate <sup>(1)</sup>	Volume	Total
Change in interest on interest-earning assets:			
Loans and leases	\$(21,748	) \$44,469	\$22,721
Loans held for sale	113	(1,325	)(1,212
Investments <sup>(2)</sup>	(2,214	) 9,909	7,695
Total interest income	\$(23,849	) \$53,053	\$29,204
Change in interest on interest-bearing liabilities:			
Deposits	\$(3,396	) \$976	\$(2,420
Borrowings	(2,473	) 4,481	2,008
Total interest expense	\$(5,869	) \$5,457	\$(412
Change in tax-equivalent net interest income	\$(17,980	) \$47,596	\$29,616

(1) The change attributable to mix, a combined impact of rate and volume, is included with the change due to Rate.

(2) Investments include: Securities; Federal Home Loan and Federal Reserve Bank stock; and Interest-bearing deposits.

Average loans and leases increased \$1.0 billion during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The loan and lease portfolio comprised 66.6% of the average interest-earning assets at December 31, 2014 as compared to 65.3% of the average interest-earning assets at December 31, 2013. The loan and lease portfolio yield decreased 14 basis points to 3.87% for the year ended December 31, 2014, compared to the loan and lease portfolio yield of 4.01% for the year ended December 31, 2013. The decrease in the yield on average loans and leases is due to the repayment of higher yielding loans and leases and the addition of lower yielding loans and leases in the current low interest rate environment.

Average investments increased \$190.3 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The investments portfolio comprised 33.3% of the average interest-earning assets at December 31, 2014 as compared to 34.4% of the average interest-earnings assets at December 31, 2013. The investments portfolio yield increased 7 basis points to 3.11% for the year ended December 31, 2014 compared to the investments portfolio yield of 3.04% for the year ended December 31, 2013. The yield on average investments increased primarily due to larger FHLB holdings, paying an increased dividend rate.

Average total deposits increased \$553.1 million during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase is due to a \$277.4 million increase in non-interest-bearing deposits and an increase of \$275.7 million in interest-bearing deposits. The average cost of deposits decreased 2 basis points to 0.29% for the year ended December 31, 2014 from 0.31% for the year ended December 31, 2013. The decrease in the average cost of deposits is the result of improved pricing on certain deposit products and product mix, as the proportion of higher costing certificates of deposit to total interest-bearing deposits decreased to 18.8% for the year ended December 31, 2014 from 19.9% for the year ended December 31, 2013.

Average total borrowings increased \$530.1 million during the year ended December 31, 2014 compared to the year ended December 31, 2013. Borrowings increased as growth in loans and securities exceeded the growth in deposits and operating cash flows. Average securities sold under agreements to repurchase and other borrowings increased \$125.3 million, and average FHLB advances increased \$386.3 million. The \$18.5 million increase in average long-term debt is due to the issuance of \$150 million aggregate principal amount of senior notes in February 2014, ahead of a prior issuance that matured in April 2014. The average cost of borrowings decreased 15 basis points to 1.27% for the year ended December 31, 2014 from 1.42% for the year ended December 31, 2013. The decrease in average cost of borrowings is a result of a larger percentage of total borrowings for securities sold under agreements to repurchase and FHLB advances at lower rates.

Cash flow hedges impacted the average cost of borrowings as follows:



(In thousands)	Years ended December 31,	
	2014	2013
Interest rate swaps on repurchase agreements	\$2,224	\$3,319
Interest rate swaps on FHLB advances	6,043	6,454
Interest rate swaps on senior fixed-rate notes	267	—
Interest rate swaps on brokered CDs and deposits	151	—
Interest rate swaps on junior subordinated debt	—	(3 )
Net increase to interest expense on borrowings	\$8,685	\$9,770

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## Provision for Loan and Lease Losses

Management performs a quarterly review of the loan and lease portfolio to determine the adequacy of the allowance for loan and lease losses. At December 31, 2014, the allowance for loan and lease losses totaled \$159.3 million, or 1.15% of total loans and leases, compared to \$152.6 million, or 1.20% of total loans and leases, at December 31, 2013.

Several factors are considered when determining the level of the allowance for loan and lease losses, including loan growth, portfolio composition, portfolio risk profile, credit performance, changes in the levels of non-performing loans and leases and changes in the economic environment. These factors, coupled with net charge-offs during the period, impact the required level of the provision for loan and lease losses. For the year ended December 31, 2014, total net charge-offs were \$30.6 million compared to \$58.1 million for the year ended December 31, 2013.

