WEBSTER FINANCIAL CORP
Form 10-K
March 01, 2019

false--12-31FY20182018-12-310000801337YesfalseLarge Accelerated
FilerfalsefalseNoYesWBS0.981.031.250.010.012000000002000000009368029119842300024683100035170300000160000013
0000801337 2018-01-01 2018-12-31 0000801337 2019-02-15 0000801337 2018-12-31 0000801337 2017-12-31
0000801337 us-gaap:SeriesFPreferredStockMember 2017-12-31 0000801337 us-gaap:SeriesFPreferredStockMember
2018-12-31 0000801337 2016-01-01 2016-12-31 0000801337 2017-01-01 2017-12-31 0000801337
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-12-31 0000801337
us-gaap:RetainedEarningsMember 2016-12-31 0000801337 us-gaap:TreasuryStockMember 2017-01-01 2017-12-31
0000801337 us-gaap:AdditionalPaidInCapitalMember 2015-12-31 0000801337 us-gaap:TreasuryStockMember
2018-01-01 2018-12-31 0000801337 us-gaap:SeriesFPreferredStockMember us-gaap:RetainedEarningsMember
2018-01-01 2018-12-31 0000801337 us-gaap:RetainedEarningsMember 2016-01-01 2016-12-31 0000801337
us-gaap:TreasuryStockMember 2016-01-01 2016-12-31 0000801337 us-gaap:AdditionalPaidInCapitalMember
2018-01-01 2018-12-31 0000801337 us-gaap:AdditionalPaidInCapitalMember 2016-01-01 2016-12-31 0000801337
us-gaap:SeriesEPreferredStockMember 2016-01-01 2016-12-31 0000801337 us-gaap:RetainedEarningsMember
2018-12-31 0000801337 us-gaap:SeriesEPreferredStockMember 2017-01-01 2017-12-31 0000801337
us-gaap:PreferredStockMember 2015-12-31 0000801337 us-gaap:SeriesFPreferredStockMember 2017-01-01
2017-12-31 0000801337 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0000801337
us-gaap:SeriesFPreferredStockMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommonStockMember
2018-12-31 0000801337 us-gaap:TreasuryStockMember 2016-12-31 0000801337 us-gaap:PreferredStockMember
2017-12-31 0000801337 us-gaap:RetainedEarningsMember 2018-01-01 2018-12-31 0000801337
us-gaap:SeriesFPreferredStockMember us-gaap:PreferredStockMember 2017-01-01 2017-12-31 0000801337
us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0000801337 us-gaap:SeriesEPreferredStockMember
us-gaap:RetainedEarningsMember 2016-01-01 2016-12-31 0000801337 us-gaap:RetainedEarningsMember
2015-12-31 0000801337 us-gaap:PreferredStockMember 2018-12-31 0000801337
us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-12-31 0000801337
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0000801337
us-gaap:RetainedEarningsMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommonStockMember 2017-12-31
0000801337 us-gaap:TreasuryStockMember 2015-12-31 0000801337 us-gaap:SeriesEPreferredStockMember
us-gaap:RetainedEarningsMember 2017-01-01 2017-12-31 0000801337 us-gaap:SeriesFPreferredStockMember
us-gaap:RetainedEarningsMember 2017-01-01 2017-12-31 0000801337 us-gaap:AdditionalPaidInCapitalMember
2016-12-31 0000801337 us-gaap:TreasuryStockMember 2017-12-31 0000801337
us-gaap:SeriesEPreferredStockMember us-gaap:PreferredStockMember 2017-01-01 2017-12-31 0000801337
us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0000801337 us-gaap:RetainedEarningsMember 2017-12-31
0000801337 us-gaap:PreferredStockMember 2016-12-31 0000801337 2015-12-31 0000801337
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0000801337
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-01-01 2016-12-31 0000801337
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-12-31 0000801337
us-gaap:CommonStockMember 2015-12-31 0000801337 us-gaap:TreasuryStockMember 2018-12-31 0000801337
us-gaap:CommonStockMember 2016-12-31 0000801337 2016-12-31 0000801337
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-31 0000801337
us-gaap:SeriesEPreferredStockMember 2018-01-01 2018-12-31 0000801337
us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000801337
us-gaap:AccountingStandardsUpdate201602Member us-gaap:ScenarioForecastMember 2019-01-01 0000801337
wbs:OtherRealEstateOwnedMember 2018-01-01 2018-12-31 0000801337 srt:MinimumMember
us-gaap:PerformanceSharesMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2018-01-01
2018-12-31 0000801337 us-gaap:AccountingStandardsUpdate201601Member 2018-12-31 0000801337
us-gaap:CorporateNonSegmentMember us-gaap:RegulatoryReviewsOfFilingsMember 2018-01-01 2018-12-31
0000801337 srt:MaximumMember us-gaap:PerformanceSharesMember
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2018-01-01 2018-12-31 0000801337

wbs:PerformanceBasedRestrictedStockAwardsMember 2018-01-01 2018-12-31 0000801337
us-gaap:AccountingStandardsUpdate201708Member 2018-12-31 0000801337
us-gaap:ResidentialPortfolioSegmentMember 2018-01-01 2018-12-31 0000801337 srt:MaximumMember
us-gaap:TechnologyEquipmentMember 2018-01-01 2018-12-31 0000801337 srt:MaximumMember
us-gaap:LeaseholdImprovementsMember 2018-01-01 2018-12-31 0000801337 srt:MinimumMember
us-gaap:LeaseholdImprovementsMember 2018-01-01 2018-12-31 0000801337 srt:MaximumMember
us-gaap:BuildingAndBuildingImprovementsMember 2018-01-01 2018-12-31 0000801337 srt:MaximumMember
us-gaap:FurnitureAndFixturesMember 2018-01-01 2018-12-31 0000801337 srt:MinimumMember
us-gaap:FurnitureAndFixturesMember 2018-01-01 2018-12-31 0000801337 srt:MinimumMember
us-gaap:BuildingAndBuildingImprovementsMember 2018-01-01 2018-12-31 0000801337 srt:MinimumMember
us-gaap:TechnologyEquipmentMember 2018-01-01 2018-12-31 0000801337 us-gaap:OtherAssetsMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0000801337
us-gaap:UnfundedLoanCommitmentMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember
2018-12-31 0000801337 us-gaap:AccountsPayableAndAccruedLiabilitiesMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0000801337
us-gaap:OtherInvestmentsMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-12-31
0000801337 us-gaap:AccountsPayableAndAccruedLiabilitiesMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-12-31 0000801337 us-gaap:OtherAssetsMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-12-31 0000801337
us-gaap:OtherInvestmentsMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31
0000801337 us-gaap:UnfundedLoanCommitmentMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0000801337
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337
us-gaap:CorporateDebtSecuritiesMember 2018-12-31 0000801337
us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337
us-gaap:CollateralizedMortgageObligationsMember 2018-12-31 0000801337
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2017-12-31 0000801337
us-gaap:CorporateDebtSecuritiesMember 2017-12-31 0000801337
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-12-31 0000801337
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2018-12-31 0000801337
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2017-12-31 0000801337
us-gaap:MunicipalBondsMember 2017-12-31 0000801337 us-gaap:MunicipalBondsMember 2018-12-31 0000801337
wbs:CallableMember 2018-12-31 0000801337 us-gaap:CollateralizedLoanObligationsMember 2017-12-31
0000801337 us-gaap:CollateralizedLoanObligationsMember 2018-12-31 0000801337
us-gaap:CollateralizedMortgageObligationsMember 2017-12-31 0000801337
wbs:TrustPreferredSecuritiesSingleIssuersMember 2018-12-31 0000801337
us-gaap:USTreasuryBillSecuritiesMember 2018-12-31 0000801337
us-gaap:MortgageBackedSecuritiesIssuedByPrivateEnterprisesMember 2018-12-31 0000801337
us-gaap:USTreasuryBillSecuritiesMember 2017-12-31 0000801337
us-gaap:MortgageBackedSecuritiesIssuedByPrivateEnterprisesMember 2017-12-31 0000801337
wbs:TrustPreferredSecuritiesSingleIssuersMember 2017-12-31 0000801337
us-gaap:CommercialPortfolioSegmentMember 2016-12-31 0000801337
us-gaap:FinanceLeasesPortfolioSegmentMember 2016-12-31 0000801337
us-gaap:ConsumerPortfolioSegmentMember 2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember
2016-01-01 2016-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember 2015-12-31 0000801337
us-gaap:CommercialRealEstatePortfolioSegmentMember 2016-12-31 0000801337
us-gaap:ResidentialPortfolioSegmentMember 2016-12-31 0000801337
us-gaap:FinanceLeasesPortfolioSegmentMember 2016-01-01 2016-12-31 0000801337
us-gaap:ConsumerPortfolioSegmentMember 2016-01-01 2016-12-31 0000801337
us-gaap:CommercialRealEstatePortfolioSegmentMember 2016-01-01 2016-12-31 0000801337
us-gaap:FinanceLeasesPortfolioSegmentMember 2015-12-31 0000801337

us-gaap:CommercialPortfolioSegmentMember 2016-01-01 2016-12-31 0000801337
us-gaap:ResidentialPortfolioSegmentMember 2015-12-31 0000801337
us-gaap:CommercialRealEstatePortfolioSegmentMember 2015-12-31 0000801337
us-gaap:ConsumerPortfolioSegmentMember 2015-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember
us-gaap:HomeEquityLoanMember 2017-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember
2017-12-31 0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember 2017-12-31
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember
2017-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember 2017-12-31
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember 2017-12-31
0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-12-31 0000801337 wbs:AssetBasedLoansMember
us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember
2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember 2017-12-31 0000801337
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-12-31 0000801337
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-12-31 0000801337
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember
2017-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-12-31 0000801337
us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember 2017-12-31 0000801337
wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember
2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-12-31 0000801337
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-12-31 0000801337
us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-12-31 0000801337
us-gaap:ResidentialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember
2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateMember
2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember
us-gaap:ConstructionLoansMember 2016-01-01 2016-12-31 0000801337
us-gaap:FinanceLeasesPortfolioSegmentMember 2018-01-01 2018-12-31 0000801337
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember 2017-01-01 2017-12-31
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember
2018-01-01 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2018-01-01
2018-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember
us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000801337 wbs:AssetBasedLoansMember
us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000801337

us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember 2016-01-01 2016-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateMember 2018-01-01 2018-12-31 0000801337 wbs:AssetBasedLoansMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2017-01-01 2017-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember 2017-01-01 2017-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember 2017-01-01 2017-12-31 0000801337 wbs:AssetBasedLoansMember 2018-01-01 2018-12-31 0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember 2016-01-01 2016-12-31 0000801337 wbs:AssetBasedLoansMember 2016-01-01 2016-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember 2017-01-01 2017-12-31 0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2018-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:DoubtfulMember 2017-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:SubstandardMember 2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:PassMember 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SpecialMentionMember 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SpecialMentionMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:DoubtfulMember 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:SubstandardMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:DoubtfulMember 2018-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SubstandardMember 2017-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:SpecialMentionMember 2017-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SpecialMentionMember 2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:DoubtfulMember 2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SubstandardMember 2018-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SpecialMentionMember 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:PassMember 2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:PassMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SubstandardMember 2017-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:SpecialMentionMember 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:DoubtfulMember 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SubstandardMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:PassMember 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:DoubtfulMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2018-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember 2017-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:PassMember 2017-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:DoubtfulMember 2018-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:SubstandardMember 2018-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:SubstandardMember 2017-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:SpecialMentionMember 2018-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember 2018-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:DoubtfulMember 2017-12-31

0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:SpecialMentionMember 2017-12-31 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:PassMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember 2017-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember 2017-01-01 2017-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember 2018-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember 2018-01-01 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember 2018-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-12-31

0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2016-01-01 2016-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2016-01-01 2016-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember wbs:OtherconcessionsMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:OtherconcessionsMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2016-01-01 2016-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:OtherconcessionsMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember wbs:OtherconcessionsMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2017-01-01 2017-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember wbs:OtherconcessionsMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:OtherconcessionsMember 2017-01-01 2017-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember wbs:CombinationOfRateAndMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:OtherconcessionsMember 2018-01-01 2018-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember wbs:CombinationOfRateAndMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:OtherconcessionsMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember wbs:OtherconcessionsMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember wbs:OtherconcessionsMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2016-01-01 2016-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember wbs:OtherconcessionsMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember wbs:OtherconcessionsMember 2016-01-01 2016-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-12-31 0000801337 us-gaap:NonperformingFinancingReceivableMember 2018-12-31 0000801337 us-gaap:PerformingFinancingReceivableMember 2017-12-31 0000801337 us-gaap:NonperformingFinancingReceivableMember wbs:TroubledDebtRestructuresMember 2018-12-31 0000801337 us-gaap:PerformingFinancingReceivableMember 2018-12-31 0000801337 us-gaap:NonperformingFinancingReceivableMember wbs:TroubledDebtRestructuresMember 2017-12-31 0000801337 us-gaap:NonperformingFinancingReceivableMember 2017-12-31 0000801337 us-gaap:CommercialLoanMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialMortgageMember 2016-01-01 2016-12-31 0000801337 us-gaap:ResidentialMortgageMember 2018-12-31 0000801337 us-gaap:ResidentialMortgageMember 2017-12-31 0000801337 us-gaap:ResidentialMortgageMember 2018-01-01 2018-12-31 0000801337 us-gaap:ResidentialMortgageMember 2017-01-01 2017-12-31 0000801337 us-gaap:CommercialLoanMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommercialLoanMember 2017-01-01 2017-12-31 0000801337 us-gaap:ReserveForOffBalanceSheetActivitiesMember 2016-12-31 0000801337 us-gaap:ReserveForOffBalanceSheetActivitiesMember 2017-01-01 2017-12-31 0000801337 us-gaap:ReserveForOffBalanceSheetActivitiesMember 2017-12-31 0000801337 us-gaap:ReserveForOffBalanceSheetActivitiesMember 2016-01-01 2016-12-31 0000801337 us-gaap:ReserveForOffBalanceSheetActivitiesMember 2018-01-01 2018-12-31 0000801337 us-gaap:ReserveForOffBalanceSheetActivitiesMember 2018-12-31 0000801337 us-gaap:ReserveForOffBalanceSheetActivitiesMember 2015-12-31 0000801337 2017-10-01 2017-12-31 0000801337 us-gaap:CoreDepositsMember wbs:HSABankMember 2017-12-31 0000801337 wbs:HSABankMember 2018-12-31 0000801337 us-gaap:CustomerRelationshipsMember wbs:HSABankMember 2017-12-31 0000801337 wbs:HSABankMember 2017-12-31 0000801337 us-gaap:CoreDepositsMember wbs:HSABankMember 2018-12-31 0000801337 wbs:CommunityBankingMember 2018-12-31 0000801337 us-gaap:CustomerRelationshipsMember wbs:HSABankMember 2018-12-31 0000801337 wbs:CommunityBankingMember 2017-12-31 0000801337 stpr:CT 2018-12-31 0000801337 srt:MaximumMember us-gaap:ScenarioForecastMember 2019-01-01 2019-12-31 0000801337 srt:MinimumMember us-gaap:ScenarioForecastMember 2019-01-01 2019-12-31 0000801337 us-gaap:ShareholdersEquityMember 2018-01-01 2018-12-31 0000801337 us-gaap:StateAndLocalJurisdictionMember 2018-12-31 0000801337 wbs:Estimatedutilizationofcapitallosscarryforwards Member 2018-01-01 2018-12-31 0000801337 srt:ScenarioPreviouslyReportedMember 2017-12-31 0000801337 us-gaap:LondonInterbankOfferedRateLIBORMember 2018-12-31 0000801337 us-gaap:SeniorNotesMember 2018-12-31 0000801337 us-gaap:JuniorSubordinatedDebtMember 2017-12-31 0000801337 us-gaap:LongTermDebtMember 2018-12-31 0000801337 us-gaap:JuniorSubordinatedDebtMember 2018-12-31 0000801337 us-gaap:LongTermDebtMember 2017-12-31 0000801337 us-gaap:SeniorNotesMember 2017-12-31 0000801337 wbs:Originalmaturityofgreaterthanoneyearnoncallable Member 2018-12-31 0000801337 wbs:OriginalMaturityOfOneYearOrLessMember 2018-12-31 0000801337 wbs:OriginalMaturityOfOneYearOrLessMember us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2018-12-31 0000801337 wbs:Originalmaturityofgreaterthanoneyearnoncallable Member us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2018-12-31 0000801337

us-gaap:FederalFundsPurchasedMember 2017-12-31 0000801337 wbs:OriginalMaturityOfOneYearOrLessMember
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2017-12-31 0000801337
us-gaap:FederalFundsPurchasedAndSecuritiesSoldUnderAgreementsToRepurchaseMember 2018-12-31 0000801337
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2017-12-31 0000801337
us-gaap:FederalFundsPurchasedAndSecuritiesSoldUnderAgreementsToRepurchaseMember 2017-12-31 0000801337
us-gaap:FederalFundsPurchasedMember 2018-12-31 0000801337 wbs:OriginalMaturityOfOneYearOrLessMember
2017-12-31 0000801337 wbs:OriginalmaturityofgreaterthanoneyearnoncallableMember
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2017-12-31 0000801337
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2018-12-31 0000801337
wbs:OriginalmaturityofgreaterthanoneyearnoncallableMember 2017-12-31 0000801337
us-gaap:CommonStockMember 2018-12-31 0000801337 us-gaap:TreasuryStockMember 2017-12-31 0000801337
us-gaap:TreasuryStockMember 2018-01-01 2018-12-31 0000801337 us-gaap:CommonStockMember 2017-12-31
0000801337 us-gaap:SeriesEPreferredStockMember 2012-12-04 0000801337 2011-06-08 0000801337
us-gaap:SeriesEPreferredStockMember 2012-12-04 2012-12-04 0000801337 us-gaap:CommonStockMember
2012-12-06 0000801337 us-gaap:CommonStockMember 2018-01-01 2018-12-31 0000801337
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-01-01 2017-12-31
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-01-01 2016-12-31 0000801337
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-12-31 0000801337
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-01-01 2016-12-31
0000801337 us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-12-31 0000801337
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-12-31 0000801337
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-01-01 2017-12-31 0000801337
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-01-01 2018-12-31 0000801337
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-12-31 0000801337
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-12-31 0000801337
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-12-31 0000801337
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-01-01 2016-12-31 0000801337
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-12-31 0000801337
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-12-31
0000801337 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-12-31
0000801337 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-12-31
0000801337 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-12-31
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-12-31 0000801337
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2015-12-31 0000801337
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2015-12-31 0000801337
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2015-12-31 0000801337
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember
2016-01-01 2016-12-31 0000801337
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-01-01 2016-12-31 0000801337
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-01-01 2016-12-31
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetUnamortizedGainLossMember 2017-01-01
2017-12-31 0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetUnamortizedGainLossMember
2016-01-01 2016-12-31 0000801337
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-01-01 2017-12-31
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetPriorServiceCostCreditMember 2017-01-01
2017-12-31 0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-12-31 0000801337

us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember
2017-01-01 2017-12-31 0000801337
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-12-31
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetPriorServiceCostCreditMember 2016-01-01
2016-12-31 0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember
2018-01-01 2018-12-31 0000801337
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-12-31 0000801337
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetUnamortizedGainLossMember 2018-01-01 2018-12-31
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetPriorServiceCostCreditMember 2018-01-01
2018-12-31 0000801337 srt:SubsidiariesMember 2018-12-31 0000801337 srt:SubsidiariesMember 2017-12-31
0000801337 wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember 2018-12-31
0000801337 srt:SubsidiariesMember
wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember 2018-12-31 0000801337
srt:SubsidiariesMember wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember
2017-12-31 0000801337 wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember
2017-12-31 0000801337 srt:SubsidiariesMember
wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember 2018-12-31 0000801337
srt:SubsidiariesMember wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember
2017-12-31 0000801337 wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember
2018-12-31 0000801337 wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember
2017-12-31 0000801337 us-gaap:EmployeeStockOptionMember 2016-01-01 2016-12-31 0000801337
us-gaap:EmployeeStockOptionMember 2018-01-01 2018-12-31 0000801337 us-gaap:RestrictedStockMember
2017-01-01 2017-12-31 0000801337 us-gaap:EmployeeStockOptionMember 2017-01-01 2017-12-31 0000801337
us-gaap:RestrictedStockMember 2016-01-01 2016-12-31 0000801337 us-gaap:RestrictedStockMember 2018-01-01
2018-12-31 0000801337 us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
wbs:SubjecttoandnotsubjecttoMasterNettingAgreementsMember 2018-12-31 0000801337
us-gaap:CreditDefaultSwapBuyingProtectionMember us-gaap:CreditRiskContractMember
us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
us-gaap:CreditDefaultSwapSellingProtectionMember wbs:MortgageBankingDerivativesMember
us-gaap:NondesignatedMember wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember
2017-12-31 0000801337 us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
wbs:SubjecttoandnotsubjecttoMasterNettingAgreementsMember 2017-12-31 0000801337
us-gaap:CreditDefaultSwapBuyingProtectionMember wbs:MortgageBankingDerivativesMember
us-gaap:NondesignatedMember wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember
2017-12-31 0000801337 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
us-gaap:CreditDefaultSwapSellingProtectionMember us-gaap:CreditRiskContractMember
us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
us-gaap:OtherContractMember us-gaap:NondesignatedMember

wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
us-gaap:OtherContractMember us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
us-gaap:OtherContractMember us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
us-gaap:CreditDefaultSwapBuyingProtectionMember wbs:MortgageBankingDerivativesMember
us-gaap:NondesignatedMember wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember
2018-12-31 0000801337 us-gaap:OtherContractMember us-gaap:NondesignatedMember
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2018-12-31 0000801337
us-gaap:CreditDefaultSwapBuyingProtectionMember us-gaap:CreditRiskContractMember
us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
us-gaap:CreditDefaultSwapSellingProtectionMember wbs:MortgageBankingDerivativesMember
us-gaap:NondesignatedMember wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember
2018-12-31 0000801337 us-gaap:CreditDefaultSwapSellingProtectionMember us-gaap:CreditRiskContractMember
us-gaap:NondesignatedMember
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-12-31 0000801337
wbs:CMEMember us-gaap:NondesignatedMember 2017-12-31 0000801337
us-gaap:LoanOriginationCommitmentsMember 2018-12-31 0000801337 us-gaap:CashFlowHedgingMember
2018-12-31 0000801337 wbs:CMEMember us-gaap:NondesignatedMember 2018-12-31 0000801337
us-gaap:CashFlowHedgingMember 2018-01-01 2018-12-31 0000801337 us-gaap:OverTheCounterMember
2018-12-31 0000801337 us-gaap:MarketApproachValuationTechniqueMember 2018-12-31 0000801337
us-gaap:InterestRateLockCommitmentsMember 2018-12-31 0000801337 us-gaap:CashFlowHedgingMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000801337 us-gaap:ExchangeClearedMember
2018-12-31 0000801337 us-gaap:NondesignatedMember 2018-01-01 2018-12-31 0000801337
us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2018-01-01
2018-12-31 0000801337 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
us-gaap:OperatingExpenseMember 2018-01-01 2018-12-31 0000801337 wbs:MortgageBankingDerivativesMember
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2016-01-01 2016-12-31 0000801337
us-gaap:OtherContractMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2017-01-01
2017-12-31 0000801337 us-gaap:OtherContractMember us-gaap:NondesignatedMember
us-gaap:OperatingExpenseMember 2016-01-01 2016-12-31 0000801337 us-gaap:InterestRateContractMember
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2017-01-01 2017-12-31 0000801337
us-gaap:NondesignatedMember 2016-01-01 2016-12-31 0000801337 us-gaap:InterestRateContractMember
us-gaap:DesignatedAsHedgingInstrumentMember us-gaap:OperatingExpenseMember 2017-01-01 2017-12-31
0000801337 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
us-gaap:OperatingExpenseMember 2016-01-01 2016-12-31 0000801337 us-gaap:CreditRiskContractMember
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2017-01-01 2017-12-31 0000801337
wbs:MortgageBankingDerivativesMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember
2017-01-01 2017-12-31 0000801337 us-gaap:InterestRateContractMember
us-gaap:DesignatedAsHedgingInstrumentMember us-gaap:OperatingExpenseMember 2018-01-01 2018-12-31
0000801337 us-gaap:OtherContractMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember
2018-01-01 2018-12-31 0000801337 us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember
us-gaap:OperatingExpenseMember 2016-01-01 2016-12-31 0000801337 us-gaap:InterestRateContractMember
us-gaap:DesignatedAsHedgingInstrumentMember us-gaap:OperatingExpenseMember 2016-01-01 2016-12-31

0000801337 wbs:MortgageBankingDerivativesMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2018-01-01 2018-12-31 0000801337 us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0000801337 us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000801337 us-gaap:NondesignatedMember 2018-12-31 0000801337 us-gaap:NondesignatedMember 2017-12-31 0000801337 wbs:LoansheldforsaleMember 2018-12-31 0000801337 wbs:LoansheldforsaleMember 2017-12-31 0000801337 us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:HeldtomaturitySecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:HeldtomaturitySecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0000801337 us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:HeldtomaturitySecuritiesMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0000801337 wbs:DepositsOtherThanTimeDepositsMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0000801337 wbs:TimeDepositsMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0000801337 us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member wbs:TimeDepositsMember us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member wbs:TimeDepositsMember us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0000801337 wbs:TimeDepositsMember us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000801337 wbs:DepositsOtherThanTimeDepositsMember us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:HeldtomaturitySecuritiesMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member wbs:DepositsOtherThanTimeDepositsMember us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member wbs:DepositsOtherThanTimeDepositsMember us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryBillSecuritiesMember 2017-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedLoanObligationsMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedLoanObligationsMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2017-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember

2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember
2017-12-31 0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000801337
us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember
2017-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember
2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember
wbs:TrustPreferredSecuritiesSingleIssuersMember 2017-12-31 0000801337
us-gaap:FairValueMeasurementsRecurringMember
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2017-12-31 0000801337
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-12-31 0000801337
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:CollateralizedMortgageObligationsMember 2017-12-31 0000801337
us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2017-12-31
0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:LoanOriginationCommitmentsMember 2017-12-31 0000801337
us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember us-gaap:FairValueMeasurementsRecurringMember
2017-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:USTreasuryBillSecuritiesMember 2017-12-31 0000801337
us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2017-12-31 0000801337
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember
2017-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember
us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2017-12-31
0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:LoanOriginationCommitmentsMember 2017-12-31 0000801337
us-gaap:FairValueMeasurementsRecurringMember us-gaap:LoanOriginationCommitmentsMember 2017-12-31
0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember
2017-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember
wbs:TrustPreferredSecuritiesSingleIssuersMember 2017-12-31 0000801337
us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember us-gaap:FairValueMeasurementsRecurringMember
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2017-12-31 0000801337
us-gaap:DerivativeFinancialInstrumentsAssetsMember
us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember us-gaap:FairValueMeasurementsRecurringMember
2017-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember
us-gaap:CorporateDebtSecuritiesMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember
2017-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember
us-gaap:CollateralizedMortgageObligationsMember 2017-12-31 0000801337 us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2017-12-31
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2017-12-31 0000801337 wbs:RabbiTrustMember
2018-12-31 0000801337 us-gaap:PrivateEquityFundsDomesticMember 2018-01-01 2018-12-31 0000801337
us-gaap:PrivateEquityFundsDomesticMember 2018-12-31 0000801337

us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:PrivateEquityFundsDomesticMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember us-gaap:FairValueMeasurementsRecurringMember us-gaap:LoanOriginationCommitmentsMember 2018-12-31 0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedLoanObligationsMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedMortgageObligationsMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryBillSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2018-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:LoanOriginationCommitmentsMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:LoanOriginationCommitmentsMember 2018-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedLoanObligationsMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryBillSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:LoanOriginationCommitmentsMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedMortgageObligationsMember 2018-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember 2018-12-31 0000801337 us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2018-12-31 0000801337 us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2018-12-31 0000801337 us-gaap:PensionPlansDefinedBenefitMember 2018-12-31 0000801337 us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2017-12-31 0000801337 us-gaap:PensionPlansDefinedBenefitMember 2017-12-31 0000801337 us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2017-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2018-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueInputsLevel1Member 2018-12-31 0000801337 us-gaap:FairValueInputsLevel3Member 2018-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueInputsLevel3Member 2017-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueInputsLevel1Member 2017-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2018-12-31 0000801337 us-gaap:EquityFundsMember 2017-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueInputsLevel1Member 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueInputsLevel1Member 2017-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueInputsLevel3Member 2017-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueInputsLevel2Member 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2017-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueInputsLevel3Member 2017-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2017-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2018-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueInputsLevel1Member 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueInputsLevel2Member 2017-12-31 0000801337 us-gaap:EquityFundsMember 2018-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueInputsLevel2Member 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member 2017-12-31 0000801337 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2017-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueInputsLevel2Member 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember 2018-12-31 0000801337 us-gaap:FairValueInputsLevel3Member 2017-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueInputsLevel1Member 2018-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueInputsLevel3Member 2018-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueInputsLevel2Member 2018-12-31 0000801337 us-gaap:FairValueInputsLevel2Member 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueInputsLevel2Member 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueInputsLevel1Member 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember 2018-12-31 0000801337 us-gaap:EquityFundsMember us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueInputsLevel1Member 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember 2017-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueInputsLevel2Member 2017-12-31 0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueInputsLevel3Member 2017-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember us-gaap:FairValueInputsLevel3Member 2018-12-31 0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueInputsLevel2Member 2018-12-31 0000801337 us-gaap:FairValueInputsLevel1Member 2017-12-31 0000801337 us-gaap:FairValueInputsLevel1Member 2018-12-31 0000801337 us-gaap:ExchangeTradedFundsMember us-gaap:FairValueInputsLevel3Member 2018-12-31

0000801337 us-gaap:FixedIncomeFundsMember us-gaap:FairValueInputsLevel3Member 2018-12-31 0000801337
us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember 2017-12-31 0000801337
us-gaap:PensionPlansDefinedBenefitMember 2017-10-01 2017-12-31 0000801337
us-gaap:PensionPlansDefinedBenefitMember 2018-01-01 2018-12-31 0000801337
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2017-10-01 2017-12-31 0000801337
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2017-10-01 2017-12-31 0000801337
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2018-01-01 2018-12-31 0000801337
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2018-01-01 2018-12-31 0000801337
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2017-01-01 2017-12-31 0000801337
us-gaap:MultiemployerPlansPensionMember 2015-07-01 0000801337 srt:MinimumMember 2018-01-01 2018-12-31
0000801337 us-gaap:PensionPlansDefinedBenefitMember 2016-01-01 2016-12-31 0000801337
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2016-01-01 2016-12-31 0000801337
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2017-01-01 2017-12-31 0000801337
us-gaap:PensionPlansDefinedBenefitMember 2017-01-01 2017-12-31 0000801337
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2016-01-01 2016-12-31 0000801337
us-gaap:FairValueInputsLevel3Member 2017-01-01 2017-12-31 0000801337 us-gaap:FairValueInputsLevel3Member
2016-12-31 0000801337 us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2016-12-31
0000801337 us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2016-12-31 0000801337
us-gaap:PensionPlansDefinedBenefitMember 2016-12-31 0000801337 us-gaap:FixedIncomeFundsMember
2016-12-31 0000801337 us-gaap:DefinedBenefitPlanCashAndCashEquivalentsMember 2016-12-31 0000801337
us-gaap:EquityFundsMember 2016-12-31 0000801337 wbs:RangeOneMember 2018-01-01 2018-12-31 0000801337
wbs:RangeOneMember 2018-12-31 0000801337 wbs:RangeFourMember 2018-12-31 0000801337
wbs:RangeFourMember 2018-01-01 2018-12-31 0000801337 us-gaap:RestrictedStockMember 2018-01-01
2018-12-31 0000801337 wbs:NonQualifiedStockOptionsMember 2018-12-31 0000801337
wbs:IncentiveStockOptionsMember 2018-12-31 0000801337 srt:MaximumMember
us-gaap:EmployeeStockOptionMember 2018-01-01 2018-12-31 0000801337 srt:MinimumMember
wbs:TimeBasedRestrictedStockAwardsMember 2018-01-01 2018-12-31 0000801337
us-gaap:PerformanceSharesMember 2018-01-01 2018-12-31 0000801337 srt:MaximumMember
us-gaap:RestrictedStockMember 2018-12-31 0000801337 us-gaap:EmployeeStockOptionMember 2018-01-01
2018-12-31 0000801337 us-gaap:RestrictedStockMember 2017-01-01 2017-12-31 0000801337 srt:MaximumMember
wbs:TimeBasedRestrictedStockAwardsMember 2018-01-01 2018-12-31 0000801337
us-gaap:RestrictedStockMember 2018-12-31 0000801337 us-gaap:RestrictedStockMember 2016-01-01 2016-12-31
0000801337 us-gaap:StockAppreciationRightsSARSMember 2018-01-01 2018-12-31 0000801337
us-gaap:PerformanceSharesMember 2018-12-31 0000801337 us-gaap:EmployeeStockOptionMember 2017-12-31
0000801337 us-gaap:EmployeeStockOptionMember 2018-12-31 0000801337 us-gaap:PerformanceSharesMember
2017-12-31 0000801337 us-gaap:RestrictedStockMember 2017-12-31 0000801337
us-gaap:EmployeeStockOptionMember 2017-01-01 2017-12-31 0000801337 us-gaap:EmployeeStockOptionMember
2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:HSABankMember 2018-01-01
2018-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:CommunityBankingMember 2018-01-01
2018-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:CommercialBankingMember 2018-01-01
2018-12-31 0000801337 us-gaap:CorporateNonSegmentMember 2018-01-01 2018-12-31 0000801337
us-gaap:OperatingSegmentsMember wbs:CommercialBankingMember 2017-01-01 2017-12-31 0000801337
us-gaap:OperatingSegmentsMember wbs:CommunityBankingMember 2017-01-01 2017-12-31 0000801337
us-gaap:CorporateNonSegmentMember 2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:HSABankMember 2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:HSABankMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:CommunityBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:CommercialBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:CorporateNonSegmentMember
2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:CommercialBankingMember
2018-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:CommunityBankingMember 2018-12-31
0000801337 us-gaap:CorporateNonSegmentMember 2017-12-31 0000801337

us-gaap:CorporateNonSegmentMember 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:CommunityBankingMember 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:HSABankMember 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:CommercialBankingMember 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:HSABankMember 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:HSABankMember 2017-01-01
2017-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember
wbs:HSABankMember 2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:HSABankMember 2017-01-01 2017-12-31
0000801337 us-gaap:OperatingSegmentsMember
us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:CommunityBankingMember
2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:DepositServiceFeesMember
wbs:CommunityBankingMember 2017-01-01 2017-12-31 0000801337 wbs:OtherNonInterestIncomeMember
2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:CommercialBankingMember
2017-01-01 2017-12-31 0000801337 us-gaap:CorporateNonSegmentMember
us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember 2017-01-01 2017-12-31 0000801337
us-gaap:CorporateNonSegmentMember wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember
2017-01-01 2017-12-31 0000801337 us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember
2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:DepositServiceFeesMember
wbs:HSABankMember 2017-01-01 2017-12-31 0000801337 wbs:DepositServiceFeesMember 2017-01-01
2017-12-31 0000801337 wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember 2017-01-01
2017-12-31 0000801337 us-gaap:CorporateNonSegmentMember wbs:DepositServiceFeesMember 2017-01-01
2017-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:DepositServiceFeesMember
wbs:CommercialBankingMember 2017-01-01 2017-12-31 0000801337 us-gaap:CorporateNonSegmentMember
wbs:OtherNonInterestIncomeMember 2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:CommunityBankingMember 2017-01-01
2017-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember
wbs:CommunityBankingMember 2017-01-01 2017-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:CommercialBankingMember 2017-01-01
2017-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember
wbs:CommercialBankingMember 2017-01-01 2017-12-31 0000801337 us-gaap:CorporateNonSegmentMember
wbs:OtherNonInterestIncomeMember 2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:DepositServiceFeesMember wbs:HSABankMember 2018-01-01 2018-12-31 0000801337
us-gaap:OperatingSegmentsMember wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember
wbs:CommercialBankingMember 2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:CommercialBankingMember
2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember
wbs:HSABankMember 2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:DepositServiceFeesMember wbs:CommercialBankingMember 2018-01-01 2018-12-31 0000801337
us-gaap:OperatingSegmentsMember us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember
wbs:HSABankMember 2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:DepositServiceFeesMember wbs:CommunityBankingMember 2018-01-01 2018-12-31 0000801337
wbs:DepositServiceFeesMember 2018-01-01 2018-12-31 0000801337 us-gaap:CorporateNonSegmentMember
us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember 2018-01-01 2018-12-31 0000801337
us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember wbs:CommercialBankingMember
2018-01-01 2018-12-31 0000801337 wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember
2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:CommunityBankingMember 2018-01-01
2018-12-31 0000801337 us-gaap:OperatingSegmentsMember
wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:HSABankMember 2018-01-01 2018-12-31

0000801337 us-gaap:OperatingSegmentsMember us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:CommunityBankingMember 2018-01-01 2018-12-31 0000801337 us-gaap:CorporateNonSegmentMember wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember 2018-01-01 2018-12-31 0000801337 wbs:OtherNonInterestIncomeMember 2018-01-01 2018-12-31 0000801337 us-gaap:CorporateNonSegmentMember wbs:DepositServiceFeesMember 2018-01-01 2018-12-31 0000801337 us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember 2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember wbs:CommunityBankingMember 2018-01-01 2018-12-31 0000801337 us-gaap:OperatingSegmentsMember us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:CommercialBankingMember 2016-01-01 2016-12-31 0000801337 wbs:DepositServiceFeesMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember wbs:CommercialBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember wbs:CommunityBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:CommercialBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:HSABankMember 2016-01-01 2016-12-31 0000801337 us-gaap:CorporateNonSegmentMember us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember 2016-01-01 2016-12-31 0000801337 us-gaap:CorporateNonSegmentMember wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:DepositServiceFeesMember wbs:CommunityBankingMember 2016-01-01 2016-12-31 0000801337 wbs:OtherNonInterestIncomeMember 2016-01-01 2016-12-31 0000801337 us-gaap:CorporateNonSegmentMember wbs:DepositServiceFeesMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:DepositServiceFeesMember wbs:CommercialBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:OtherNonInterestIncomeMember wbs:HSABankMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:DepositServiceFeesMember wbs:HSABankMember 2016-01-01 2016-12-31 0000801337 wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:CommunityBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember us-gaap:InvestmentAdvisoryManagementAndAdministrativeServiceMember wbs:HSABankMember 2016-01-01 2016-12-31 0000801337 us-gaap:CorporateNonSegmentMember wbs:OtherNonInterestIncomeMember 2016-01-01 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember wbs:NonInterestIncomeWithintheScopeofOtherGAAPTopicsMember wbs:CommunityBankingMember 2016-01-01 2016-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2017-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2017-01-01 2017-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2016-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2015-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2018-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2016-01-01 2016-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2018-01-01 2018-12-31 0000801337 us-gaap:LetterOfCreditMember 2017-12-31 0000801337 us-gaap:LetterOfCreditMember 2018-12-31 0000801337 us-gaap:CommitmentsToExtendCreditMember 2017-12-31 0000801337 us-gaap:CommitmentsToExtendCreditMember 2018-12-31 0000801337 us-gaap:StandbyLettersOfCreditMember 2017-12-31 0000801337 us-gaap:StandbyLettersOfCreditMember 2018-12-31 0000801337 srt:ParentCompanyMember 2016-01-01 2016-12-31 0000801337 srt:ParentCompanyMember 2018-01-01 2018-12-31 0000801337 srt:ParentCompanyMember 2017-01-01 2017-12-31 0000801337 srt:ParentCompanyMember 2018-12-31 0000801337 srt:ParentCompanyMember 2017-12-31 0000801337 srt:ParentCompanyMember 2016-12-31 0000801337 srt:ParentCompanyMember 2015-12-31 0000801337 2017-04-01 2017-06-30 0000801337 2017-07-01 2017-09-30 0000801337 2017-01-01 2017-03-31 0000801337 2018-10-01 2018-12-31 0000801337

2018-07-01 2018-09-30 0000801337 2018-04-01 2018-06-30 0000801337 2018-01-01 2018-03-31 wbs:holding iso4217:USD xbrli:shares xbrli:shares xbrli:pure iso4217:USD wbs:loan wbs:Segment

Table of Contents

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended December 31, 2018
Commission File Number: 001-31486

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

Delaware	**06-1187536**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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 5.25% Series F Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange

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

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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transaction period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
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 $5.8 billion, based on the closing sale price of the common stock on the New York Stock Exchange on June 30, 2018, 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 15, 2019 was 92,288,409.

