

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

WEBSTER FINANCIAL CORP

Form 10-Q

November 06, 2017

false--12-31Q320172017-09-300000801337Large Accelerated

FilerWBS0.730.770.010.012000000002000000093651601936795990248000602600003285500049634000142927000624260

0000801337 2017-01-01 2017-09-30 0000801337 2017-10-31 0000801337 2016-12-31 0000801337 2017-09-30

0000801337 2017-07-01 2017-09-30 0000801337 2016-01-01 2016-09-30 0000801337 2016-07-01 2016-09-30

0000801337 us-gaap:CommonStockMember 2016-12-31 0000801337 us-gaap:PreferredStockMember 2017-09-30

0000801337 us-gaap:AdditionalPaidInCapitalMember 2016-01-01 2016-09-30 0000801337

us-gaap:TreasuryStockMember 2017-09-30 0000801337 us-gaap:SeriesEPreferredStockMember

us-gaap:RetainedEarningsMember 2017-01-01 2017-09-30 0000801337 us-gaap:AdditionalPaidInCapitalMember

2017-09-30 0000801337 us-gaap:RetainedEarningsMember 2016-09-30 0000801337

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0000801337

us-gaap:SeriesEPreferredStockMember 2017-01-01 2017-09-30 0000801337 us-gaap:TreasuryStockMember

2017-01-01 2017-09-30 0000801337 us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-09-30 0000801337

us-gaap:TreasuryStockMember 2016-01-01 2016-09-30 0000801337 us-gaap:RetainedEarningsMember 2016-01-01

2016-09-30 0000801337 us-gaap:CommonStockMember 2017-09-30 0000801337

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-09-30 0000801337 us-gaap:CommonStockMember

2015-12-31 0000801337 us-gaap:RetainedEarningsMember 2017-09-30 0000801337

us-gaap:AdditionalPaidInCapitalMember 2016-09-30 0000801337 us-gaap:SeriesEPreferredStockMember

2016-01-01 2016-09-30 0000801337 us-gaap:AdditionalPaidInCapitalMember 2015-12-31 0000801337 2015-12-31

0000801337 us-gaap:RetainedEarningsMember 2017-01-01 2017-09-30 0000801337 us-gaap:PreferredStockMember

2016-12-31 0000801337 2016-09-30 0000801337 us-gaap:PreferredStockMember 2015-12-31 0000801337

us-gaap:RetainedEarningsMember 2016-12-31 0000801337 us-gaap:TreasuryStockMember 2015-12-31 0000801337

us-gaap:CommonStockMember 2016-09-30 0000801337 us-gaap:TreasuryStockMember 2016-12-31 0000801337

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-09-30 0000801337 us-gaap:PreferredStockMember

2016-09-30 0000801337 us-gaap:SeriesEPreferredStockMember us-gaap:RetainedEarningsMember 2016-01-01

2016-09-30 0000801337 us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0000801337

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-09-30 0000801337

us-gaap:RetainedEarningsMember 2015-12-31 0000801337 us-gaap:TreasuryStockMember 2016-09-30 0000801337

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-01-01 2016-09-30 0000801337

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-31 0000801337

wbs:TrustPreferredSecuritiesSingleIssuersMember 2017-09-30 0000801337

wbs:AgencyCommercialMortgageBackedSecuritiesMember 2017-09-30 0000801337

us-gaap:CollateralizedMortgageObligationsMember 2017-09-30 0000801337

us-gaap:CommercialMortgageBackedSecuritiesMember 2017-09-30 0000801337

us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2017-09-30 0000801337

us-gaap:CollateralizedLoanObligationsMember 2017-09-30 0000801337 us-gaap:MunicipalBondsMember

2017-09-30 0000801337 us-gaap:CorporateDebtSecuritiesMember 2017-09-30 0000801337

us-gaap:USTreasuryBillSecuritiesMember 2017-09-30 0000801337

us-gaap:MortgageBackedSecuritiesIssuedByPrivateEnterprisesMember 2016-12-31 0000801337

us-gaap:USTreasuryBillSecuritiesMember 2016-12-31 0000801337

us-gaap:CommercialMortgageBackedSecuritiesMember 2016-12-31 0000801337

wbs:AgencyCommercialMortgageBackedSecuritiesMember 2016-12-31 0000801337

us-gaap:MortgageBackedSecuritiesIssuedByPrivateEnterprisesMember 2017-09-30 0000801337

us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2016-12-31 0000801337

us-gaap:CorporateDebtSecuritiesMember 2016-12-31 0000801337 wbs:TrustPreferredSecuritiesSingleIssuersMember