The provision for loan and lease losses was \$37.3 million for the year ended December 31, 2014 an increase of \$3.8 million compared to the year ended December 31, 2013. The increase in provision for loan and lease losses was due primarily to the increase in loan balances, partially offset by improved credit quality.

## Non-Interest Income

(Dollars in thousands)	Years ended December 31,		Increase (decrease)		
	2014	2013	Amount	Percent	
Deposit service fees	\$103,431	\$98,968	\$4,463	4.5	%
Loan and lease related fees	23,212	21,860	1,352	6.2	
Wealth and investment services	34,946	34,771	175	0.5	
Mortgage banking activities	4,070	16,359	(12,229)	(75.1)	)
Increase in cash surrender value of life insurance policies	13,178	13,770	(592)	(4.3)	)
Gain on sale of investment securities, net	5,499	712	4,787	672.3	
Impairment loss on securities recognized in earnings	(1,145)	(7,277)	6,132	(84.3)	)
Other income	18,917	11,887	7,030	59.1	
Total non-interest income	\$202,108	\$191,050	\$11,058	5.8	%

Total non-interest income was \$202.1 million for the year ended December 31, 2014, an increase of \$11.1 million from the year ended December 31, 2013. The increase is primarily attributable to an increase in other income, a lower impairment loss on securities, an increased gain on sale of securities, and increased deposit service fees due to account growth primarily at the Company's HSA Bank division, offset by a decrease in mortgage banking activities.

Other income increased \$7.0 million, or 59.1%, due to increased commercial customer interest rate derivative activity, a private equity fund distribution, gain from bank owned life insurance policies, and miscellaneous rebate income.

The decrease in impairment loss on securities recognized in earnings of \$6.1 million, or 84.3%, is due to the requirement to divest certain collateralized loan obligation ("CLO") and collateralized debt obligation ("CDO") securities that were subject to the Volcker Rule. The required divestiture situation resulted in the full write-down of unrealized market losses of certain CLO and CDO securities to market value in December 2013. The additional impairment loss recognized in 2014 represents the continued write-down of market losses related to the CLO securities as required until the conformance date in July 2017.

Net gain on sale of investment securities increased \$4.8 million primarily due to the sale of four non Volcker Rule compliant pooled trust preferred positions during the year.

Deposit service fees increased \$4.5 million, or 4.5%, due to volume driven debit card interchange revenue and checking account services charges from the Company's HSA Bank division, cash management fees, and ATM and other account surcharges, offset by a reduction in NSF charges.

The decrease in mortgage banking activities of \$12.3 million, or 75.1%, is due to increased residential mortgage loan interest rates resulting in lower refinancing volumes. Originations of loans held for sale were \$297.0 million for the year ended December 31, 2014 compared to \$687.1 million for the year ended December 31, 2013.

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## Non-Interest Expense

(Dollars in thousands)	Years ended December 31,		Increase (decrease)		
	2014	2013	Amount	Percent	
Compensation and benefits	\$270,151	\$264,835	\$5,316	2.0	%
Occupancy	47,325	48,794	(1,469)	(3.0)	)
Technology and equipment	61,993	60,326	1,667	2.8	
Intangible assets amortization	2,685	4,919	(2,234)	(45.4)	)
Marketing	15,379	15,502	(123)	(0.8)	)
Professional and outside services	8,296	9,532	(1,236)	(13.0)	)
Deposit insurance	22,670	21,114	1,556	7.4	
Other expense	73,101	72,687	414	0.6	
Total non-interest expense	\$501,600	\$497,709	\$3,891	0.8	%

Total non-interest expense was \$501.6 million for the year ended December 31, 2014, an increase of \$3.9 million from the year ended December 31, 2013. The increase for the year ended December 31, 2014 is primarily attributable to higher compensation and benefits, technology and equipment expense, and deposit insurance, offset by lower intangible asset amortization, occupancy, and professional and outside services.

Compensation and benefits increased \$5.3 million, or 2.0%, due to additional staffing within the commercial, business banking, HSA Bank, and compliance areas, an increase in incentive related expense, and annual merit increases, offset by lower expenses in pension, stock based compensation, and 401(k) match.

Technology and equipment expense increased \$1.7 million, or 2.8%, primarily due to infrastructure investments at the Company's HSA Bank division.

Deposit insurance increased \$1.6 million, or 7.4%, due primarily to an increase in overall assets and the addition of high risk weighted assets.