Documents Incorporated by Reference

Part III: Portions of the Definitive Proxy Statement (the "Proxy Statement") for the Annual Meeting of Shareholders to be held on April 25, 2019.

INDEX

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
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. Forward-looking statements can be identified by words such as "believes," "anticipates," "expects," "intends," "targeted," "continue," "remain," "will," "should," "may," "plans," "estimates," and similar references to 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 our actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- our ability to successfully execute our business plan and manage our risks;
- local, regional, national and international economic conditions and the impact they may have on us and our customers;
- volatility and disruption in national and international financial markets;
- 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, changes in interest rates, and securities market and monetary fluctuations;
- the timely development and acceptance of new products and services and the perceived value of these products and services by customers;
- changes in deposit flows, consumer spending, borrowings and savings habits;
- our ability to implement new technologies and maintain secure and reliable technology systems;
- performance by our counterparties and vendors;
- the ability to increase market share and control expenses;
- changes in the competitive environment among banks, financial holding companies and other financial services providers;
- changes in laws and regulations (including laws and regulations concerning taxes, banking, securities, insurance and healthcare) with which we and our subsidiaries must comply;
- the effect of changes in accounting policies and practices applicable to us; and
- legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews.

All forward-looking statements in this Annual Report on Form 10-K speak 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.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
KEY TO ACRONYMS AND TERMS

Agency CMBS	Agency commercial mortgage-backed securities
Agency CMO	Agency collateralized mortgage obligations
Agency MBS	Agency mortgage-backed securities
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
AOCL	Accumulated other comprehensive loss, net of tax
ARRC	Alternative Reference Rates Committee
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Basel III	Capital rules under a global regulatory framework developed by the Basel Committee on Banking Supervision
BHC Act	Bank Holding Company Act of 1956, as amended
Capital Rules	Final rules establishing a new comprehensive capital framework for U.S. banking organizations
CET1 capital	Common Equity Tier 1 Capital, defined by Basel III capital rules
CFPB	Consumer Financial Protection Bureau
CFTC	Commodity Futures Trading Commission
CLO	Collateralized loan obligation securities
CMBS	Non-agency commercial mortgage-backed securities
CME	Chicago Mercantile Exchange
CRA	Community Reinvestment Act of 1977
DIF	Federal Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DTA	Deferred tax asset
EGRRCPA	Economic Growth, Regulatory Relief, and Consumer Protection Act
ERMC	Enterprise Risk Management Committee
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation
FINRA	Financial Industry Regulatory Authority
FRA	Federal Reserve Act
FRB	Federal Reserve Bank
FTP	Funds Transfer Pricing, a matched maturity funding concept
GAAP	U.S. Generally Accepted Accounting Principles
Holding Company	Webster Financial Corporation
HSA Bank	HSA Bank, a division of Webster Bank, National Association
LEP	Loss emergence period
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LPL	LPL Financial Holdings Inc.
NAV	Net asset value
NII	Net interest income
OCC	Office of the Comptroller of the Currency
OCI/OCL	Other comprehensive income (loss)
OREO	Other real estate owned
OTTI	Other-than-temporary impairment
PD	Probability of default
PPNR	Pre-tax, pre-provision net revenue
QM	Qualified mortgage
SALT	State and local tax
SEC	United States Securities and Exchange Commission
SERP	Supplemental defined benefit retirement plan
SIPC	Securities Investor Protection Corporation
SOFR	Secured overnight financing rate
Tax Act	Tax Cuts and Jobs Act of 2017
TDR	Troubled debt restructuring, defined in ASC 310-40 "*Receivables-Troubled Debt Restructurings by Creditors*"
UTB	Unrecognized tax benefit
VIE	Variable interest entity, defined in ASC 810-10 "*Consolidation-Overall*"
VOE	Voting interest entity
Webster Bank or the Bank	Webster Bank, National Association, a wholly-owned subsidiary of Webster Financial Corporation
Webster or the Company	Webster Financial Corporation, collectively with its consolidated subsidiaries

Table of Contents

PART 1

ITEM 1. BUSINESS

Company Overview

Webster Financial Corporation is a bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended (BHC Act), incorporated under the laws of Delaware in 1986, and headquartered in Waterbury, Connecticut. Its principal asset is all of the outstanding capital stock of Webster Bank, National Association (Webster Bank). References in this report to Webster, the Company, we, our, or us, mean Webster Financial Corporation and its consolidated subsidiaries. At December 31, 2018, Webster had assets of $27.6 billion, net loans and leases of $18.3 billion, deposits of $21.9 billion, and shareholders' equity of $2.9 billion.

Webster had 3,265 full-time equivalent employees at December 31, 2018. Webster provides its employees with comprehensive benefits, some of which are provided on a contributory basis, including medical and dental plans, a 401(k) savings plan with a company matching contribution, life insurance, and short-term and long-term disability coverage.

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 and investor relations internet address is www.wbst.com. Webster makes available free of charge on these websites its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, definitive 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 United States Securities and Exchange Commission (SEC). These documents are also available to the public on the Internet at the SEC's website at www.sec.gov. Information on Webster's website and its investor relations website is not incorporated by reference into this report.

Business Segments

The Company delivers a wide range of banking, investment, and financial services to businesses and individuals through three reportable segments - Commercial Banking, HSA Bank, a division of Webster Bank, National Association (HSA Bank), and Community Banking.

Commercial Banking provides lending, deposit, and treasury and payment solutions with a focus on building relationships with companies that have annual revenues greater than $25 million. Commercial Banking is comprised of the following:

- Middle Market delivers a full array of financial services to a diversified group of companies, leveraging industry specialization and delivering competitive products and services, primarily in the Northeast.
- Commercial Real Estate provides financing, primarily in the Northeast, for the acquisition, development, construction, or refinancing of commercial real estate for which the property is the primary security for the loan and income generated from the property is the primary repayment source.
- Webster Business Credit Corporation is the asset-based lending subsidiary of Webster Bank and is one of the top 25 asset-based lenders in the U.S. Webster Business Credit Corporation builds relationships with growing middle market companies by financing core working capital and import financing needs primarily with revolving credit facilities with advance rates against accounts receivable and inventory. Webster Business Credit Corporation lends primarily in the eastern half of the U.S.
- Webster Capital Finance is the equipment finance subsidiary of Webster Bank. Webster Capital Finance offers small to mid-ticket financing for critical equipment with specialties in construction, transportation, environmental and manufacturing equipment. Webster Capital Finance lends primarily in the eastern half of the U.S. and in other select markets
- Treasury and Payment Solutions delivers a broad range of deposit, lending, treasury, and trade services, primarily in the Northeast, via a dedicated team of treasury professionals and local commercial bankers. Treasury and Payment Solutions is comprised of Government and Institutional Banking, Cash Management Sales and Product Management to deliver holistic solutions to Webster's increasingly sophisticated business and institutional clients.

HSA Bank is a leading bank administrator of health savings accounts based on assets under administration. With a focus on health savings accounts, HSA Bank also delivers health reimbursement arrangements, and flexible spending and commuter benefit account administration services to employers and individuals in all 50 states. Health savings accounts are distributed nationwide directly to employers and individual consumers as well as through national and regional insurance carriers, benefit consultants and financial advisors. At December 31, 2018, HSA Bank had over 2.7 million accounts with more than $7.2 billion in health savings account deposits and linked investment balances.

1

Table of Contents

Community Banking serves consumers and business banking customers primarily throughout southern New England and into Westchester County, NY. Community Banking is comprised of personal and business banking, as well as a distribution network consisting of 157 banking centers, 316 ATMs, a customer care center, and a full range of web and mobile based banking services.

- Personal Banking offers consumer deposit and fee-based services, residential mortgages, home equity lines/loans, unsecured consumer loans, and credit card products. In addition, investment and securities-related services, including brokerage and investment advice is offered through a strategic partnership with LPL Financial Holdings Inc. (LPL), a broker dealer registered with the SEC, 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). Webster Bank has employees located throughout its banking center network, who, through LPL, are registered representatives.
- Business Banking offers credit, deposit, and cash flow management products to businesses and professional service firms with annual revenues of up to $25 million. This group builds broad 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.

Additional information relating to our business segments is included under the caption "Segment Reporting" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Subsidiaries of Webster Financial Corporation

Webster Financial Corporation's direct consolidated subsidiaries include Webster Bank, Webster Wealth Advisors, Inc., and Webster Licensing, LLC. Additionally, Webster Financial Corporation, the Holding Company, 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.

Webster Bank offers its wide range of financial services to individuals, families and businesses. Through its HSA Bank division, Webster Bank offers health savings accounts, health reimbursement accounts, flexible spending accounts, and other financial solutions. Through its strategic partnership with LPL, Webster Bank offers investment and securities-related services.

Webster Bank's significant direct subsidiaries include: Webster Mortgage Investment Corporation, 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; Webster Business Credit Corporation, which offers asset-based lending services; and Webster Capital Finance, Inc., which offers 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, non-bank health savings account trustees, consumer finance companies, investment companies, insurance companies, and online lending and savings institutions. Certain of these competitors are larger financial institutions with substantially greater resources, lending limits, larger branch systems, and a wider array of commercial and consumer 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 and hours, mobile banking and other automated services. Competition for deposits comes from other commercial banks, thrifts, credit unions, non-bank health savings account trustees, mutual funds, and other investment alternatives. The primary factors in competing for consumer and commercial loans are interest rates, loan origination fees, ease and convenience of loan origination channels, the quality and range of lending services, personalized service and ability to close within customers' desired time frame. Competition for origination of loans comes primarily from commercial banks, non-bank lenders, savings institutions, mortgage banking firms, mortgage brokers, online lenders, and insurance companies. Other factors which affect competition include the general and local economic conditions, current interest rate levels, and volatility in the lending markets.

Supervision and Regulation

Webster and its bank and non-bank 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, the Federal Deposit Insurance Fund (DIF), 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 bank and non-bank 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 bank and non-bank subsidiaries could have a material effect on the results of the Company.

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, and is regulated under the BHC Act. Webster 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 companies listed on the New York Stock Exchange. 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's non-bank subsidiaries are subject to federal and state laws and regulations, including regulations of the Federal Reserve System.

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 federal regulator, as well as by the Federal Deposit Insurance Corporation (FDIC) as its deposit insurer. Webster Bank's deposits are insured by the FDIC up to the applicable deposit insurance limits in accordance with FDIC laws and regulations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (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. The current administration and its appointees to the federal banking agencies have expressed interest in reviewing, revising, and perhaps repealing portions of the Dodd-Frank Act and certain of its implementing regulations.

On May 14, 2018, the President signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), which among other things, amended certain provisions of the Dodd-Frank Act as well as statutes administered by the Federal Reserve System, the FDIC, and the OCC. The amendments made by the EGRRCPA provide limited regulatory relief for certain financial institutions and additional tailoring of banking and consumer protection laws, while preserving the existing framework under which U.S. financial institutions are regulated, including the discretionary authority of the Federal Reserve System, the FDIC, and the OCC to supervise bank holding companies and insured depository institutions, such as Webster Financial Corporation and Webster Bank.

In addition, EGRRCPA includes certain other banking-related consumer protection as securities law-related provisions. Many of the EGRRCPA changes must be implemented through rules adopted by the federal banking regulators and certain changes remain subject to substantial regulatory discretion of the federal banking regulators. As a result, the full impact of EGRRCPA will remain unclear for the immediate future. The Company expects to continue to evaluate the potential impact of EGRRCPA as it is further implemented by the regulators.

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 Board of Governors of the Federal Reserve System 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, such as Webster Financial Corporation, 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 Board of Governors of the Federal Reserve System 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 (as solely determined by the Board of Governors of the Federal Reserve System). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting, and making merchant banking investments.

Mergers and Acquisitions

The BHC Act, the Bank Merger Act, and other federal and state statutes regulate the direct and indirect acquisition of depository institutions. The BHC Act requires the prior Federal Reserve System approval for a bank holding company to acquire, directly or indirectly, 5% or more of any class of voting securities of a commercial bank or its parent holding company and for a company, other than a bank holding company, to acquire 25% or more of any class of voting securities of a bank or bank holding company. Under the Change in Bank Control Act, any person, including a company, may not acquire, directly or indirectly, control of a bank without providing 60 days prior notice and receiving a non-objection from the appropriate federal banking agency.

Under the Bank Merger Act, the prior approval of the appropriate federal banking agency is required for insured depository institutions to merge or enter into purchase and assumption transactions. In reviewing applications seeking approval of merger or purchase and assumption 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 banks, the applicant's performance record under the Community Reinvestment Act of 1977 (CRA), and the effectiveness of the merging banks in combating money laundering.

Enhanced Prudential Standards

Section 165 of the Dodd-Frank Act imposes enhanced prudential standards on larger banking organizations. However, as of the enactment of EGRRCPA on May 24, 2018, bank holding companies with less than $100 billion in assets, such as Webster Financial Corporation are exempt from the enhanced prudential standards imposed under Section 165. As a result Webster Financial Corporation is relieved from the requirement to conduct company-run stress testing for itself and Webster Bank. However, while the federal banking agencies will not require company-run stress testing, the capital planning and risk management practices of the Company will continue to be reviewed through regular supervisory processes of the Federal Reserve System and the OCC. The Company will continue to perform certain stress tests internally and incorporate the economic models and information developed through its stress testing program into its risk management and business planning activities.

Furthermore, under a previously issued rule of the Federal Reserve System implementing enhanced prudential standards required by the Dodd-Frank Act, bank holding companies with more than $10 billion in assets were subject to certain rules, including a requirement to establish a separate risk committee of independent directors to manage enterprise-wide risk. EGRRCPA subsequently increased the asset threshold for requiring a bank holding company to establish a separate risk committee of independent directors from $10 billion to $50 billion. Notwithstanding the changes implemented by EGRRCPA, the Company anticipates retaining its Risk Committee of the Board of Directors.

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 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. Under the Federal Reserve System's approved final debit card interchange rule pursuant to the Dodd-Frank Act, an issuer's base fee is capped at 21 cents per transaction and allows for an additional amount equal to 5 basis points of the transaction's value. The Federal Reserve System separately issued a final rule 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.

Identity Theft

The SEC and the Commodity Futures Trading Commission (CFTC) 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. 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 these requirements. In addition, the rules establish special requirements for any credit and debit card issuers that are subject to the jurisdiction of the SEC or the CFTC, 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, in compliance with 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 and Webster Bank, from: (i) engaging in proprietary trading and (ii) investing in or sponsoring certain covered funds, subject to certain limited exceptions. Under the Volcker Rule, the term covered funds is defined as any issuer that would be an investment company under the Investment Company Act but for the exemption in section 3(c)(1) or 3(c)(7) of that Act, which includes collateralized loan obligation securities (CLO) and collateralized debt obligation securities. There are also several exemptions from the definition of covered fund, including, among other things, loan securitizations, joint ventures, certain types of foreign funds, entities issuing asset-backed commercial paper, and registered investment companies. The Federal Reserve approved Webster's illiquid funds extension request, thereby providing Webster with up to five additional years, to July 21, 2022, to bring such holdings into compliance with the Volcker Rule.

Dividends

The principal source of liquidity for the Holding Company is dividends from Webster Bank. Prior approval of the OCC would be required if the total of all dividends declared by a national bank in a year would exceed the sum of its net income for that year and its undistributed net income for the preceding two years, less any required transfers to surplus. Federal law also prohibits a national bank from paying dividends that would be greater than its undivided profits after deducting statutory bad debt in excess of allowance for loan and lease losses (ALLL). Webster Bank paid the Holding Company $290.0 million in dividends during the year ended December 31, 2018 and had $341.8 million of undistributed net income available for payment of dividends at December 31, 2018.

Table of Contents

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. Federal regulatory agencies are 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 federal banking agencies 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

Federal Reserve System regulations require depository institutions to maintain cash reserves against their transaction accounts, primarily interest-bearing and regular checking accounts. The required cash reserves can be in the form of vault cash and, if vault cash does not fully satisfy the required cash reserves, in the form of a balance maintained with Federal Reserve Banks. The Board of Governors of the Federal Reserve System generally makes annual adjustments to the tiered cash reserve requirements. The regulations require that Webster maintain cash reserves against aggregate transaction accounts in excess of the exempt amount of $16.0 million at December 31, 2018. Effective January 17, 2019, amounts greater than $16.3 million up to and including $124.2 million have a reserve requirement of 3% and amounts in excess of $124.2 million have a reserve requirement of 10%. Webster Bank is in compliance with these cash 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 (FRB) 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 FRB of Boston stock of $50.7 million at December 31, 2018. The FRBs pay a semi-annual dividend, to member banks with total assets greater than $10 billion, equal to the lesser of 6% or the yield on the 10-year Treasury note auctioned at the last auction prior to the dividend payment date. For the semi-annual period ended December 31, 2018, the FRB of Boston declared a cash dividend equal to an annual yield of 2.92%.

Federal Home Loan Bank System

The Federal Home Loan Bank (FHLB) System provides a central credit facility for member institutions. Webster Bank is a member of the FHLB of Boston. Webster Bank (the Bank) is required to purchase and hold shares of capital stock in the FHLB for both membership and activity-based purposes. The capital stock requirement includes an amount equal to 0.35% of the aggregate principal amount of the Bank's unpaid residential mortgage loans and similar obligations at the beginning of each year, up to a maximum of $25 million, plus an amount that varies from 3.0% to 4.5% depending on the maturities of its FHLB advances, which totaled approximately $1.8 billion at December 31, 2018. Webster Bank was in compliance with these requirements, with a total investment in FHLB stock of $98.6 million at December 31, 2018. On November 2, 2018, the FHLB paid a quarterly cash dividend equal to an annual yield of 5.87%.

Source of Strength Doctrine

Federal Reserve System 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 the Holding Company. 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

The final rules establishing a new comprehensive capital framework for U.S. banking organizations (Capital Rules) under a global regulatory framework developed by the Basel Committee on Banking Supervision (BASEL III) adopted by the Federal Reserve System, the OCC, and the FDIC generally implement the capital framework for strengthening international capital standards. The Capital Rules define 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. The Capital Rules: (i) include the capital measure Common Equity Tier 1, defined by Basel III capital rules (CET1 capital) and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 capital and additional Tier 1 capital instruments meeting certain revised requirements; (iii) mandate that most deductions or adjustments to regulatory capital measures be made to CET1 capital and not to the other components of capital; and (iv) expand the scope of deductions from and adjustments to capital as compared to existing regulations.

Table of Contents

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 the qualifying portion of ALLL, in each case, subject to specific requirements of the Capital Rules. Tier 1 capital to adjusted, as defined, average consolidated assets is known as the Tier 1 leverage ratio. Pursuant to the Capital Rules, ratio thresholds are as follows:

	Adequately Capitalized	Well Capitalized
CET1 risk-based capital	4.5 %	6.5 %
Total risk-based capital	8.0	10.0
Tier 1 risk-based capital	6.0	8.0
Tier 1 leverage capital	4.0	5.0

The Capital Rules also include a capital conservation buffer, composed entirely of CET1 capital, in addition to the minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions hold a capital conservation buffer above its minimum risk-based capital requirements in order to avoid limitations on distributions, such as dividends; equity; other capital instrument repurchases; and certain discretionary bonus payments to executive officers, based on the amount of the shortfall. The Capital Rules became fully phased-in on January 1, 2019. Thus, the capital standards applicable to Webster and Webster Bank beginning in 2019, include an additional capital conservation buffer for which the lowest capital ratio excess over adequately capitalized must be at least 2.5%.

The Capital Rules provide for a number of deductions from and adjustments to CET1 capital. These include, for example, the requirement that mortgage servicing assets, certain deferred tax assets (DTAs), and significant investments in non-consolidated financial institutions be deducted from CET1 capital to the extent that any one such category exceeds 10% of CET1 capital or all such items, in the aggregate, exceed 15% of CET1 capital.

Under the Basel III Rule, certain off-balance sheet commitments and obligations are converted into risk-weighted assets, that together with on-balance sheet assets, are the base against which regulatory capital is measured. The risk-weighting categories are standardized for bank holding companies and banks based on a risk-sensitive analysis, depending on the nature of the exposure. Risk weights range from 0% for U.S. government securities to 1,250% for exposures such as certain tranches of securitizations or certain equity exposures.

Prompt Corrective Action and Safety and Soundness

Pursuant to Section 38 of the Federal Deposit Insurance Act, federal banking agencies are required to take prompt corrective action should an insured depository institution fail to meet certain capital adequacy standards. At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the under capitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well capitalized, adequately capitalized, or under capitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment.

Prompt corrective action ratios are as follows:

	Well Capitalized	Adequately Capitalized	Under Capitalized	Significantly Under-Capitalized
CET1 risk-based capital	6.5 %	4.5 %	< 4.5%	< 3.0%
Total risk-based capital	10.0	8.0	< 8.0%	< 6.0%
Tier 1 risk-based capital	8.0	6.0	< 6.0%	< 4.0%
Tier 1 leverage capital	5.0	4.0	< 4.0%	< 3.0%

An insured depository institution with a ratio of tangible equity to total assets that is less than 2% is considered critically under-capitalized.

Bank holding companies and insured depository institutions may also be subject to potential enforcement actions of varying levels of severity by the federal banking agencies for unsafe or unsound practices in conducting their business, or for violation of any law, rule, regulation, condition imposed in writing by the agency or term of a written agreement with the agency. In more serious cases, enforcement actions may include the issuance of directives to increase capital; the issuance of formal and informal agreements; the imposition of civil monetary penalties; the issuance of a cease and desist order that can be judicially enforced; the issuance of removal and prohibition orders against officers, directors, and other institution affiliated parties; the termination of the insured depository institution's deposit insurance; the appointment of a conservator or receiver for the insured depository institution; and the enforcement of such actions through injunctions or restraining orders based upon a judicial determination that the FDIC, as receiver, would be harmed if such equitable relief was not granted.

Table of Contents

Transactions with Affiliates and Insiders

Under federal law, transactions between insured depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act (FRA) and Federal Reserve 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 or 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.

Consumer Protection and Consumer Financial Protection Bureau Supervision

The Dodd-Frank Act centralized 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 protection 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.

The ability-to-repay provision of the Truth in Lending Act 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 qualified mortgage provisions of the Truth in Lending Act, commonly known as the qualified mortgage (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 QM requirements and a refutable presumption for higher-priced/subprime loans meeting QM requirements. The QM definition 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 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 and Data Security

Webster is subject to federal laws, including the Gramm-Leach-Bliley Act and certain state laws containing consumer privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose nonpublic information about consumers to affiliated and non-affiliated third parties and limit the reuse of certain consumer information received from non-affiliated financial institutions. These provisions require notice of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain nonpublic personal information to affiliates or non-affiliated third parties by means of opt-out or opt-in authorizations.

The Gramm-Leach-Bliley Act requires that financial institutions implement comprehensive written information security programs that include administrative, technical, and physical safeguards to protect consumer information. Federal banking agencies have also adopted guidelines for establishing information security standards and programs to protect such information. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third-parties in the provision of financial products and services. The federal bank regulatory agencies expect financial institutions to establish lines of defense and to ensure that their risk management processes address the risk posed by compromised customer credentials, and also expect financial institutions to maintain sufficient business continuity plannning processes to ensure rapid recovery, resumption, and maintenance of the institution's operations after a cyber attack. Further, pursuant to interpretive guidance issued under the Gramm-Leach-Bliley Act and certain state laws, financial institutions are required to notify customers of security breaches that result in unauthorized access to their non-public personal information.

Table of Contents

Depositor Preference

The Federal Deposit Insurance Act 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’s deposit insurance limit is $250,000 per depositor, per insured bank, for each account ownership category. 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.

The Bank’s quarterly assessment is calculated using the FDIC’s standardized risk-based assessment methodology, determined by the FDIC, which multiplies the Bank's assessment base by its assessment rate. The assessment base is defined as the average consolidated total assets less the average tangible equity of the Bank. The assessment rate is based on measures of the institution’s capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk (CAMELS) ratings, certain financial measures to assess an institution’s ability to withstand asset-related stress and funding-related stress, and a measure of loss severity that estimates the relative magnitude of potential losses to the FDIC in the event of the Bank’s failure. The FDIC also has the ability to make discretionary adjustments to the base assessment rate to reflect idiosyncratic quantitative and qualitative risk factors not captured in the FDIC’s standardized risk-based assessment methodology.

Under the Federal Deposit Insurance Act, 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 2016, 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 Webster's 2011 Annual Meeting of Shareholders, its 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. The OCC examines 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 Financial Corporation. 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 Outstanding.

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 agencies 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 Gramm-Leach-Bliley Act 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 agencies 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.

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. The Office of Foreign Assets Control-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 the Office of Foreign Assets Control. Failure to comply with these sanctions could have serious legal and reputational consequences.

Future Legislative Initiatives

Federal and state legislatures may introduce legislation that will impact the financial services industry. In addition, federal banking agencies may introduce regulatory initiatives that are likely to impact the financial services industry, generally. 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 takes a comprehensive approach to risk management with a defined enterprise risk management framework which provides a structured approach for identifying, assessing and managing risks across the Company in a coordinated manner, including strategic and reputational, credit, information security and technology, operational and compliance, market, liquidity, and capital risks as discussed in detail in the sections below.

Strategic and Reputational Risks

The enterprise risk management 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 in order to anticipate

risks before they materialize and to maintain Webster's risk profile consistent with its risk strategy and appetite.
The enterprise risk management framework includes an articulated risk appetite statement approved annually by the Board of Directors. The risk appetite statement is supported by board and business level scorecards with defined risk tolerance limits to ensure that Webster maintains an acceptable risk profile by providing a common framework and a comparable set of measures that indicate the level of risk that the Company is willing to accept. The risk appetite is refreshed annually in conjunction with the strategic plan to align risk appetite with Webster's strategy and financial plan.

Table of Contents

Webster promotes proactive risk management by all Webster employees and clear ownership and accountability across three lines of defense to enable an effective and credible challenge in line with Webster's strong risk culture. Employees 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 enterprise support functions, for example third party risk management and legal departments, serve as the second line of defense and are responsible for providing guidance, oversight and 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, through review and testing, that appropriate risk management controls, processes and systems are in place and functioning effectively.

The Risk Committee of the Board of Directors, comprised of independent directors, oversees all of Webster's risk-related matters and provides input and guidance to the Board of Directors and the executive team, as appropriate. Webster's Enterprise Risk Management Committee (ERMC), which reports directly to the Risk Committee of the Board of Directors, is chaired by the Chief Risk Officer and is comprised of Webster's executive management and senior risk officers.

The Chief Risk Officer is responsible for establishing and maintaining Webster's enterprise risk management framework and overseeing credit risk, operational and compliance risk, Bank Secrecy Act compliance and loan workout/recovery programs. The Corporate Treasurer, who reports to the Chief Financial Officer, is responsible for overseeing market, liquidity, and capital risk management activities. The Chief Information Officer, who reports to the Chief Executive Officer, is responsible for overseeing information security and technology 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.

Credit risk management policies and transaction approvals are managed under the supervision of the Chief Credit Officer who reports to the Chief Risk Officer. The Chief Credit Officer 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 credit risk management governance, Webster has an established Credit Risk Management Committee that meets regularly to review key credit risk topics, issues, and policies. The Credit Risk Management Committee reviews Webster's credit risk scorecard, which covers key risk indicators and limits established as part of the Company's risk appetite framework. The Credit Risk Management Committee is chaired by the Chief Credit Officer and includes senior managers responsible for lending as well as senior managers from the credit risk management function. Important findings regarding credit quality and trends within the loan and investment portfolios are regularly reported by the Chief Credit Officer to the ERMC and Risk Committee of the Board of Directors.

In addition to the credit risk management 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 of the Board of Directors and administratively to the Chief Risk Officer. Credit Risk Review findings are reported to the Credit Risk Management Committee, ERMC and Risk Committee of the Board of Directors. Corrective measures are monitored and tested to ensure risk issues are mitigated or resolved.

Information Security and Technology Risks

The use of technology to store and process information and an increasing use of mobile devices and cloud technologies to conduct financial transactions continues to expose Webster to the risk of potential operational disruption, or information security incidents. Sources of these risks include deliberate or accidental acts by employees, external parties, technology failure, third-party security practices, and environmental factors. Webster is committed to preventing, detecting, and responding to incidents that may impact the confidentiality, integrity, and availability of information assets and has established a comprehensive information security and technology framework, with policies, procedures, processes, systems, and oversight by the Information Security Oversight Committee. The Chief Information Security Officer is responsible for overseeing the development and implementation of Webster's information security framework and serves as the Chair of the Information Security Oversight Committee.

Operational and Compliance Risks

Operational risk represents the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. 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. Compliance risk represents the risk of non-adherence to applicable laws and regulations, including fines penalties and reputation damage. 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.

Table of Contents

Webster's Operational Risk Management Committee, which consists of senior risk officers and senior managers responsible for operational and compliance risk management across the Company, periodically reviews the aforementioned programs, as well as key operational risk trends, issues, and mitigation activities. The Director of Enterprise and Operational Risk Management chairs the Operational Risk Management Committee and is responsible for overseeing the development and implementation of Webster's operational risk management framework.

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/Liability Committee (ALCO). The primary goal of ALCO is to manage interest rate risk to maximize earnings and net economic value in changing interest rate and business environments, subject to Board approved risk limits. ALCO is chaired by Webster's Corporate Treasurer and members include the Chief Executive Officer, Chief Financial Officer and Chief Risk Officer. ALCO activities and findings are regularly reported to the ERMC and the 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 an acceptable cost. Liquidity management for 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.

The Holding Company 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, and the issuance of equity and debt in the capital markets.

Both the Holding Company 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 and the 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 ERMC and the Board of Directors, at least annually.

Internal Audit

Internal Audit provides independent, objective assurance and advisory services by applying a risk-based approach to selectively test and evaluate the design and operating effectiveness of applicable internal controls throughout the Company. This evaluation function brings a systematic and disciplined approach to enhancing the effectiveness of the Company's governance, risk management, and internal control processes.

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 functionally 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, 2018, and in other reports Webster Financial Corporation files with the SEC.

Table of Contents

ITEM 1A. RISK FACTORS

An investment in our securities involves risks and uncertainties, 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 adversely affect our business and impact results of operations or 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 factors actually occurs, our business, results of operations or financial condition could be harmed, as a result.

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

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, changes in tax laws, high unemployment, natural disasters or a combination of these or other factors.

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

- consumer and business confidence levels may decline and lead to less credit usage and 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;
- customer desire to do business with us may decline, 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;
- competition in our industry could intensify as a result of the increasing consolidation of financial services companies and changes in financial services technologies; and
- the effects of recent and proposed changes in laws such as the Tax Cuts and Jobs Act of 2017 (Tax Act).

The business environment and financial markets in the U.S. have 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 loans are secured by real estate, primarily across the Northeast. Our success depends in part upon economic conditions in Southern New England 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.

The soundness of other financial institutions could adversely affect our business.

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.

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 the sub-section captioned "Dividends" in Item 1 of this report for a discussion of regulatory and other restrictions on dividend declarations.

Table of Contents

Changes in interest rates and spreads could have an impact on earnings and financial condition 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 FRB, 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 were 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 would decline.

The uncertainty about the future of London Interbank Offered Rate (LIBOR) may adversely impact our business.

The Financial Conduct Authority (the authority that regulates LIBOR) has announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot, and will not, be guaranteed after 2021. The Alternative Reference Rates Committee (ARRC) has proposed that the Secured Overnight Financing Rate (SOFR) is the rate that represents best practice as the alternative to LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. It is not possible at this time to predict whether and to what extent banks will continue to provide submissions for the calculation of LIBOR. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments. The market transition away from LIBOR to an alternative reference rate, such as the SOFR, is complex and could have a range of adverse effects on our loan and lease and investment portfolios, asset-liability management, business, financial condition and results of operations. Webster has material contracts that are indexed to LIBOR and is currently monitoring this activity and evaluating the related risks.

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 operating results;
- changes in 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 and healthcare industries;
- 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 actions by government regulators; and

- 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.

Table of Contents

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 DIF 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 what we may charge for certain banking services, among other things. Additionally, recent changes to the legal and regulatory framework governing our operation, including the continued implementation of Dodd-Frank Act and EGRRCPA have and will continue to affect the lending, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act imposed additional regulatory obligations and increased scrutiny from federal banking agencies. In general, we expect this focus to continue and compliance requirements 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.

Changes in accounting standards and policies could materially impact how we report our results of operations and financial condition.