2016-12-31 0000801337 us-gaap:CollateralizedMortgageObligationsMember 2016-12-31 0000801337

us-gaap:CollateralizedLoanObligationsMember 2016-12-31 0000801337 us-gaap:MunicipalBondsMember

2016-12-31 0000801337 2017-06-30 0000801337 2016-06-30 0000801337 wbs:CallableMember 2017-09-30

0000801337 us-gaap:AccountsPayableAndAccruedLiabilitiesMember

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-09-30 0000801337  
us-gaap:UnfundedLoanCommitmentMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember  
2017-09-30 0000801337 us-gaap:OtherInvestmentsMember  
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-09-30 0000801337 us-gaap:OtherAssetsMember  
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2016-12-31 0000801337  
us-gaap:UnfundedLoanCommitmentMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember  
2016-12-31 0000801337 us-gaap:AccountsPayableAndAccruedLiabilitiesMember  
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2016-12-31 0000801337  
us-gaap:OtherInvestmentsMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2016-12-31  
0000801337 us-gaap:OtherAssetsMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-09-30  
0000801337 us-gaap:ResidentialPortfolioSegmentMember 2017-07-01 2017-09-30 0000801337  
us-gaap:ResidentialPortfolioSegmentMember 2017-01-01 2017-09-30 0000801337  
us-gaap:ResidentialPortfolioSegmentMember 2016-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember  
2016-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
2016-12-31 0000801337 us-gaap:CommercialAndIndustrialSectorMember  
us-gaap:CommercialPortfolioSegmentMember 2016-12-31 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2016-12-31 0000801337 wbs:AssetBasedLoansMember  
us-gaap:CommercialPortfolioSegmentMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember 2016-12-31  
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2016-12-31 0000801337  
us-gaap:ResidentialPortfolioSegmentMember 2017-09-30 0000801337 us-gaap:CommercialPortfolioSegmentMember  
2016-12-31 0000801337 us-gaap:CommercialPortfolioSegmentMember 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember 2017-09-30  
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember  
2017-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-09-30 0000801337 wbs:AssetBasedLoansMember  
us-gaap:CommercialPortfolioSegmentMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-09-30 0000801337 wbs:AssetBasedLoansMember  
us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember  
2017-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember 2017-09-30 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember 2017-09-30  
0000801337 us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-09-30 0000801337  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-09-30 0000801337 wbs:AssetBasedLoansMember  
us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember  
2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember  
2017-09-30 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-09-30 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-09-30 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember 2017-01-01  
2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember  
us-gaap:CommercialPortfolioSegmentMember 2016-07-01 2016-09-30 0000801337  
us-gaap:ResidentialPortfolioSegmentMember 2016-01-01 2016-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember 2017-07-01 2017-09-30  
0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateMember 2017-01-01 2017-09-30  
0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
2017-07-01 2017-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember  
us-gaap:RealEstateMember 2016-07-01 2016-09-30 0000801337 wbs:AssetBasedLoansMember  
us-gaap:CommercialPortfolioSegmentMember 2016-01-01 2016-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember 2016-01-01 2016-09-30  
0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember 2016-07-01 2016-09-30  
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember  
2016-07-01 2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
2016-01-01 2016-09-30 0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember  
2017-07-01 2017-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
2017-07-01 2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember  
us-gaap:CommercialPortfolioSegmentMember 2016-01-01 2016-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2016-07-01 2016-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember 2017-01-01 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2016-01-01 2016-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateMember 2016-01-01 2016-09-30  
0000801337 wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember 2016-07-01 2016-09-30  
0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember 2017-01-01 2017-09-30 0000801337  
us-gaap:ResidentialPortfolioSegmentMember 2016-07-01 2016-09-30 0000801337 wbs:AssetBasedLoansMember  
us-gaap:CommercialPortfolioSegmentMember 2017-01-01 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember 2017-01-01 2017-09-30  
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateMember 2017-07-01  
2017-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SpecialMentionMember  
2017-09-30 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SubstandardMember 2016-12-31  
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:PassMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:PassMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SubstandardMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:DoubtfulMember 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:PassMember 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SpecialMentionMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:SubstandardMember 2016-12-31 0000801337  
us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2016-12-31 0000801337  
us-gaap:CommercialPortfolioSegmentMember us-gaap:DoubtfulMember 2017-09-30 0000801337