Intangible assets amortization decreased \$2.2 million, or 45.4%, due to the completion of core deposit intangibles amortization related a 2004 acquisition.

Occupancy costs decreased \$1.5 million, or 3.0%, due to lower depreciation on buildings and leasehold improvements and lower occupancy related maintenance costs.

Professional and outside services decreased \$1.2 million, or 13.0%, due to lower consulting costs.

## Income Taxes

Webster recognized income tax expense of \$92.0 million in 2014 and \$77.1 million in 2013. The effective tax rates were 31.5% and 30.1%, respectively. The increase in the effective rate principally reflects the effects of the increased pre-tax income in 2014, the \$1.7 million benefit recognized in 2013 to correct the immaterial errors in prior periods, decreased benefits from tax-exempt interest income in 2014, and increased state tax expense in 2014 which also included a \$2.0 million benefit recognized in the first quarter.

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## Segment Results

Beginning in January of 2015, Webster's operations are divided into four reportable segments that represent its core businesses – Commercial Banking, Community Banking, HSA Bank, and Private Banking. Community Banking includes the operating segments of Webster's Personal Banking and Business Banking. With the acquisition of a health savings account business in early 2015, the reported revenue of the HSA Bank segment grew in excess of 10% of the combined revenue of all operating segments. As a result, beginning in the first quarter of 2015, we began reporting the HSA Bank and Private Banking segments separately. These segments reflect how executive management responsibilities are assigned by the chief operating decision maker for each of the core businesses, the products and services provided, the type of customer served, and reflects how discrete financial information is currently evaluated. The Company's Treasury unit and consumer liquidating portfolio are included in the Corporate and Reconciling category along with the amounts required to reconcile profitability metrics to GAAP reported amounts. The 2014 and 2013 segment results have been adjusted for comparability to the 2015 segment presentation.

The following tables present net income, selected balance sheet information, and assets under administration/management for Webster's reportable segments for the periods presented:

(In thousands)	Years ended December 31,		
	2015	2014	2013
Commercial Banking	\$105,639	\$109,548	\$91,347
Community Banking	77,652	73,720	74,534
HSA Bank	39,173	18,164	17,385
Private Banking	(511)	(504)	(722)
Corporate and Reconciling	(15,613)	(1,202)	(3,088)
Net income	\$206,340	\$199,726	\$179,456

The increased net loss in the Corporate and Reconciling category for the year ended December 31, 2015, is primarily attributable to an increase in asset sensitivity and the impact of lower long term interest rates.

(In thousands)	At December 31, 2015					
	Commercial Banking	Community Banking	HSA Bank	Private Banking	Corporate and Reconciling	Consolidated Total
Total assets	\$7,505,513	\$8,441,950	\$95,815	\$493,571	\$8,140,971	\$24,677,820
Total loans and leases	7,509,453	7,592,553	54	490,112	79,563	15,671,735
Total deposits	3,073,276	10,449,231	3,802,313	228,497	399,461	17,952,778
Total assets under administration/management	—	2,762,759	692,306	1,726,385	—	5,181,450

(In thousands)	At December 31, 2014					
	Commercial Banking	Community Banking	HSA Bank	Private Banking	Corporate and Reconciling	Consolidated Total
Total assets	\$6,550,868	\$8,123,928	\$26,680	\$398,893	\$7,432,803	\$22,533,172
Total loans and leases	6,559,020	6,853,115	166	395,667	92,057	13,900,025
Total deposits	3,203,344	10,103,698	1,824,799	211,298	308,466	15,651,605
Total assets under administration/management	—	2,754,775	746,983	1,676,961	—	5,178,719

(In thousands)	At December 31, 2013					
	Commercial Banking	Community Banking	HSA Bank	Private Banking	Corporate and Reconciling	Consolidated Total
Total assets	\$5,682,129	\$7,738,597	\$19,524	\$346,338	\$7,066,557	\$20,853,145
Total loans and leases	5,628,303	6,622,747	141	343,682	104,903	12,699,776
Total deposits	2,948,072	10,014,509	1,533,310	206,035	152,494	14,854,420

Total assets under administration/management	—	2,534,819	571,824	1,980,413	—	5,087,056
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## Commercial Banking

The Commercial Banking segment includes middle market, asset-based lending, commercial real estate, equipment finance, and treasury and payment solutions, which includes government and institutional banking. Webster Bank's Commercial Banking group takes a relationship approach to providing lending, deposit, and cash management services to middle market companies predominately within its franchise territory. Additionally, it serves as a referral source to Private Banking and Community Banking. Specifically, Webster deploys local decision making through Regional Presidents and capitalizes on the expertise of its Relationship Managers to offer a compelling value proposition to customers and prospects. Webster has successfully deployed this model throughout its footprint. The Middle Market expansion into Philadelphia in 2015 has been successful, attracting and developing critical market-facing talent and generating new profitable relationships.