Our accounting policies and methods are fundamental to how we record and report our results of operations and financial condition. Accordingly, we exercise judgment in selecting and applying these accounting policies and methods so they comply with U.S. Generally Accepted Accounting Principles (GAAP). From time to time, the Financial Accounting Standards Board (FASB), regulatory agencies, and other bodies that establish accounting standards periodically change the financial accounting and reporting standards governing the preparation of our financial statements. Additionally, those bodies may change prior interpretations or positions on how these standards should be applied. The impact of these changes can be difficult to predict and can materially impact how we report our results of operations and financial condition. We could be required to apply new or revised guidance retrospectively, which may result in the revision of prior period financial statements by material amounts. Such changes could also require the Company to incur additional personnel, technology, or other costs. Notably, on January 1, 2020, the Company will be required to comply with a new accounting standard commonly referred to as the Current Expected Credit Losses (CECL). CECL will fundamentally change how we estimate credit losses on loans and certain other instruments requiring earlier recognition of expected credit losses measured over the life of the instrument. A discussion of accounting standards issued but not yet adopted including CECL can be found in Note 1 to the Consolidated Financial Statements.

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.

Changes in the federal, state or local tax laws may negatively impact our financial performance.

We are subject to changes in tax law that could increase our effective tax rates. While the Tax Act reduced the federal corporate tax rate from 35% to 21% beginning in 2018, which has had a favorable impact on our earnings and capital generation abilities, the new legislation also enacted limitations on certain deductions, such as FDIC deposit insurance premiums, which partially offset the increase in net earnings from the lower tax rate. In addition, further changes in the tax law, changes in interpretations, guidance or regulations that may be promulgated, or actions that we may take as a result of the Tax Act could negatively impact our business. Similarly, our customers are likely to continue to experience varying effects from both the individual and business tax provisions of the Tax Act and such effects, whether positive or negative, may have a corresponding impact on our financial performance and the economy as a whole.

Table of Contents

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 actions 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. 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 may 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.

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, non-bank health savings account trustees, finance companies, brokerage firms, insurance companies, online lenders, factoring companies and other financial intermediaries. Some of the financial services organizations with which the Company competes are not subject to the same degree of regulation as is imposed on bank holding companies and federally insured depository institutions, which may give them certain advantages over the Company in accessing funding and in providing various services. 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. 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 products; 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.

The loss of key partnerships could adversely affect our HSA Bank division.

Our HSA Bank division relies on partnerships with various health insurance carriers and other partners to maximize our distribution model. In particular, health plan partners, who provide high deductible health plan options, are a significant source of new and existing health savings account holders. If these health plan partners or other partners choose to align with our competitors, our results of operations, business and prospects could be adversely affected.

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 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 and capital investments. 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 within the same time frame as our large competitors. 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.

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 have a materially adverse effect on 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, capacity constraints and cyber attacks.

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 and facilitate the recovery of our systems, computers, software, data and networks from attack, damage or unauthorized access remain a high 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.

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, services and technology 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. While we require third-party outsourced service providers to have business continuity and disaster recovery plans that are aligned with our overall recovery plans, we cannot be assured that such plans will operate successfully or in a timely manner so as to prevent any such material adverse impact.

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 our controls and procedures, failure to implement any necessary improvement of our 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. Such acquisitions involve various risks commonly associated with acquisitions, including, among other things:

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

Acquisitions typically involve the payment of a premium over book and market values, and therefore, some dilution of the Company'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 Company's business, financial condition and results of operations.

Our business may be adversely affected by fraud.

As a financial institution, we are inherently exposed to operational risk in the form of theft and other fraudulent activity by employees, customers, and other third parties targeting the Company or the Company's customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Although we devote substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the increasing sophistication of possible perpetrators, we may experience financial losses or reputational harm as a result of fraud.

Table of Contents

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. A declining economy could negatively 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 and lease 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 were determined to be impaired it could have a negative impact on our profitability.

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 balance sheet as goodwill, by the acquirer. 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. 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 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 investment securities portfolio is determined to be other-than-temporary impairment (OTTI), 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.

We may not be able to fully realize the balance of our net DTA.

The value of our DTA is partially reduced by a valuation allowance. A valuation allowance is provided when it is more-likely-than-not that some portion of our DTA will not be realized. We regularly assess available positive and negative evidence to determine whether it is more-likely-than-not that our net DTA will not be realized. Realization of a DTA requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. If we were to conclude that a significant portion of our remaining DTA is not more-likely-than-not to be realized, the required valuation allowance could adversely affect our financial position, results of operations and regulatory capital ratios.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable

Table of Contents

ITEM 2. PROPERTIES

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. Other key operation and administration functions are in an owned facility in New Britain, Connecticut and in leased facilities in Hartford, Connecticut and Southington, Connecticut. The Company considers its properties suitable and adequate for present needs.

In addition to the property noted above, the Company's segments maintain the following leased or owned offices. Lease expiration dates vary, up to 68 years, with renewal options for 1 to 25 years. For additional information regarding leases and rental payments see Note 21: Commitments and Contingencies in the Notes to Consolidated Financial Statements contained elsewhere in this report.

Commercial Banking

The Commercial Banking segment maintains offices across a footprint that primarily ranges from Boston, Massachusetts to Washington, D.C. Significant properties are located in: Hartford, New Haven, Stamford, and Waterbury, Connecticut; Boston, Massachusetts; New York City and White Plains, New York; Conshohocken, Pennsylvania; and Providence, Rhode Island.

The Commercial Banking segment also includes: Webster Capital Finance with headquarters in New Britain, Connecticut; Webster Business Credit Corporation with headquarters in New York, New York and offices in Atlanta, Georgia, Baltimore, Maryland, Boston, Massachusetts, Chicago, Illinois, Dallas, Texas, Charlotte, North Carolina and New Milford, Connecticut; and Private Banking with headquarters in Stamford, Connecticut and offices in Hartford, New Haven, Waterbury, and Greenwich, Connecticut, Boston, Massachusetts, and Providence, Rhode Island.

HSA Bank

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

Community Banking

The Community Banking segment maintains the following banking centers:

Location	Leased	Owned	Total
Connecticut	71	41	112
Massachusetts	19	10	29
Rhode Island	6	3	9
New York	7	—	7
Total banking centers	103	54	157

ITEM 3. LEGAL PROCEEDINGS

From time to time, Webster Financial Corporation or 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

Table of Contents

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. On February 15, 2019, there were 5,365 shareholders of record as determined by Broadridge, the Company's transfer agent.

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 Financial Corporation during the year ended December 31, 2018.

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, 2018:

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)*
October	—	$	——	$91,745,715
November	1,483	60.84	—	91,745,715
December	—	—	—	91,745,715
Total	1,483	60.84	—	91,745,715

(1) On October 24, 2017, the Company announced that its Board of Directors had approved a common 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. This program will remain in effect until fully utilized or until modified, superseded, or terminated.

All 1,483 shares purchased during the three months ended December 31, 2018 were related to stock compensation plan activity, acquired at market prices, outside of the repurchase program.

Table of Contents

Performance Graph

The performance graph compares Webster Financial Corporation'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).

Cumulative 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. The cumulative shareholder return over a five-year period assumes a simultaneous initial investment of $100, on December 31, 2013, in Webster Financial Corporation common stock and in each of the indices above.

	Period Ending December 31,					
	2013	2014	2015	2016	2017	2018
Webster Financial Corporation	$100	$107	$125	$188	$198	$178
S&P 500 Index	$100	$114	$115	$129	$157	$150
KRX Index	$100	$102	$109	$151	$154	$127

Table of Contents

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, under 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 and the accompanying Notes thereto of Webster Financial Corporation contained elsewhere in this report.

Results of Operations

Selected Financial Data	**At or for the years ended December 31,**				
(Dollars in thousands, except per share data)	**2018**	**2017**	**2016**	**2015**	**2014**
Balance Sheets					
Total assets	$27,610,315	$26,487,645	$26,072,529	$24,641,118	$22,497,175
Loans and leases, net	18,253,136	17,323,864	16,832,268	15,496,745	13,740,761
Investment securities	7,224,150	7,125,429	7,151,749	6,907,683	6,666,828
Deposits [(1)]	21,858,845	20,993,729	19,303,857	17,952,778	15,651,605
Borrowings	2,634,703	2,546,141	4,017,948	4,040,799	4,335,193
Preferred stock	145,037	145,056	122,710	122,710	151,649
Total shareholders' equity	2,886,515	2,701,958	2,527,012	2,413,960	2,322,815
Statements Of Income					
Interest income	$1,055,167	$913,605	$821,913	$760,040	$718,941
Interest expense	148,486	117,318	103,400	95,415	90,500
Net interest income	906,681	796,287	718,513	664,625	628,441
Provision for loan and lease losses	42,000	40,900	56,350	49,300	37,250
Non-interest income	282,568	259,478	264,478	237,777	202,108
Non-interest expense	705,616	661,075	623,191	555,341	501,600
Income before income tax expense	441,633	353,790	303,450	297,761	291,699
Income tax expense [(2)]	81,215	98,351	96,323	93,032	91,973
Net income	$360,418	$255,439	$207,127	$204,729	$199,726
Earnings applicable to common shareholders	$351,703	$246,831	$198,423	$195,361	$188,496
Per Share Data					
Basic earnings per common share	$3.83	$2.68	$2.17	$2.15	$2.10
Diluted earnings per common share	3.81	2.67	2.16	2.13	2.08
Dividends and dividend equivalents declared per common share	1.25	1.03	0.98	0.89	0.75
Dividends declared per Series A preferred stock share	—	—	—	21.25	85.00
Dividends declared per Series E preferred stock share	—	1,600.00	1,600.00	1,600.00	1,600.00
Dividends declared per Series F preferred stock share	1,323.44	—	—	—	—
Book value per common share	29.72	27.76	26.17	24.99	23.99
Tangible book value per common share *(non-GAAP)*	23.60	21.59	19.94	18.69	18.10
Key Performance Ratios					
Tangible common equity ratio *(non-GAAP)*	8.05 %	7.67 %	7.19 %	7.12 %	7.46 %
Return on average assets	1.33	0.97	0.82	0.87	0.93
Return on average common shareholders’ equity	13.37	9.92	8.44	8.70	8.85
Return on average tangible common shareholders' equity *(non-GAAP)*	17.17	13.00	11.36	11.96	11.90
Net interest margin	3.60	3.30	3.12	3.08	3.21
Efficiency ratio *(non-GAAP)*	57.75	60.33	62.01	59.93	59.18
Asset Quality Ratios					
Non-performing loans and leases as a percentage of loans and leases	0.84 %	0.72 %	0.79 %	0.89 %	0.93 %

Non-performing assets as a percentage of loans and leases plus OREO	0.87	0.76	0.81	0.92	0.98
Non-performing assets as a percentage of total assets	0.59	0.50	0.53	0.59	0.61
ALLL as a percentage of non-performing loans and leases	137.22	158.00	144.98	125.05	122.62
ALLL as a percentage of loans and leases	1.15	1.14	1.14	1.12	1.15
Net charge-offs as a percentage of average loans and leases	0.16	0.20	0.23	0.23	0.23
Ratio of ALLL to net charge-offs	7.16 x	5.68 x	5.25 x	5.21 x	5.21 x

(1) The Company completed its acquisition of the health savings account business of JPMorgan Chase Bank, N.A. on January 13, 2015, assuming approximately $1.4 billion in deposits.

(2) The enactment of the Tax Act in December 2017 impacted income tax expense in 2018 and 2017. Refer to Note 8 to the Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for additional information.

22

Table of Contents

The non-GAAP financial measures identified in the preceding table provide investors with information useful in understanding the Company's financial performance, performance trends and financial position. These measures are used by management for internal planning and forecasting purposes, as well as by securities analysts, investors and other interested parties to compare peer company operating performance. Management believes that the presentation, together with the accompanying reconciliations provides a complete understanding of the factors and trends affecting the Company's business and allows investors to view its performance in a similar manner. These non-GAAP financial measures should not be considered a substitute for GAAP basis measures and results. Because non-GAAP financial measures are not standardized, it may not be possible to compare these measures with other companies that present measures having the same or similar names.
The following tables reconcile non-GAAP financial measures with financial measures defined by GAAP:

	At December 31,				
(Dollars and shares in thousands, except per share data)	**2018**	**2017**	**2016**	**2015**	**2014**
Tangible book value per common share (non-GAAP):					
Shareholders' equity (GAAP)	$2,886,515	$2,701,958	$2,527,012	$2,413,960	$2,322,815
Less: Preferred stock (GAAP)	145,037	145,056	122,710	122,710	151,649
Goodwill and other intangible assets (GAAP)	564,137	567,984	572,047	577,699	532,553
Tangible common shareholders' equity (non-GAAP)	$2,177,341	$1,988,918	$1,832,255	$1,713,551	$1,638,613
Common shares outstanding	92,247	92,101	91,868	91,677	90,512
Tangible book value per common share (non-GAAP)	$23.60	$21.59	$19.94	$18.69	$18.10
Tangible common equity ratio (non-GAAP):					
Tangible common shareholders' equity (non-GAAP)	$2,177,341	$1,988,918	$1,832,255	$1,713,551	$1,638,613
Total assets (GAAP)	$27,610,315	$26,487,645	$26,072,529	$24,641,118	$22,497,175
Less: Goodwill and other intangible assets (GAAP)	564,137	567,984	572,047	577,699	532,553
Tangible assets (non-GAAP)	$27,046,178	$25,919,661	$25,500,482	$24,063,419	$21,964,622
Tangible common equity ratio (non-GAAP)	8.05 %	7.67 %	7.19 %	7.12 %	7.46 %

	For the years ended December 31,				
(Dollars in thousands)	**2018**	**2017**	**2016**	**2015**	**2014**
Return on average tangible common shareholders' equity (non-GAAP):					
Net Income (GAAP)	$360,418	$255,439	$207,127	$204,729	$199,726
Less: Preferred stock dividends (GAAP)	7,853	8,184	8,096	8,711	10,556
Add: Intangible assets amortization, tax-affected (GAAP)	3,039	2,640	3,674	4,121	1,745
Income adjusted for preferred stock dividends and intangible assets amortization (non-GAAP)	$355,604	$249,895	$202,705	$200,139	$190,915
Average shareholders' equity (non-GAAP)	$2,782,132	$2,617,275	$2,481,417	$2,387,286	$2,289,699
Less: Average preferred stock (non-GAAP)	145,068	124,978	122,710	134,682	151,649
Average goodwill and other intangible assets (non-GAAP)	566,048	570,054	574,785	579,366	533,549
Average tangible common shareholders' equity (non-GAAP)	$2,071,016	$1,922,243	$1,783,922	$1,673,238	$1,604,501
Return on average tangible common shareholders' equity (non-GAAP)	17.17 %	13.00 %	11.36 %	11.96 %	11.90 %
Efficiency ratio (non-GAAP):					
Non-interest expense (GAAP)	$705,616	$661,075	$623,191	$555,341	$501,600
Less: Foreclosed property activity (GAAP)	(139)	(238)	(326)	517	(74)
Intangible assets amortization (GAAP)	3,847	4,062	5,652	6,340	2,685
Other expense (non-GAAP)	11,878	9,029	3,513	975	3,029
Non-interest expense (non-GAAP)	$690,030	$648,222	$614,352	$547,509	$495,960
Net interest income (GAAP)	$906,681	$796,287	$718,513	$664,625	$628,441
Add: Tax-equivalent adjustment (non-GAAP)	9,026	16,953	13,637	10,617	11,124

Non-interest income (GAAP)	282,568	259,478	264,478	237,777	202,108
Other (non-GAAP)	1,244	1,798	1,780	1,111	1,889
Less: Gain on sale of investment securities, net (GAAP)	—	—	414	609	5,499
One-time gain on: sale of banking centers - redemption of an asset (GAAP)	4,596	—	7,331	—	—
Income (non-GAAP)	$1,194,923	$1,074,516	$990,663	$913,521	$838,063
Efficiency ratio (non-GAAP)	57.75 %	60.33 %	62.01 %	59.93 %	59.18 %

23

Table of Contents

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

	Years ended December 31,								
	2018			**2017**			**2016**		
(Dollars in thousands)	**Average Balance**	**Interest**	**Yield/Rate**	**Average Balance**	**Interest**	**Yield/Rate**	**Average Balance**	**Interest**	**Yield/Rate**
Assets									
Interest-earning assets:									
Loans and leases	$18,033,587	$845,146	4.69 %	$17,295,027	$712,794	4.12 %	$16,266,101	$624,300	3.84 %
Investment securities	7,137,326	211,227	2.93	7,047,744	210,044	2.97	6,910,649	203,467	2.95
FHLB and FRB stock	132,607	6,067	4.58	155,949	5,988	3.84	188,854	6,039	3.20
Interest-bearing deposits	63,178	1,125	1.78	63,397	698	1.10	57,747	295	0.51
Loans held for sale	15,519	628	4.04	29,680	1,034	3.49	44,560	1,449	3.25
Total interest-earning assets	25,382,217	$1,064,193	4.18 %	24,591,797	$930,558	3.78 %	23,467,911	$835,550	3.56 %
Non-interest-earning assets	1,640,385			1,669,370			1,753,316		
Total assets	$27,022,602			$26,261,167			$25,221,227		
Liabilities and equity									
Interest-bearing liabilities:									
Demand deposits	$4,185,183	$—	— %	$4,079,493	$—	— %	$3,853,700	$—	— %
Health savings accounts	5,540,000	10,980	0.20	4,839,988	9,612	0.20	4,150,733	9,342	0.23
Interest-bearing checking, money market and savings	9,115,168	36,559	0.40	9,508,416	27,287	0.29	8,921,844	17,989	0.20
Time deposits	2,818,271	42,868	1.52	2,137,574	25,354	1.19	2,027,029	22,527	1.11
Total deposits	21,658,622	90,407	0.42	20,565,471	62,253	0.30	18,953,306	49,858	0.26
Securities sold under agreements to repurchase and other borrowings	784,998	13,491	1.72	876,660	14,365	1.64	947,858	14,528	1.53
FHLB advances	1,339,492	33,461	2.50	1,764,347	30,320	1.72	2,413,309	29,033	1.20
Long-term debt	225,895	11,127	4.93	225,639	10,380	4.60	225,607	9,981	4.42
Total borrowings	2,350,385	58,079	2.47	2,866,646	55,065	1.92	3,586,774	53,542	1.49
Total interest-bearing liabilities	24,009,007	$148,486	0.62 %	23,432,117	$117,318	0.50 %	22,540,080	$103,400	0.46 %
Non-interest-bearing liabilities	231,463			211,775			199,730		
Total liabilities	24,240,470			23,643,892			22,739,810		
Preferred stock	145,068			124,978			122,710		
Common shareholders' equity	2,637,064			2,492,297			2,358,707		
Total shareholders' equity	2,782,132			2,617,275			2,481,417		
Total liabilities and equity	$27,022,602			$26,261,167			$25,221,227		
Tax-equivalent net interest income		915,707			813,240			732,150	
Less: Tax-equivalent adjustments		(9,026)			(16,953)			(13,637)	
Net interest income		$906,681			$796,287			$718,513	
Net interest margin			3.60 %			3.30 %			3.12 %

Table of Contents

Net interest income and net interest margin are impacted by the level of interest rates, 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 lost to non-performing assets.

Net interest income is the difference between interest income on earning assets, such as loans and investments, 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 76.2% of total revenue for the year ended December 31, 2018.

Net interest margin is the ratio of tax-equivalent net interest income to average earning assets for the period.

Webster manages the risk of changes in interest rates on net interest income and net interest margin through ALCO and through related interest rate risk monitoring and management policies. 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.

Four main tools are used for managing interest rate risk:

- the size, duration and credit risk of the investment portfolio,
- the size and duration of the wholesale funding portfolio,
- off-balance sheet interest rate contracts, and
- the pricing and structure of loans and deposits.

The Federal Open Market Committee has gradually raised the federal funds rate target range nine times since December 16, 2015. Effective December 20, 2018, the target range was increased to 2.25-2.50% as compared to 1.25-1.50% at December 31, 2017. See the "Asset/Liability Management and Market Risk" section for further discussion of Webster's interest rate risk position.

Comparison of 2018 to 2017

Financial Performance

Net income of $360.4 million for the year ended December 31, 2018 increased 41.1% over the year ended December 31, 2017. Strong loan growth funded with growth in low-cost long-duration health savings account deposits, contributed to a 30 basis points increase in net interest margin. Non-interest income improved, led by growth in deposit service fees, while non-interest expense increases for strategic growth initiatives partially offset the increases in revenue.

Income before income tax expense was $441.6 million for the year ended December 31, 2018, an increase of $87.8 million from $353.8 million for the year ended December 31, 2017.

The primary drivers to the increase in income before income tax expense include:

- net interest income increased $110.4 million;
- deposit service fees increased $11.0 million; and
- a $4.6 million gain on the sale of six banking centers.

This was partially offset by increased non-interest expense of $44.5 million and provision for loan and lease losses of $1.1 million.

The impact of the items outlined above, coupled with the effect from income tax expense of $81.2 million for an effective tax rate of 18.4% for the year ended December 31, 2018, and $98.4 million for an effective tax rate of 27.8% for the year ended December 31, 2017, resulted in net income of $360.4 million and diluted earnings per share of $3.81 for the year ended December 31, 2018 compared to net income of $255.4 million and diluted earnings per share of $2.67 for the year ended December 31, 2017. The decreases in both tax expense and the effective tax rate principally reflect the reduction of the U.S corporate tax rate from 35% to 21%, effective in 2018 as a result of the Tax Act along with related tax planning benefits.

The efficiency ratio, a non-GAAP financial measure which quantifies the cost expended to generate a dollar of revenue was 57.75% for 2018 and 60.33% for 2017. The improvement in the ratio highlights the Company's strong net interest income growth accelerating at a rate greater than the increase in non-interest expense.

Net charge-offs as a percentage of average loans and leases was 0.16% for the year ended December 31, 2018 as compared to 0.20% for the year ended December 31, 2017. Non-performing assets as a percentage of loans, leases, and other real estate owned (OREO) increased to 0.87% at December 31, 2018 from 0.76% at December 31, 2017, as non-performing asset balances slowly increased during the year.

Table of Contents

Net Interest Income

Net interest income totaled $906.7 million for the year ended December 31, 2018 compared to $796.3 million for the year ended December 31, 2017, an increase of $110.4 million. Average interest-earning assets during 2018 increased $0.8 billion compared to 2017, mainly due to increased loan balances, up 4.3%. Loan yields improved 57 basis points. Net interest income increased primarily due to these increases partially offset by the 12 basis points increase in deposit costs. The overall average yield on interest-earning assets increased 40 basis points to 4.18% during 2018 from 3.78% during 2017. 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 2018 increased $0.6 billion compared to 2017, primarily from health savings account growth of $0.7 billion in 2018. The increases in other deposits of $0.3 billion was offset by the decrease in borrowings of $0.5 billion. The average cost of interest-bearing liabilities increased 12 basis points to 0.62% during 2018 compared to 0.50% during 2017, primarily the result of the federal funds rate being increased four times during 2018.

Net interest margin increased 30 basis points to 3.60% for the year ended December 31, 2018 from 3.30% for the year ended December 31, 2017. The increase in net interest margin is primarily due to an increase in commercial loan and home equity line yields which are primarily variable rate, partially offset by reduced effective yields on the portfolio of tax-exempt securities, and an increased cost of interest-bearing liabilities. The increased cost of interest-bearing liabilities was due to the federal funds rate increases, mitigated by lower borrowing balances as well as a shift towards deposit balances which are generally lower cost and not as sensitive to increases in the federal funds rate.

Changes in Net Interest Income

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:

	Years ended December 31, 2018 vs. 2017 Increase (decrease) due to		
(In thousands)	**Rate [1]**	**Volume**	**Total**
Change in interest on interest-earning assets:			
Loans and leases	$98,805	$33,547	$132,352
Loans held for sale	97	(504)	(407)
Investments [2]	(114)	1,804	1,690
Total interest income	$98,788	$34,847	$133,635
Change in interest on interest-bearing liabilities:			
Deposits	$21,000	$7,154	$28,154
Borrowings	12,946	(9,932)	3,014
Total interest expense	$33,946	$(2,778)	$31,168
Change in tax-equivalent net interest income	$64,842	$37,625	$102,467

(1) The change attributable to mix, a combined impact of rate and volume, is included with the change due to rate.
(2) Investments include: Investment Securities; FHLB and FRB stock; and Interest-bearing deposits.

Average loans and leases for the year ended December 31, 2018 increased $0.7 billion compared to the average for the year ended December 31, 2017. The loan and lease portfolio comprised 71.0% of the average interest-earning assets at December 31, 2018 compared to 70.3% of the average interest-earning assets at December 31, 2017. The loan and lease portfolio yield increased 57 basis points to 4.69% for the year ended December 31, 2018, compared to the loan and lease portfolio yield of 4.12% for the year ended December 31, 2017. The increase in the yield on the loan and lease portfolio is due to variable rate loans resetting higher. Additionally, rising interest rates resulted in a reduction in variable rate loans at their floors.

Average investments for the year ended December 31, 2018 increased $66.0 million compared to the average for the year ended December 31, 2017. Investments comprised 28.9% of the average interest-earning assets at December 31, 2018 compared to 29.6% at December 31, 2017. Investments yield was 2.98% for both the year ended December 31, 2018 and the year ended December 31, 2017. A decrease from the effect of the Tax Act on tax exempt securities was essentially offset by increased yields on variable rate securities.

Table of Contents

Average deposits for the year ended December 31, 2018 increased $1.1 billion compared to the average for the year ended December 31, 2017. The increase is comprised of $105.7 million in non-interest-bearing deposits and $1.0 billion in interest-bearing deposits. The increase in interest-bearing deposits, and an improved product mix to low-cost deposits, was primarily due to health savings account deposit growth. The average cost of deposits increased 12 basis points to 0.42% for the year ended December 31, 2018 from 0.30% for the year ended December 31, 2017. The average cost of deposits increased due to a change in mix from an increase in certificate of deposit accounts as well as selected deposit product rate increases. Higher cost time deposits increased to 16.1% for the year ended December 31, 2018 from 13.0% for the year ended December 31, 2017, as a percentage of total interest-bearing deposits.

Average borrowings for the year ended December 31, 2018 decreased $516.3 million compared to the average for the year ended December 31, 2017. Securities sold under agreements to repurchase and other borrowings decreased $91.7 million, and FHLB advances decreased $424.9 million as need for borrowing declined. The average cost of borrowings increased 55 basis points to 2.47% for the year ended December 31, 2018 from 1.92% for the year ended December 31, 2017. The increase in the average cost of borrowings was primarily due to the federal funds rate increases which approximated an 81 basis points impact.

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

	Years ended December 31,	
(In thousands)	**2018**	**2017**
Interest rate swaps on FHLB advances	$5,901	$6,799
Interest rate forward swap on senior fixed-rate notes	306	306
Interest rate swaps on brokered CDs and deposits	350	780
Net increase to interest expense on borrowings	$6,557	$7,885

Provision for Loan and Lease Losses

The provision for loan and lease losses was $42.0 million for the year ended December 31, 2018, which increased $1.1 million compared to the year ended December 31, 2017. The increase in provision for loan and lease losses was due primarily to loan growth. Total net charge-offs were $29.6 million and $35.2 million for the year ended December 31, 2018 and 2017, respectively. The decrease in net charge-offs was primarily due to lower consumer and commercial real estate loan related net charge-offs.

See the sections captioned "Loans and Leases" through "Allowance for Loan and Lease Losses Methodology," contained elsewhere in this report for further details.

Table of Contents

Non-Interest Income

(Dollars in thousands)	Years ended December 31, 2018	2017	Increase (decrease) Amount	Percent
Deposit service fees	$162,183	$151,137	$11,046	7.3 %
Loan and lease related fees	32,025	26,448	5,577	21.1
Wealth and investment services	32,843	31,055	1,788	5.8
Mortgage banking activities	4,424	9,937	(5,513)	(55.5)
Increase in cash surrender value of life insurance policies	14,614	14,627	(13)	(0.1)
Impairment loss on securities recognized in earnings	—	(126)	126	100.0
Other income	36,479	26,400	10,079	38.2
Total non-interest income	$282,568	$259,478	$23,090	8.9 %

Total non-interest income was $282.6 million for the year ended December 31, 2018, an increase of $23.1 million, compared to $259.5 million for the year ended December 31, 2017. The increase is primarily attributable to higher deposit service fees, loan and lease related fees, and other income slightly offset by lower mortgage banking activities.

Deposit service fees totaled $162.2 million for 2018 compared to $151.1 million for 2017. The increase was a result of increased service charges driven by health savings account growth and usage activities, increased checking account service charges and higher check card interchange.

Loan and lease related fees totaled $32.0 million for 2018 compared to $26.4 million for 2017. The increase was primarily the result of higher fees from loan syndication, loan servicing, line usage, and letters of credit.

Mortgage banking activities totaled $4.4 million for 2018 compared to $9.9 million for 2017. The decrease was the result of lower refinance activity.

Other income totaled $36.5 million for 2018 compared to $26.4 million for 2017. The increase was primarily due to an increase in gains from treasury derivatives and life insurance policies, as well as a gain of $4.6 million on the sale of banking centers in 2018.

Table of Contents

Non-Interest Expense

(Dollars in thousands)	Years ended December 31, 2018	2017	Increase (decrease) Amount	Percent
Compensation and benefits	$381,496	$356,505	$24,991	7.0 %
Occupancy	59,463	60,490	(1,027)	(1.7)
Technology and equipment	97,877	89,464	8,413	9.4
Intangible assets amortization	3,847	4,062	(215)	(5.3)
Marketing	16,838	17,421	(583)	(3.3)
Professional and outside services	20,300	16,858	3,442	20.4
Deposit insurance	34,749	25,649	9,100	35.5
Other expense	91,046	90,626	420	0.5
Total non-interest expense	$705,616	$661,075	$44,541	6.7 %

Total non-interest expense was $705.6 million for the year ended December 31, 2018, an increase of $44.5 million, compared to $661.1 million for the year ended December 31, 2017. The increase is primarily attributable to higher compensation and benefits, technology and equipment, professional and outside services and deposit insurance.

Compensation and benefits totaled $381.5 million for 2018 compared to $356.5 million for 2017. The increase was primarily due to strategic hires, annual merit increases, and higher medical costs.

Technology and equipment totaled $97.9 million for 2018 compared to $89.5 million for 2017. The increase was primarily due to higher depreciation and service contracts to support strategic and infrastructure projects.

Professional and outside services totaled $20.3 million for 2018 compared to $16.9 million for 2017. The increase was primarily due to consulting services used for strategic projects.

Deposit insurance totaled $34.7 million for 2018 compared to $25.6 million for 2017. The increase is due to $10.0 million of additional FDIC premiums for prior periods' assessments and related interest. See Note 1 to the Consolidated Financial Statements included in Item 8 of this report for additional information.

Income Taxes

Webster recognized income tax expense of $81.2 million for the year ended December 31, 2018 and $98.4 million for the year ended December 31, 2017, and the effective tax rates were 18.4% and 27.8%, respectively. The decreases in both tax expense and the effective tax rate principally reflect the reduction of the U.S corporate tax rate from 35% to 21%, effective in 2018 as a result of the Tax Act along with related tax planning benefits.

The Company's gross DTAs applicable to its net operating loss and credit carryforwards of $70.8 million, or $32.6 million net of the $38.2 million related valuation allowance, reflects management's estimates of the Company's taxable income through the year 2032 and includes assumptions about the content and apportionment of its income for state and local tax (SALT) purposes. Those estimates and assumptions reflect the Company's plans and strategies for growth from its ordinary and recurring operations over the near term as well as a longer-term 4% growth rate assumption. Management believes the $32.6 million net DTAs are more likely than not realizable and their estimates form a reasonable basis for this determination.

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

Table of Contents

Comparison of 2017 to 2016

Financial Performance

Net income of $255.4 million for the year ended December 31, 2017 increased 23.3% over the year ended December 31, 2016. Strong loan growth, funded with growth in low-cost low-duration health savings account deposits, resulted in an 18 basis points increase in net interest margin, and a lower provision for loan and lease losses, driven by stable credit performance throughout the year also positively impacted net interest margin. Non-interest income improved, excluding a one-time gain on the sale of an asset in 2016, while non-interest expense increases for strategic growth initiatives partially offset the net interest growth.

Income before income tax expense was $353.8 million for the year ended December 31, 2017, an increase of $50.3 million from $303.5 million for the year ended December 31, 2016.

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

- net interest income increased $77.8 million; and
- provision for loan and lease losses decreased $15.5 million.

This was partially offset by a $37.9 million increase in non-interest expense and a $7.3 million one-time gain on the sale of an asset in 2016.

The impact of the items outlined above, coupled with the effect from income tax expense of $98.4 million and $96.3 million for the years ended December 31, 2017 and 2016, respectively, resulted in net income of $255.4 million and diluted earnings per share of $2.67 for the year ended December 31, 2017 compared to net income of $207.1 million and diluted earnings per share of $2.16 for the year ended December 31, 2016. See the "Income Taxes" section for additional information with regard to the effect from income taxes, including the impact of the Tax Act.

The efficiency ratio, a non-GAAP financial measure which quantifies the cost expended to generate a dollar of revenue was 60.33% for 2017 and 62.01% for 2016. The improvement in the ratio highlights the Company's strong net interest income growth accelerating at a rate greater than the increase in non-interest expense.

Credit quality remained stable to slightly improved as demonstrated by the asset quality ratios. Net charge-offs as a percentage of average loans and leases was 0.20% for the year ended December 31, 2017 as compared to 0.23% for the year ended December 31, 2016. Non-performing assets as a percentage of loans, leases, and OREO decreased to 0.76% at December 31, 2017 from 0.81% at December 31, 2016, primarily driven by lower non-performing asset balances and, to a lesser extent, further reduced by loan growth.

Net Interest Income

Net interest income totaled $796.3 million for the year ended December 31, 2017 compared to $718.5 million for the year ended December 31, 2016, an increase of $77.8 million. Average interest-earning assets during 2017 increased $1.1 billion compared to 2016, substantially due to a significant increase in loan balances, with yield improvement of 28 basis points, up 6.3%. Net interest income increased primarily due to these increases, although the securities portfolio average balances and yields were modestly improved as well. The overall average yield on interest-earning assets increased 22 basis points to 3.78% during 2017 from 3.56% during 2016. 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 2017 increased $0.9 billion compared to 2016, primarily from health savings account growth, as other deposit balance increases and FHLB advance balance decreases basically offset, and the average cost of interest-bearing liabilities increased 4 basis points to 0.50% during 2017 compared to 0.46% during 2016. The average cost of borrowings increase is a result of the federal funds rate being increased four times between December 2016 and December 2017.

Net interest margin increased 18 basis points to 3.30% for the year ended December 31, 2017 from 3.12% for the year ended December 31, 2016. The increase in net interest margin is primarily due to an increase in commercial loan yields and balances, as well as improved investment portfolio yields, partially offset by an increased cost of borrowing due to the federal funds rate increases, somewhat mitigated by a shift from FHLB advances to deposit balances which are generally lower cost and also not as sensitive to the federal funds rate increases.

Table of Contents

Changes in Net Interest Income

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:

	Years ended December 31, 2017 vs. 2016		
	Increase (decrease) due to		
(In thousands)	Rate [1]	Volume	Total
Change in interest on interest-earning assets:			
Loans and leases	$50,509	$37,985	$88,494
Loans held for sale	120	(534)	(414)
Investments [2]	2,744	4,185	6,929
Total interest income	$53,373	$41,636	$95,009
Change in interest on interest-bearing liabilities:			
Deposits	$8,574	$3,821	$12,395
Borrowings	10,327	(8,803)	1,524
Total interest expense	$18,901	$(4,982)	$13,919
Change in tax-equivalent net interest income	$34,472	$46,618	$81,090

(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; FHLB and FRB stock; and Interest-bearing deposits.

Average loans and leases for the year ended December 31, 2017 increased $1.0 billion compared to the average for the year ended December 31, 2016. The loan and lease portfolio comprised 70.3% of the average interest-earning assets at December 31, 2017 compared to 69.3% of the average interest-earning assets at December 31, 2016. The loan and lease portfolio yield increased 28 basis points to 4.12% for the year ended December 31, 2017, compared to the loan and lease portfolio yield of 3.84% for the year ended December 31, 2016. The increase in the yield on average loans and leases is due to increased yield on floating rate loans as well as increased spreads on loan originations.

Average investments for the year ended December 31, 2017 increased $109.8 million compared to the average for the year ended December 31, 2016. The investment portfolio comprised 29.6% of the average interest-earning assets at December 31, 2017 compared to 30.5% of the average interest-earnings assets at December 31, 2016. The investment portfolio yield increased 5 basis points to 2.98% for the year ended December 31, 2017 compared to the investment portfolio yield of 2.93% for the year ended December 31, 2016. The increase in the yield on the investment portfolio is primarily due to a reduction in premium amortization from slower prepayment speeds and increased yields on floating-rate securities, more than offsetting lower current market rates on investment securities purchases compared to the yield on investment securities paydowns and maturities.