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:CommercialPortfolioSegmentMember us-gaap:SubstandardMember 2017-09-30 0000801337  
us-gaap:CommercialPortfolioSegmentMember us-gaap:SubstandardMember 2016-12-31 0000801337  
us-gaap:CommercialPortfolioSegmentMember us-gaap:DoubtfulMember 2016-12-31 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:DoubtfulMember 2016-12-31 0000801337  
us-gaap:CommercialPortfolioSegmentMember us-gaap:SpecialMentionMember 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SpecialMentionMember 2016-12-31 0000801337  
us-gaap:CommercialPortfolioSegmentMember us-gaap:SpecialMentionMember 2016-12-31 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SubstandardMember 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:PassMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:DoubtfulMember 2016-12-31 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:DoubtfulMember 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:SpecialMentionMember 2017-09-30 0000801337  
us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember  
2016-12-31 0000801337 us-gaap:ResidentialPortfolioSegmentMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2016-12-31 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2016-12-31 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2016-12-31 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember 2016-12-31 0000801337  
us-gaap:ResidentialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember  
2016-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2016-12-31 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2016-12-31 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember 2016-12-31 0000801337  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2016-12-31 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:ConsumerBorrowerMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2016-12-31 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember  
2016-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2016-12-31 0000801337 wbs:AssetBasedLoansMember  
us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember  
2016-12-31 0000801337 us-gaap:FinancingReceivables30To59DaysPastDueMember 2016-12-31 0000801337  
wbs:AssetBasedLoansMember us-gaap:CommercialPortfolioSegmentMember  
us-gaap:FinancingReceivables60To89DaysPastDueMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:ConstructionLoansMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2016-12-31 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
us-gaap:FinancingReceivables30To59DaysPastDueMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember 2016-09-30 0000801337  
us-gaap:CommercialPortfolioSegmentMember 2016-01-01 2016-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2016-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember  
2015-12-31 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2016-01-01 2016-09-30  
0000801337 us-gaap:CommercialPortfolioSegmentMember 2016-09-30 0000801337

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:ResidentialPortfolioSegmentMember 2016-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2015-12-31 0000801337  
us-gaap:ConsumerPortfolioSegmentMember 2016-01-01 2016-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember 2015-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember 2015-12-31 0000801337  
us-gaap:CommercialPortfolioSegmentMember 2015-12-31 0000801337 us-gaap:ConsumerPortfolioSegmentMember  
2017-01-01 2017-09-30 0000801337 us-gaap:CommercialPortfolioSegmentMember 2017-01-01 2017-09-30  
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2017-01-01 2017-09-30 0000801337  
wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember 2017-09-30 0000801337  
wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:PassMember 2017-09-30  
0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember  
us-gaap:SpecialMentionMember 2016-12-31 0000801337  
wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:SubstandardMember 2016-12-31  
0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:DoubtfulMember  
2017-09-30 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember  
us-gaap:DoubtfulMember 2016-12-31 0000801337  
wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:PassMember 2016-12-31  
0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember us-gaap:SubstandardMember  
2017-09-30 0000801337 wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember  
us-gaap:SpecialMentionMember 2017-09-30 0000801337  
wbs:CommerialCommercialRealEstateEquipmentFinancingTDRsMember 2016-12-31 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CommercialPortfolioSegmentMember 2017-07-01 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2017-06-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CommercialPortfolioSegmentMember 2017-06-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember  
2017-06-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember 2017-06-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember 2017-06-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember  
2016-07-01 2016-09-30 0000801337 us-gaap:CommercialPortfolioSegmentMember 2016-07-01 2016-09-30  
0000801337 us-gaap:ConsumerPortfolioSegmentMember 2016-06-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember 2016-06-30 0000801337  
us-gaap:ResidentialPortfolioSegmentMember 2016-06-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember 2016-07-01 2016-09-30 0000801337  
us-gaap:CommercialPortfolioSegmentMember 2016-06-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember 2016-06-30 0000801337  
us-gaap:NonperformingFinancingReceivableMember wbs:TroubledDebtRestructuresMember 2017-09-30  
0000801337 us-gaap:NonperformingFinancingReceivableMember wbs:TroubledDebtRestructuresMember  
2016-12-31 0000801337 us-gaap:NonperformingFinancingReceivableMember 2016-12-31 0000801337  
us-gaap:NonperformingFinancingReceivableMember 2017-09-30 0000801337  
us-gaap:PerformingFinancingReceivableMember 2016-12-31 0000801337  
us-gaap:PerformingFinancingReceivableMember 2017-09-30 0000801337 us-gaap:HomeEquityLoanMember  
us-gaap:ContractualInterestRateReductionMember 2017-07-01 2017-09-30 0000801337  
us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-07-01 2017-09-30  
0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01  
2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember  
us-gaap:ContractualInterestRateReductionMember 2016-01-01 2016-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
wbs:CombinationOfRateAndMaturityMember 2017-07-01 2017-09-30 0000801337  
us-gaap:ResidentialPortfolioSegmentMember wbs:OtherconcessionsMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-09-30 0000801337