## Commercial Banking Results:

(In thousands)	Years ended December 31,		
	2015	2014	2013
Net interest income	\$255,845	\$238,186	\$217,582
Provision (benefit) for loan and lease losses	30,160	13,088	17,971
Net interest income after provision	225,685	225,098	199,611
Non-interest income	37,784	37,270	30,797
Non-interest expense	109,718	102,374	99,801
Income before income taxes	153,751	159,994	130,607
Income tax expense	48,112	50,446	39,260
Net income	\$105,639	\$109,548	\$91,347
	At December 31,		
(In thousands)	2015	2014	2013
Total assets	\$7,505,513	\$6,550,868	\$5,682,129
Total loans and leases	7,509,453	6,559,020	5,628,303
Total deposits	3,073,276	3,203,344	2,948,072

Net income decreased \$3.9 million in 2015 compared to 2014. Net interest income increased \$17.7 million in 2015 compared to 2014. The increase is primarily due to greater loan and deposit volumes and lower cost of funds. The provision for loan and lease losses increased \$17.1 million in 2015 compared to 2014. The increase is primarily due to year over year loan and lease growth of \$0.9 billion. Management believes the reserve level is adequate to cover inherent losses in the Commercial Banking portfolio at December 31, 2015. Non-interest income increased \$0.5 million in 2015 compared to 2014. The increase is primarily due to fees generated from loan related activities. Non-interest expense increased \$7.3 million in 2015 compared to 2014. The increase is primarily due to costs related to strategic new hires, FDIC insurance and investments in technology.

Net income increased \$18.2 million in 2014 compared to 2013. Net interest income increased \$20.6 million in 2014 compared to 2013. The increase is primarily due to greater loan and deposit volumes, greater deferred loan fees, and the continuing lower cost of funds. The provision for loan and lease losses decreased \$4.9 million in 2014 compared to 2013. The decline is due in part to Commercial Banking realizing continued improvement in asset quality, including declines in charge-offs in the portfolio as of December 31, 2014. Non-interest income increased \$6.5 million in 2014 compared to 2013, primarily due to fees generated from loan related activities and interest rate derivative products. Non-interest expense increased \$2.6 million in 2014 compared to 2013. The increase is primarily related to strategic new hires.

Total loans were \$7.5 billion, \$6.6 billion, and \$5.6 billion at December 31, 2015, 2014, and 2013, respectively. Loans increased \$950.4 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, due to continued growth in new originations. Loans increased \$930.7 million for the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to new originations. Loan originations were \$3.0 billion, \$2.9 billion and \$2.4 billion in 2015, 2014 and 2013, respectively. The increase of \$96.5 million in originations for the year ended December 31, 2015 is due to continued expansion of Commercial Banking activities across all business lines within the segment.

Total deposits were \$3.1 billion, \$3.2 billion, and \$2.9 billion at December 31, 2015, 2014, and 2013, respectively. Deposits decreased \$130.1 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Deposits increased \$255.3 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in 2015 is due to large, short-term deposits received in the fourth quarter of 2014 that exited the bank in 2015. The increase in 2014 is a result of new business development and operating funds maintained for cash management services.

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## Community Banking

Community Banking serves consumer and business banking customers primarily throughout southern New England and into Westchester County, New York. This segment is comprised of the following: Personal Banking, Business Banking, and a distribution network consisting of 163 banking centers and 316 ATMs, a customer care center, telephone banking, and a full range of web and mobile-based banking services.

Personal Banking includes the following consumer products: deposit and fee-based services, residential mortgages, home equity lines/loans, unsecured consumer loans, and credit cards. In addition, Webster Investment Services ("WIS") offers investment and securities-related services, including brokerage and investment advice through a strategic partnership with LPL Financial ("LPL"). Webster has employees who are LPL registered representatives located throughout its branch network, offering customers investment products, including stocks and bonds, mutual funds, annuities, and managed accounts. Brokerage and online investing services are available for customers.