Average deposits for the year ended December 31, 2017 increased $1.6 billion compared to the average for the year ended December 31, 2016. The increase is comprised of an increase of $225.8 million in non-interest-bearing deposits and an increase of $1.4 billion in average interest-bearing deposits. The increase in average interest-bearing deposits, and an improved product mix to low-cost deposits, was primarily due to health savings account deposit growth. The average cost of deposits increased 4 basis points to 0.30% for the year ended December 31, 2017 from 0.26% for the year ended December 31, 2016. The increase in average cost of deposits is mainly the result of an increase in the rate paid on public money market accounts. Higher cost time deposits decreased to 13.0% for the year ended December 31, 2017 from 13.4% for the year ended December 31, 2016, as a percentage of total interest-bearing deposits.

Average borrowings for the year ended December 31, 2017 decreased $720.1 million compared to the average for the year ended December 31, 2016. Average securities sold under agreements to repurchase and other borrowings decreased $71.2 million, and average FHLB advances decreased $649.0 million as utilization of advances maturing within one year declined significantly. The average cost of borrowings increased 43 basis points to 1.92% for the year ended December 31, 2017 from 1.49% for the year ended December 31, 2016. The increase in average cost of borrowings is the result of the federal funds rate being increased four times between December 2016 and December 2017.

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

	Years ended December 31,	
(In thousands)	**2017**	**2016**
Interest rate swaps on repurchase agreements	$—	$361
Interest rate swaps on FHLB advances	6,799	8,315
Interest rate forward swap on senior fixed-rate notes	306	306
Interest rate swaps on brokered CDs and deposits	780	780
Net increase to interest expense on borrowings	$7,885	$9,762

31

Table of Contents

Provision for Loan and Lease Losses

The provision for loan and lease losses was $40.9 million for the year ended December 31, 2017, which decreased $15.5 million compared to the year ended December 31, 2016. The decrease in provision for loan and lease losses was due primarily to lower loan growth as compared to the rate for 2016. Total net charge-offs was $35.2 million and $37.0 million for the year ended December 31, 2017 and 2016, respectively. The decrease was primarily due to lower commercial real estate and other commercial loan related net charge-offs.

Non-Interest Income

	Years ended December 31,		Increase (decrease)	
(Dollars in thousands)	**2017**	**2016**	**Amount**	**Percent**
Deposit service fees	$151,137	$140,685	$10,452	7.4 %
Loan and lease related fees	26,448	26,581	(133)	(0.5)
Wealth and investment services	31,055	28,962	2,093	7.2
Mortgage banking activities	9,937	14,635	(4,698)	(32.1)
Increase in cash surrender value of life insurance policies	14,627	14,759	(132)	(0.9)
Gain on sale of investment securities, net	—	414	(414)	(100.0)
Impairment loss on securities recognized in earnings	(126)	(149)	23	15.4
Other income	26,400	38,591	(12,191)	(31.6)
Total non-interest income	$259,478	$264,478	$(5,000)	(1.9)%

Total non-interest income was $259.5 million for the year ended December 31, 2017, a decrease of $5.0 million, compared to $264.5 million for the year ended December 31, 2016. The decrease is primarily attributable to lower other income and mortgage banking activities, more than offsetting higher deposit service fees and wealth and investment services.

Deposit service fees totaled $151.1 million for 2017 compared to $140.7 million for 2016. The increase was a result of higher checking account service charges and check card interchange attributable to health savings account growth and usage activity.

Wealth and investment services totaled $31.1 million for 2017 compared to $29.0 million for 2016. The increase was primarily due to increased sales coupled with growth in assets under management.

Mortgage banking activities totaled $9.9 million for 2017 compared to $14.6 million for 2016. The decrease was due to lower volume of conforming residential mortgage originations, driven by a decrease in refinance activity.

Other income totaled $26.4 million for 2017 compared to $38.6 million for 2016. The decrease was primarily due to the following items recorded in 2016: a $7.3 million gain on the redemption of an ownership interest in a privately held investment; a $2.7 million favorable adjustment to the fair value of a contingent receivable; and a $2.0 million gain on the sale of commercial loans, which did not repeat in 2017. Other income was also impacted by lower net client interest rate hedging activities/hedging revenues, nearly offset by a settlement gain and increased alternative investment gains.

Table of Contents

Non-Interest Expense

	Years ended December 31,		Increase (decrease)	
(Dollars in thousands)	**2017**	**2016**	**Amount**	**Percent**
Compensation and benefits	$356,505	$325,998	$30,507	9.4 %
Occupancy	60,490	61,110	(620)	(1.0)
Technology and equipment	89,464	79,882	9,582	12.0
Intangible assets amortization	4,062	5,652	(1,590)	(28.1)
Marketing	17,421	19,703	(2,282)	(11.6)
Professional and outside services	16,858	14,801	2,057	13.9
Deposit insurance	25,649	26,006	(357)	(1.4)
Other expense	90,626	90,039	587	0.7
Total non-interest expense	$661,075	$623,191	$37,884	6.1 %

Total non-interest expense was $661.1 million for the year ended December 31, 2017, an increase of $37.9 million from the year ended December 31, 2016. The increase is primarily attributable to higher compensation and benefits, technology and equipment, professional and outside services, and other expenses, somewhat offset by lower marketing and intangible assets amortization.

Compensation and benefits totaled $356.5 million for 2017 compared to $326.0 million for 2016. The increase was driven by strategic hires within HSA Bank as well as additional annual merit compensation and group insurance costs. In addition, in response to the Tax Act, the Company announced a further investment in its employees and communities. As a result, an expense of $2.6 million is included in compensation and benefits for 2017 to cover a one-time cash bonus to full-time employees who are below the vice president level.

Occupancy totaled $60.5 million for 2017 compared to $61.1 million for 2016. Charges related to banking center optimization were offset by lower utilities and depreciation of premises and equipment.

Technology and equipment totaled $89.5 million for 2017 compared to $79.9 million for 2016. The increase was primarily due to increased service contracts and additional depreciation on infrastructure to support bank growth.

Marketing totaled $17.4 million for 2017 compared to $19.7 million for 2016. The decrease was due to lower media spend.

Professional and outside services totaled $16.9 million for 2017 compared to $14.8 million for 2016. The increase was primarily due to consulting services used for strategic projects.

Other expense totaled $90.6 million for 2017 compared to $90.0 million for 2016. The increase was primarily due to $3.8 million of cost associated with the redemption of Series E Preferred Stock, substantially offset by pension expense that was $2.7 million lower in 2017 as compared to 2016.

Income Taxes

Webster recognized income tax expense of $98.4 million in 2017 and $96.3 million in 2016, and the effective tax rates were 27.8% and 31.7%, respectively. The increase in tax expense principally reflects the higher level of pre-tax income in 2017, while the decrease in the effective rate principally reflects the $7.8 million net benefit recognized in the fourth quarter of 2017, the $28.7 million net benefit related to SALT DTAs and the $20.9 million expense attributable to the Tax Act, and $7.1 million of excess tax benefits recognized under Accounting Standards Update (ASU) No. 2016-09, *Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share Based Payments Accounting*, which the Company adopted effective January 1, 2017.

Segment Reporting

Webster's operations are organized into three reportable segments that represent its primary businesses - Commercial Banking, HSA Bank, and Community Banking. These three segments reflect how executive management responsibilities are assigned, the primary businesses, the products and services provided, the type of customer served, and how discrete financial information is currently evaluated. The Corporate Treasury unit of the Company, along with adjustments required to reconcile profitability metrics to amounts reported in accordance with GAAP, are included in the Corporate and Reconciling category.

Commercial Banking is comprised of Commercial Banking and Private Banking operating segments.

Commercial Banking provides commercial and industrial lending and leasing, commercial real estate lending, and treasury and payment solutions. Specifically, Webster Bank deploys lending through middle market, commercial real estate, equipment financing, asset-based lending and specialty lending units. These groups utilize a relationship approach model throughout its footprint when providing lending, deposit, and cash management services to middle market companies. In addition, Commercial Banking serves as a referral source within Commercial Banking and to the other lines of business.

Private Banking provides local, full relationship banking that serves high net worth clients, not-for-profit organizations, and business clients with asset management, financial planning services, trust services, loan products, and deposit products. These client relationships generate fee revenue on assets under management or administration, while a majority of the relationships also include lending and/or deposit accounts which provide net interest income and other ancillary fees.

HSA Bank offers a comprehensive consumer directed healthcare solution that includes, health savings accounts, health reimbursement accounts, flexible spending accounts, and other financial solutions. Health savings accounts are used in conjunction with high deductible health plans in order to facilitate tax advantages for account holders with respect to health care spending and savings, in accordance with applicable laws. Health savings accounts are offered through employers for the benefit of their employees or directly to individual consumers and are distributed nationwide directly as well as through national and regional insurance carriers, benefit consultants and financial advisors.

HSA Bank deposits provide long duration low-cost funding that is used to minimize the Company's use of wholesale funding in support of the Company's loan growth. As such, net interest income represents the difference between a funding credit allocation, reflecting the value of the duration funding, and the interest paid on deposits. In addition, non-interest revenue is generated predominantly through service fees and interchange income.

Community Banking is comprised of Personal Banking and Business Banking operating segments.

Through a distribution network, consisting of 157 banking centers, 316 ATMs, a customer care center, and a full range of web and mobile-based banking services, it serves consumer and business customers primarily throughout southern New England and into Westchester County, New York.

Personal Banking offers consumer deposit and fee-based services, residential mortgages, home equity lines/loans, unsecured consumer loans, and credit card products. In addition, investment and securities-related services, including brokerage and investment advice is offered through a strategic partnership with LPL, a broker dealer registered with the SEC, a registered investment advisor under federal and applicable state laws, a member of the FINRA, and a member of the SIPC. Webster Bank has employees located throughout its banking center network, who, through LPL, are registered representatives.

Business Banking offers credit, deposit, and cash flow management products to businesses and professional service firms with annual revenues of up to $25 million. This group builds broad 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.

Description of Segment Reporting Methodology

Webster's reportable segment results are intended to reflect each segment as if it were a stand-alone business. Webster uses an internal profitability reporting system to generate information by operating segment, which is based on a series of management estimates and allocations regarding funds transfer pricing, provision for loan and lease losses, non-interest expense, income taxes, and equity capital. These estimates and allocations, certain of which are subjective in nature, are periodically reviewed and refined. Changes in estimates and allocations that affect the reported results of any operating segment do not affect the consolidated financial position or results of operations of Webster as a whole. The full profitability measurement reports, which are prepared for each operating segment, reflect non-GAAP reporting methodologies. The differences between full profitability and GAAP results are reconciled in the Corporate and Reconciling category.

Webster allocates interest income and interest expense to each business, while also transferring the primary interest rate risk exposures to the Corporate and Reconciling category, using a matched maturity funding concept called FTP. The allocation process considers the specific interest rate risk and liquidity risk of financial instruments and other assets and liabilities in each line of business. The matched maturity funding concept considers the origination date and the earlier of the maturity date or the repricing date of a financial instrument to assign an FTP rate for loans and deposits originated each day. Loans are assigned an FTP rate for funds used and deposits are assigned an FTP rate for funds provided. This process is executed by the Company’s Financial Planning and Analysis division and is overseen by the Company's ALCO.

Table of Contents

Webster allocates the provision for loan and lease losses to each reportable segment based on management's estimate of the inherent loss content in each of the specific loan and lease portfolios. Management believes the reserve level is adequate to cover inherent losses in each reportable segment. For additional discussion related to asset quality metrics, see the "Asset Quality" section elsewhere within this report.

Webster allocates a majority of non-interest expense to each reportable segment using a full-absorption costing process. Costs, including corporate overhead, are analyzed, pooled by process, and assigned to the appropriate reportable segment. A charge related to additional FDIC premiums pertaining to prior periods' deposit insurance assessments and related interest is included in the Corporate and Reconciling category for the year ended December 31, 2018. See Note 1 to the Consolidated Financial Statements included in Item 1 of this report for additional information.

Beginning in 2018, income tax expense is estimated for each reportable segment individually. The 2017 income tax expense was estimated for all segments using the consolidated effective tax rate. This change in the estimate of income tax expense reflects an estimate of full profitability for each of the individual business segments based on the nature of their operations.

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

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Net income (loss):			
Commercial Banking	$160,185	$133,594	$115,366
HSA Bank	79,908	49,774	38,230
Community Banking	98,292	83,468	60,959
Corporate and Reconciling	22,033	(11,397)	(7,428)
Consolidated Total	$360,418	$255,439	$207,127

	At December 31, 2018				
(In thousands)	**Commercial Banking**	**HSA Bank**	**Community Banking**	**Corporate and Reconciling**	**Total**
Total assets	$10,477,050	$70,826	$8,727,335	$8,335,104	$27,610,315
Loans and leases	10,437,319	55	8,028,115	—	18,465,489
Goodwill	—	21,813	516,560	—	538,373
Deposits	4,030,554	5,740,601	11,856,652	231,038	21,858,845
Not included in above amounts:					
Assets under administration/management	1,930,199	1,460,204	3,391,946	—	6,782,349

	At December 31, 2017				
(In thousands)	**Commercial Banking**	**HSA Bank**	**Community Banking**	**Corporate and Reconciling**	**Total**
Total assets	$9,350,028	$76,308	$8,909,671	$8,151,638	$26,487,645
Loans and leases	9,323,376	328	8,200,154	—	17,523,858
Goodwill	—	21,813	516,560	—	538,373
Deposits	4,122,608	5,038,681	11,476,334	356,106	20,993,729
Not included in above amounts:					
Assets under administration/management	2,039,375	1,268,402	3,376,185	—	6,683,962

Table of Contents

Commercial Banking

Operating Results:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Net interest income	$356,509	$322,393	$287,596
Provision for loan and lease losses	34,773	38,518	37,455
Net interest income after provision	321,736	283,875	250,141
Non-interest income	64,765	55,194	57,253
Non-interest expense	174,054	154,037	138,379
Income before income taxes	212,447	185,032	169,015
Income tax expense	52,262	51,438	53,649
Net income	$160,185	$133,594	$115,366

Comparison of 2018 to 2017

Net income increased $26.6 million in 2018 compared to 2017. Net interest income increased $34.1 million, primarily due to loan and deposit growth and higher loan and deposit margins. The provision for loan and lease losses decreased $3.7 million. The current year provision for loan and lease losses benefited from a stable asset quality and overall credit environment. Non-interest income increased $9.6 million, primarily due to loan related fees and client interest rate hedging activities. Non-interest expense increased $20.0 million, related to FDIC insurance and investments in people and technology,

Comparison of 2017 to 2016

Net income increased $18.2 million in 2017 compared to 2016. Net interest income increased $34.8 million, primarily due to loan and deposit growth. The provision for loan and lease losses increased $1.1 million, primarily due to loan growth. Non-interest income decreased $2.1 million, primarily due to lower client interest rate hedging activities. Non-interest expense increased $15.7 million, related to strategic hires and investments in cash management product enhancements and support functions.

Selected Balance Sheet Information and Assets Under Administration/Management:

	At December 31,		
(In thousands)	**2018**	**2017**	**2016**
Total assets	$10,477,050	$9,350,028	$9,069,445
Loans and leases	10,437,319	9,323,376	9,066,905
Deposits	4,030,554	4,122,608	3,592,531
Assets under administration/management (not included in above amounts)	1,930,199	2,039,375	1,781,840

Loans and leases increased $1.1 billion at December 31, 2018 compared to December 31, 2017, due to loan originations greater than prior year levels by $1.2 billion partially offset by an increase in prepayments. Loans and leases increased $0.3 billion at December 31, 2017 compared to December 31, 2016, primarily due to new originations.

Loan originations were $4.4 billion, $3.2 billion and $3.3 billion in 2018, 2017 and 2016, respectively.

Deposits decreased $92.1 million at December 31, 2018 compared to December 31, 2017, primarily due to a decrease in municipal deposits. Deposits increased $530.1 million at December 31, 2017 compared to December 31, 2016, due to growth in client and operating funds maintained for cash management services.

Through Private Banking, Commercial Banking held approximately $1.5 billion, $1.7 billion, and $1.5 billion in assets under management, at December 31, 2018, December 31, 2017, and December 31, 2016, respectively In addition Private Banking had assets under administration of $422.5 million, $357.5 million, and $271.7 million,at December 31, 2018, December 31, 2017, and December 31, 2016, respectively.

Table of Contents

HSA Bank

Operating Results:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Net interest income	$143,255	$104,704	$81,451
Non-interest income	89,323	77,378	71,710
Non-interest expense	124,594	113,143	97,152
Income before income taxes	107,984	68,939	56,009
Income tax expense	28,076	19,165	17,779
Net income	$79,908	$49,774	$38,230

Comparison of 2018 to 2017

Net income increased $30.1 million in 2018 compared to 2017. Net interest income increased $38.6 million, reflecting growth in deposits and improvement in deposit spreads. Non-interest income increased $11.9 million, primarily due to a higher volume of fee and interchange income primarily as a result of the growth in the number of accounts. Non-interest expense increased $11.5 million, primarily due to increased compensation and benefits, processing costs related to incremental account growth and investments in expanded sales force.

Comparison of 2017 to 2016

Net income increased $11.5 million in 2017 compared to 2016. Net interest income increased $23.3 million, reflecting the growth in deposits and improved deposit spreads. Non-interest income increased $5.7 million, due to growth in accounts. Non-interest expense increased $16.0 million, primarily due to increased compensation and benefits cost, increased processing costs in support of business growth as well as continued investment in key initiatives related to continuous improvement, customer service, and expanded sales force.

Selected Balance Sheet Information and Assets Under Administration, through linked brokerage accounts:

	At December 31, 2018		
(In thousands)	**2018**	**2017**	**2016**
Total assets	$70,826	$ 76,308	$ 83,987
Deposits	5,740,601	5,038,681	4,362,503
Assets under administration, through linked brokerage accounts (not included in above amounts)	1,460,204	1,268,402	878,190

HSA Bank deposits accounted for 26.3% and 24.0% of the Company's total deposits as of December 31, 2018 and December 31, 2017, respectively.

Deposits increased $0.7 billion at December 31, 2018 compared to December 31, 2017. The increase is related to organic deposit and account growth. Deposits increased $0.7 billion at December 31, 2017 compared to December 31, 2016. The increase is also related to organic deposit and account growth.

Assets under administration increased $191.8 million at December 31, 2018 compared to December 31, 2017, primarily due to the increasing number of account holders with investment accounts partially offset by the fourth-quarter decline in market value of investments. Assets under administration increased $390.2 million at December 31, 2017 compared to December 31, 2016, primarily by due to the increasing number of account holders with investment accounts and market value increases.

The combination of deposit balances and assets under administration is known as total footings. Total footings were $7.2 billion, comprised of deposit balances of $5.7 billion and assets under administration of $1.5 billion at December 31, 2018, compared to total footings of $6.3 billion, comprised of deposit balances of $5.0 billion and assets under administration of $1.3 billion at December 31, 2017.

Table of Contents

Community Banking

Operating Results:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Net interest income	$404,869	$383,700	$367,137
Provision for loan and lease losses	7,227	2,382	18,895
Net interest income after provision	397,642	381,318	348,242
Non-interest income	109,669	107,368	110,197
Non-interest expense	384,599	373,081	369,132
Income before income taxes	122,712	115,605	89,307
Income tax expense	24,420	32,137	28,348
Net income	$98,292	$83,468	$60,959

Comparison of 2018 to 2017

Net income increased $14.8 million in 2018 compared to 2017. Net interest income increased $21.2 million, primarily due to growth in deposit balances, coupled with improved interest spreads on deposits. The provision for loan and lease losses increased by $4.8 million primarily due to changes in loan balances and asset quality. Non-interest income increased $2.3 million, due to gain on the sale of six banking centers, coupled with growth in deposit and loan fees; partially offset by decreased fee income from mortgage banking activities, as a result of lower mortgage production. Non-interest expense increased $11.5 million, primarily due to higher compensation-related expenses and continued investments in technology.

Comparison of 2017 to 2016

Net income increased $22.5 million in 2017 compared to 2016. Net interest income increased $16.6 million, primarily due to portfolio balances growth in both loans and deposits, coupled with improved interest spreads on deposits. The overall increase was partially offset by the effects of tightening spreads on the loan portfolio. The provision for loan and lease losses decreased $16.5 million, loan portfolio quality improvements in the residential, home-equity and business banking portfolios. Non-interest income decreased $2.8 million, primarily due to lower fees from mortgage banking activities and business client interest rate hedging activities; partially offset by increased fee income from investment services and deposit related service charges. Non-interest expense increased $3.9 million, primarily due to charges related to banking centers optimization, increased compensation and benefits, and increased investments and consulting in technology infrastructure, partially offset by lower marketing and the absence, in 2017, of core deposit intangible amortization which ended in 2016.

Selected Balance Sheet Information and Assets Under Administration:

	At December 31,		
(In thousands)	**2018**	**2017**	**2016**
Total assets	$8,727,335	$8,909,671	$8,721,046
Loans	8,028,115	8,200,154	7,959,558
Deposits	11,856,652	11,476,334	10,970,977
Assets under administration (not included in above amounts)	3,391,946	3,376,185	2,980,113

Loan portfolio balances decreased $172.0 million at December 31, 2018 compared to December 31, 2017. The decrease is related to net attrition in residential mortgage and home equity balances as loan principal paydowns exceeded new loan production. These balance declines were partially offset by continued growth in the business banking portfolio. Loan portfolio balances increased $240.6 million at December 31, 2017 compared to December 31, 2016, due to growth in the business banking, residential mortgages, home equity lines, and personal loans.

Loan originations were $1.3 billion, $1.9 billion, and $2.3 billion for the years ended 2018, 2017 and 2016, respectively. The decrease of $588.0 million in originations for the year ended December 31, 2018 is driven by lower production in residential mortgages and home equity products.

Deposits increased $380.3 million at December 31, 2018 compared to December 31, 2017, due to the Boston expansion and growth in time deposit balances. Deposits increased $505.4 million at December 31, 2017 compared to

December 31, 2016, due to growth in business and personal transaction account balances and increases in time deposit balances.

Additionally, investment and securities-related services had assets under administration, in its strategic partnership with LPL, of $3.4 billion at December 31, 2018, compared to $3.4 billion at December 31, 2017 and $3.0 billion at December 31, 2016.

Financial Condition

Webster had total assets of $27.6 billion at December 31, 2018 compared to $26.5 billion at December 31, 2017, an increase of $1.1 billion, or 4.2%.

Loans and leases of $18.3 billion, net of ALLL of $212.4 million, at December 31, 2018 increased $937 million compared to loans and leases of $17.3 billion, net of ALLL of $200.0 million, at December 31, 2017. The increases were driven by strong commercial loan origination activity.

Total deposits of $21.9 billion at December 31, 2018 increased $0.9 billion compared to $21.0 billion at December 31, 2017. Non-interest-bearing deposits decreased 0.7%, and interest-bearing deposits increased 5.3% during the year ended December 31, 2018, primarily due to growth in health savings accounts and time deposits.

At December 31, 2018, total shareholders' equity was $2.9 billion compared to $2.7 billion at December 31, 2017, an increase of $184.6 million or, 6.8%. Changes in shareholders' equity for the year ended December 31, 2018 consisted of an increase of $360.4 million for net income, partially offset by $39.1 million for other comprehensive loss, $115.3 million for dividends to common shareholders, and $7.9 million for dividends paid to preferred shareholders.

The quarterly cash dividend to common shareholders was increased for the seventh consecutive year, on April 23, 2018, to $0.33 per common share from $0.26 per common share. On January 29, 2019, Webster Financial Corporation’s Board of Directors declared a quarterly dividend of $0.33 per share. See the "Selected Financial Highlights" section contained elsewhere in this item and Note 13: Regulatory Matters in the Notes to Consolidated Financial Statements contained elsewhere in this report for information on Webster’s regulatory capital levels and ratios.

Investment Securities

Webster Bank's investment securities are managed within regulatory guidelines and corporate policy, which include limitations on aspects such as concentrations in and types of investments as well as minimum risk ratings per type of security. The OCC may establish additional individual limits on a certain type of investment if the concentration in such investment presents a safety and soundness concern. In addition to Webster Bank, the Holding Company also may directly hold investment securities from time-to-time. At December 31, 2018, the Company had no investments in obligations of individual states, counties, or municipalities which exceeded 10% of consolidated shareholders’ equity.

Webster maintains, through its Corporate Treasury Unit, investment securities that are primarily used to provide a source of liquidity for operating needs, to generate interest income, and as a means to manage interest-rate risk.

Investment securities are classified into two major categories, available-for-sale and held-to-maturity.

Available-for-sale currently consists of U.S. Treasury Bills, Agency CMO, Agency MBS, Agency CMBS, CMBS, CLO, and corporate debt. Held-to-maturity currently consists of Agency CMO, Agency MBS, Agency CMBS, municipal bonds and notes, and CMBS.

The combined carrying value of investment securities totaled $7.2 billion at December 31, 2018 and $7.1 billion at December 31, 2017.

Available-for-sale investment securities increased by $260.7 million, primarily due to principal purchase activity for Agency MBS and CMBS more than offsetting principal paydowns throughout the portfolio. The tax-equivalent yield in the portfolio was 2.89% for the year ended December 31, 2018 compared to 2.74% for the year ended December 31, 2017.

Held-to-maturity investment securities decreased by $162.0 million, primarily due to principal paydowns throughout the portfolio exceeding purchase activity for Agency MBS and municipal bonds and notes. The tax-equivalent yield in the portfolio was 2.96% for the year ended December 31, 2018 compared to 3.12% for the year ended December 31, 2017.

The Company held $6.2 billion in investment securities that are in an unrealized loss position at December 31, 2018. Approximately $1.2 billion of this total has been in an unrealized loss position for less than twelve months, while the remainder, $5.0 billion, has been in an unrealized loss position for twelve months or longer. These investment securities were evaluated by management and were determined not to be other-than-temporarily impaired. The Company does not have the intent to sell these investment securities, and it is more likely than not that it will not have to sell these securities before the recovery of their cost basis. To the extent that credit movements and other related factors influence the fair value of investments, the Company may be required to record impairment charges for OTTI in future periods. The total unrealized loss was $226.9 million at December 31, 2018.

Table of Contents

The following table summarizes the amortized cost and fair value of investment securities:

	At December 31,							
	2018				2017			
(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:								
U.S. Treasury Bills	$7,549	$ 1	$—	$7,550	$1,247	$ —	$—	$1,247
Agency CMO	238,968	412	(4,457)	234,923	308,989	1,158	(3,814)	306,333
Agency MBS	1,521,534	1,631	(42,076)	1,481,089	1,124,960	2,151	(19,270)	1,107,841
Agency CMBS	608,167	—	(41,930)	566,237	608,276	—	(20,250)	588,026
CMBS	447,897	645	(2,961)	445,581	358,984	2,157	(74)	361,067
CLO	114,641	94	(1,964)	112,771	209,075	910	(134)	209,851
Single issuer-trust preferred	—	—	—	—	7,096	—	(46)	7,050
Corporate debt	55,860	—	(5,281)	50,579	56,504	797	(679)	56,622
Securities available-for-sale	$2,994,616	$ 2,783	$(98,669)	$2,898,730	$2,675,131	$ 7,173	$(44,267)	$2,638,037
Held-to-maturity:								
Agency CMO	$208,113	$ 287	$(5,255)	$203,145	$260,114	$ 664	$(4,824)	$255,954
Agency MBS	2,517,823	8,250	(79,701)	2,446,372	2,569,735	16,989	(37,442)	2,549,282
Agency CMBS	667,500	53	(22,572)	644,981	696,566	—	(10,011)	686,555
Municipal bonds and notes	715,041	2,907	(18,285)	699,663	711,381	8,584	(6,558)	713,407
CMBS	216,943	405	(2,388)	214,960	249,273	2,175	(620)	250,828
Private Label MBS	—	—	—	—	323	1	—	324
Securities held-to-maturity	$4,325,420	$ 11,902	$(128,201)	$4,209,121	$4,487,392	$ 28,413	$(59,455)	$4,456,350

The following table summarizes debt securities period-end amount and weighted-average yield by contractual maturity, which reflects callable securities that have issued a call notice:

	At December 31, 2018									
	Within 1 Year		1 - 5 Years		5 - 10 Years		After 10 Years		Total	
(Dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Available-for-sale:										
U.S. Treasury Bills	$7,550	2.43 %	$—	— %	$—	— %	$—	— %	$7,550	2.43 %
Agency CMO	—	—	—	—	10,363	2.44	224,560	2.55	234,923	2.55
Agency MBS	—	—	—	—	15,850	2.27	1,465,239	2.86	1,481,089	2.86
Agency CMBS	—	—	—	—	—	—	566,237	2.38	566,237	2.38
CMBS	—	—	17,029	3.75	177,864	3.90	250,688	3.70	445,581	3.78
CLO	—	—	—	—	70,076	4.15	42,695	4.29	112,771	4.20
Corporate debt	20,315	2.90	—	—	—	—	30,264	2.97	50,579	2.95
Securities available-for-sale	$27,865	2.77 %	$17,029	3.75 %	$274,153	3.81 %	$2,579,683	2.83 %	$2,898,730	2.92 %
Held-to-maturity:										
Agency CMO	$—	— %	$—	— %	$410	2.60 %	$207,703	2.60 %	$208,113	2.60 %
Agency MBS	—	—	704	4.25	11,903	2.76	2,505,216	2.79	2,517,823	2.79
Agency CMBS	—	—	—	—	—	—	667,500	2.71	667,500	2.71
Municipal bonds and notes	7,047	6.62	3,355	5.70	22,992	4.24	681,647	3.64	715,041	3.70
CMBS	—	—	—	—	—	—	216,943	3.00	216,943	3.00
Securities held-to-maturity	$7,047	6.62 %	$4,059	5.45 %	$35,305	3.72 %	$4,279,009	2.91 %	$4,325,420	2.93 %
Total debt securities	$34,912	3.55 %	$21,088	4.08 %	$309,458	3.80 %	$6,858,692	2.88 %	$7,224,150	2.93 %

The benchmark 10-year U.S. Treasury rate increased to 2.69% on December 31, 2018 from 2.41% on December 31, 2017. Webster Bank has the ability to use its investment portfolio as well as interest-rate derivative financial instruments, within internal policy guidelines to manage interest rate risk as part of its asset/liability strategy. See Note 15: Derivative Financial Instruments in the Notes to Consolidated Financial Statements contained elsewhere in this report for additional information concerning the use of derivative financial instruments.

Table of Contents

Loans and Leases

The following table provides the composition of loans and leases:

	At December 31,									
	2018		2017		2016		2015		2014	
(Dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Residential	$4,389,866	23.8	$4,464,651	25.5	$4,232,771	24.9	$4,042,960	25.8	$3,498,675	25.2
Consumer:										
Home equity	2,153,911	11.7	2,336,846	13.3	2,395,483	14.1	2,439,415	15.6	2,459,458	17.7
Other consumer	227,257	1.2	237,695	1.4	274,336	1.6	248,830	1.6	75,307	0.5
Total consumer	2,381,168	12.9	2,574,541	14.7	2,669,819	15.7	2,688,245	17.2	2,534,765	18.2
Commercial:										
Commercial non-mortgage	5,269,557	28.5	4,551,580	26.0	4,151,740	24.4	3,575,042	22.8	3,098,892	22.3
Asset-based	971,876	5.3	837,490	4.8	808,836	4.7	755,709	4.8	662,615	4.8
Total commercial	6,241,433	33.8	5,389,070	30.8	4,960,576	29.1	4,330,751	27.6	3,761,507	27.1
Commercial real estate:										
Commercial real estate	4,715,949	25.5	4,249,549	24.2	4,141,025	24.3	3,696,596	23.6	3,326,906	23.9
Commercial construction	218,816	1.2	279,531	1.6	375,041	2.2	300,246	1.9	235,449	1.7
Total commercial real estate	4,934,765	26.7	4,529,080	25.8	4,516,066	26.5	3,996,842	25.5	3,562,355	25.6
Equipment financing	504,351	2.7	545,877	3.1	630,040	3.7	594,984	3.8	532,117	3.8
Net unamortized premiums	14,809	0.1	15,316	0.1	9,402	0.1	7,477	—	2,580	—
Net deferred fees	(903)	—	5,323	—	7,914	—	10,476	0.1	8,026	0.1
Total loans and leases	$18,465,489	100.0	$17,523,858	100.0	$17,026,588	100.0	$15,671,735	100.0	$13,900,025	100.0

Total residential loans were $4.4 billion at December 31, 2018, a net decrease of $74.8 million from December 31, 2017, primarily due to loan repayments of $460.9 million, partially offset by originations of $400.2 million during the year ended December 31, 2018.

Total consumer loans were $2.4 billion at December 31, 2018, a net decrease of $193.4 million from December 31, 2017, primarily the result of net paydowns in the equity line and loan products of $704.5 million partially offset by originations of $473.7 million during the year ended December 31, 2018.

Total commercial loans were $6.2 billion at December 31, 2018, a net increase of $852.4 million from December 31, 2017. The growth in commercial loans is primarily related to new originations of $2.4 billion in commercial non-mortgage loans for the year ended December 31, 2018, partially offset by loan payments.

Asset-based loans increased $134.4 million from December 31, 2017, reflective of $388.4 million in originations and line usage during the year ended December 31, 2018, partially offset by loan payments.

Total commercial real estate loans were $4.9 billion at December 31, 2018, a net increase of $405.7 million from December 31, 2017 as a result of originations of $1.8 billion during the year ended December 31, 2018, partially offset by loan payments.

Equipment financing loans and leases were $504.4 million at December 31, 2018, a net decrease of $41.5 million from December 31, 2017, primarily the result lower originations during the year ended December 31, 2018.

Table of Contents

The following table provides contractual maturity and interest-rate sensitivity information for loans and leases:

	At December 31, 2018			
	Contractual Maturity			
(In thousands)	One Year Or Less	One To Five Years	More Than Five Years	Total
Residential	$904	$27,890	$4,387,843	$4,416,637
Consumer:				
Home equity	3,068	97,034	2,069,077	2,169,179
Other consumer	13,664	201,113	12,748	227,525
Total consumer	16,732	298,147	2,081,825	2,396,704
Commercial:				
Commercial non-mortgage	572,924	3,653,763	1,020,748	5,247,435
Asset-based	156,107	813,064	—	969,171
Total commercial	729,031	4,466,827	1,020,748	6,216,606
Commercial real estate:				
Commercial real estate	345,703	1,661,237	2,701,374	4,708,314
Commercial construction	66,950	137,704	14,177	218,831
Total commercial real estate	412,653	1,798,941	2,715,551	4,927,145
Equipment financing	30,093	399,042	79,262	508,397
Total loans and leases	$1,189,413	$6,990,847	$10,285,229	$18,465,489

	Interest-Rate Sensitivity			
(In thousands)	One Year Or Less	One To Five Years	More Than Five Years	Total
Fixed rate	$180,125	$986,806	$4,128,313	$5,295,244
Variable rate	1,009,288	6,004,041	6,156,916	13,170,245
Total loans and leases	$1,189,413	$6,990,847	$10,285,229	$18,465,489

Asset Quality

Management maintains asset quality within established risk tolerance levels through its underwriting standards, servicing, and management of loan and lease performance. Loans and leases, particularly where a heightened risk of loss has been identified, are regularly monitored to mitigate further deterioration which could potentially impact key measures of asset quality in future periods. Past due loans and leases, non-performing assets, and credit loss levels are considered to be key measures of asset quality.

The following table provides key asset quality ratios:

	At or for the years ended December 31,				
	2018	2017	2016	2015	2014
Non-performing loans and leases as a percentage of loans and leases	0.84 %	0.72 %	0.79 %	0.89 %	0.93 %
Non-performing assets as a percentage of loans and leases plus OREO	0.87	0.76	0.81	0.92	0.98
Non-performing assets as a percentage of total assets	0.59	0.50	0.53	0.59	0.61
ALLL as a percentage of non-performing loans and leases	137.22	158.00	144.98	125.05	122.62
ALLL as a percentage of loans and leases	1.15	1.14	1.14	1.12	1.15
Net charge-offs as a percentage of average loans and leases	0.16	0.20	0.23	0.23	0.23
Ratio of ALLL to net charge-offs	7.16x	5.68x	5.25x	5.21x	5.21x

Table of Contents

Potential Problem Loans and Leases

Potential problem loans and leases are defined by management as certain loans and leases that, for:

- commercial, commercial real estate, and equipment financing are performing loans and leases classified as Substandard and have a well-defined weakness that could jeopardize the full repayment of the debt, and
- residential and consumer are performing loans 60-89 days past due and accruing.

Potential problem loans and leases exclude loans and leases past due 90 days or more and accruing, non-accrual loans and leases, and troubled debt restructuring (TDR)s.

Management monitors potential problem loans and leases due to a higher degree of risk associated with them. The current expectation of probable losses is included in the ALLL, however management cannot predict whether these potential problem loans and leases ultimately will become non-performing or result in a loss. The Company had potential problem loans and leases of $226.9 million at December 31, 2018 compared to $271.5 million at December 31, 2017.