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:ResidentialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember wbs:OtherconcessionsMember 2016-07-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-07-01 2016-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:OtherconcessionsMember 2017-01-01 2017-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-07-01 2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-07-01 2017-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:ExtendedMaturityMember 2017-07-01 2017-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:OtherconcessionsMember 2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2016-07-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:OtherconcessionsMember 2016-07-01 2016-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2017-01-01 2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:OtherconcessionsMember 2017-07-01 2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2017-07-01 2017-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2017-07-01 2017-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:OtherconcessionsMember 2017-01-01 2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-09-30 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2016-07-01 2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2016-07-01 2016-09-30 0000801337 us-gaap:FinanceLeasesPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2016-07-01 2016-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:ExtendedMaturityMember 2016-01-01 2016-09-30 0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2017-01-01 2017-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember wbs:OtherconcessionsMember 2016-01-01 2016-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember wbs:OtherconcessionsMember 2017-07-01 2017-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:ExtendedMaturityMember 2016-07-01 2016-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember wbs:OtherconcessionsMember 2017-01-01 2017-09-30 0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember us-gaap:ExtendedMaturityMember 2016-07-01 2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2017-01-01 2017-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:ExtendedMaturityMember

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

2017-07-01 2017-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember  
us-gaap:ExtendedMaturityMember 2017-01-01 2017-09-30 0000801337  
us-gaap:ResidentialPortfolioSegmentMember wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-09-30  
0000801337 us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
wbs:OtherconcessionsMember 2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialPortfolioSegmentMember  
us-gaap:ContractualInterestRateReductionMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
us-gaap:ExtendedMaturityMember 2016-07-01 2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember  
us-gaap:HomeEquityLoanMember wbs:OtherconcessionsMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
wbs:OtherconcessionsMember 2016-07-01 2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember  
us-gaap:HomeEquityLoanMember wbs:CombinationOfRateAndMaturityMember 2017-01-01 2017-09-30  
0000801337 us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
wbs:CombinationOfRateAndMaturityMember 2016-07-01 2016-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
wbs:OtherconcessionsMember 2016-01-01 2016-09-30 0000801337 us-gaap:ConsumerPortfolioSegmentMember  
us-gaap:HomeEquityLoanMember wbs:OtherconcessionsMember 2017-01-01 2017-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember us-gaap:ExtendedMaturityMember  
2017-01-01 2017-09-30 0000801337 us-gaap:HomeEquityLoanMember  
us-gaap:ContractualInterestRateReductionMember 2016-07-01 2016-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
wbs:OtherconcessionsMember 2016-07-01 2016-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
wbs:CombinationOfRateAndMaturityMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CommercialAndIndustrialSectorMember us-gaap:CommercialPortfolioSegmentMember  
wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-09-30 0000801337  
us-gaap:CommercialRealEstatePortfolioSegmentMember us-gaap:RealEstateLoanMember  
wbs:CombinationOfRateAndMaturityMember 2016-01-01 2016-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember us-gaap:HomeEquityLoanMember  
wbs:CombinationOfRateAndMaturityMember 2016-07-01 2016-09-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2016-07-01 2016-09-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2016-12-31 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2017-07-01 2017-09-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2016-09-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2017-09-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2017-01-01 2017-09-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2017-06-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2016-06-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2016-01-01 2016-09-30 0000801337  