Business Banking offers credit, deposit, and cash flow management products to businesses and professional service firms with annual revenues of up to \$20 million. This unit works to build full customer relationships through business bankers and business certified banking center managers supported by a team of customer care center bankers and industry and product specialists.

In December, 2015, the Company negotiated an agreement with Citigroup Inc. to assume 17 banking center leases located in the greater Boston market and to purchase the related leasehold improvements. At December 31, 2015, the Company had finalized, with the lessors, the terms of 16 of the 17 leases. The transaction which closed in 2016, did not include the purchase of loans or deposits, significantly increases the Community Banking presence in the Boston market. There was no impact to the Company's financial statements in 2015.

## Community Banking Results:

	Years ended December 31,		
(In thousands)	2015	2014	2013
Net interest income	\$354,709	\$354,781	\$347,395
Provision for loan and lease losses	19,603	26,345	19,219
Net interest income after provision	335,106	328,436	328,176
Non-interest income	108,604	103,543	116,182
Non-interest expense	330,692	324,312	337,795
Income before income taxes	113,018	107,667	106,563
Income tax expense	35,366	33,947	32,029
Net income	\$77,652	\$73,720	\$74,534
	At December 31,		
(In thousands)	2015	2014	2013
Total assets	\$8,441,950	\$8,123,928	\$7,738,597
Total loans	7,592,553	6,853,115	6,622,747
Total deposits	10,449,231	10,103,698	10,014,509
Total assets under administration	2,762,759	2,754,775	2,534,819

Net income increased \$3.9 million in 2015 compared to 2014. Net interest income was flat in 2015 compared to 2014 as benefits of increased loan and deposit growth were offset by the effects of a persistent low interest rate environment. The provision for loan and lease losses decreased by \$6.7 million, driven by lower charge-offs and improved asset quality. Management believes the reserve level is adequate to cover inherent losses in the Community Banking portfolio. Non-interest income increased \$5.1 million in 2015 compared to 2014, primarily due to an increase in gains on the sale of mortgage loans and growth in fees associated with credit and debit cards. Non-interest expense increased \$6.4 million in 2015 compared to 2014. The increase is due to increased compensation and benefits, marketing expenses and increased snow removal costs which were partially offset by a decrease in amortization expense of intangible assets.





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Net income was flat in 2014 compared to 2013. Net interest income increased \$7.4 million in 2014 compared to 2013 driven by increases in loan and deposit balances and wider deposit spreads. The provision for loan and lease losses increased \$7.1 million in 2014 compared to 2013 due to loan growth and an increase in specific reserves on impaired loans, partially offset by improving asset quality and loss rate improvement. Non-interest income decreased \$12.6 million in 2014 compared to 2013, primarily due to a \$12.3 million decline in gains from the sales of mortgage loans resulting from lower transaction volumes. Other fee revenues were essentially flat, as increases in investment services and debit card revenue were offset by a reduction in NSF charges. Non-interest expense decreased \$13.5 million in 2014 compared to 2013. The decrease is reflective of the improvement in costs related to debit card processing, loan workout, variable compensation, and shared services. Compensation was down modestly, as continued reductions in Banking Center staffing were offset by an increase in Universal Bankers, Business Bankers and WIS financial consultants.

Total loans were \$7.6 billion at December 31, 2015 and \$6.9 billion at December 31, 2014 and \$6.6 billion in 2013. Loans increased \$739.4 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, due to growth in residential mortgages, business banking loans and unsecured personal loans. Loans increased \$230.4 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. The net increase was due to \$92.4 million of growth in the Business Banking portfolio, with the remainder driven by growth in residential mortgages, home equity lines, and personal loans. Loan originations were \$2.4 billion, \$1.7 billion and \$2.2 billion for the years ended 2015, 2014 and 2013, respectively. The increase of \$739.4 million in originations for the year ended December 31, 2015 is due to increases in residential mortgage originations driven by growth in correspondent channels and increased refinancing activity in the market associated with refinances tied to low interest rates and a strong spring home purchase season.

Total deposits were \$10.4 billion, \$10.1 billion, and \$10.0 billion, for the years ended December 31, 2015, 2014, and 2013, respectively. Deposits increased \$345.5 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, due to growth in business and personal transaction account balances which was partially offset by a decrease in certificate deposit balances. Deposits increased \$89.2 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to continued growth in both business and consumer transaction deposit balances.