Past Due Loans and Leases

The following table provides information regarding loans and leases past due 30 days or more and accruing income:

	At December 31,									
	2018		2017		2016		2015		2014	
(Dollars in thousands)	Amount (1)	% (2)	Amount (1)	% (2)	Amount (1)	% (2)	Amount (1)	% (2)	Amount (1)	% (2)
Residential	$12,789	0.29	$13,771	0.31	$11,202	0.26	$15,032	0.37	$17,216	0.49
Consumer:										
Home equity	14,595	0.68	18,397	0.79	14,578	0.61	13,261	0.54	16,415	0.67
Other consumer	2,729	1.20	3,997	1.68	3,715	1.35	2,000	0.80	1,110	1.47
Commercial:										
Commercial non-mortgage	1,700	0.03	5,809	0.13	1,949	0.05	4,052	0.11	2,099	0.07
Commercial real estate:										
Commercial real estate	1,514	0.03	551	0.01	8,173	0.20	2,250	0.06	2,714	0.08
Equipment financing	915	0.18	2,358	0.43	1,596	0.25	602	0.10	701	0.13
Loans and leases past due 30-89 days	34,242	0.19	44,883	0.26	41,213	0.24	37,197	0.24	40,255	0.29
Residential	—	—	—	—	—	—	2,029	0.05	2,039	0.06
Commercial non-mortgage	104	—	644	0.01	749	0.02	22	—	48	—
Commercial real estate	—	—	243	—	—	—	—	—	—	—
Loans and leases past due 90 days and accruing	104	—	887	0.01	749	—	2,051	0.01	2,087	0.02
Total loans and leases over 30 days past due and accruing income	34,346	0.19	45,770	0.26	41,962	0.25	39,248	0.25	42,342	0.30
Deferred costs and unamortized premiums	86		77		86		86		96	
Total	$34,432		$45,847		$42,048		$39,334		$42,438	

(1) *Past due loan and lease balances exclude non-accrual loans and leases.*

(2) *Represents the principal balance of past due loans and leases as a percentage of the outstanding principal balance within the comparable loan and lease category. The percentage excludes the impact of deferred costs and unamortized premiums.*

Table of Contents

Non-performing Assets

The following table provides information regarding lending-related non-performing assets:

	At December 31,									
	2018		2017		2016		2015		2014	
(Dollars in thousands)	Amount (1)	% (2)	Amount (1)	% (2)	Amount (1)	% (2)	Amount (1)	% (2)	Amount (1)	% (2)
Residential	$49,069	1.12	$44,407	0.99	$47,201	1.12	$54,101	1.34	$64,022	1.83
Consumer:										
Home equity	33,456	1.55	35,601	1.52	35,875	1.50	37,279	1.53	39,950	1.62
Other consumer	1,493	0.66	1,706	0.72	1,663	0.61	558	0.22	280	0.37
Total consumer	34,949	1.47	37,307	1.45	37,538	1.41	37,837	1.41	40,230	1.59
Commercial:										
Commercial non-mortgage	55,951	1.06	39,402	0.87	38,550	0.93	27,086	0.76	6,436	0.21
Asset-based loans	224	0.02	589	0.07	—	—	—	—	—	—
Total commercial	56,175	0.90	39,991	0.74	38,550	0.78	27,086	0.63	6,436	0.17
Commercial real estate:										
Commercial real estate	8,243	0.17	4,484	0.11	9,859	0.24	16,750	0.45	15,016	0.45
Commercial construction	—	—	—	—	662	0.18	3,461	1.15	3,659	1.55
Total commercial real estate	8,243	0.17	4,484	0.10	10,521	0.23	20,211	0.51	18,675	0.52
Equipment financing	6,314	1.25	393	0.07	225	0.04	706	0.12	518	0.10
Total non-performing loans and leases (3)	154,750	0.84	126,582	0.72	134,035	0.79	139,941	0.89	129,881	0.94
Deferred costs and unamortized premiums	17		(69)		(219)		128		267	
Total	$154,767		$126,513		$133,816		$140,069		$130,148	
Total non-performing loans and leases	$154,750		$126,582		$134,035		$139,941		$129,881	
Foreclosed and repossessed assets:										
Residential and consumer	6,460		5,759		3,911		5,029		3,517	
Commercial	407		305		—		—		2,999	
Total foreclosed and repossessed assets	6,867		6,064		3,911		5,029		6,516	
Total non-performing assets	$161,617		$132,646		$137,946		$144,970		$136,397	

(1) *Balances by class exclude the impact of net deferred costs and unamortized premiums.*

(2) *Represents the principal balance of non-performing loans and leases as a percentage of the outstanding principal balance within the comparable loan and lease category. The percentage excludes the impact of deferred costs and unamortized premiums.*

(3) *Includes non-accrual restructured loans and leases of $91.9 million, $74.3 million, $75.7 million, $100.9 million and $76.9 million as of December 31, 2018, 2017, 2016, 2015 and 2014, respectively.*

The following table provides detail of non-performing loan and lease activity:

	Years ended December 31,	
(In thousands)	2018	2017
Beginning balance	$126,582	$134,035
Additions	124,991	139,095
Paydowns/draws	(54,468)	(100,417)
Charge-offs	(35,298)	(37,903)
Other reductions	(7,057)	(8,228)
Ending balance	$154,750	$126,582

Table of Contents

Impaired Loans and Leases

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on a pooled basis for smaller-balance loans of a similar nature. Consumer and residential loans for which the borrower has been discharged in Chapter 7 bankruptcy are considered collateral dependent impaired loans at the date of discharge. Commercial, commercial real estate, and equipment financing loans and leases over a specific dollar amount, risk rated substandard or worse and non-accruing, all TDRs, and all loans that have had a partial charge-off are evaluated individually for impairment. Impairment may be evaluated at the present value of estimated future cash flows using the original interest rate of the loan or at the fair value of collateral, less estimated selling costs. To the extent that an impaired loan or lease balance is collateral dependent, the Company determines the fair value of the collateral.

For residential and consumer collateral dependent loans, a third-party appraisal is obtained upon loan default. Fair value of the collateral for residential and consumer collateral dependent loans is reevaluated every six months, by either a new appraisal or other internal valuation methods. Fair value is also reassessed, with any excess amount charged off, for consumer loans that reach 180 days past due per Federal Financial Institutions Examination Council guidelines. For commercial, commercial real estate, and equipment financing collateral dependent loans and leases, Webster's impairment process requires the Company to determine the fair value of the collateral by obtaining a third-party appraisal or asset valuation, an interim valuation analysis, blue book reference, or other internal methods. Fair value of the collateral for commercial loans is reevaluated quarterly. Whenever the Company has a third-party real estate appraisal performed by independent licensed appraisers, a licensed in-house appraisal officer or qualified individual reviews these appraisals for compliance with the Financial Institutions Reform Recovery and Enforcement Act and the Uniform Standards of Professional Appraisal Practice.

A fair value shortfall is recorded as an impairment reserve against the ALLL. Subsequent to an appraisal or other fair value estimate, should reliable information come to management's attention that the value has declined further, additional impairment may be recorded to reflect the particular situation, thereby increasing the ALLL. Any impaired loan for which no specific valuation allowance was necessary at December 31, 2018 and December 31, 2017 is the result of either sufficient cash flow or sufficient collateral coverage of the book balance.

At December 31, 2018, there were 1,501 impaired loans and leases with a recorded investment balance of $259.3 million, which included loans and leases of $93.1 million with an impairment allowance of $15.4 million, compared to 1,606 impaired loans and leases with a recorded investment balance of $246.8 million, which included loans and leases of $105.4 million, with an impairment allowance of $16.6 million at December 31, 2017.

The overall reduction in the number of impaired loans is due primarily to small dollar consumer loans being resolved. The reduction of $1.2 million in impaired reserve balance reflects management's current assessment on the resolution of these credits based on collateral considerations, guarantees, or expected future cash flows of the impaired loans.

Troubled Debt Restructurings

A modified loan is considered a TDR when two conditions are met: (i) the borrower is experiencing financial difficulties; and (ii) the modification constitutes a concession. Modified terms are dependent upon the financial position and needs of the individual borrower. The Company considers all aspects of the restructuring in determining whether a concession has been granted, including the debtor's ability to access market rate funds. In general, a concession exists when the modified terms of the loan are more attractive to the borrower than standard market terms. The most common types of modifications include covenant modifications, forbearance, and/or other concessions. If the buyer does not perform in accordance with the modified terms, the loan is reevaluated to determine the most appropriate course of action, which may include foreclosure. Loans for which the borrower has been discharged under Chapter 7 bankruptcy are considered collateral dependent TDRs and thus, impaired at the date of discharge and charged down to the fair value of collateral less cost to sell.

The Company’s policy is to place each consumer loan TDR, except those that were performing prior to TDR status, on non-accrual status for a minimum period of 6 months. Commercial TDRs are evaluated on a case-by-case basis for determination of whether or not to place them on non-accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of 6 months.

Initially, all TDRs are reported as impaired. Generally, TDRs are classified as impaired loans and reported as TDR for the remaining life of the loan. Impaired and TDR classification may be removed if the borrower demonstrates compliance with the modified terms for a minimum of 6 months and through one fiscal year-end, and the restructuring agreement specifies a market rate of interest equal to that which would be provided to a borrower with similar credit at the time of restructuring. In the limited circumstance that a loan is removed from TDR classification, it is the Company’s policy to continue to base its measure of loan impairment on the contractual terms specified by the loan agreement.

Table of Contents

The following tables provide information for TDRs:

(In thousands)	Years ended December 31, 2018	2017
Beginning balance	$221,404	$223,528
Additions	75,565	36,253
Paydowns/draws	(48,643)	(31,641)
Charge-offs	(14,283)	(3,178)
Transfers to OREO	(3,629)	(3,558)
Ending balance	$230,414	$221,404

(In thousands)	At December 31, 2018	2017
Accrual status	$138,479	$147,113
Non-accrual status	91,935	74,291
Total recorded investment of TDRs [1]	$230,414	$221,404
Specific reserves for TDR included in the balance of ALLL	$11,930	$12,384
Additional funds committed to borrowers in TDR status	3,893	2,736

	At December 31, 2018		2017		2016		2015		2014	
(In thousands)	Amount	% [2]	Amount	% [2]	Amount	% [2]	Amount	% [2]	Amount	% [2]
Residential	$103,531	2.34	$114,295	2.55	$119,391	2.81	$134,448	3.31	$141,982	4.05
Consumer	39,144	1.63	45,436	1.75	45,673	1.70	48,425	1.79	50,249	1.97
Commercial [1]	87,739	0.75	61,673	0.59	58,464	0.58	89,817	1.01	126,563	1.61
Total recorded investment of TDRs	$230,414	1.25	$221,404	1.26	$223,528	1.31	$272,690	1.74	$318,794	2.29

(1) Consists of commercial, commercial real estate and equipment financing loans and leases.
(2) Represents the balance of TDR as a percentage of the outstanding balance within the comparable loan and lease category. The percentage includes the impact of deferred costs and unamortized premiums.

Allowance for Loan and Lease Losses Methodology

The ALLL policy is considered a critical accounting policy. Executive management reviews and advises on the adequacy of the ALLL reserve, which is maintained at a level deemed sufficient by management to cover probable losses inherent within the loan and lease portfolios.

The quarterly process for estimating probable losses is based on predictive models, to measure the current risk profile of the loan portfolio and combines other quantitative and qualitative factors together with the impairment reserve to determine the overall reserve requirement. Management's judgment and assumptions influence loss estimates and ALLL balances. Quantitative and qualitative factors that management considers include factors such as the nature and volume of portfolio growth, national and regional economic conditions and trends, other internal performance metrics, and how each of these factors is expected to impact near term loss trends. While actual future conditions and realized losses may vary significantly from assumptions, management believes the ALLL is adequate as of December 31, 2018.

The Company’s methodology for assessing an appropriate level of the ALLL includes three key elements:

- Impaired loans and leases are either analyzed on an individual or pooled basis and assessed for specific reserves measured based on the present value of expected future cash flows discounted at the effective interest rate of the loan or lease, except that as a practical expedient, impairment may be measured based on a loan or lease's observable market price, or the fair value of the collateral, if the loan or lease is collateral dependent. A loan or lease is collateral dependent if the repayment of the loan or lease is expected to be provided solely by the underlying collateral. The Company considers the pertinent facts and circumstances for each impaired loan or lease when selecting the appropriate method to measure impairment and evaluates, on a quarterly basis, each selection is reviewed to ensure its continued appropriateness.

- Loans and leases that are not considered impaired and have similar risk characteristics, are segmented into homogeneous pools and modeled using quantitative methods. The Company's loss estimate for its commercial portfolios utilizes an expected loss methodology that is based on probability of default (PD) and loss given default (LGD) models. The PD and LGD models are based on borrower and facility risk ratings assigned to each loan and are updated throughout the year as the borrower's financial condition changes. PD and LGD models are derived using the Company's portfolio specific historic data and are refreshed annually. Residential and consumer portfolio loss estimates are based on roll rate models that utilize the Company's historic delinquency and default data. For each segmentation the loss estimates incorporate a loss emergence period (LEP) model which represents an amount of time between when a loss event first occurs to when it is charged-off. A LEP is determined for each loan type based on the Company's historical experience and is reassessed at least annually.
- The Company also considers qualitative factors, consistent with interagency regulatory guidance, that are not explicitly factored in the quantitative models but that can have an incremental or regressive impact on losses incurred in the current loan and lease portfolio.

Webster Bank has credit policies and procedures in place designed to support lending activity within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. To assist management with its review, reports related to loan production, loan quality, concentrations of credit, loan delinquencies, non-performing loans, and potential problem loans are generated by loan reporting systems.

Commercial loans are underwritten after evaluating and understanding the borrower’s ability to operate and service its debt. Assessment of management is a critical element of the underwriting process and credit decision. Once it is determined that the borrower’s management possesses sound ethics and solid business acumen, the Company examines current and projected cash flows to determine the ability of the borrower to repay obligations as agreed. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed and may incorporate personal guarantees of the principals.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those specific to real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Repayment of these loans is largely dependent on the successful operation of the property securing the loan, the market in which the property is located, and the tenants of the property securing the loan. The properties securing the Company’s commercial real estate portfolio are diverse in terms of type and geographic location, which reduces the Company's exposure to adverse economic events that may affect a particular market. Management monitors and evaluates commercial real estate loans based on collateral, geography, and risk grade criteria. Commercial real estate loans may be adversely affected by conditions in the real estate markets or in the general economy. The Company periodically utilizes third-party experts to provide insight and guidance about economic conditions and trends affecting its commercial real estate loan portfolio.

Commercial construction loans have unique risk characteristics and are provided to experienced developers/sponsors with strong track records of successful completion and sound financial condition and are underwritten utilizing feasibility studies, independent appraisals, sensitivity analysis of absorption and lease rates, and financial analysis of the developers and property owners. Commercial construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be subject to change as the construction project proceeds. In addition, these loans often include partial or full completion guarantees. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property, or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored with on-site inspections by third-party professionals and the Company's internal staff.

Policies and procedures are in place to manage consumer loan risk and are developed and modified, as needed. Policies and procedures, coupled with relatively small loan amounts, and predominately collateralized structures spread across many individual borrowers, minimize risk. Trend and outlook reports are reviewed by management on a regular basis. Underwriting factors for mortgage and home equity loans include the borrower’s Fair Isaac Corporation (FICO) score, the loan amount relative to property value, and the borrower’s debt to income level and are also

influenced by regulatory requirements. Additionally, Webster Bank originates both qualified mortgage and non-qualified mortgage loans as defined by applicable CFPB rules.
At December 31, 2018, the ALLL was $212.4 million compared to $200.0 million at December 31, 2017. The increase of $12.4 million in the reserve at December 31, 2018 compared to December 31, 2017 is primarily due to growth in commercial banking offset by lower reserves on impaired loans in the residential and home-equity loan portfolios. The ALLL reserve remains adequate to cover inherent losses in the loan and lease portfolios. ALLL as a percentage of loans and leases, also known as the reserve coverage, increased to 1.15% at December 31, 2018 as compared to 1.14% at December 31, 2017, and reflects an updated assessment of inherent losses and impaired reserves conducted throughout the year. ALLL as a percentage of non-performing loans and leases decreased to 137.22% at December 31, 2018 from 158.00% at December 31, 2017.

Table of Contents

The following table provides an allocation of the ALLL by portfolio segment:

	At December 31,									
	2018		2017		2016		2015		2014	
(Dollars in thousands)	Amount	% (1)	Amount	% (1)	Amount	% (1)	Amount	% (1)	Amount	% (1)
Residential	$19,599	0.44	$19,058	0.42	$23,226	0.55	$25,876	0.64	$25,452	0.73
Consumer	28,681	1.20	36,190	1.40	45,233	1.68	42,052	1.56	43,518	1.71
Commercial	98,793	1.59	89,533	1.67	71,905	1.46	59,977	1.39	47,068	1.26
Commercial real estate	60,151	1.22	49,407	1.09	47,477	1.05	41,598	1.04	37,148	1.05
Equipment financing	5,129	1.01	5,806	1.06	6,479	1.02	5,487	0.91	6,078	1.13
Total ALLL	$212,353	1.15	$199,994	1.14	$194,320	1.14	$174,990	1.12	$159,264	1.15

(1) Percentage represents allocated ALLL to total loans and leases within the comparable category. However, the allocation of a portion of the allowance to one category of loans and leases does not preclude its availability to absorb losses in other categories.

The ALLL reserve allocated to the residential loan portfolio at December 31, 2018 increased $0.5 million compared to December 31, 2017. The year-over-year increase is primarily attributable to higher loss rates, partially offset by a decrease in TDR loans of $10.8 million.

The ALLL reserve allocated to the consumer portfolio at December 31, 2018 decreased $7.5 million compared to December 31, 2017. The year-over-year decrease is primarily attributable to improved credit quality and a decrease in the loan portfolio balance.

The ALLL reserve allocated to the commercial portfolio at December 31, 2018 increased $9.3 million compared to December 31, 2017. The year-over-year increase is primarily attributable to loan growth of $852.4 million, partially offset by improved net rating migration.

The ALLL reserve allocated to the commercial real estate portfolio at December 31, 2018 increased $10.7 million compared to December 31, 2017. The year-over-year increase is primarily attributable to loan growth of $405.7 million, partially offset by improved net rating migration.

The ALLL reserve allocated to the equipment financing portfolio at December 31, 2018 decreased $0.7 million compared to December 31, 2017. The year-over-year decrease is primarily attributable to a reduction in the loan balance of $41.5 million.

The following table provides detail of activity in the ALLL:

	At or for the years ended December 31,				
(In thousands)	2018	2017	2016	2015	2014
Beginning balance	$199,994	$194,320	$174,990	$159,264	$152,573
Provision	42,000	40,900	56,350	49,300	37,250
Charge-offs:					
Residential	(3,455)	(2,500)	(4,636)	(6,508)	(6,214)
Consumer	(19,228)	(24,447)	(20,669)	(17,679)	(20,712)
Commercial	(18,220)	(8,147)	(18,360)	(11,522)	(13,668)
Commercial real estate	(2,061)	(9,275)	(2,682)	(7,578)	(3,237)
Equipment financing	(423)	(558)	(565)	(273)	(595)
Total charge-offs	(43,387)	(44,927)	(46,912)	(43,560)	(44,426)
Recoveries:					
Residential	1,980	1,024	1,756	875	1,324
Consumer	7,091	6,037	5,343	4,366	5,055
Commercial	4,439	2,358	1,626	2,738	4,369
Commercial real estate	161	165	631	647	885
Equipment financing	75	117	536	1,360	2,234
Total recoveries	13,746	9,701	9,892	9,986	13,867
Net charge-offs					
Residential	(1,475)	(1,476)	(2,880)	(5,633)	(4,890)
Consumer	(12,137)	(18,410)	(15,326)	(13,313)	(15,657)

Commercial	(13,781)	(5,789)	(16,734)	(8,784)	(9,299)
Commercial real estate	(1,900)	(9,110)	(2,051)	(6,931)	(2,352)
Equipment financing	(348)	(441)	(29)	1,087	1,639
Net charge-offs	(29,641)	(35,226)	(37,020)	(33,574)	(30,559)
Ending balance	$212,353	$199,994	$194,320	$174,990	$159,264

Table of Contents

Net charge-offs for the years ended December 31, 2018 and 2017 were $29.6 million and $35.2 million, respectively. Net charge-offs decreased by $5.6 million during the year ended December 31, 2018 compared to the year ended December 31, 2017. The decrease in net charge-off activity is primarily due to improved asset quality in consumer loans, a large charge-off in commercial real estate from 2017, partially offset by the increase in commercial loans.
The following table provides a summary of total net charge-offs (recoveries) to average loans and leases by category:

	Years ended December 31,				
	2018	2017	2016	2015	2014
Residential	0.03 %	0.03 %	0.07 %	0.15 %	0.14 %
Consumer	0.49	0.70	0.56	0.51	0.61
Commercial	0.23	0.11	0.36	0.22	0.26
Commercial real estate	0.04	0.20	0.05	0.18	0.07
Equipment financing	0.07	0.07	—	(0.20)	(0.34)
Total net charge-offs to total average loans and leases	0.16 %	0.20 %	0.23 %	0.23 %	0.23 %

Reserve for Unfunded Credit Commitments

A reserve for unfunded credit commitments provides for probable losses inherent with funding the unused portion of legal commitments to lend. Reserve calculation factors are consistent with the ALLL methodology for funded loans using the PD, LGD, and LEP applied to the underlying borrower risk and facility grades, and a draw down factor applied to utilization rates.
The following tables provide detail of activity in the reserve for unfunded credit commitments:

	At or for the years ended December 31,				
(In thousands)	2018	2017	2016	2015	2014
Beginning balance	$2,362	$2,287	$2,119	$5,151	$4,384
Provision (benefit)	144	75	168	(3,032)	767
Ending balance	$2,506	$2,362	$2,287	$2,119	$5,151

49

Table of Contents

Sources of Funds and Liquidity

Sources of Funds. The primary source of Webster Bank's cash flows for use in lending and meeting its general operational needs is deposits. Operating activities, such as loan and mortgage-backed securities repayments, and other investment securities sale proceeds and maturities, also provide cash flows. While scheduled loan and investment security repayments are a relatively stable source of funds, loan and investment security prepayments and deposit inflows are influenced by prevailing interest rates and economic conditions and are inherently uncertain. Additional sources of funds are provided by FHLB advances or other borrowings.

Federal Home Loan Bank and Federal Reserve Bank Stock. Webster Bank is a member of the FHLB System, which consists of eleven district Federal Home Loan Banks, each subject to the supervision and regulation of the Federal Housing Finance Agency. An activity-based FHLB capital stock investment is required in order for Webster Bank to access advances and other extensions of credit for sources of funds and liquidity purposes. The FHLB capital stock investment is restricted in that there is no market for it, and it can only be redeemed by the FHLB. Webster Bank held FHLB Boston capital stock of $98.6 million at December 31, 2018 and $100.9 million at December 31, 2017 for its membership and for outstanding advances and other extensions of credit. Webster Bank received $4.6 million in dividends from the FHLB Boston during 2018.

Additionally, Webster Bank is required to hold FRB of Boston stock equal to 6% of its capital and surplus of which 50% is paid. The remaining 50% is subject to call when deemed necessary by the Federal Reserve System. The FRB capital stock investment is restricted in that there is no market for it, and it can only be redeemed by the FRB. At both December 31, 2018 and December 31, 2017, Webster Bank held $50.7 million of FRB of Boston capital stock. The semi-annual dividend payment from the FRB is calculated as the lesser of 6% or the yield on the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend. Webster Bank received $1.5 million in dividends from the FRB of Boston during 2018.

Deposits. Webster Bank offers a wide variety of deposit products for checking and savings (including: ATM and debit card use; direct deposit; ACH payments; combined statements; mobile banking services; internet-based banking; bank by mail; as well as overdraft protection via line of credit or transfer from another deposit account) designed to meet the transactional, savings, and investment needs for both consumer and business customers throughout its primary market area. Webster Bank manages the flow of funds in its deposit accounts and provides a variety of accounts and rates consistent with FDIC regulations. Webster Bank's Retail Pricing Committee and its Commercial and Institutional Liability Pricing Committee meet regularly to determine pricing and marketing initiatives.

Total deposits were $21.9 billion, $21.0 billion, and $19.3 billion at December 31, 2018, 2017, and 2016, respectively, with time deposits that exceed the FDIC limit, presently $250 thousand, representing approximately 2.5%, 2.7%, and 2.5%, respectively, of total deposits. For additional information, see Note 9: Deposits in the Notes to Consolidated Financial Statements contained elsewhere in this report.

Daily average balances of deposits by type and weighted-average rates paid thereon for the periods as indicated:

	Years ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest-bearing:						
Demand	$4,185,183		$4,079,493		$3,853,700	
Interest-bearing:						
Checking	2,585,593	0.08 %	2,601,962	0.07 %	2,422,862	0.07 %
Health savings accounts	5,540,000	0.20	4,839,988	0.20	4,150,733	0.23
Money market	2,351,188	0.95	2,488,422	0.61	2,279,301	0.36
Savings	4,178,387	0.29	4,418,032	0.23	4,219,681	0.19
Time deposits	2,818,271	1.52	2,137,574	1.19	2,027,029	1.11
Total interest-bearing	17,473,439	0.52	16,485,978	0.38	15,099,606	0.33
Total average deposits	$21,658,622	0.42 %	$20,565,471	0.30 %	$18,953,306	0.26 %

Total average deposits increased $1.1 billion, or 5.3%, in 2018 compared to 2017 and increased $1.6 billion, or 8.5%, in 2017 compared to 2016. The increase was driven by continued growth in health savings account deposits.
The following table presents time deposits with a denomination of $100,000 or more at December 31, 2018 by maturity periods:

(In thousands)	
Due within 3 months	$ 344,888
Due after 3 months and within 6 months	320,725
Due after 6 months and within 12 months	457,564
Due after 12 months	394,531
Time deposits with a denomination of $100 thousand or more	$ 1,517,708

50

Table of Contents

Borrowings. Borrowings primarily consist of FHLB advances, which are utilized as a source of funding. At December 31, 2018 and December 31, 2017, FHLB advances totaled $1.8 billion and $1.7 billion, respectively. Webster Bank had additional borrowing capacity from the FHLB of approximately $2.6 billion at both December 31, 2018 and December 31, 2017. Webster Bank also had additional borrowing capacity from the FRB of $0.6 billion and $0.5 billion at December 31, 2018 and December 31, 2017, respectively.

Securities sold under agreements to repurchase, whereby securities are delivered to counterparties under an agreement to repurchase the securities at a fixed price in the future, to a lesser extent, are also utilized as a source of funding. Unpledged investment securities of $4.7 billion at December 31, 2018 could have been used for collateral on borrowings such as repurchase agreements or, alternatively, to increase borrowing capacity by approximately $4.4 billion with the FHLB or approximately $4.6 billion with the FRB. In addition, Webster Bank may utilize term and overnight Fed funds to meet short-term borrowing needs. The Company also maintains long-term debt consisting of senior fixed-rate notes maturing in 2024 and junior subordinated notes maturing in 2033.

Total borrowed funds were $2.6 billion, $2.5 billion and $4.0 billion, and represented 9.5%, 9.6% and 15.4% of total assets at December 31, 2018, 2017 and 2016, respectively. For additional information, see Note 10: Borrowings in the Notes to Consolidated Financial Statements contained elsewhere in this report.

Daily average balances of borrowings by type and weighted-average rates paid thereon for the periods as indicated:

	Years ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
FHLB advances	$1,339,492	2.50 %	$1,764,347	1.72 %	$2,413,309	1.20 %
Securities sold under agreements to repurchase	467,873	1.57	695,922	1.79	744,957	1.82
Fed funds purchased	317,125	1.94	180,738	1.06	202,901	0.46
Long-term debt	225,895	4.93	225,639	4.60	225,607	4.42
Total average borrowings	$2,350,385	2.47 %	$2,866,646	1.92 %	$3,586,774	1.49 %

Total average borrowings decreased $516.3 million, or 18.0%, in 2018 compared to 2017 and decreased $720.1 million, or 20.1%, in 2017 compared to 2016. The decrease in 2018 compared to 2017 was the result of deposits growing faster than loans which allowed for a lower usage of FHLB advances. The decrease in 2017 compared to 2016 was primarily due to a decrease in FHLB borrowings while the other categories also slightly decreased. Average borrowings represented 8.7%, 10.9%, and 14.2% of average total assets for December 31, 2018, 2017, and 2016, respectively.

The following table sets forth additional information for short-term borrowings:

	At or for the years ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	Amount	Rate	Amount	Rate	Amount	Rate
Securities sold under agreements to repurchase:						
At end of year	$236,874	0.35%	$288,269	0.17%	$340,526	0.16%
Average during year	245,407	0.25	310,853	0.18	321,460	0.16
Highest month-end balance during year	264,491	—	335,902	—	365,361	—
Fed funds purchased:						
At end of year	345,000	2.52	55,000	1.37	209,000	0.60
Average during year	317,125	1.96	180,738	1.06	202,893	0.46
Highest month-end balance during year	424,400	—	182,000	—	294,000	—

Table of Contents

The following table summarizes contractual obligations to make future payments as of December 31, 2018:

	Payments Due by Period (1)				
(In thousands)	Less than one year	1-3 years	3-5 years	After 5 years	Total
Senior notes	$—	$—	$—	$150,000	$150,000
Junior subordinated debt	—	—	—	77,320	77,320
FHLB advances	1,403,026	415,000	392	8,390	1,826,808
Securities sold under agreements to repurchase	236,874	—	—	—	236,874
Fed funds purchased	345,000	—	—	—	345,000
Deposits with stated maturity dates	2,381,229	738,078	77,239	—	3,196,546
Operating leases	30,889	58,323	45,729	78,882	213,823
Purchase obligations	42,698	35,234	3,401	—	81,333
Total contractual obligations	$4,439,716	$1,246,635	$126,761	$314,592	$6,127,704

(1) *Amounts for borrowings do not include interest. Amounts for leases are reflected as specified in the underlying contracts.*

The Company also has the following obligations which have been excluded from the above table:

- unfunded commitments remaining for particular investments in private equity funds of $13.4 million, for which neither the payment timing, nor eventual obligation is certain;
- credit related financial instruments with contractual amounts totaling $6.1 billion, of which many of these commitments are expected to expire unused or only partially used, and therefore, the total amount of these commitments does not necessarily reflect future cash payments; and
- liabilities for uncertain tax positions totaling $4.7 million, for which uncertainty exists regarding the amount that may ultimately be paid, as well as the timing of any such payment.

Liquidity. Webster meets its cash flow requirements at an efficient cost under various operating environments through proactive liquidity management at both the Holding Company and Webster Bank. Liquidity comes from a variety of cash flow sources such as operating activities, including principal and interest payments on loans and investments, or financing activities, including unpledged securities which can be sold or utilized to secure funding, and new deposits. Webster is committed to maintaining a strong, increasing base of core deposits, consisting of demand, checking, savings, health savings, and money market accounts, to support growth in its loan and lease portfolio. Liquidity is reviewed and managed in order to maintain stable, cost effective funding to promote overall balance sheet strength.

Net cash provided by operating activities was $469.4 million for the year ended December 31, 2018 as compared to $445.0 million for the year ended December 31, 2017. The increase is primarily a result of the effects of the Tax Act.

Holding Company Liquidity. The primary source of liquidity at the Holding Company is dividends from Webster Bank. Webster Bank paid $290.0 million in dividends to the Holding Company during the year ended December 31, 2018. To a lesser extent, investment income, net proceeds from investment sales, borrowings, and public offerings may provide additional liquidity. The main uses of liquidity are the payment of principal and interest to holders of senior notes and capital securities, the payment of dividends to preferred and common shareholders, repurchases of its common stock, and purchases of available-for-sale investment securities. There are certain restrictions on the payment of dividends by Webster Bank to the Holding Company, which are described in the section captioned "Supervision and Regulation" in Item 1 contained elsewhere in this report. At December 31, 2018, there was $341.8 million of retained earnings available for the payment of dividends by Webster Bank to the Holding Company.

The Company has a common stock repurchase program authorized by the Board of Directors. In addition, Webster periodically acquires common shares outside of the repurchase program related to stock compensation plan activity. The Company records the purchase of shares of common stock at cost based on the settlement date for these transactions. During the year ended December 31, 2018, a total of 443,004 shares of common stock were repurchased at a cost of approximately $25.9 million, of which 228,004 shares were purchased related to stock compensation plan activity at a cost of approximately $13.8 million, and 215,000 shares were purchased under the common stock repurchase program at a cost of approximately $12.2 million. The shares purchased under the common stock repurchase program were acquired under authority of a remaining balance from a previous program coupled with the current program, which results in a remaining repurchase authority for the Company's common stock repurchase program of $91.7 million at December 31, 2018.

Webster Bank Liquidity. Webster Bank's primary source of funding is core deposits. The primary use of this funding is for loan portfolio growth. Including time deposits, Webster Bank had a loan to total deposit ratio of 84.5% and 83.5% at December 31, 2018 and December 31, 2017, respectively.

Webster Bank is required by OCC regulations to maintain liquidity sufficient to ensure safe and sound operations. Whether liquidity is adequate, as assessed by the OCC, depends on such factors as the overall asset/liability structure, market conditions, competition, and the nature of the institution’s deposit and loan customers. Webster Bank exceeded all regulatory liquidity requirements as of December 31, 2018. The Company has a detailed liquidity contingency plan designed to respond to liquidity concerns in a prompt and comprehensive manner. The plan is designed to provide early detection of potential problems and details specific actions required to address liquidity stress scenarios.

Applicable OCC regulations require Webster Bank, as a commercial bank, to satisfy certain minimum leverage and risk-based capital requirements. As an OCC regulated commercial institution, it is also subject to minimum tangible capital requirements. As of December 31, 2018, Webster Bank was in compliance with all applicable capital requirements and exceeded the FDIC requirements for a well-capitalized institution. See Note 13: Regulatory Matters in the Notes to Consolidated Financial Statements contained elsewhere in this report for a further discussion of regulatory requirements applicable to Webster Financial Corporation and Webster Bank.

The liquidity position of the Company is continuously monitored, and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Management is not aware of any events that are reasonably likely to have a material adverse effect on the Company’s liquidity, capital resources, or operations. In addition, management is not aware of any regulatory recommendations regarding liquidity, which, if implemented, would have a material adverse effect on the Company. Webster Bank's latest OCC CRA rating was Outstanding.

Off-Balance Sheet Arrangements

Webster engages in a variety of financial transactions that, in accordance with GAAP, are not recorded in the financial statements or are recorded in amounts that differ from the notional amounts. Such transactions are utilized in the normal course of business, for general corporate purposes or for customer financing needs. Corporate purpose transactions are structured to manage credit, interest rate, and liquidity risks, or to optimize capital. Customer transactions are structured to manage their funding requirements or facilitate certain trade arrangements. These transactions give rise to, in varying degrees, elements of credit, interest rate, and liquidity risk. For the year ended December 31, 2018, Webster did not engage in any off-balance sheet transactions that would have a material effect on its financial condition.

Asset/Liability Management and Market Risk

An effective asset/liability management process must balance the risks and rewards from both short and long-term interest rate risks in determining management strategy and action. To facilitate and manage this process, interest rate sensitivity is monitored on an ongoing basis by ALCO. The primary goal of ALCO is to manage interest rate risk to maximize net income and net economic value over time in changing interest rate environments subject to Board approved risk limits. The Board sets policy limits for earnings at risk for parallel ramps in interest rates over twelve months of plus and minus 100, 200, and 300 basis points, as well as interest rate curve twist shocks of plus and minus 50 and 100 basis points. Economic value, or equity at risk, limits are set for parallel shocks in interest rates of plus and minus 100, 200, and 300 basis points. Based on the near historic lows in short-term interest rates prior to December 31, 2017, the declining interest rate scenarios of minus 200 basis points, or more, for both earnings at risk and equity at risk were temporarily suspended by ALCO policy. During the year ended December 31, 2018, the declining 200 basis point interest rate scenarios were re-instituted. The results of these re-instituted minus rate scenarios are outside of the established interest rate risk limits due to the impact of deposit floors. Due to the low probability of occurrence and the current level of rates, the Board has approved a temporary exception to policy. ALCO also regularly reviews earnings at risk scenarios for non-parallel changes in rates, as well as longer-term scenarios of up to four years in the future.

Management measures interest rate risk using simulation analysis to calculate earnings and equity at risk. These risk measures are quantified using simulation software from one of the leading firms in the field of asset/liability modeling. Key assumptions relate to the behavior of interest rates and spreads, prepayment speeds, and the run-off of deposits. From such simulations, interest rate risk is quantified, and appropriate strategies are formulated and implemented.