us-gaap:ReserveForOffBalanceSheetActivitiesMember 2015-12-31 0000801337 us-gaap:CommercialLoanMember  
2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialMortgageMember 2016-07-01 2016-09-30 0000801337  
us-gaap:ResidentialMortgageMember 2017-07-01 2017-09-30 0000801337 us-gaap:ResidentialMortgageMember  
2017-01-01 2017-09-30 0000801337 us-gaap:ResidentialMortgageMember 2017-09-30 0000801337  
us-gaap:ResidentialMortgageMember 2016-01-01 2016-09-30 0000801337 us-gaap:ResidentialMortgageMember  
2016-09-30 0000801337 us-gaap:CustomerRelationshipsMember wbs:HSABankMember 2016-12-31 0000801337  
us-gaap:CoreDepositsMember wbs:HSABankMember 2017-09-30 0000801337 wbs:HSABankMember 2016-12-31  
0000801337 us-gaap:CustomerRelationshipsMember wbs:HSABankMember 2017-09-30 0000801337  
us-gaap:CoreDepositsMember wbs:HSABankMember 2016-12-31 0000801337 wbs:CommunityBankingMember  
2017-09-30 0000801337 wbs:HSABankMember 2017-09-30 0000801337 wbs:CommunityBankingMember  
2016-12-31 0000801337 wbs:OriginalMaturityOfOneYearOrLessMember  
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2016-12-31 0000801337

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:FederalFundsPurchasedAndSecuritiesSoldUnderAgreementsToRepurchaseMember 2016-12-31 0000801337  
wbs:OriginalMaturityOfOneYearOrLessMember 2016-12-31 0000801337  
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2017-09-30 0000801337  
us-gaap:FederalFundsPurchasedMember 2017-09-30 0000801337 wbs:OriginalMaturityOfOneYearOrLessMember  
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2017-09-30 0000801337  
wbs:OriginalmaturityofgreaterthanoneyearnoncallableMember  
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2017-09-30 0000801337  
wbs:OriginalmaturityofgreaterthanoneyearnoncallableMember 2017-09-30 0000801337  
wbs:OriginalmaturityofgreaterthanoneyearnoncallableMember 2016-12-31 0000801337  
wbs:OriginalMaturityOfOneYearOrLessMember 2017-09-30 0000801337  
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2016-12-31 0000801337  
us-gaap:FederalFundsPurchasedAndSecuritiesSoldUnderAgreementsToRepurchaseMember 2017-09-30 0000801337  
us-gaap:FederalFundsPurchasedMember 2016-12-31 0000801337  
wbs:OriginalmaturityofgreaterthanoneyearnoncallableMember  
us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2016-12-31 0000801337  
us-gaap:SeniorNotesMember 2017-09-30 0000801337 us-gaap:LongTermDebtMember 2016-12-31 0000801337  
us-gaap:JuniorSubordinatedDebtMember 2016-12-31 0000801337 us-gaap:SeniorNotesMember 2016-12-31  
0000801337 us-gaap:JuniorSubordinatedDebtMember 2017-09-30 0000801337 us-gaap:LongTermDebtMember  
2017-09-30 0000801337 us-gaap:LondonInterbankOfferedRateLIBORMember 2017-09-30 0000801337  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-07-01 2017-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-06-30 0000801337  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-12-31 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-07-01 2017-09-30  
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-01-01 2017-09-30 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-01-01 2017-09-30  
0000801337 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-09-30  
0000801337 us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-07-01 2017-09-30 0000801337  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-07-01 2017-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-12-31 0000801337  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-09-30 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-12-31 0000801337  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-06-30 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-06-30 0000801337  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-06-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetUnamortizedGainLossMember 2017-07-01 2017-09-30  
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetUnamortizedGainLossMember 2017-01-01  
2017-09-30 0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-07-01 2017-09-30 0000801337  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember  
2016-01-01 2016-09-30 0000801337  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-01-01 2017-09-30  
0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember  
2017-01-01 2017-09-30 0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-07-01  
2016-09-30 0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember  
2016-07-01 2016-09-30 0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-01-01



Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

2016-09-30 0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-01-01 2016-09-30  
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetPriorServiceCostCreditMember 2016-07-01  
2016-09-30 0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-07-01 2016-09-30  
0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember  
2017-07-01 2017-09-30 0000801337  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-01-01 2016-09-30 0000801337  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-07-01 2017-09-30  
0000801337 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-07-01 2016-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetPriorServiceCostCreditMember 2016-01-01 2016-09-30  
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetPriorServiceCostCreditMember 2017-07-01  
2017-09-30 0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetUnamortizedGainLossMember  
2016-07-01 2016-09-30 0000801337  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetPriorServiceCostCreditMember 2017-01-01 2017-09-30  
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentNetUnamortizedGainLossMember 2016-01-01  
2016-09-30 0000801337 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-07-01 2016-09-30  
0000801337 us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2015-12-31 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-01-01 2016-09-30  
0000801337 us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-06-30 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-06-30 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-07-01 2016-09-30  
0000801337 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-09-30 0000801337  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2015-12-31 0000801337  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-01-01 2016-09-30 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-06-30 0000801337  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-09-30 0000801337  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2015-12-31 0000801337  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-07-01 2016-09-30 0000801337  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-06-30 0000801337 us-gaap:SubsidiariesMember  
2016-12-31 0000801337 wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember  
2016-12-31 0000801337 wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember  
2016-12-31 0000801337 us-gaap:SubsidiariesMember  
wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember 2016-12-31 0000801337  
us-gaap:SubsidiariesMember wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember  
2016-12-31 0000801337 us-gaap:SubsidiariesMember 2017-09-30 0000801337  
wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember 2017-09-30 0000801337  
us-gaap:SubsidiariesMember wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember  
2017-09-30 0000801337 us-gaap:SubsidiariesMember  
wbs:RiskBasedCapitalRequiredtobeWellCapitalizedtoRiskWeightedAssetsMember 2017-09-30 0000801337  
wbs:RiskBasedCapitalRequiredforCapitalAdequacytoRiskWeightedAssetsMember 2017-09-30 0000801337  
us-gaap:EmployeeStockOptionMember 2016-01-01 2016-09-30 0000801337 us-gaap:RestrictedStockMember  
2016-01-01 2016-09-30 0000801337 us-gaap:EmployeeStockOptionMember 2017-01-01 2017-09-30 0000801337  
us-gaap:RestrictedStockMember 2016-07-01 2016-09-30 0000801337 us-gaap:EmployeeStockOptionMember