At December 31, 2015 and 2014, Webster Investment Services had \$2.8 billion of assets under administration in its strategic partnership with LPL compared to \$2.5 billion at December 31, 2013. These assets are not included in the balance sheet information amounts. LPL, is a broker dealer registered with the Securities and Exchange Commission, a registered investment advisor under federal and applicable state laws, a member of the Financial Industry Regulatory Authority (“FINRA”), and a member of the Securities Investor Protection Corporation (“SIPC”).

Community Banking finished the year by announcing plans to open 17 new banking centers in former Citibank locations in greater Boston in January 2016. The agreement involved leases, all of which include renewal options, and fixtures, but did not include deposit accounts or loans. The transaction will result in an immediate increase in Community Banking operating expenses in the first quarter of 2016. Revenue growth is expected to accelerate over the coming quarters as new deposit and lending relationships are developed. The transaction is expected to be modestly dilutive to earnings per share in 2016, break-even in 2017 and accretive thereafter.

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## HSA Bank

HSA Bank, a division of Webster Bank, offers health savings accounts, health reimbursement accounts, flexible spending accounts, and other financial solutions for healthcare. These solutions are used in conjunction with high deductible health plans and are offered through employers or directly to consumers and are distributed nationwide directly, and through multiple partnerships.

On January 13, 2015, Webster Bank completed its acquisition of JPMorgan Chase Bank, N.A.'s health savings account business. The acquisition of approximately 829,000 accounts, including \$1.4 billion in deposits, and \$185.0 million in assets under administration which are not included in the balance sheet information amounts, solidifies the HSA Bank division as a leading administrator and depository of health savings accounts with more than 1.7 million accounts and more than \$4.5 billion in footings at December 31, 2015.

## HSA Bank Results:

	Years ended December 31,		
(In thousands)	2015	2014	2013
Net interest income	\$73,433	\$38,822	\$32,807
Provision for loan and lease losses	—	—	—
Net interest income after provision	73,433	38,822	32,807
Non-interest income	64,243	28,553	21,963
Non-interest expense	80,662	40,900	29,962
Income before income taxes	57,014	26,475	24,808
Income tax expense	17,841	8,311	7,423
Net income	\$39,173	\$18,164	\$17,385
	At December 31, 2015		
(In thousands)	2015	2014	2013
Total assets	\$95,815	\$26,680	\$19,524
Total deposits	3,802,313	1,824,799	1,533,310
Total assets under administration	692,306	746,983	571,824

Net income increased \$21.0 million in 2015 compared to 2014. Net interest income increased \$34.6 million in 2015 compared to 2014. The increase was due to HSA Bank's deposit balance growth, account growth, pricing initiatives, and the positive impact of the acquisition. Cost of deposits declined 6 basis points. The shift in cost is primarily due to the JPM acquisition. Non-interest income increased \$35.7 million for the year ended December 31, 2015, from the comparable period in 2014. The increase in non-interest income is due to the growth in service fees, and interchange income related to HSA Bank's customer accounts. Non-interest expense increased \$39.8 million for the year ended December 31, 2015 from the comparable period in 2014, primarily due to an increase in processing costs to support the organic growth and the acquired health savings accounts. Third party servicing costs to service the JPM portfolio were \$12.9 million for the year.

Net income increased \$0.8 million in 2014 compared to 2013. Net interest income increased \$6.0 million in 2014 compared to 2013. The increase was due to HSA Bank's deposit balance growth and account growth. Non-interest income increased \$6.6 million for the year ended December 31, 2015, from the comparable period in 2014. The increase in non-interest income is due to the growth in service fees related to HSA Bank's deposits. Non-interest expense increased \$10.9 million for the year ended December 31, 2015 from the comparable period in 2014, primarily due to an increase in processing costs to support the organic growth in deposits.

Total deposits increased \$2.0 billion at December 31, 2015 compared to December 31, 2014. Of the \$2.0 billion, \$1.4 billion was attributable to the acquired balances, and \$577.5 million was attributable to the deposit growth for the year ended December 31, 2015. Additionally, HSA Bank had \$692.3 million in assets under administration through linked brokerage accounts at December 31, 2015 compared to \$747.0 million at December 31, 2014. The \$54.7 million decline in linked brokerage balances is driven primarily by two events; a custodial only relationship exited in August 2015, reducing linked brokerage accounts by \$385.4 million, offset by continued organic growth and the health savings account acquisition in January 2015 that added \$185.0 million in linked brokerage accounts.



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HSA Bank experienced a 108% increase in deposit balances and a