Table of Contents

Earnings at risk is defined as the change in earnings (excluding provision for loan and lease losses and income tax expense) due to changes in interest rates. Interest rates are assumed to change up or down in a parallel fashion, and earnings results are compared to a flat rate scenario as a base. The flat rate scenario holds the end of the period yield curve constant over the twelve month forecast horizon. Earnings simulation analysis incorporates assumptions about balance sheet changes such as asset and liability growth, loan and deposit pricing, and changes to the mix of assets and liabilities. It is a measure of short-term interest rate risk. Equity at risk is defined as the change in the net economic value of assets and liabilities due to changes in interest rates compared to a base net economic value. Equity at risk analyzes sensitivity in the present value of cash flows over the expected life of existing assets, liabilities, and off-balance sheet contracts. It is a measure of the long-term interest rate risk to future earnings streams embedded in the current balance sheet.

Asset sensitivity is defined as earnings or net economic value increasing compared to a base scenario when interest rates rise and decreasing when interest rates fall. In other words, assets are more sensitive to changing interest rates than liabilities and, therefore, re-price faster. Likewise, liability sensitivity is defined as earnings or net economic value decreasing compared to a base scenario when interest rates rise and increasing when interest rates fall.

Key assumptions underlying the present value of cash flows include the behavior of interest rates and spreads, asset prepayment speeds, and attrition rates on deposits. Cash flow projections from the model are compared to market expectations for similar collateral types and adjusted based on experience with Webster Bank's own portfolio. The model's valuation results are compared to observable market prices for similar instruments whenever possible. The behavior of deposit and loan customers is studied using historical time series analysis to model future customer behavior under varying interest rate environments.

The equity at risk simulation process uses multiple interest rate paths generated by an arbitrage-free trinomial lattice term structure model. The Base Case rate scenario, against which all others are compared, uses the month-end LIBOR/Swap yield curve as a starting point to derive forward rates for future months. Using interest rate swap option volatilities as inputs, the model creates multiple rate paths for this scenario with forward rates as the mean. In shock scenarios, the starting yield curve is shocked up or down in a parallel fashion. Future rate paths are then constructed in a similar manner to the Base Case.

Cash flows for all instruments are generated using product specific prepayment models and account specific system data for properties such as maturity date, amortization type, coupon rate, repricing frequency, and repricing date. The asset/liability simulation software is enhanced with a mortgage prepayment model and a collateralized mortgage obligation database. Instruments with explicit options such as caps, floors, puts and calls, and implicit options such as prepayment and early withdrawal ability require such a rate and cash flow modeling approach to more accurately quantify value and risk. On the asset side, risk is impacted the most by mortgage loans and mortgage-backed securities, which can typically prepay at any time without penalty and may have embedded caps and floors. In the loan portfolio, floors are a benefit to interest income in low rate environments. Floating-rate loans at floors pay a higher interest rate than a loan at a fully indexed rate without a floor, as with a floor there is a limit on how low the interest rate can fall. As market rates rise, however, the interest rate paid on these loans does not rise until the fully indexed rate rises through the contractual floor. On the liability side, there is a large concentration of customers with indeterminate maturity deposits who have options to add or withdraw funds from their accounts at any time. Implicit floors on deposits, based on historical data, are modeled. Webster Bank also has the option to change the interest rate paid on these deposits at any time.

Webster's earnings at risk model incorporates net interest income (NII) and non-interest income and expense items, some of which vary with interest rates. These items include mortgage banking income, servicing rights, cash management fees, and derivative mark-to-market adjustments.

Four main tools are used for managing interest rate risk:

- the size and duration of the investment portfolio;
- the size and duration of the wholesale funding portfolio;
- off-balance sheet interest rate contracts; and
- 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, the Committee's interest rate expectations, the risk position, and other factors. ALCO delegates pricing and product design responsibilities to individuals and sub-committees but monitors and influences their actions on a regular basis.

Various interest rate contracts, including futures and options, interest rate swaps, and interest rate caps and floors can be used to manage interest rate risk. These interest rate contracts involve, to varying degrees, credit risk and interest rate risk. Credit risk is the possibility that a loss may occur if a counterparty transaction fails to perform according to the terms of the contract. The notional amount of interest rate contracts is the amount upon which interest and other payments are based. The notional amount is not exchanged, and therefore, should not be taken as a measure of credit risk. See Note 15: Derivative Financial Instruments in the Notes to Consolidated Financial Statements contained elsewhere in this report for additional information.

Certain derivative instruments, primarily forward sales of mortgage-backed securities, are utilized by Webster Bank in its efforts to manage risk of loss associated with its mortgage banking activities. Prior to closing and funds disbursement, an interest-rate lock commitment is generally extended to the borrower. During such time, Webster Bank is subject to risk that market rates of interest may change impacting pricing on loan sales. In an effort to mitigate this risk, forward delivery sales commitments are established, thereby setting the sales price.

The following table summarizes the estimated impact that gradual parallel changes in interest rates of 100 and 200 basis points, over a twelve month period starting December 31, 2018 and December 31, 2017, might have on Webster's NII for the subsequent twelve month period compared to NII assuming no change in interest rates:

	-200bp	-100bp	+100bp	+200bp
December 31, 2018	(10.9)%	(4.7)%	3.2%	5.9%
December 31, 2017	N/A	(5.9)%	3.4%	6.4%

The following table summarizes the estimated impact that gradual parallel changes in interest rates of 100 and 200 basis points, over a twelve month period starting December 31, 2018 and December 31, 2017, might have on Webster's pre-tax, pre-provision net revenue (PPNR) for the subsequent twelve month period, compared to PPNR assuming no change in interest rates:

	-200bp	-100bp	+100bp	+200bp
December 31, 2018	(18.3)%	(7.9)%	5.0%	9.2%
December 31, 2017	N/A	(10.4)%	5.3%	9.9%

Interest rates are assumed to change up or down in a parallel fashion, and NII and PPNR results in each scenario are compared to a flat rate scenario as a base. The flat rate scenario holds the end of period yield curve constant over a twelve month forecast horizon. The flat rate scenario as of December 31, 2017 assumed a federal funds rate of 1.50%, while the flat rate scenario as of December 31, 2018 assumed a federal funds rate of 2.50%. Asset sensitivity for both NII and PPNR on December 31, 2018 was lower as compared to December 31, 2017, primarily due to higher earnings from higher starting rates and to the maturity of long-term fixed-rate borrowings.

Webster can also hold futures, options, and forward foreign currency contracts to minimize the price volatility of certain assets and liabilities. Changes in the market value of these positions are recognized in earnings.

The following table summarizes the estimated impact that immediate non-parallel changes in interest rates might have on Webster's NII for the subsequent twelve month period starting December 31, 2018 and December 31, 2017:

	Short End of the Yield Curve				Long End of the Yield Curve			
	-100bp	-50bp	+50bp	+100bp	-100bp	-50bp	+50bp	+100bp
December 31, 2018	(7.1)%	(3.3)%	1.7%	3.4%	(3.3)%	(1.6)%	1.3%	2.3%
December 31, 2017	(8.5)%	(4.3)%	2.0%	3.9%	(3.9)%	(1.7)%	1.3%	2.3%

The following table summarizes the estimated impact that immediate non-parallel changes in interest rates might have on Webster's PPNR for the subsequent twelve month period starting December 31, 2018 and December 31, 2017:

	Short End of the Yield Curve				Long End of the Yield Curve			
	-100bp	-50bp	+50bp	+100bp	-100bp	-50bp	+50bp	+100bp
December 31, 2018	(11.6)%	(5.4)%	2.4%	4.8%	(5.6)%	(2.9)%	2.4%	4.2%
December 31, 2017	(14.8)%	(7.5)%	2.9%	5.7%	(4.8)%	(2.2)%	2.2%	4.0%

The non-parallel scenarios are modeled with the short end of the yield curve moving up or down 50 and 100 basis points, while the long end of the yield curve remains unchanged and vice versa. The short end of the yield curve is defined as terms of less than eighteen months, and the long end as terms of greater than eighteen months. These results above reflect the annualized impact of immediate rate changes. The actual impact can be uneven during the year especially in the short end scenarios where asset yields tied to Prime or LIBOR change immediately, while certain deposit rate changes take more time.

Sensitivity to increases in the short end of the yield curve for NII and PPNR decreased from December 31, 2017 due primarily to higher earnings from higher starting rates and to the maturity of long-term fixed-rate borrowings.

Sensitivity to increases in the long end of the yield curve was more positive than December 31, 2017 in PPNR due to higher market interest rates and the resulting decreased forecast prepayment speeds in the residential loan and investment portfolios. Sensitivity to decreases in the long end of the yield curve was less negative than at December 31, 2017 in PPNR due to decreased forecasted prepayment speeds in the residential loan and investment portfolios.

Table of Contents

The following table summarizes the estimated economic value of assets, liabilities, and off-balance sheet contracts at December 31, 2018 and December 31, 2017 and the projected change to economic values if interest rates instantaneously increase or decrease by 100 basis points:

(Dollars in thousands)	Book Value	Estimated Economic Value	Estimated Economic Value Change -100 bp	+100 bp
At December 31, 2018				
Assets	$27,610,315	$26,972,752	$568,122	$(677,864)
Liabilities	24,723,800	23,119,466	719,658	(615,650)
Net	$2,886,515	$3,853,286	$(151,536)	$(62,214)
Net change as % base net economic value			(3.9)%	(1.6)%
At December 31, 2017				
Assets	$26,487,645	$25,971,043	$505,148	$(631,744)
Liabilities	23,785,687	22,509,322	729,967	(624,789)
Net	$2,701,958	$3,461,721	$(224,819)	$(6,955)
Net change as % base net economic value			(6.5)%	(0.2)%

Changes in economic value can be best described using duration. Duration is a measure of the price sensitivity of financial instruments for small changes in interest rates. For fixed-rate instruments, it can also be thought of as the weighted-average expected time to receive future cash flows. For floating-rate instruments, it can be thought of as the weighted-average expected time until the next rate reset. The longer the duration, the greater the price sensitivity for given changes in interest rates. Floating-rate instruments may have durations as short as one day and, therefore, have very little price sensitivity due to changes in interest rates. Increases in interest rates typically reduce the value of fixed-rate assets as future discounted cash flows are worth less at higher discount rates. A liability's value decreases for the same reason in a rising rate environment. A reduction in value of a liability is a benefit to Webster.

Duration gap is the difference between the duration of assets and the duration of liabilities. A duration gap near zero implies that the balance sheet is matched and would exhibit no or minimal changes (positive or negative) in estimated economic value for a small change in interest rates, however, larger rate movements typically result in a measurable level of price sensitivity. Webster's duration gap was negative 0.7 years at December 31, 2018 when measured using 50 basis point changes in rates. At December 31, 2017, the duration gap was a negative 0.9 years. A negative duration gap implies that liabilities are longer than assets and, therefore, they have more price sensitivity than assets and will reset their interest rates slower than assets. Consequently, Webster's net estimated economic value would generally be expected to increase when interest rates rise as the benefit of the decreased value of liabilities would more than offset the decreased value of assets. The opposite would generally be expected to occur when interest rates fall. Earnings would also generally be expected to increase when interest rates rise and decrease when interest rates fall over the longer term absent the effects of new business booked in the future. The change in Webster's duration gap is due primarily to the higher starting interest rates and the resulting decrease in forecast prepayment assumptions in mortgage-related investments and roll forward and maturities of borrowings.

These estimates assume that management does not take any action to mitigate any positive or negative effects from changing interest rates. The earnings and economic values estimates are subject to factors that could cause actual results to differ. Management believes that Webster's interest rate risk position at December 31, 2018 represents a reasonable level of risk given the current interest rate outlook. Management, as always, is prepared to act in the event that interest rates do change rapidly.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements and related data presented herein have been prepared in accordance with GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, substantially all of the assets and liabilities of a banking institution are monetary in nature. As a result, interest rates have a more significant impact on Webster's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services.

Table of Contents

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 stated in Note 1: Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements contained elsewhere in this report, the preparation of financial statements in accordance with GAAP requires management to make judgments and accounting estimates that affect the amounts reported in the Consolidated Financial Statements and the accompanying Notes thereto. 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 and can be 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 that require management to make the most difficult, subjective, and complex judgments about matters that are inherently uncertain and which could potentially result in materially different amounts using different assumptions or under different conditions. The two critical accounting policies identified by management, which are discussed with the appropriate committees of the Board of Directors, are summarized below.

Allowance for Loan and Lease Losses

The ALLL is a reserve established through a provision for loan and lease 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. Changes in the ALLL and, therefore, in the related provision for loan and lease losses can materially affect net income. The level of the ALLL reflects management's judgment based on continuing evaluation of specific credit risks, loss experience, current portfolio quality, present economic, political, adequacy of underlying collateral, present value of expected future cash flows and regulatory conditions and inherent risks not captured in quantitative modeling and methodologies, as well as trends therein. The allowance balance may be allocated for specific portfolio segments; however, the entire allowance balance is available to absorb credit losses inherent in the total loan and lease portfolio.

While management utilizes its best judgment and information available, the ultimate adequacy of the ALLL is dependent upon a variety of factors beyond the Company's control, including performance of the Company's loan portfolio, the economy, interest rate sensitivity, and other external factors. Management evaluates the composition of the ALLL on a quarterly basis. Composition of the ALLL, including valuation methodology, is more fully illustrated in Note 4: Loans and Leases in the Notes to Consolidated Financial Statements contained elsewhere in this report and in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, section captioned "Allowance for Loan and Lease Losses Methodology."

Realizability of Deferred Tax Assets

In accordance with ASC Topic 740, "*Income Taxes,*" certain aspects of accounting for income taxes require significant management judgment, including assessing the realizability of DTAs. A DTA represents an item for which a benefit may be recognized for financial accounting purposes if it has been determined to be more likely than not realizable for tax purposes in a future period. A DTA valuation allowance represents the portion of a DTA determined unlikely to be realized in the future based on management's judgment. Such judgment is often subjective and involves estimates and assumptions about matters that are inherently uncertain, including with respect to the existence, and amounts, of taxable income necessary to realize a DTA in future periods.

While management believes it has utilized a reasonable method for its determination of DTAs and the related valuation allowance, should factors and conditions differ materially from those used by management, the actual realization of DTAs could differ materially from the reported amounts. Management evaluates the realizability and the sufficiency of the reported amounts on a quarterly basis. Income taxes are more fully described in Note 8: Income Taxes in the Notes to Consolidated Financial Statements contained elsewhere in this report and in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, section captioned "Income Taxes."

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 ASUs and the expected impact on the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The required information is set forth above, in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, see the section captioned "Asset/Liability Management and Market Risk," which is incorporated herein by reference.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Webster Financial Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Webster Financial Corporation and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States)(PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Hartford, Connecticut
March 1, 2019

Table of Contents

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
(In thousands, except share data)	2018	2017
Assets:		
Cash and due from banks	$260,422	$231,158
Interest-bearing deposits	69,077	25,628
Securities available-for-sale, at fair value	2,898,730	2,638,037
Investment securities held-to-maturity (fair value of $4,209,121 and $4,456,350)	4,325,420	4,487,392
Federal Home Loan Bank and Federal Reserve Bank stock	149,286	151,566
Loans held for sale (valued under fair value option $7,908 and $20,888)	11,869	20,888
Loans and leases	18,465,489	17,523,858
Allowance for loan and lease losses	(212,353)	(199,994)
Loans and leases, net	18,253,136	17,323,864
Deferred tax assets, net	96,516	92,630
Premises and equipment, net	124,850	130,001
Goodwill	538,373	538,373
Other intangible assets, net	25,764	29,611
Cash surrender value of life insurance policies	543,616	531,820
Accrued interest receivable and other assets	313,256	286,677
Total assets	$27,610,315	$26,487,645
Liabilities and shareholders' equity:		
Deposits:		
Non-interest-bearing	$4,162,446	$4,191,496
Interest-bearing	17,696,399	16,802,233
Total deposits	21,858,845	20,993,729
Securities sold under agreements to repurchase and other borrowings	581,874	643,269
Federal Home Loan Bank advances	1,826,808	1,677,105
Long-term debt	226,021	225,767
Accrued expenses and other liabilities	230,252	245,817
Total liabilities	24,723,800	23,785,687
Shareholders' equity:		
Preferred stock, $.01 par value: Authorized - 3,000,000 shares;		
Series F issued and outstanding (6,000 shares)	145,037	145,056
Common stock, $.01 par value: Authorized - 200,000,000 shares;		
Issued (93,686,311 and 93,680,291 shares)	937	937
Paid-in capital	1,114,394	1,122,164
Retained earnings	1,828,303	1,595,762
Treasury stock, at cost (1,508,456 and 1,658,526 shares)	(71,504)	(70,430)
Accumulated other comprehensive loss, net of tax	(130,652)	(91,531)
Total shareholders' equity	2,886,515	2,701,958
Total liabilities and shareholders' equity	$27,610,315	$26,487,645

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,		
(In thousands, except per share data)	2018	2017	2016
Interest Income:			
Interest and fees on loans and leases	$842,449	$708,566	$621,028
Taxable interest and dividends on securities	191,493	181,131	180,346
Non-taxable interest on securities	20,597	22,874	19,090
Loans held for sale	628	1,034	1,449
Total interest income	1,055,167	913,605	821,913
Interest Expense:			
Deposits	90,407	62,253	49,858
Securities sold under agreements to repurchase and other borrowings	13,491	14,365	14,528
Federal Home Loan Bank advances	33,461	30,320	29,033
Long-term debt	11,127	10,380	9,981
Total interest expense	148,486	117,318	103,400
Net interest income	906,681	796,287	718,513
Provision for loan and lease losses	42,000	40,900	56,350
Net interest income after provision for loan and lease losses	864,681	755,387	662,163
Non-interest Income:			
Deposit service fees	162,183	151,137	140,685
Loan and lease related fees	32,025	26,448	26,581
Wealth and investment services	32,843	31,055	28,962
Mortgage banking activities	4,424	9,937	14,635
Increase in cash surrender value of life insurance policies	14,614	14,627	14,759
Gain on sale of investment securities, net	—	—	414
Impairment loss on securities recognized in earnings	—	(126)	(149)
Other income	36,479	26,400	38,591
Total non-interest income	282,568	259,478	264,478
Non-interest Expense:			
Compensation and benefits	381,496	356,505	325,998
Occupancy	59,463	60,490	61,110
Technology and equipment	97,877	89,464	79,882
Intangible assets amortization	3,847	4,062	5,652
Marketing	16,838	17,421	19,703
Professional and outside services	20,300	16,858	14,801
Deposit insurance	34,749	25,649	26,006
Other expense	91,046	90,626	90,039
Total non-interest expense	705,616	661,075	623,191
Income before income tax expense	441,633	353,790	303,450
Income tax expense	81,215	98,351	96,323
Net income	360,418	255,439	207,127
Preferred stock dividends and other	(8,715)	(8,608)	(8,704)
Earnings applicable to common shareholders	$351,703	$246,831	$198,423
Earnings per common share:			
Basic	$3.83	$2.68	$2.17
Diluted	3.81	2.67	2.16

See accompanying Notes to Consolidated Financial Statements.

60

Table of Contents

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31,		
(In thousands)	2018	2017	2016
Net income	$360,418	$255,439	$207,127
Other comprehensive (loss) income, net of tax:			
Total available-for-sale securities	(43,427)	(7,590)	(9,069)
Total derivative instruments	5,703	4,565	5,912
Total defined benefit pension and postretirement benefit plans	(1,397)	4,135	4,270
Other comprehensive (loss) income, net of tax	(39,121)	1,110	1,113
Comprehensive income	$321,297	$256,549	$208,240

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss, Net of Tax	Total Shareholders' Equity
Balance at December 31, 2015	$122,710	$ 937	$1,124,325	$1,315,948	$(71,854)	$ (78,106)	$ 2,413,960
Net income	—	—	—	207,127	—	—	207,127
Other comprehensive income, net of tax	—	—	—	—	—	1,113	1,113
Common stock dividends/equivalents $0.98 per share	—	—	149	(90,062)	—	—	(89,913)
Series E preferred stock dividends $1,600.00 per share	—	—	—	(8,096)	—	—	(8,096)
Stock-based compensation	—	—	2,976	403	10,713	—	14,092
Exercise of stock options	—	—	(1,350)	—	13,112	—	11,762
Common shares acquired from stock compensation plan activity	—	—	—	—	(11,664)	—	(11,664)
Common stock repurchase program	—	—	—	—	(11,206)	—	(11,206)
Common stock warrants repurchased	—	—	(163)	—	—	—	(163)
Balance at December 31, 2016	122,710	937	1,125,937	1,425,320	(70,899)	(76,993)	2,527,012
Adoption of ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220)-Reclassification of Certain Tax Effects from AOCI	—	—	—	15,648	—	(15,648)	—
Net income	—	—	—	255,439	—	—	255,439
Other comprehensive income, net of tax	—	—	—	—	—	1,110	1,110
Common stock dividends/equivalents $1.03 per share	—	—	168	(95,097)	—	—	(94,929)
Series E preferred stock dividends $1,600.00 per share	—	—	—	(8,096)	—	—	(8,096)
Dividends accrued on Series F preferred stock	—	—	—	(88)	—	—	(88)
Stock-based compensation	—	—	—	2,636	11,548	—	14,184
Exercise of stock options	—	—	(3,941)	—	12,200	—	8,259
Common shares acquired from stock compensation plan activity	—	—	—	—	(11,694)	—	(11,694)
Common stock repurchase program	—	—	—	—	(11,585)	—	(11,585)
Redemption of Series E preferred stock	(122,710)	—	—	—	—	—	(122,710)
Issuance of Series F preferred stock	145,056	—	—	—	—	—	145,056
Balance at December 31, 2017	145,056	937	1,122,164	1,595,762	(70,430)	(91,531)	2,701,958
Adoption of ASU No. 2017-08, Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20)-Premium Amortization on Purchased Callable Debt Securities and ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10)-Recognition and Measurement of Financial Assets and Financial Liabilities	—	—	—	(1,373)	—	—	(1,373)
Net income	—	—	—	360,418	—	—	360,418
Other comprehensive loss, net of tax	—	—	—	—	—	(39,121)	(39,121)
Common stock dividends/equivalents $1.25 per share	—	—	99	(115,442)	—	—	(115,343)
Series F preferred stock dividends $1,323.4375 per share	—	—	—	(7,875)	—	—	(7,875)
Dividends accrued on Series F preferred stock	—	—	—	22	—	—	22
Stock-based compensation	—	—	(1,541)	3,275	9,878	—	11,612
Exercise of stock options	—	—	(5,762)	—	7,935	—	2,173
Stock units conversion to shares	—	—	(566)	(6,484)	7,050	—	—
Common shares acquired from stock compensation plan activity	—	—	—	—	(13,779)	—	(13,779)
Common stock repurchase program	—	—	—	—	(12,158)	—	(12,158)
Series F preferred stock issuance adjustment	(19)	—	—	—	—	—	(19)
Balance at December 31, 2018	$145,037	$ 937	$1,114,394	$1,828,303	$(71,504)	$ (130,652)	$ 2,886,515

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
(In thousands)	2018	2017	2016
Operating Activities:			
Net income	$360,418	$255,439	$207,127
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan and lease losses	42,000	40,900	56,350
Deferred tax expense (benefit)	9,472	(9,074)	17,700
Depreciation and amortization	38,750	37,172	36,449
Amortization of earning assets and funding premium/discount, net	50,984	45,444	57,331
Stock-based compensation	11,612	12,276	11,438
Gain on sale, net of write-down, on foreclosed and repossessed assets	(709)	(784)	(976)
Loss (gain) on sale, net of write-down, on premises and equipment	346	(15)	397
Impairment loss on securities recognized in earnings	—	126	149
Gain on the sale of investment securities, net	—	—	(414)
Increase in cash surrender value of life insurance policies	(14,614)	(14,627)	(14,759)
Gain from life insurance policies	(2,553)	—	—
Mortgage banking activities	(4,424)	(9,937)	(14,635)
Proceeds from sale of loans held for sale	188,025	333,027	438,925
Originations of loans held for sale	(171,883)	(287,634)	(452,886)
Net decrease (increase) in derivative contract assets net of liabilities	(4,615)	32,763	27,929
Gain on sale of banking center deposits	(4,596)	—	—
Gain on redemption of other assets	—	—	(7,331)
Net (increase) decrease in accrued interest receivable and other assets	(739)	(19,790)	54,269
Net (decrease) increase in accrued expenses and other liabilities	(28,066)	29,680	(18,918)
Net cash provided by operating activities	469,408	444,966	398,145
Investing Activities:			
Net (increase) decrease in interest-bearing deposits	(43,449)	3,833	126,446
Purchases of available-for-sale securities	(873,108)	(660,106)	(980,870)
Proceeds from maturities and principal payments of available-for-sale securities	538,747	984,732	672,965
Proceeds from sales of available-for-sale securities	—	—	259,283
Purchases of held-to-maturity securities	(393,693)	(1,043,278)	(1,066,156)
Proceeds from maturities and principal payments of held-to-maturity securities	524,862	687,439	795,953
Net proceeds from (purchase of) Federal Home Loan Bank stock	2,280	43,080	(6,299)
Alternative investments (capital call) return of capital, net	(1,215)	873	(381)
Net increase in loans	(990,014)	(549,213)	(1,440,141)
Proceeds from loans not originated for sale	1,687	14,679	34,170
Proceeds from life insurance policies	4,271	746	—
Proceeds from the sale of foreclosed properties and repossessed assets	8,011	7,603	9,205
Proceeds from the sale of premises and equipment	567	3,357	1,550
Additions to premises and equipment	(32,958)	(28,546)	(40,731)
Divestiture of banking center deposits, net cash paid	(107,361)	—	—
Proceeds from redemption of other assets	—	7,581	—
Net cash used for investing activities	(1,361,373)	(527,220)	(1,635,006)

See accompanying Notes to Consolidated Financial Statements.

63

Table of Contents

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

	Years ended December 31,		
(In thousands)	2018	2017	2016
Financing Activities:			
Net increase in deposits	979,519	1,690,197	1,351,609
Contingent consideration	—	—	5,000
Proceeds from Federal Home Loan Bank advances	8,960,000	12,255,000	19,630,000
Repayments of Federal Home Loan Bank advances	(8,810,297)	(13,420,791)	(19,451,219)
Net decrease in securities sold under agreements to repurchase and other borrowings	(61,395)	(306,257)	(201,874)
Redemption of Series E preferred stock	—	(122,710)	—
Issuance of Series F preferred stock	—	145,056	—
Dividends paid to common shareholders	(114,959)	(94,630)	(89,522)
Dividends paid to preferred shareholders	(7,875)	(8,096)	(8,096)
Exercise of stock options	2,173	8,259	11,762
Excess tax benefits from stock-based compensation	—	—	3,204
Common stock repurchase program	(12,158)	(11,585)	(11,206)
Common shares acquired related to stock compensation plan activity	(13,779)	(11,694)	(11,664)
Common stock warrants repurchased	—	—	(163)
Net cash provided by financing activities	921,229	122,749	1,227,831
Net (decrease) increase in cash and due from banks	29,264	40,495	(9,030)
Cash and due from banks at beginning of period	231,158	190,663	199,693
Cash and due from banks at end of period	$260,422	$231,158	$190,663
Supplemental disclosure of cash flow information:			
Interest paid	$144,726	$114,046	$102,438
Income taxes paid	60,925	109,059	80,143
Noncash investing and financing activities:			
Transfer of loans and leases to foreclosed properties and repossessed assets	$8,105	$8,972	$6,769
Transfer of loans from portfolio to loans held for sale	5,443	7,234	39,383

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Webster Financial Corporation is a bank holding company and financial holding company under the BHC Act, incorporated under the laws of Delaware in 1986 and headquartered in Waterbury, Connecticut. At December 31, 2018, Webster Financial Corporation's principal asset is all of the outstanding capital stock of Webster Bank. Webster delivers financial services to individuals, families, and businesses primarily within its regional footprint from New York to Massachusetts. Webster provides business and consumer banking, mortgage lending, financial planning, trust, and investment services through banking offices, ATMs, mobile banking and its internet website (www.websterbank.com or www.wbst.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, flexible spending accounts, health reimbursement accounts, and commuter benefits.

Basis of Presentation

The accounting and reporting policies of the Company that materially affect its financial statements conform with GAAP, and to general practices within the financial services industry. The Consolidated Financial Statements and the accompanying Notes thereto include the accounts of Webster Financial Corporation and all other entities in which it has a controlling financial interest. Intercompany accounts and transactions have been eliminated in consolidation. Assets that the Company holds or manages in a fiduciary or agency capacity for customers, typically referred to as assets under administration or assets under management are not included in the accompanying Consolidated Balance Sheets since those assets are not Webster's, and the Company is not the primary beneficiary.

Certain prior period amounts have been reclassified to conform to the current year's presentation. These reclassifications had an immaterial effect on the Company's consolidated financial statements.

Principles of Consolidation

The purpose of consolidated financial statements is to present the results of operations and the financial position of the Company and its subsidiaries as if the consolidated group were a single economic entity. In accordance with the applicable accounting guidance for consolidations, the consolidated financial statements include any voting interest entities (VOEs) in which the Company has a controlling financial interest and any variable interest entities (VIEs) for which the Company is deemed to be the primary beneficiary. The Company generally consolidates its VOEs if the Company, directly or indirectly, owns more than 50% of the outstanding voting shares of the entity and the non-controlling shareholders do not hold any substantive participating or controlling rights.

A VIE is an entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity’s activities or lack the ability to receive expected benefits or absorb obligations in a manner that is consistent with their investment in the entity. The Company evaluates each VIE to understand the purpose and design of the entity, and its involvement in the ongoing activities of the VIE and will consolidate the VIE if it has (i) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and (ii) an obligation to absorb losses of the VIE, or the right to receive benefits from the VIE, that could potentially be significant to the VIE.

The Company accounts for unconsolidated partnerships and certain other investments using the equity method of accounting if it has the ability to significantly influence the operating and financial policies of the investee. This is generally presumed to exist when the Company owns between 20% and 50% of a corporation, or when it has greater than 3%-5% interest in a limited partnership or similarly structured entity. See Note 2: Variable Interest Entities for further information.

Use of Estimates

The preparation of financial statements in accordance with GAAP, requires management to make estimates and assumptions that affect the amounts of assets and liabilities as of the date of the financial statements as well as income and expense during the period. Actual results could differ from those estimates.

Federal Deposit Insurance Corporation Assessment

The Company reclassified certain loans under existing and modified FDIC loan category classifications in its regulatory filings, which resulted in an obligation for additional FDIC premiums for the period June 30, 2015 through

December 31, 2017. During 2018, the Company made a $10.0 million payment to the FDIC to resolve its obligation.

Table of Contents

Cash Equivalents

Cash equivalents have a maturity of three months or less.

Cash and due from banks. Cash equivalents, including cash on hand, certain cash due from banks and deposits at the FRB of Boston, are referenced as cash and due from banks in the accompanying Consolidated Balance Sheets and Consolidated Statements of Cash Flows.

Interest-bearing deposits. Cash equivalents, primarily representing deposits at the FRB of Boston in excess of reserve requirements, and federal funds sold, which essentially represent uncollateralized loans to other financial institutions, are referenced as interest-bearing deposits in the accompanying Consolidated Balance Sheets and Consolidated Statements of Cash Flows. The Company regularly evaluates the credit risk associated with those financial institutions to assure that Webster not become exposed to any significant credit risk on cash equivalents.

Investment in Debt Securities

Investment securities are classified as available-for-sale or held-to-maturity at the time of purchase. Any classification change subsequent to trade date is reviewed for compliance with corporate objectives and accounting policy. Debt securities classified as held-to-maturity are those which Webster has the ability and intent to hold to maturity. Securities classified as held-to-maturity are recorded at amortized cost net of unamortized premiums and discounts. Discount accretion income and premium amortization expense are recognized as interest income according to a constant yield methodology, with consideration given to prepayment assumptions on mortgage backed securities. Premiums are amortized to the earliest call date for debt securities purchased at a premium, with explicit, non-contingent call features and are callable at a fixed price and preset date. Securities classified as available-for-sale are recorded at fair value with unrealized gains and losses recorded as a component of other comprehensive income (OCI) or other comprehensive loss (OCL). Should securities be transferred from available-for-sale to held-to-maturity they would be recorded at fair value at the time of transfer and the respective gain or loss would be recorded as a separate component of OCI or OCL and amortized as an adjustment to interest income over the remaining life of such security.

Securities classified as available-for-sale or held-to-maturity and in an unrealized loss position are evaluated for OTTI on a quarterly basis. The evaluation considers several qualitative factors, including the period of time the security has been in a loss position, and the amount of the unrealized loss. If the Company intends to sell a debt security or it is more likely than not the Company will be required to sell the debt security prior to recovery of its amortized cost basis, it is written down to fair value, and the loss is recognized in non-interest income. If the Company does not intend to sell the debt security and it is more likely than not that the Company will not be required to sell the debt security prior to recovery of its amortized cost basis, only the credit component of the unrealized loss is recorded as an impairment charge in non-interest income. The remaining loss component would be recorded to accumulated other comprehensive loss, net of tax (AOCL).

The specific identification method is used to determine realized gains and losses on sales of securities. See Note 3: Investment Securities for further information.

Investment in Equity Securities

The Company's accounting treatment for equity investments differs for those with and without readily determinable fair values. Equity investments with readily determinable fair values are recorded at fair value with changes in fair value recorded in non-interest income. For equity investments without readily determinable fair values, the Company elected the "measurement alternative," and therefore carry these investments at cost, less impairment (if any), plus or minus changes in observable prices. Certain equity investments that do not have a readily available fair value may qualify for net asset value (NAV) measurement based on specific requirements. The Company's alternative investments accounted for at NAV consist of investments in non-public entities that generally cannot be redeemed since the Company's investments are distributed as the underlying equity is liquidated. On a quarterly basis, the Company reviews its equity investments without readily determinable fair values for impairment. If the equity investment is considered impaired, an impairment loss equal to the amount by which the carrying value exceeds its fair value is recorded through a charge to earnings. The impairment loss may be reversed in a subsequent period if there are observable transactions for the identical or similar investment of the same issuer at a higher amount than the carrying amount that was established when the impairment was recognized. Impairment as well as upward or downward adjustments resulting from observable price changes in orderly transactions for identical or similar investments are included in non-interest income.

Equity investments in entities that finance affordable housing and other community development projects provide a return primarily through the realization of tax benefits. The Company applies the proportional amortization method to account for its investments in qualified affordable housing projects.

Investment in Federal Home Loan Bank and Federal Reserve Bank Stock

Webster Bank is a member of the FHLB and the Federal Reserve System, and is required to maintain an investment in capital stock of the FHLB of Boston and FRB of Boston. Based on redemption provisions, the stock of both the FHLB and the FRB has no quoted market value and is carried at cost. Membership stock is reviewed for impairment as economic circumstances warrant special review.

Table of Contents

Loans Held for Sale

Residential mortgage loans that are classified as held for sale at the time of origination are accounted for under the fair value option method. Loans not originated for sale but subsequently transferred to held for sale are valued at the lower of cost or fair value method of accounting and are valued on an individual asset basis. Any cost amount in excess of fair value is recorded as a valuation allowance and recognized as a reduction of other non-interest income.

Gains or losses on the sale of loans held for sale are recorded as mortgage banking activities. Cash flows from the sale of loans that were originated specifically for resale are presented as operating cash flows. Cash flows from the sale of loans originated for investment then subsequently transferred to held for sale are presented as investing cash flows. See Note 5: Transfers of Financial Assets for further information.

Transfers and Servicing of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is generally considered to have been surrendered when: (i) the transferred assets are legally isolated from the Company or its consolidated affiliates, even in bankruptcy or other receivership; (ii) the transferee has the right to pledge or exchange the assets with no conditions that constrain the transferee and provide more than a trivial benefit to the Company; and (iii) the Company does not maintain the obligation or unilateral ability to reclaim or repurchase the assets.

The Company sells financial assets in the normal course of business, the majority of which are residential mortgage loan sales, primarily to government-sponsored enterprises through established programs, commercial loan sales through participation agreements, and other individual or portfolio loan and securities sales. In accordance with accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. With the exception of servicing and certain performance-based guarantees, the Company’s continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses covering certain characteristics of the mortgage loans sold and the Company's origination process. The gain or loss on sale depends on the previous carrying amount of the transferred financial assets, the consideration received, and any other assets obtained or liabilities incurred in exchange for the transferred assets.

When the Company sells financial assets, it may retain servicing rights and/or other interests in the financial assets. Servicing assets and any other interests held by the Company are recorded at fair value upon transfer, and thereafter are carried at the lower of cost or fair value. See Note 5: Transfers of Financial Assets for further information.

Loans and Leases

Loans and leases are stated at the principal amount outstanding, net of amounts charged off, unearned income, unamortized premiums and discounts, and deferred loan and lease fees/costs which are recognized as yield adjustments using the interest method. These yield adjustments are amortized over the contractual life of the related loans and leases adjusted for prepayments when applicable. Interest on loans and leases is credited to interest income as earned based on the interest rate applied to principal amounts outstanding. Prepayment fees are recognized in non-interest income. Cash flows from loans and leases are presented as investing cash flows.

Loans and leases are placed on non-accrual status when collection of principal and interest in accordance with contractual terms is doubtful, generally when principal or interest payments become 90 days delinquent, unless the loan or lease is well secured and in process of collection, or sooner if management concludes circumstances indicate that the borrower may be unable to meet contractual principal or interest payments. Residential real estate loans, excluding loans fully insured against loss and in the process of collection, and consumer loans are placed on non-accrual status at 90 days past due, or at the date when the Company is notified that the borrower is discharged in bankruptcy. A charge-off for the balance in excess of the fair value of the collateral less cost to sell, is recorded at 180 days if the loan balance exceeds the fair value of the collateral less costs to sell. Residential loans that are more than 90 days past due, fully insured against loss, and in the process of collection, remain accruing and are reported as 90 days or more past due and accruing. Commercial, commercial real estate loans, and equipment finance loans or leases are subject to a detailed review when 90 days past due to determine accrual status, or when payment is uncertain and a specific consideration is made to put a loan or lease on non-accrual status.

When loans and leases are placed on non-accrual status, the accrual of interest is discontinued, and any unpaid accrued interest is reversed and charged against interest income. If ultimate repayment of a non-accrual loan or lease is expected, any payments received are applied in accordance with contractual terms. If ultimate repayment is not expected on commercial, commercial real estate, and equipment finance loans and leases, any payment received on a non-accrual loan or lease is applied to principal until the unpaid balance has been fully recovered. Any excess is then credited to interest income when received. If the Company determines, through a current valuation analysis, that principal can be repaid on residential real estate and consumer loans, interest payments may be taken into income as received on a cash basis.

Loans are generally removed from non-accrual status when they become current as to principal and interest or demonstrate a period of performance under contractual terms and, in the opinion of management, are fully collectible as to principal and interest. Pursuant to regulatory guidance, a loan discharged under Chapter 7 of the U.S. bankruptcy code is removed from non-accrual status when the bank expects full repayment of the remaining pre-discharged contractual principal and interest, the loan is a closed-end amortizing loan, it is fully collateralized, and post-discharge the loan had at least six consecutive months of current payments. See Note 4: Loans and Leases for further information.

Allowance for Loan and Lease Losses

The ALLL is a reserve established through a provision for loan and lease losses charged to expense and represents management's best estimate of probable losses that may be incurred within the existing loan and lease portfolio as of the balance sheet date. The level of the allowance reflects management's view of trends in losses, current portfolio quality, and present economic, political, and regulatory conditions. The ALLL may be allocated for specific portfolio segments; however, the entire allowance balance is available to absorb credit losses inherent in the total loan and lease portfolio. A charge-off is recorded when all or a portion of the loan or lease is deemed to be uncollectible.

Back-testing is performed to compare original estimated losses and actual observed losses, resulting in ongoing refinements. While management utilizes its best judgment based on the information available at the time, the ultimate adequacy of the allowance is dependent upon a variety of factors that are beyond the Company's control, which include the performance of the Company's portfolio, economic conditions, interest rate sensitivity, and other external factors. The ALLL consists of the following three elements: (i) specific valuation allowances established for probable losses on impaired loans and leases; (ii) quantitative valuation allowances calculated using loss experience for like loans and leases with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) qualitative factors determined based on general economic conditions and other factors that may be internal or external to the Company.

Loans and leases are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on a pooled basis for smaller-balance homogeneous residential, consumer loans and small business loans. Commercial, commercial real estate, and equipment financing loans and leases over a specific dollar amount and all TDR are evaluated individually for impairment. A loan identified as a TDR is considered an impaired loan for the entire term of the loan, with few exceptions. If a loan is impaired, a specific valuation allowance may be established, and the loan is reported net, at the present value of estimated future cash flows using the loan's original interest rate or at the fair value of collateral less cost to sell if repayment is expected from collateral liquidation. Interest payments on non-accruing impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans and leases, or portions thereof, are charged off when deemed uncollectible. Factors considered by management in determining impairment include payment status, collateral value, discharged bankruptcy, and the likelihood of collecting scheduled principal and interest payments. The current or weighted-average (for multiple notes within a commercial borrowing arrangement) interest rate of the loan is used as the discount rate, for determining net present value of the loan evaluated for impairment, when the interest rate floats with a specified index. A change in terms or payments would be included in the impairment calculation. See Note 4: Loans and Leases for further information.

Reserve for Unfunded Commitments

The reserve for unfunded commitments provides for probable losses inherent with funding the unused portion of legal commitments to lend. The unfunded reserve calculation includes factors that are consistent with the ALLL methodology for funded loans using the PD, LGD, and a draw down factor applied to the underlying borrower risk and facility grades. The reserve for unfunded credit commitments is included within other liabilities in the accompanying Consolidated Balance Sheets, and changes in the reserve are reported as a component of other non-interest expense in the accompanying Consolidated Statements of Income. See Note 21: Commitments and Contingencies for further information.

Troubled Debt Restructurings

A modified loan is considered a TDR when the following two conditions are met: (i) the borrower is experiencing financial difficulties; and (ii) the modification constitutes a concession. The Company considers all aspects of the restructuring in determining whether a concession has been granted, including the debtor's ability to access funds at a market rate. In general, a concession exists when the modified terms of the loan are more attractive to the borrower than standard market terms. Modified terms are dependent upon the financial position and needs of the individual borrower. The most common types of modifications include covenant modifications and forbearance. Loans for which the borrower has been discharged under Chapter 7 bankruptcy are considered collateral dependent TDR, impaired at the date of discharge, and charged down to the fair value of collateral less cost to sell, if management considers that loss potential likely exists.

The Company’s policy is to place consumer loan TDR, except those that were performing prior to TDR status, on non-accrual status for a minimum period of six months. Commercial TDR are evaluated on a case-by-case basis for determination of whether or not to place them on non-accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months. Initially, all TDRs are reported as impaired.

Table of Contents

Generally, TDRs are classified as impaired loans and reported as TDR for the remaining life of the loan. Impaired and TDR classification may be removed if the borrower demonstrates compliance with the modified terms for a minimum of six months and through a fiscal year-end and the restructuring agreement specifies a market rate of interest equal to that which would be provided to a borrower with similar credit at the time of restructuring. In the limited circumstance that a loan is removed from TDR classification, it is the Company's policy to continue to base its measure of loan impairment on the contractual terms specified by the loan agreement. See Note 4: Loans and Leases for further information.

Foreclosed and Repossessed Assets

Real estate acquired through foreclosure or completion of a deed in lieu of foreclosure and other assets acquired through repossession are carried at the lower of cost or market value less estimated selling costs and are included within other assets in the accompanying Consolidated Balance Sheets. Independent appraisals generally are obtained to substantiate fair value and may be subject to adjustment based upon historical experience or specific geographic trends impacting the property. Within 90 days of a loan being foreclosed upon, the excess of loan balance over fair value less cost to sell is charged off against the ALLL. Subsequent write-downs in value, maintenance costs as incurred, and gains or losses upon sale are charged to non-interest expense in the accompanying Consolidated Statements of Income.

Premises and Equipment

Premises and equipment are carried at cost, less accumulated depreciation. Depreciation of premises and equipment is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

	Minimum	Maximum	
Building and Improvements	5	-40	years
Leasehold improvements	5	-20	years (or term or lease, if shorter)
Fixtures and equipment	5	-10	years
Data processing and software	3	-7	years

Repairs and maintenance costs are charged to non-interest expense as incurred. Premises and equipment that is actively marketed for sale is reclassified to assets held for disposition. The cost and accumulated depreciation relating to premises and equipment retired or otherwise disposed of are eliminated, and any resulting losses are charged to non-interest expense. See Note 6: Premises and Equipment for further information.

Goodwill

Goodwill represents the excess purchase price of businesses acquired over the fair value of the identifiable net assets acquired and is assigned to specific reporting units. Goodwill is not subject to amortization but rather is evaluated for impairment annually, or more frequently in interim periods if events occur or circumstances change indicating it would more likely than not result in a reduction of the fair value of a reporting unit below its carrying value.

Goodwill is evaluated for impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If the qualitative assessment indicates it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then a 2 Step quantitative process will be performed that will require the Company to utilize an equally weighted combined income and market approach to arrive at an indicated fair value range for the reporting unit. In Step 1, the fair value of a reporting unit is compared to its carrying amount, including goodwill, to ascertain if a goodwill impairment exists. 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 exceeds fair value, the difference is charged to non-interest expense.

The Company applied the qualitative assessment for its reporting units during its annual impairment review this year to determine if the 2-step quantitative impairment test was necessary. Based on its qualitative assessment, the Company determined that there was no evidence of impairment to the balance of its goodwill. See Note 7: Goodwill and Other Intangible Assets for further information.

Other Intangible Assets

Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights, or because the asset is capable of being sold or exchanged either separately or in combination with a related contract, asset, or liability. Other intangible assets with finite useful lives are amortized to non-interest expense over their estimated useful lives and are evaluated for impairment whenever events occur or circumstances change indicating the carrying amount of the asset may not be recoverable. Core deposit and customer relationship intangible assets are amortized over their estimated useful lives. See Note 7: Goodwill and Other Intangible Assets for further information.

Table of Contents

Cash Surrender Value of Life Insurance

Investment in life insurance represents the cash surrender value of life insurance policies on certain current and former officers of Webster. Cash surrender value increases are recorded in non-interest income, decreases are the result of collection on the policies, with death benefit proceeds in excess of cash surrender value recorded in other non-interest income upon the death of an insured.

Securities Sold Under Agreements to Repurchase

These agreements are accounted for as secured financing transactions since Webster maintains effective control over the transferred investment securities and the transfer meets the other criteria for such accounting. Obligations to repurchase the sold investment securities are reflected as a liability in the accompanying Consolidated Balance Sheets. The investment securities underlying the agreements are delivered to a custodial account for the benefit of the dealer or bank with whom each transaction is executed. The dealers or banks, which may sell, loan, or otherwise hypothecate such securities to other parties in the normal course of their operations, agree to resell to Webster the same securities at the maturity date of the agreements. The investment securities underlying the agreements with Bank customers are pledged; however, the customer does not have ability to hypothecate the underlying securities. See Note 10: Borrowings for further information.

Revenue From Contracts With Customers

Revenue from contracts with customers generally comprises non-interest income earned by the Company in exchange for services provided to customers and is recognized when services are complete or as they are rendered. These revenue streams include deposit service fees, wealth and investment services, and an insignificant component of other non-interest income in the accompanying Consolidated Statements of Income. The Company identifies the performance obligations included in the contracts with customers, determines the transaction price, allocates the transaction price to the performance obligations, as applicable, and recognizes revenue when performance obligations are satisfied. Services provided over a period of time are typically transferred to customers evenly over the term of the contracts and revenue is recognized evenly over the period services are provided. Contract receivables are included in accrued interest receivable and other assets. Payment terms vary by services offered, and the time between completion of performance obligations and payment is typically not significant. See Note 20: Revenue from Contracts with Customers for further information.

Share-Based Compensation

Webster maintains stock compensation plans under which restricted stock, restricted stock units, non-qualified stock options, incentive stock options, or stock appreciation rights may be granted to employees and directors. Share awards are issued from available treasury shares. Share-based compensation cost is recognized over the vesting period, is based on the grant-date fair value, net of a reduction for estimated forfeitures which is adjusted for actual forfeitures as they occur, and is reported as a component of compensation and benefits expense. Awards are generally subject to a 3-year vesting period, while certain conditions provide for a 1-year vesting period. Excess tax benefits result when tax return deductions exceed recognized compensation cost determined using the grant-date fair value approach for financial statement purposes.

For restricted stock and restricted stock unit awards, fair value is measured using the Company's common stock closing price at the date of grant. For certain performance-based restricted stock awards, fair value is measured using the Monte Carlo valuation methodology, which provides for the 3-year performance period. Awards ultimately vest in a range from zero to 150% of the target number of shares under the grant. Compensation expense is subject to adjustment based on management's assessment of Webster's return on equity performance relative to the target number of shares condition. Stock option awards use the Black-Scholes Option-Pricing Model to measure fair value at the date of grant.

Dividends are paid on the time-based shares upon grant and are non-forfeitable, while dividends are accrued on the performance-based awards and paid on earned shares when the performance target is met. See Note 18: Share-Based Plans for further information.

Marketing Costs

Marketing costs are expensed as incurred over the projected benefit period.

70

Table of Contents

Income Taxes

Income tax expense, or benefit, is comprised of two components, current and deferred. The current component reflects taxes payable or refundable for a current period based on applicable tax laws, and the deferred component represents the tax effects of temporary differences between amounts recognized for financial accounting and tax purposes. Deferred tax assets and liabilities reflect the tax effects of such differences that are anticipated to result in taxable or deductible amounts in the future, when the temporary differences reverse. DTAs are recognized if it is more likely than not they will be realized, and may be reduced by a valuation allowance if it is more likely than not that all or some portion will not be realized.

Tax positions that are uncertain but meet a more likely than not recognition threshold are initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position meets the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Webster recognizes interest expense and penalties on uncertain tax positions as a component of income tax expense and recognizes interest income on refundable income taxes as a component of other non-interest income. See Note 8: Income Taxes for further information.

Earnings Per Common Share

Earnings per common share is computed under the two-class method. Basic earnings per common share is computed by dividing earnings allocated to common shareholders by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding non-participating securities. Certain non-vested restricted stock awards are participating securities as they have non-forfeitable rights to dividends or dividend equivalents. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation and warrants for common stock using the treasury stock method. A reconciliation of the weighted-average shares used in calculating basic earnings per common share and the weighted-average common shares used in calculating diluted earnings per common share is provided in Note 14: Earnings Per Common Share.

Comprehensive Income

Comprehensive income includes all changes in shareholders’ equity during a period, except those resulting from transactions with shareholders. Comprehensive income consists of net income, and the after-tax effect of the following items: changes in net unrealized gain/loss on securities available for sale, changes in net unrealized gain/loss on derivative instruments, and changes in net actuarial gain/loss and prior service cost for defined benefit pension and other postretirement benefit plans. Comprehensive income is reported in the accompanying Consolidated Statements of Shareholders' Equity, Consolidated Statements of Comprehensive Income, and Note 12: Accumulated Other Comprehensive Loss, Net of Tax.

Derivative Instruments and Hedging Activities

Derivatives are recognized as assets and liabilities in the accompanying Consolidated Balance Sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require management judgment or estimation, relating to future rates and credit activities.

Interest Rate Swap Agreements. For asset/liability management purposes, the Company may use interest rate swaps or interest rate caps to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period of time. The notional amount on which the interest payments are based is not exchanged. Swap agreements entered into for hedge purposes are derivative instruments and generally convert a portion of the Company’s variable-rate debt to a fixed-rate (cash flow hedge), or convert a portion of its fixed-rate debt to a variable-rate (fair value hedge).

Webster uses forward-settle interest rate swaps to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on forecasted debt issuances.

Forward-settle swaps typically have a future effective date that coincides with the expected debt issuance date. The forward-settle swaps are typically terminated and cash settled upon hedge debt issuance date.
The gain or loss on a derivative designated and qualifying as a fair value hedging instrument, as well as the offsetting gain or loss on the hedged item attributable to the risk being hedged, is recognized currently in earnings in the same accounting period. The effective portion of the gain or loss on a derivative designated and qualifying as a cash flow hedging instrument is initially reported as a component of AOCL and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in non-interest income.

Table of Contents

Interest rate derivative financial instruments receive hedge accounting treatment only if they are qualified and properly designated as hedges and are expected to be, and are, effective in substantially reducing interest rate risk arising from specifically identified assets and liabilities. A hedging instrument is expected at inception to be highly effective at offsetting changes in the hedged transactions attributable to the changes in the hedged risk. The Company expects that the hedging relationship will be highly effective; however, it does not assume there is no ineffectiveness. The Company performs quarterly prospective and retrospective assessments of the hedge effectiveness to ensure the hedging relationship continues to be highly effective and that hedge accounting can continue to be applied. Those derivative financial instruments that do not meet specified hedging criteria are recorded at fair value with changes in fair value recorded in income.

Cash flows from derivative financial instruments designated for hedge accounting are classified in the cash flow statement in the same category as the cash flows of the asset or liability being hedged.

Derivative Loan Commitments. Mortgage loan commitments related to the origination of mortgages that will be held for sale upon funding are considered derivative instruments. Loan commitments that are derivatives are recognized at fair value on the Consolidated Balance Sheets in other assets and other liabilities with changes in their fair values recorded in non-interest income.

Counterparty Credit Risk. The Company's exposure from bilateral, non-cleared derivatives is collateralized and subject to daily margin call settlements. Credit exposure related to non-cleared derivatives may be offset by the amount of collateral pledged by the counterparty. The Company's credit exposure on interest rate swaps consists of the net favorable value plus interest payments of all swaps by each of the counterparties.

Cleared derivative transactions are with our selected clearing exchange, Chicago Mercantile Exchange (CME). Exposure is settled to market on a daily basis, with additional credit exposure related to initial margin collateral pledged to CME at trade execution.

Institutional counterparties are underwritten and approved through the Company’s independent credit approval process. The Company evaluates the credit risk of its counterparties, taking into account such factors as the likelihood of default, its net exposures, and remaining contractual life, among other things, in determining if any adjustments related to credit risk are required. See Note 15: Derivative Financial Instruments for further information.

Offsetting Assets and Liabilities. The Company presents derivative receivables and derivative payables with the same counterparty and the related variation margin of cash collateral receivables and payables on a net basis in the Consolidated Balance Sheets when a legally enforceable master netting agreement exists. The cash collateral, relating to the initial margin, is included within accrued interest receivable and other assets in the Consolidated Balance Sheets.

Fair Value Measurements

The Company measures many of its assets and liabilities on a fair value basis, in accordance with ASC Topic 820, "*Fair Value Measurement.*" Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary basis of accounting. Examples of these include derivative instruments, available-for-sale securities and loans held for sale where the Company has elected the fair value option. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment. Examples of these include impaired loans and leases, mortgage servicing assets, long-lived assets, goodwill, and loans not originated for sale but subsequently transferred to held for sale, which are accounted for at the lower of cost or fair value. Further information regarding the Company's policies and methodology used to measure fair value is presented in Note 16: Fair Value Measurements.

Employee Retirement Benefit Plan

Webster Bank maintains a noncontributory defined benefit pension plan covering all employees that were participants on or before December 31, 2007. Costs related to this qualified plan, based upon actuarial computations of current and future benefits for eligible employees, are charged to non-interest expense and are funded in accordance with the requirements of the Employee Retirement Income Security Act. The plan is recorded as an asset if overfunded or a liability if underfunded. There is a supplemental retirement plan for select executive level employees that were participants on or before December 31, 2007. There is also a postretirement healthcare benefits plan for certain retired employees.

The Company elected to change its approach for estimating service and interest components of net periodic pension cost, utilizing a full yield curve approach to measure the benefit obligation of the retirement benefit plans, effective January 1, 2017. The Company changed to this new estimate method to improve the correlation between projected benefit cash flows and the corresponding yield spot rates, and to provide a more precise measurement of service and interest costs. Historically the Company estimated service and interest costs utilizing a single-weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. The new method measures service and interest costs separately using the full yield curve approach applied to each corresponding obligation. Service costs are determined based on duration-specific spot rates applied to the service cost cash flows. The interest cost calculation is determined by applying duration-specific spot rates to the year-by-year projected benefit obligation.

Table of Contents

Recently Adopted Accounting Standards Updates
Effective January 1, 2018, the following new accounting guidance was adopted by the Company:
ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20) - Premium Amortization on Purchased Callable Debt Securities.
The Update shortens the amortization period for certain investments in callable debt securities purchased at a premium by requiring that the premium be amortized to the earliest call date. Prior to adoption, the Company amortized the premium as a yield adjustment over the contractual life of such debt securities held within the portfolio. The Update accelerates the Company's recognition of premium amortization on those debt securities.
The Company adopted the Update during the first quarter of 2018 on a modified retrospective basis. As a result, the Company recorded a $2.8 million cumulative-effect adjustment directly to retained earnings as of January 1, 2018.
ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.
The Update requires the Company to retrospectively report service cost as a part of compensation expense and the other components of net periodic benefit cost separately from service cost in the Company's consolidated financial statements. The Company previously included all components of net periodic benefit cost as a component of compensation and benefits expense. Upon adoption, only service cost remains in compensation and benefits expense, while the interest cost on benefit obligations, expected return on plan assets, amortization of prior service cost, and recognized net loss components of the net periodic benefit cost are included in other expense.
The Company adopted the Update during the first quarter of 2018 on a retrospective basis. As a result, the Company reclassified, for prior periods, the components of it's net periodic benefit costs other than the service cost component from compensation and benefits to other expense in the accompanying Condensed Consolidated Statements of Income. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.
ASU No. 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments.
The Update addresses the following eight specific cash flow issues, with the objective of reducing the existing diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle.
The Company adopted the Update during the first quarter of 2018 on a retrospective basis. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.
ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities, and ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities.
The Updates included targeted amendments in connection with the recognition, measurement, presentation, and disclosure of financial instruments. The main provisions require investments in equity securities to be measured at fair value through net income, unless they qualify for a practical expedient, and require fair value changes arising from changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option to be recognized in other comprehensive income. The provisions also emphasized the existing requirement to use exit prices to measure fair value for disclosure purposes.
The Company adopted the Updates during the first quarter of 2018 primarily on a modified retrospective basis. As a result, the Company recorded a benefit of $1.4 million for a cumulative-effect adjustment directly to retained earnings as of January 1, 2018, due to a change in valuation method, from cost less impairment, to net asset value using the practical expedient. Also, the measurement alternative has been elected for equity securities, existing as of January 1, 2018, without readily determinable fair values on a prospective basis.

Table of Contents

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and subsequent ASUs issued to clarify this Topic.

The Update, and subsequent related updates, establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most previous revenue recognition guidance, including industry-specific guidance. The Updates are intended to increase comparability across industries. The core principle of the revenue model is that a company will recognize revenue when it transfers control of goods or services to customers, at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Company adopted the Updates during the first quarter of 2018 on a modified retrospective transition approach. The Company did not identify any material changes to the timing of revenue recognition. The Company changed how it presents certain recurring revenue streams associated with wealth and investment services as other income, versus a contra expense. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations, and there was no cumulative effect adjustment to opening retained earnings as no material changes were identified in the timing of revenue recognition, however, additional disclosure has been incorporated in Note 20: Revenue from Contracts with Customers.

Accounting Standards Issued but not yet Adopted

The following list identifies ASUs applicable to the Company that have been issued by the FASB but are not yet effective:

ASU No. 2018-16, Derivatives and Hedging (Topic 815) - Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes

The Update permits the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to the interest rates on direct U.S. Treasury obligations, the LIBOR swap rate, the OIS rate based on the Fed Funds Effective Rate, and the Securities Industry and Financial Markets Association Municipal Swap Rate.

The update is effective for the Company on January 1, 2019. The Company does not expect this Update to have a material impact on its consolidated financial statements.

ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

The Update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The updated guidance also requires an entity to amortize the capitalized implementation costs as an expense over the term of the hosting arrangement and to present in the same income statement line item as the fees associated with the hosting arrangement.

This Update is effective for the Company on January 1, 2020. Early adoption is permitted, although the Company does not intend to early adopt. The Company will apply the amendments in this update prospectively to all implementation costs incurred after the date of adoption. The Company does not expect this Update to have a material impact on its consolidated financial statements.

ASU No. 2018-14, Compensation-Retirement Benefits - Defined Benefit Plan - General (Subtopic 715-20) - Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans

The Update modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. This updated guidance will be effective for the Company on January 1, 2021. The Company does not expect this Update to have a material impact on its consolidated financial statements.

ASU No. 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement

The Update modifies the disclosure requirements on fair value measurements. The updated guidance will no longer require entities to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. However, it will require public companies to disclose changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 measurements.

This Update is effective for the Company on January 1, 2020, and earlier adoption is permitted. The Company does not expect this Update to have a material impact on its consolidated financial statements.

ASU No. 2017-12, Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities.

The purpose of the Update is to better align the financial reporting for hedging activities with the economic objectives of those activities. The update requires a modified retrospective transition method in which the Company will recognize a cumulative effect of the change on the opening balance for each affected component of equity in the financial statements as of the date of adoption.

The Update is effective for the Company on January 1, 2019. The adoption will not have a material impact on the Company's consolidated financial statements.

Table of Contents

ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment.
The Update simplifies quantitative goodwill impairment testing by requiring entities to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for any amount by which the carrying amount exceeds the reporting unit's fair value, to the extent that the loss recognized does not exceed the amount of goodwill allocated to that reporting unit.
This changes current guidance by eliminating the second step to the goodwill impairment analysis which involves calculating the implied fair value of goodwill determined in the same manner as the amount of goodwill recognized in a business combination upon acquisition. Entities will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.
The update must be applied prospectively and is effective for the Company on January 1, 2020. Early adoption is permitted. The Company does not expect the new guidance to have a material impact on its consolidated financial statements.
ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments and subsequent ASUs issued to clarify this Topic.
Current GAAP requires an incurred loss methodology for recognizing credit losses. This approach delays recognition until it is probable a loss has been incurred. The main objective of this Update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates.
The change from an incurred loss method to an expected loss method represents a fundamental shift from existing GAAP and may result in a material increase to the Company's accounting for credit losses on financial instruments. To prepare for implementation of the new standard the Company has established a project lead and has empowered a cross functional steering committee comprised of members from different disciplines including Credit, Accounting, Finance and Treasury as well as specific working groups to focus on key components of the development process. Through these working groups, the Company has begun to evaluate the effect that this Update, including the subsequent ASUs issued to clarify this Topic, will have on its financial statements and related disclosures. An implementation project plan has been created and is made up of targeted work streams focused on credit models, data management, treasury, and accounting. These work streams are collectively assessing required resources, use of existing and new models, and data availability. The Company expects that the new credit models will include additional assumptions used to calculate credit losses over the estimated life of the financial assets and will include expected future changes in macroeconomic conditions. The Company contracted with system solution providers and is in the process of implementing the selected solutions. During 2019, the Company will focus on model validations as well as the development of processes and related controls. The Company expects to begin parallel runs by mid-2019.
These Updates are effective for the Company on January 1, 2020. The impact of adopting these Updates is expected to be influenced by the composition, characteristics, and credit quality of our loan and securities portfolios as well as the economic conditions in effect at the adoption date. Therefore, we are unable to reasonably estimate the impact of adoption at this time.
ASU No. 2016-02, Leases (Topic 842) and subsequent ASUs issued to clarify this Topic.
The Update introduces a lessee model that requires substantially all leases to be recorded as assets and liabilities on the balance sheet and will require expanded quantitative and qualitative disclosures regarding key information about leasing arrangements. The lessor model remains substantially the same with targeted improvements that do not materially impact the Company.
A new transition method option that would allow the Company to use the effective date, January 1, 2019, as the date of initial application of the new leases standard and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption is included by way of a subsequent Update. The Company will elect this transition method and will record an immaterial transition adjustment to beginning retained earnings.

The Company has engaged a third party consultant to assist with its implementation efforts including with its review of existing leases, and certain service contracts for embedded leases, to evaluate the impact of these Updates. The review of certain service contracts for embedded leases has not identified leases individually or in aggregate that would have a material impact to the Company's financial statements. The Company will utilize a third-party software solution to assist with the accounting under these updates.

Management's implementation of the lease accounting standard is substantially complete. Upon adoption of the standard, the Company expects to recognize a right of use asset of approximately $160 million and a lease liability of approximately $180 million, primarily relating to the Company's real-estate lease portfolio.

Table of Contents

Securities and Exchange Commission’s Final Rule on Disclosure Update and Simplification

The SEC adopted the Final Rule, Disclosure Update and Simplification, that amends certain of the SEC’s disclosure requirements to reduce redundant, duplicative, or outdated disclosures due to changes in U.S. GAAP, International Financial Reporting Standards, or changes in technology or the business environment. Most of the amendments included in the SEC’s Final Rule eliminate certain disclosure requirements. This Final Rule is effective for all filings submitted on or after November 5, 2018. The Company eliminated certain information from Item 5. Market For Registrant's Common Equity, Related Stockholder Matters, And Issuer Purchases Of Equity Securities, contained elsewhere in this report.

One of the amendments requires expanded interim disclosures for stockholders’ equity, which includes the disclosure of dividends per share for each class of share rather than only for common stock as well as disclosure for changes in stockholders’ equity in interim periods. After the issuance of the Final Rule, the SEC published an interpretation that provides an extended transition period for companies to comply with the new interim disclosure requirement. The Company will comply with the new interim disclosure requirement when it files its first quarter 2019 Form 10-Q and does not expect the new disclosure requirement to have a material impact on its financial statements.

Table of Contents

Note 2: Variable Interest Entities

The Company has an investment interest in the following entities that meet the definition of a VIE.

Consolidated

Rabbi Trust. The Company established a Rabbi Trust to meet the obligations due under its Deferred Compensation Plan for Directors and Officers and to mitigate the expense volatility of the aforementioned plan. The funding of the Rabbi Trust and the discontinuation of the Deferred Compensation Plan for Directors and Officers occurred during 2012.

Investments held in the Rabbi Trust primarily consist of mutual funds that invest in equity and fixed income securities. The Company is considered the primary beneficiary of the Rabbi Trust as it has the power to direct the activities of the Rabbi Trust that significantly affect the VIE's economic performance and it has the obligation to absorb losses of the VIE that could potentially be significant to the VIE.

The Company consolidates the invested assets of the trust along with the total deferred compensation obligations and includes them in accrued interest receivable and other assets and accrued expenses and other liabilities, respectively, in the accompanying Consolidated Balance Sheets. Earnings in the Rabbi Trust, including appreciation or depreciation, are reflected as other non-interest income, and changes in the corresponding liability are reflected as compensation and benefits, in the accompanying Consolidated Statements of Income. Refer to Note 16: Fair Value Measurements for additional information.

Non-Consolidated

Securitized Investments. The Company, through normal investment activities, makes passive investments in securities issued by VIEs for which Webster is not the manager. The investment securities consist of Agency CMO, Agency MBS, Agency CMBS, CMBS, and CLO. The Company has not provided financial or other support with respect to these investment securities other than its original investment. For these investment securities, the Company determined it is not the primary beneficiary due to the relative size of its investment in comparison to the principal amount of the structured securities issued by the VIEs, the level of credit subordination which reduces the Company’s obligation to absorb losses or right to receive benefits and its inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company’s maximum exposure to loss is limited to the amount of its investment in the VIEs. Refer to Note 3: Investment Securities for additional information.

Tax Credit - Finance Investments. The Company makes equity investments in entities that finance affordable housing and other community development projects and provide a return primarily through the realization of tax benefits. In most instances the investments require the funding of capital commitments in the future. While the Company's investment in an entity may exceed 50% of its outstanding equity interests, the entity is not consolidated as Webster is not involved in its management. For these investments, the Company determined it is not the primary beneficiary due to its inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company applies the proportional amortization method to account for its investments in qualified affordable housing projects.

At December 31, 2018 and December 31, 2017, the aggregate carrying value of the Company's tax credit-finance investments was $29.1 million and $33.5 million, respectively, which represents the Company's maximum exposure to loss. At December 31, 2018 and December 31, 2017, unfunded commitments have been recognized, totaling $10.4 million and $17.3 million, respectively, and are included in accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

Webster Statutory Trust. The Company owns all the outstanding common stock of Webster Statutory Trust, a financial vehicle that has issued, and in the future may issue, trust preferred securities. The trust is a VIE in which the Company is not the primary beneficiary. The trust's only assets are junior subordinated debentures issued by the Company, which were acquired by the trust using the proceeds from the issuance of the trust preferred securities and common stock. The junior subordinated debentures are included in long-term debt in the accompanying Consolidated Balance Sheets, and the related interest expense is reported as interest expense on long-term debt in the accompanying Consolidated Statements of Income.

Other Investments. The Company invests in various alternative investments in which it holds a variable interest. These investments are non-public entities which cannot be redeemed since the Company’s investment is distributed as

the underlying equity is liquidated. For these investments, the Company has determined it is not the primary beneficiary due to its inability to direct the activities that most significantly impact the economic performance of the VIEs.
At December 31, 2018 and December 31, 2017, the aggregate carrying value of the Company's other investments in VIEs was $17.6 million and $13.8 million, respectively, and the maximum exposure to loss of the Company's other investments in VIEs, including unfunded commitments, was $31.0 million and $22.9 million, respectively. Refer to Note 16: Fair Value Measurements for additional information.
The Company's equity interests in Tax Credit-Finance Investments, Webster Statutory Trust, and Other Investments are included in accrued interest receivable and other assets in the accompanying Consolidated Balance Sheets.

Note 3: Investment Securities

A Summary of the amortized cost and fair value of investment securities is presented below:

	At December 31,							
	2018				**2017**			
(In thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Available-for-sale:								
U.S. Treasury Bills	$7,549	$ 1	$—	$7,550	$1,247	$ —	$—	$1,247
Agency CMO	238,968	412	(4,457)	234,923	308,989	1,158	(3,814)	306,333
Agency MBS	1,521,534	1,631	(42,076)	1,481,089	1,124,960	2,151	(19,270)	1,107,841
Agency CMBS	608,167	—	(41,930)	566,237	608,276	—	(20,250)	588,026
CMBS	447,897	645	(2,961)	445,581	358,984	2,157	(74)	361,067
CLO	114,641	94	(1,964)	112,771	209,075	910	(134)	209,851
Single issuer-trust preferred	—	—	—	—	7,096	—	(46)	7,050
Corporate debt	55,860	—	(5,281)	50,579	56,504	797	(679)	56,622
Total available-for-sale	$2,994,616	$ 2,783	$(98,669)	$2,898,730	$2,675,131	$ 7,173	$(44,267)	$2,638,037
Held-to-maturity:								
Agency CMO	$208,113	$ 287	$(5,255)	$203,145	$260,114	$ 664	$(4,824)	$255,954
Agency MBS	2,517,823	8,250	(79,701)	2,446,372	2,569,735	16,989	(37,442)	2,549,282
Agency CMBS	667,500	53	(22,572)	644,981	696,566	—	(10,011)	686,555
Municipal bonds and notes	715,041	2,907	(18,285)	699,663	711,381	8,584	(6,558)	713,407
CMBS	216,943	405	(2,388)	214,960	249,273	2,175	(620)	250,828
Private Label MBS	—	—	—	—	323	1	—	324
Total held-to-maturity	$4,325,420	$ 11,902	$(128,201)	$4,209,121	$4,487,392	$ 28,413	$(59,455)	$4,456,350

Other-Than-Temporary Impairment

The amount in the amortized cost columns in the table above includes other-than-temporary impairment related to certain CLO positions that were previously considered Covered Funds as defined by Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule. The Company has taken measures to bring its CLO positions into conformance with the Volcker Rule.

The following table presents the changes in OTTI:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Beginning balance	$1,364	$3,243	$3,288
Reduction for investment securities called	(542)	(2,005)	(194)
Additions for OTTI not previously recognized in earnings	—	126	149
Ending balance	$822	$1,364	$3,243

To the extent that changes occur in interest rates, credit movements, and other factors that impact fair value and expected recovery of amortized cost of its investment securities, the Company may, in future periods, be required to recognize OTTI in earnings.

Table of Contents

Fair Value and Unrealized Losses

The following tables provide information on fair value and unrealized losses for the individual investment securities with an unrealized loss, aggregated by classification and length of time that the individual investment securities have been in a continuous unrealized loss position:

	At December 31, 2018						
	Less Than Twelve Months		Twelve Months or Longer		Total		
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	# of Holdings	Fair Value	Unrealized Losses
Available-for-sale:							
Agency CMO	$15,524	$(72)	$180,641	$(4,385)	36	$196,165	$(4,457)
Agency MBS	321,678	(2,078)	975,084	(39,998)	184	1,296,762	(42,076)
Agency CMBS	—	—	566,237	(41,930)	37	566,237	(41,930)
CMBS	343,457	(2,937)	5,193	(24)	39	348,650	(2,961)
CLO	83,305	(1,695)	14,873	(269)	5	98,178	(1,964)
Single issuer-trust preferred	—	—	—	—	—	—	—
Corporate debt	35,990	(1,820)	14,589	(3,461)	8	50,579	(5,281)
Total available-for-sale in an unrealized loss position	$799,954	$(8,602)	$1,756,617	$(90,067)	309	$2,556,571	$(98,669)
Held-to-maturity:							
Agency CMO	$691	$(1)	$182,396	$(5,254)	25	$183,087	$(5,255)
Agency MBS	288,635	(1,916)	1,892,951	(77,785)	272	2,181,586	(79,701)
Agency CMBS	—	—	635,284	(22,572)	56	635,284	(22,572)
Municipal bonds and notes	68,351	(882)	414,776	(17,403)	223	483,127	(18,285)
CMBS	24,881	(270)	132,464	(2,118)	20	157,345	(2,388)
Total held-to-maturity in an unrealized loss position	$382,558	$(3,069)	$3,257,871	$(125,132)	596	$3,640,429	$(128,201)

	At December 31, 2017						
	Less Than Twelve Months		Twelve Months or Longer		Total		
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	# of Holdings	Fair Value	Unrealized Losses
Available-for-sale:							
Agency CMO	$81,001	$(449)	$119,104	$(3,365)	27	$200,105	$(3,814)
Agency MBS	416,995	(2,920)	606,021	(16,350)	135	1,023,016	(19,270)
Agency CMBS	54,182	(851)	533,844	(19,399)	36	588,026	(20,250)
CMBS	23,869	(74)	—	—	6	23,869	(74)
CLO	56,335	(134)	—	—	3	56,335	(134)
Single issuer-trust preferred	7,050	(46)	—	—	1	7,050	(46)
Corporate debt	11,082	(395)	6,265	(284)	4	17,347	(679)
Total available-for-sale in an unrealized loss position	$650,514	$(4,869)	$1,265,234	$(39,398)	212	$1,915,748	$(44,267)
Held-to-maturity:							
Agency CMO	$98,090	$(1,082)	$106,775	$(3,742)	22	$204,865	$(4,824)
Agency MBS	762,107	(4,555)	1,197,839	(32,887)	205	1,959,946	(37,442)
Agency CMBS	576,770	(7,599)	109,785	(2,412)	56	686,555	(10,011)
Municipal bonds and notes	6,432	(38)	226,861	(6,520)	92	233,293	(6,558)
CMBS	92,670	(413)	14,115	(207)	13	106,785	(620)
Total held-to-maturity in an unrealized loss position	$1,536,069	$(13,687)	$1,655,375	$(45,768)	388	$3,191,444	$(59,455)

Table of Contents

Impairment Analysis

The following impairment analysis summarizes the basis for evaluating if investment securities within the Company's available-for-sale and held-to-maturity portfolios are impaired as of December 31, 2018. Unless otherwise noted for an investment security type, management does not intend to sell these investment securities and has determined, based upon available evidence, that it is more likely than not that the Company will not be required to sell these investment securities before the recovery of their amortized cost. As such, based on the following impairment analysis, the Company does not consider any of these investment securities, in unrealized loss positions, to be other-than-temporarily impaired at December 31, 2018.

Available-for-Sale Securities

Agency CMO. There were unrealized losses of $4.5 million on the Company's investment in Agency CMO at December 31, 2018, compared to $3.8 million at December 31, 2017. Unrealized losses increased due to higher market rates while principal balances decreased for this asset class since December 31, 2017. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Agency MBS. There were unrealized losses of $42.1 million on the Company's investment in residential mortgage-backed securities issued by government agencies at December 31, 2018, compared to $19.3 million at December 31, 2017. Unrealized losses increased due to higher market rates, while principal balances increased for this asset class since December 31, 2017. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Agency CMBS. There were unrealized losses of $41.9 million on the Company's investment in commercial mortgage-backed securities issued by government agencies at December 31, 2018, compared to $20.3 million at December 31, 2017. Unrealized losses increased due to higher market rates while principal balances remained approximately the same for this asset class since December 31, 2017. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

CMBS. There were unrealized losses of $3.0 million on the Company's investment in CMBS at December 31, 2018, compared to $0.1 million at December 31, 2017. The portfolio of mainly floating rate CMBS experienced increased market spreads which resulted in lower market prices and higher unrealized losses at December 31, 2018 compared to December 31, 2017. Internal stress tests are performed on individual bonds to monitor potential losses under stress scenarios. Contractual cash flows for the bonds continue to perform as expected.

CLO. There were unrealized losses of $2.0 million on the Company's investments in CLO at December 31, 2018 compared to $0.1 million unrealized losses at December 31, 2017. Unrealized losses increased due to increased market spreads while principal balances decreased due to call activity since December 31, 2017. Contractual cash flows for the bonds continue to perform as expected.

Corporate debt. There were $5.3 million of unrealized losses on the Company's corporate debt portfolio at December 31, 2018, compared to $0.7 million at December 31, 2017. Unrealized losses increased due to increased market spreads since December 31, 2017. The Company performs periodic credit reviews of the issuer to assess the likelihood for ultimate recovery of amortized cost.

Held-to-Maturity Securities

Agency CMO. There were unrealized losses of $5.3 million on the Company's investment in Agency CMO at December 31, 2018, compared to $4.8 million at December 31, 2017. Unrealized losses increased due to higher market rates while principal balances decreased since December 31, 2017. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Agency MBS. There were unrealized losses of $79.7 million on the Company's investment in residential mortgage-backed securities issued by government agencies at December 31, 2018, compared to $37.4 million at

December 31, 2017. Unrealized losses increased due to higher market rates while principal balances increased for this asset class since December 31, 2017. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Table of Contents

Agency CMBS. There were unrealized losses of $22.6 million on the Company's investment in commercial mortgage-backed securities issued by government agencies at December 31, 2018, compared to $10.0 million at December 31, 2017. Unrealized losses increased due to higher market rates while principal balances increased since December 31, 2017. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Municipal bonds and notes. There were unrealized losses of $18.3 million on the Company's investment in municipal bonds and notes at December 31, 2018, compared to $6.6 million at December 31, 2017. Unrealized losses increased due to higher market rates while principal balances increased since December 31, 2017. The Company performs periodic credit reviews of the issuers and the securities are currently performing as expected.

CMBS. There were unrealized losses of $2.4 million on the Company's investment in CMBS at December 31, 2018, compared to $0.6 million unrealized losses at December 31, 2017. Unrealized losses increased due to higher market rates on mainly seasoned fixed rate conduit transactions while principal balances decreased since December 31, 2017. Internal stress tests are performed on individual bonds to monitor potential losses under stress scenarios.

Sales of Available-for Sale Securities

There were no sales during the years ended December 31, 2018 and 2017. For the year ended December 31, 2016, proceeds from sales were $259.3 million, with gross realized gains of $2.9 million less gross realized losses of $2.5 million resulting in a gain on sale of investment securities, net of $0.4 million.

Contractual Maturities

The amortized cost and fair value of debt securities by contractual maturity are set forth below:

	At December 31, 2018			
	Available-for-Sale		Held-to-Maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$27,880	$27,865	$7,047	$7,059
Due after one year through five years	17,126	17,155	7,909	8,019
Due after five through ten years	275,969	274,027	31,455	31,500
Due after ten years	2,673,641	2,579,683	4,279,009	4,162,543
Total debt securities	$2,994,616	$2,898,730	$4,325,420	$4,209,121

For the maturity schedule above, mortgage-backed securities and CLO, which are not due at a single maturity date, have been categorized based on the maturity date of the underlying collateral. Actual principal cash flows may differ from this maturity date presentation as borrowers have the right to prepay obligations with or without prepayment penalties.

At December 31, 2018, the Company had a carrying value of $1.2 billion in callable debt securities in its CMBS, CLO, and municipal bond portfolios. The Company considers prepayment risk in the evaluation of its interest rate risk profile. These maturities may not reflect actual durations, which may be impacted by prepayments.

Investment securities with a carrying value totaling $2.2 billion at December 31, 2018 and $2.4 billion at December 31, 2017 were pledged to secure public funds, trust deposits, repurchase agreements, and for other purposes, as required or permitted by law.

Table of Contents

Note 4: Loans and Leases

The following table summarizes loans and leases:

(In thousands)	At December 31, 2018	2017
Residential	$4,416,637	$4,490,878
Consumer	2,396,704	2,590,225
Commercial	6,216,606	5,368,694
Commercial Real Estate	4,927,145	4,523,828
Equipment Financing	508,397	550,233
Loans and leases (1) (2)	$18,465,489	$17,523,858

(1) *Loans and leases include net deferred fees and net premiums and discounts of $13.9 million and $20.6 million at December 31, 2018 and December 31, 2017, respectively.*

(2) *At December 31, 2018, the Company had pledged $7.1 billion of eligible loans as collateral to support borrowing capacity at the FHLB of Boston and the FRB of Boston.*

Loans and Leases Portfolio Aging

The following tables summarize the aging of loans and leases:

(In thousands)	At December 31, 2018 30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	90 or More Days Past Due and Accruing	Non-accrual	Total Past Due and Non-accrual	Current	Total Loans and Leases
Residential	$8,513	$ 4,301	$ —	$ 49,188	$ 62,002	$4,354,635	$4,416,637
Consumer:							
Home equity	9,250	5,385	—	33,495	48,130	2,121,049	2,169,179
Other consumer	1,774	957	—	1,494	4,225	223,300	227,525
Commercial:							
Commercial non-mortgage	1,011	702	104	55,810	57,627	5,189,808	5,247,435
Asset-based	—	—	—	224	224	968,947	969,171
Commercial real estate:							
Commercial real estate	1,275	245	—	8,242	9,762	4,698,552	4,708,314
Commercial construction	—	—	—	—	—	218,831	218,831
Equipment financing	510	405	—	6,314	7,229	501,168	508,397
Total	$22,333	$ 11,995	$ 104	$ 154,767	$ 189,199	$18,276,290	$18,465,489

(In thousands)	At December 31, 2017 30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	90 or More Days Past Due and Accruing	Non-accrual	Total Past Due and Non-accrual	Current	Total Loans and Leases
Residential	$8,643	$ 5,146	$ —	$ 44,481	$ 58,270	$4,432,608	$4,490,878
Consumer:							
Home equity	12,668	5,770	—	35,645	54,083	2,298,185	2,352,268
Other consumer	2,556	1,444	—	1,707	5,707	232,250	237,957
Commercial:							
Commercial non-mortgage	5,212	603	644	39,214	45,673	4,488,242	4,533,915
Asset-based	—	—	—	589	589	834,190	834,779
Commercial real estate:							
Commercial real estate	478	77	248	4,484	5,287	4,238,987	4,244,274
Commercial construction	—	—	—	—	—	279,554	279,554
Equipment financing	1,732	626	—	393	2,751	547,482	550,233
Total	$31,289	$ 13,666	$ 892	$ 126,513	$ 172,360	$17,351,498	$17,523,858

Interest on non-accrual loans and leases that would have been recorded as additional interest income for the years ended December 31, 2018, 2017, and 2016, had the loans and leases been current in accordance with their original terms, totaled $9.7 million, $8.4 million, and $11.0 million, respectively.

Table of Contents

Allowance for Loan and Lease Losses

The following tables summarize the activity in, as well as the loan and lease balances that were evaluated for, the ALLL:

	At or for the Year ended December 31, 2018					
(In thousands)	**Residential**	**Consumer**	**Commercial**	**Commercial Real Estate**	**Equipment Financing**	**Total**
Allowance for loan and lease losses:						
Balance at January 1, 2018	$19,058	$36,190	$89,533	$49,407	$5,806	$199,994
Provision (benefit) charged to expense	2,016	4,628	23,041	12,644	(329)	42,000
Losses charged off	(3,455)	(19,228)	(18,220)	(2,061)	(423)	(43,387)
Recoveries	1,980	7,091	4,439	161	75	13,746
Balance at December 31, 2018	$19,599	$28,681	$98,793	$60,151	$5,129	$212,353
Individually evaluated for impairment	$4,286	$1,383	$7,824	$1,661	$196	$15,350
Collectively evaluated for impairment	$15,313	$27,298	$90,969	$58,490	$4,933	$197,003
Loan and lease balances:						
Individually evaluated for impairment	$103,531	$39,144	$99,512	$10,828	$6,315	$259,330
Collectively evaluated for impairment	4,313,106	2,357,560	6,117,094	4,916,317	502,082	18,206,159
Loans and leases	$4,416,637	$2,396,704	$6,216,606	$4,927,145	$508,397	$18,465,489

	At or for the Year ended December 31, 2017					
(In thousands)	**Residential**	**Consumer**	**Commercial**	**Commercial Real Estate**	**Equipment Financing**	**Total**
Allowance for loan and lease losses:						
Balance at January 1, 2017	$23,226	$45,233	$71,905	$47,477	$6,479	$194,320
Provision (benefit) charged to expense	(2,692)	9,367	23,417	11,040	(232)	40,900
Losses charged off	(2,500)	(24,447)	(8,147)	(9,275)	(558)	(44,927)
Recoveries	1,024	6,037	2,358	165	117	9,701
Balance at December 31, 2017	$19,058	$36,190	$89,533	$49,407	$5,806	$199,994
Individually evaluated for impairment	$4,805	$1,668	$9,786	$272	$23	$16,554
Collectively evaluated for impairment	$14,253	$34,522	$79,747	$49,135	$5,783	$183,440
Loan and lease balances:						
Individually evaluated for impairment	$114,295	$45,436	$72,471	$11,226	$3,325	$246,753
Collectively evaluated for impairment	4,376,583	2,544,789	5,296,223	4,512,602	546,908	17,277,105
Loans and leases	$4,490,878	$2,590,225	$5,368,694	$4,523,828	$550,233	$17,523,858

	At or for the Year ended December 31, 2016					
(In thousands)	**Residential**	**Consumer**	**Commercial**	**Commercial Real Estate**	**Equipment Financing**	**Total**
Allowance for loan and lease losses:						
Balance at January 1, 2016	$25,876	$42,052	$59,977	$41,598	$5,487	$174,990
Provision (benefit) charged to expense	230	18,507	28,662	7,930	1,021	56,350
Losses charged off	(4,636)	(20,669)	(18,360)	(2,682)	(565)	(46,912)
Recoveries	1,756	5,343	1,626	631	536	9,892
Balance at December 31, 2016	$23,226	$45,233	$71,905	$47,477	$6,479	$194,320
Individually evaluated for impairment	$8,090	$2,903	$7,422	$169	$9	$18,593
Collectively evaluated for impairment	$15,136	$42,330	$64,483	$47,308	$6,470	$175,727
Loan and lease balances:						
Individually evaluated for impairment	$119,424	$45,719	$53,037	$24,755	$6,420	$249,355
Collectively evaluated for impairment	4,135,258	2,638,781	4,887,894	4,486,091	629,209	16,777,233
Loans and leases	$4,254,682	$2,684,500	$4,940,931	$4,510,846	$635,629	$17,026,588

Table of Contents

Impaired Loans and Leases

The following tables summarize impaired loans and leases:

(In thousands)	At December 31, 2018 Unpaid Principal Balance	Total Recorded Investment	Recorded Investment No Allowance	Recorded Investment With Allowance	Related Valuation Allowance
Residential:					
1-4 family	$ 113,575	$ 103,531	$ 64,899	$ 38,632	$ 4,286
Consumer home equity	44,654	39,144	30,576	8,568	1,383
Commercial:					
Commercial non-mortgage	120,165	99,287	65,724	33,563	7,818
Asset-based	550	225	—	225	6
Commercial real estate:					
Commercial real estate	13,355	10,828	2,125	8,703	1,661
Commercial construction	—	—	—	—	—
Equipment financing	6,368	6,315	2,946	3,369	196
Total	$ 298,667	$ 259,330	$ 166,270	$ 93,060	$ 15,350

(In thousands)	At December 31, 2017 Unpaid Principal Balance	Total Recorded Investment	Recorded Investment No Allowance	Recorded Investment With Allowance	Related Valuation Allowance
Residential:					
1-4 family	$ 125,352	$ 114,295	$ 69,759	$ 44,536	$ 4,805
Consumer home equity	50,809	45,436	34,418	11,018	1,668
Commercial:					
Commercial non-mortgage	79,900	71,882	27,313	44,569	9,786
Asset based	3,272	589	589	—	—
Commercial real estate:					
Commercial real estate	11,994	11,226	6,387	4,839	272
Commercial construction	—	—	—	—	—
Equipment financing	3,409	3,325	2,932	393	23
Total	$ 274,736	$ 246,753	$ 141,398	$ 105,355	$ 16,554

The following table summarizes the average recorded investment and interest income recognized for impaired loans and leases:

	Years ended December 31,								
	2018			2017			2016		
(In thousands)	Average Recorded Investment	Accrued Interest Income	Cash Basis Interest Income	Average Recorded Investment	Accrued Interest Income	Cash Basis Interest Income	Average Recorded Investment	Accrued Interest Income	Cash Basis Interest Income
Residential	$ 108,913	$ 3,781	$ 1,106	$ 116,859	$ 4,138	$ 1,264	$ 126,936	$ 4,377	$ 1,200
Consumer home equity	42,290	1,158	980	45,578	1,323	1,046	47,072	1,361	985
Commercial									
Commercial non-mortgage	85,585	3,064	—	62,459	1,095	—	54,708	1,540	—
Asset based	407	—	—	295	—	—	—	—	—
Commercial real estate:									
Commercial real estate	11,027	198	—	17,397	417	—	28,451	511	—
Commercial construction	—	—	—	594	12	—	3,574	92	—
Equipment financing	4,820	112	—	4,872	207	—	3,421	184	—
Total	$ 253,042	$ 8,313	$ 2,086	$ 248,054	$ 7,192	$ 2,310	$ 264,162	$ 8,065	$ 2,185

Credit Quality Indicators. To measure credit risk for the commercial, commercial real estate, and equipment financing portfolios, the Company employs a dual grade credit risk grading system for estimating the PD and the LGD. The credit risk grade system assigns a rating to each borrower and to the facility, which together form a Composite Credit Risk Profile. The credit risk grade system categorizes borrowers by common financial characteristics that measure the credit strength of borrowers and facilities by common structural characteristics. The Composite Credit Risk Profile has ten grades, with each grade corresponding to a progressively greater risk of loss. Grades (1) - (6) are considered pass ratings, and (7) - (10) are considered criticized as defined by the regulatory agencies. Risk ratings, assigned to differentiate risk within the portfolio, are reviewed on an ongoing basis and revised to reflect changes in a borrowers' current financial position and outlook, risk profile, and the related collateral and structural position. Loan officers review updated financial information on at least an annual basis for all pass rated loans to assess the accuracy of the risk grade. Criticized loans undergo more frequent reviews and enhanced monitoring.

A (7) "Special Mention" credit has the potential weakness that, if left uncorrected, may result in deterioration of the repayment prospects for the asset. An (8) "Substandard" asset has a well defined weakness that jeopardizes the full repayment of the debt. An asset rated (9) "Doubtful" has all of the same weaknesses as a substandard credit with the added characteristic that the weakness makes collection or liquidation in full, given current facts, conditions, and values, improbable. Assets classified as (10) "Loss" in accordance with regulatory guidelines are considered uncollectible and charged off.

The following table summarizes commercial, commercial real estate and equipment financing loans and leases segregated by risk rating exposure:

	Commercial		**Commercial Real Estate**		**Equipment Financing**	
	At December 31,		**At December 31,**		**At December 31,**	
(In thousands)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
(1) - (6) Pass	$5,781,138	$5,048,162	$4,773,298	$4,355,916	$494,585	$525,105
(7) Special Mention	206,351	104,594	75,338	62,065	1,303	8,022
(8) Substandard	222,405	206,883	78,509	105,847	12,509	17,106
(9) Doubtful	6,712	9,055	—	—	—	—
Total	$6,216,606	$5,368,694	$4,927,145	$4,523,828	$508,397	$550,233

For residential and consumer loans, the Company considers factors such as past due status, updated FICO scores, employment status, collateral, geography, loans discharged in bankruptcy, and the status of first lien position loans on second lien position loans as credit quality indicators. On an ongoing basis for portfolio monitoring purposes, the Company estimates the current value of property secured as collateral for home equity and residential first mortgage lending products. The estimate is based on home price indices compiled by the S&P/Case-Shiller Home Price Indices. The real estate price data is applied to the loan portfolios taking into account the age of the most recent valuation and geographic area.

Troubled Debt Restructurings

The following table summarizes information for TDRs:

	At December 31,	
(Dollars in thousands)	**2018**	**2017**
Accrual status	$138,479	$147,113
Non-accrual status	91,935	74,291
Total recorded investment of TDR	$230,414	$221,404
Specific reserves for TDR included in the balance of ALLL	$11,930	$12,384
Additional funds committed to borrowers in TDR status	3,893	2,736

For years ended December 31, 2018, 2017 and 2016, Webster charged off $14.3 million, $3.2 million, and $18.6 million, respectively, for the portion of TDRs deemed to be uncollectible.

85

Table of Contents

The following table provides information on the type of concession for loans and leases modified as TDRs:

	Years ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	Number of Loans and Leases	Post-Modification Recorded Investment(1)	Number of Loans and Leases	Post-Modification Recorded Investment(1)	Number of Loans and Leases	Post-Modification Recorded Investment(1)
Residential:						
Extended Maturity	1	$ 20	16	$ 2,569	17	$ 2,801
Adjusted Interest rates	—	—	2	335	2	528
Combination Rate and Maturity	9	947	12	1,733	13	1,537
Other (2)	21	3,573	39	6,200	24	4,090
Consumer home equity:						
Extended Maturity	4	469	12	976	11	484
Adjusted Interest rates	—	—	1	247	—	—
Combination Rate and Maturity	6	618	14	3,469	15	1,156
Other (2)	45	2,812	73	4,907	52	3,131
Commercial non mortgage:						
Extended Maturity	12	823	12	1,233	12	14,883
Adjusted Interest rates	—	—	—	—	—	—
Combination Rate and Maturity	15	8,842	18	9,592	2	648
Other (2)	20	41,248	4	6,375	13	1,767
Commercial real estate:						
Extended Maturity	2	97	—	—	3	4,921
Adjusted Interest rates	—	—	—	—	1	237
Combination Rate and Maturity	3	1,485	—	—	2	335
Other (2)	1	5,111	—	—	1	509
Equipment Financing						
Extended Maturity	4	736	—	—	7	6,642
Total	143	$ 66,781	203	$ 37,636	175	$ 43,669

(1) *Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of the restructurings was not significant.*

(2) *Other includes covenant modifications, forbearance, loans discharged under Chapter 7 bankruptcy, and/or other concessions.*

The were no significant amounts of loans and leases modified as TDRs within the previous 12 months and for which there was a payment default for the years ended December 31, 2018, 2017 and 2016.

The recorded investment of TDRs in commercial, commercial real estate, and equipment financing segregated by risk rating exposure is as follows:

	At December 31,	
(In thousands)	2018	2017
(1) - (6) Pass	$13,165	$8,268
(7) Special Mention	84	355
(8) Substandard	67,880	53,050
(9) Doubtful	6,610	—
Total	$87,739	$61,673

Table of Contents

Note 5: Transfers of Financial Assets

Transfers of Financial Assets

The Company sells financial assets in the normal course of business, primarily residential mortgage loans sold to government-sponsored enterprises through established programs and securitizations. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The gain or loss on residential mortgage loans sold and the related origination fee income, as well as fair value adjustments to loans held-for-sale are included as mortgage banking activities in the accompanying Consolidated Statements of Income.

The Company may be required to repurchase a loan in the event of certain breaches of the representations and warranties, or in the event of default of the borrower within 90 days of sale, as provided for in the sale agreements. A reserve for loan repurchases provides for estimated losses pertaining to the potential repurchase of loans associated with the Company's mortgage banking activities. The reserve reflects loan repurchase requests received by the Company for which management evaluates the identity of counterparty, the vintage of the loans sold, the amount of open repurchase requests, specific loss estimates for each open request, the current level of loan losses in similar vintages held in the residential loan portfolio, and estimated recoveries on the underlying collateral. The reserve also reflects management’s expectation of losses from loan repurchase requests for which the Company has not yet been notified, as the performance of loans sold and the quality of the servicing provided by the acquirer may also impact potential future requests. The provision recorded at the time of the loan sale is netted from the gain or loss recorded in mortgage banking activities, while any incremental provision, post loan sale, is recorded in other non-interest expense in the accompanying Consolidated Statements of Income.

The following table provides a summary of activity in the reserve for loan repurchases:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Beginning balance	$872	$790	$1,192
(Benefit) provision charged to expense	(160)	100	(303)
Repurchased loans and settlements charged off	(38)	(18)	(99)
Ending balance	$674	$872	$790

The following table provides information for mortgage banking activities:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Residential mortgage loans held for sale:			
Proceeds from sale	$188,025	$335,656	$438,925
Loans sold with servicing rights retained	166,909	304,788	399,318
Net gain on sale	3,146	6,211	11,629
Ancillary fees	1,544	2,629	3,532
Fair value option adjustment	(266)	1,097	(526)

The Company has retained servicing rights on residential mortgage loans totaling $2.5 billion and $2.6 billion at December 31, 2018 and 2017, respectively.

The following table presents the changes in carrying value for mortgage servicing assets:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Beginning balance	$25,139	$24,466	$20,698
Additions	4,459	9,249	11,312
Amortization	(8,383)	(8,576)	(7,544)
Ending balance	$21,215	$25,139	$24,466

Loan servicing fees, net of mortgage servicing rights amortization, were $1.2 million, $0.8 million, and $1.1 million, for the years ended December 31, 2018, 2017, and 2016, respectively, and are included as a component of loan and lease related fees in the accompanying Consolidated Statements of Income.

See Note 16: Fair Value Measurements for additional fair value information on loans held for sale and mortgage servicing assets.

Additionally, loans not originated for sale were sold approximately at carrying value, except as noted, for cash proceeds of $1.3 million for certain commercial loans and $0.4 million for certain residential loans for the year ended December 31, 2018; for cash proceeds of $7.2 million for certain commercial loans and $7.4 million for certain residential loans for the year ended December 31, 2017; and for cash proceeds of $26.5 million, resulting in a gain of $2.1 million, for certain commercial loans and $7.6 for certain residential loans for the year ended December 31, 2016.

Table of Contents

Note 6: Premises and Equipment

A summary of premises and equipment follows:

	At December 31,	
(In thousands)	**2018**	**2017**
Land	$ 10,997	$ 11,302
Buildings and improvements	79,619	80,646
Leasehold improvements	77,669	82,067
Fixtures and equipment	75,219	76,665
Data processing and software	252,723	234,667
Total premises and equipment	496,227	485,347
Less: Accumulated depreciation and amortization	(371,377)	(355,346)
Premises and equipment, net	$ 124,850	$ 130,001

Depreciation and amortization of premises and equipment was $34.9 million, $33.1 million, and $30.8 million for the years ended December 31, 2018, 2017, and 2016, respectively.

The following table provides a summary of activity for assets held for disposition:

	Years ended December 31,	
(In thousands)	**2018**	**2017**
Beginning balance	$ 144	$ 637
Additions	498	2,006
Write-downs	(137)	(529)
Sales	(414)	(1,970)
Ending balance	$ 91	$ 144

Assets held for disposition are included as a component of accrued interest receivable and other assets in the accompanying Consolidated Balance Sheets.

Note 7: Goodwill and Other Intangible Assets

Goodwill and other intangible assets by reportable segment consisted of the following:

	At December 31,					
	2018			**2017**		
(In thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Goodwill:						
Community Banking			$ 516,560			$ 516,560
HSA Bank			21,813			21,813
Total Goodwill			$ 538,373			$ 538,373
Other intangible assets:						
HSA Bank - Core deposits	$ 22,000	$ (10,842)	$ 11,158	$ 22,000	$ (8,610)	$ 13,390
HSA Bank - Customer relationships	21,000	(6,394)	14,606	21,000	(4,779)	16,221
Total Other intangible assets	$ 43,000	$ (17,236)	$ 25,764	$ 43,000	$ (13,389)	$ 29,611

As of December 31, 2018, the remaining estimated aggregate future amortization expense for intangible assets is as follows:

(In thousands)	
2019	$ 3,847
2020	3,847
2021	3,847
2022	3,847

2023	3,847
Thereafter	6,529

Table of Contents

Note 8: Income Taxes

Income tax expense reflects the following expense (benefit) components:

	Years ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Current:			
Federal	$58,334	$96,364	$73,194
State and local	13,409	11,061	5,429
Total current	71,743	107,425	78,623
Deferred:			
Federal	8,508	39,568	12,542
State and local	964	(48,642)	5,158
Total deferred	9,472	(9,074)	17,700
Total federal	66,842	135,932	85,736
Total state and local	14,373	(37,581)	10,587
Income tax expense	$81,215	$98,351	$96,323

Included in the Company's income tax expense for the years ended December 31, 2018, 2017, and 2016, are net tax credits of $1.2 million, $1.6 million, and $1.0 million, respectively. The income tax expense for the year ended December 31, 2017 also included benefits from operating loss carryforwards of $25.1 million. These net tax credits and benefits are exclusive of the Tax Act impacts.

The Company's deferred state and local benefit in 2017 includes $47.5 million related to a reduction in its beginning-of-year valuation allowance for SALT DTA's, or $37.5 million net of deferred federal expense of $10.0 million. The deferred state and local benefit in 2017 also includes $1.8 million from other SALT DTA adjustments, net of federal effects.

The Company's deferred federal expense in 2017 also includes $31.5 million from a re-measurement of its DTA upon the enactment of the Tax Act. Due to a $10.6 million impact of the Tax Act on the $39.3 million of net SALT DTA adjustments noted above, the Company reported a $20.9 million expense attributable to the Tax Act, and a $28.7 million net benefit from SALT DTAs in 2017.

The following table reflects a reconciliation of reported income tax expense to the amount that would result from applying the federal statutory rate of 21.0% in 2018, and 35.0% in 2017 and 2016:

	Years ended December 31,					
	2018		**2017**		**2016**	
(Dollars in thousands)	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
Income tax expense at federal statutory rate	$92,743	21.0 %	$123,826	35.0 %	$106,208	35.0 %
Reconciliation to reported income tax expense:						
SALT expense, net of federal	11,354	2.6	8,189	2.3	6,882	2.3
Tax-exempt interest income, net	(6,475)	(1.5)	(10,826)	(3.1)	(8,917)	(2.9)
Increase in cash surrender value of life insurance	(3,069)	(0.7)	(5,120)	(1.4)	(5,166)	(1.7)
Excess tax benefits, net	(4,483)	(1.0)	(6,349)	(1.8)	—	—
Non-deductible FDIC deposit insurance premiums	2,215	0.5	—	—	—	—
SALT DTA adjustments, net of federal	—	—	(28,724)	(8.1)	—	—
Tax Act impacts, net	(10,982)	(2.5)	20,891	5.9	—	—
Other, net	(88)	—	(3,536)	(1.0)	(2,684)	(1.0)
Income tax expense and effective tax rate	$81,215	18.4 %	$98,351	27.8 %	$96,323	31.7 %

Included in the Tax Act impacts, net for 2018 are $10.4 million of tax planning benefits related to the Tax Act.

Table of Contents

The following table reflects the significant components of the DTAs, net:

	At December 31,	
(In thousands)	**2018**	**2017**
Deferred tax assets:		
Allowance for loan and lease losses	$54,390	$51,203
Net operating loss and credit carry forwards	70,808	71,813
Compensation and employee benefit plans	29,623	25,023
Net unrealized loss on securities available for sale	25,060	9,548
Other	14,388	15,529
Gross deferred tax assets	194,269	173,116
Valuation allowance	(38,181)	(38,292)
Total deferred tax assets, net of valuation allowance	$156,088	$134,824
Deferred tax liabilities:		
Equipment financing leases	$28,140	$27,955
Premises and equipment	10,293	472
Loan origination costs, net	9,608	1,018
Goodwill and other intangible assets	6,293	6,364
Mortgage servicing assets	3,604	4,445
Other	1,634	1,940
Gross deferred tax liabilities	59,572	42,194
Deferred tax assets, net	$96,516	$92,630

The Company's DTAs, net increased by $3.9 million during 2018, reflecting the $9.5 million deferred tax expense and a $13.4 million benefit allocated directly to shareholders' equity.

The $38.2 million valuation allowance at December 31, 2018 is attributable to SALT net operating loss carryforwards and the $111 thousand decrease in the valuation allowance during 2018 pertains to the utilization of $0.4 million of capital loss carryforwards previously expected to expire.

SALT net operating loss carryforwards approximating $1.2 billion at December 31, 2018 are scheduled to expire in varying amounts during tax years 2023 through 2037, and credits totaling $0.5 million at December 31, 2018, have a five-year carryover period, with excess credits subject to expiration annually. The valuation allowance of $38.2 million has been established for approximately $644 million of those net operating loss carryforwards estimated to expire.

Management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize its total DTAs, net of the valuation allowance. Although taxable income in prior years is no longer able to be included as a source of taxable income, due to the general repeal of the carryback of net operating losses under the Tax Act, significant positive evidence remains in support of management's conclusion regarding the realizability of Webster's DTAs, including projected future reversals of existing taxable temporary differences and book-taxable income levels in recent and projected future years. There can, however, be no assurance that any specific level of future income will be generated or that the Company’s DTAs will ultimately be realized.

A deferred tax liability of $15.2 million has not been recognized for certain thrift bad-debt reserves, established before 1988, that would become taxable upon the occurrence of certain events: distributions by Webster Bank in excess of certain earnings and profits; the redemption of Webster Bank’s stock; or liquidation. Webster does not expect any of those events to occur. At December 31, 2018 the cumulative taxable temporary differences applicable to those reserves approximated $58.0 million.

Table of Contents

The following table reflects a reconciliation of the beginning and ending balances of unrecognized tax benefits (UTBs):

(In thousands)	Years ended December 31, 2018	2017	2016
Beginning balance	$3,595	$3,847	$5,094
Additions as a result of tax positions taken during the current year	249	584	613
Additions as a result of tax positions taken during prior years	71	7	—
Reductions as a result of tax positions taken during prior years	(474)	(61)	(625)
Reductions relating to settlements with taxing authorities	(97)	(392)	(693)
Reductions as a result of lapse of statute of limitation periods	(488)	(390)	(542)
Ending balance	$2,856	$3,595	$3,847

At December 31, 2018, 2017, and 2016, there were $2.3 million, $2.8 million, and $2.5 million, respectively, of UTBs that if recognized would affect the effective tax rate.

Webster recognizes interest and penalties related to UTBs, where applicable, in income tax expense. During the years ended December 31, 2018, 2017, and 2016, Webster recognized none, an expense of $0.2 million, and a benefit of $0.2 million, respectively. At December 31, 2018 and 2017, the Company had accrued interest and penalties related to UTBs of $1.8 million and $1.9 million, respectively.

Webster has determined it is reasonably possible that its total UTBs could decrease by an amount in the range of $0.7 million to $1.8 million by the end of 2019, primarily as a result of potential lapses in statute-of-limitation periods and/or potential settlements with state and local taxing authorities concerning apportionment and tax-base determinations.

Webster's federal tax returns for all years subsequent to 2014 remain open to examination. Webster's tax returns to its principal state tax jurisdictions of Connecticut, Massachusetts, New York, and Rhode Island for years subsequent to 2014 are either under, or remain open to examination.

Note 9: Deposits

A summary of deposits by type follows:

(In thousands)	At December 31, 2018	2017
Non-interest-bearing:		
Demand	$4,162,446	$4,191,496
Interest-bearing:		
Checking	2,518,472	2,736,952
Health savings accounts	5,740,601	5,038,681
Money market	2,100,084	2,209,492
Savings	4,140,696	4,348,700
Time deposits	3,196,546	2,468,408
Total interest-bearing	17,696,399	16,802,233
Total deposits	$21,858,845	$20,993,729
Time deposits and interest-bearing checking, included in above balances, obtained through brokers	$869,003	$898,157
Time deposits, included in above balance, that exceed the FDIC limit	555,949	561,512
Demand deposit overdrafts reclassified as loan balances	2,245	2,210

The scheduled maturities of time deposits are as follows:

(In thousands)	At December 31, 2018
2019	$ 2,381,229
2020	594,754

2021	143,324
2022	47,224
2023	30,015
Thereafter	—
Total time deposits	$ 3,196,546

91

Table of Contents

Note 10: Borrowings

Total borrowings of $2.6 billion at December 31, 2018 and $2.5 billion at December 31, 2017, are described in detail below.

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

	At December 31,			
(In thousands)	2018		2017	
	Total Outstanding	Rate	Total Outstanding	Rate
Securities sold under agreements to repurchase:				
Original maturity of one year or less	$236,874	0.35 %	$288,269	0.17 %
Original maturity of greater than one year, non-callable	—	—	300,000	3.10
Total securities sold under agreements to repurchase	236,874	0.35	588,269	1.66
Fed funds purchased	345,000	2.52	55,000	1.37
Securities sold under agreements to repurchase and other borrowings	$581,874	1.64	$643,269	1.64

Repurchase agreements are used as a source of borrowed funds and are collateralized by U.S. Government agency mortgage-backed securities which are delivered to broker/dealers. Repurchase agreements counterparties are limited to primary dealers in government securities and commercial/municipal customers through Webster's Treasury Unit. Dealer counterparties have the right to pledge, transfer, or hypothecate purchased securities during the term of the transaction. The Company has right of offset with respect to all repurchase agreement assets and liabilities. Total securities sold under agreements to repurchase represents the gross amount for these transactions, as only liabilities are outstanding for the periods presented.

The following table provides information for FHLB advances:

	At December 31,	
	2018	2017
(Dollars in thousands)		