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

2017-07-01 2017-09-30 0000801337 us-gaap:EmployeeStockOptionMember 2016-07-01 2016-09-30 0000801337  
us-gaap:RestrictedStockMember 2017-01-01 2017-09-30 0000801337 us-gaap:RestrictedStockMember 2017-07-01  
2017-09-30 0000801337 us-gaap:NondesignatedMember 2017-09-30 0000801337 us-gaap:NondesignatedMember  
2016-12-31 0000801337 us-gaap:DesignatedAsHedgingInstrumentMember 2016-12-31 0000801337  
us-gaap:DesignatedAsHedgingInstrumentMember 2017-09-30 0000801337  
wbs:SubjecttoandnotsubjecttoMasterNettingAgreementsMember 2017-09-30 0000801337  
wbs:SubjecttoandnotsubjecttoMasterNettingAgreementsMember 2016-12-31 0000801337  
us-gaap:MarketApproachValuationTechniqueMember 2017-09-30 0000801337 us-gaap:CashFlowHedgingMember  
2017-09-30 0000801337 us-gaap:CashFlowHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember  
2017-09-30 0000801337 us-gaap:CashFlowHedgingMember 2017-01-01 2017-09-30 0000801337  
us-gaap:InterestRateLockCommitmentsMember 2017-09-30 0000801337  
us-gaap:LoanOriginationCommitmentsMember 2017-09-30 0000801337 us-gaap:OtherContractMember  
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2017-01-01 2017-09-30 0000801337  
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2017-01-01  
2017-09-30 0000801337 us-gaap:OtherContractMember us-gaap:NondesignatedMember  
us-gaap:OperatingExpenseMember 2016-07-01 2016-09-30 0000801337 us-gaap:InterestRateContractMember  
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2016-01-01 2016-09-30 0000801337  
us-gaap:OtherContractMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2016-01-01  
2016-09-30 0000801337 us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember  
us-gaap:OperatingExpenseMember 2017-01-01 2017-09-30 0000801337 us-gaap:CreditRiskContractMember  
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2016-01-01 2016-09-30 0000801337  
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2017-07-01  
2017-09-30 0000801337 wbs:MortgageBankingDerivativesMember us-gaap:NondesignatedMember  
us-gaap:OperatingExpenseMember 2016-01-01 2016-09-30 0000801337 us-gaap:InterestRateContractMember  
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2016-07-01 2016-09-30 0000801337  
wbs:MortgageBankingDerivativesMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember  
2017-01-01 2017-09-30 0000801337 us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember  
us-gaap:OperatingExpenseMember 2016-07-01 2016-09-30 0000801337 us-gaap:CreditRiskContractMember  
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2017-07-01 2017-09-30 0000801337  
wbs:MortgageBankingDerivativesMember us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember  
2017-07-01 2017-09-30 0000801337 us-gaap:OtherContractMember us-gaap:NondesignatedMember  
us-gaap:OperatingExpenseMember 2017-07-01 2017-09-30 0000801337 wbs:MortgageBankingDerivativesMember  
us-gaap:NondesignatedMember us-gaap:OperatingExpenseMember 2016-07-01 2016-09-30 0000801337  
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:NondesignatedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember  
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:CreditDefaultSwapBuyingProtectionMember wbs:MortgageBankingDerivativesMember  
us-gaap:NondesignatedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:OtherContractMember us-gaap:NondesignatedMember  
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:CreditDefaultSwapSellingProtectionMember us-gaap:CreditRiskContractMember  
us-gaap:NondesignatedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:CreditDefaultSwapSellingProtectionMember us-gaap:CreditRiskContractMember  
us-gaap:NondesignatedMember

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:CreditDefaultSwapBuyingProtectionMember us-gaap:CreditRiskContractMember  
us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:OtherContractMember us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember  
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:CreditDefaultSwapBuyingProtectionMember wbs:MortgageBankingDerivativesMember  
us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember  
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:OtherContractMember us-gaap:NondesignedMember  
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:CreditDefaultSwapSellingProtectionMember wbs:MortgageBankingDerivativesMember  
us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:OtherContractMember us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:CreditDefaultSwapBuyingProtectionMember us-gaap:CreditRiskContractMember  
us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2016-12-31 0000801337  
us-gaap:InterestRateContractMember us-gaap:NondesignedMember  
wbs:DerivativesSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:CreditDefaultSwapSellingProtectionMember wbs:MortgageBankingDerivativesMember  
us-gaap:NondesignedMember  
wbs:DerivativesNotSubjecttoMasterNettingArrangementorSimilarArrangementMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
wbs:TrustPreferredSecuritiesSingleIssuersMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:LoanOriginationCommitmentsMember 2016-12-31 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:PrivateEquityFundsDomesticMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:PrivateEquityFundsDomesticMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedMortgageObligationsMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CollateralizedMortgageObligationsMember 2016-12-31 0000801337  
us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CommercialMortgageBackedSecuritiesMember 2016-12-31 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedLoanObligationsMember 2016-12-31  
0000801337 us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:PrivateEquityFundsDomesticMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000801337

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2016-12-31  
0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryBillSecuritiesMember 2016-12-31  
0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryBillSecuritiesMember  
2016-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:LoanOriginationCommitmentsMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:PrivateEquityFundsDomesticMember 2016-12-31  
0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000801337  
us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000801337  
us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2016-12-31 0000801337  
us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember  
2016-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CorporateDebtSecuritiesMember 2016-12-31 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember  
2016-12-31 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AvailableforsaleSecuritiesMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember  
2016-12-31 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AvailableforsaleSecuritiesMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember  
2016-12-31 0000801337 us-gaap:FairValueMeasurementsRecurringMember  
wbs:TrustPreferredSecuritiesSingleIssuersMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CollateralizedLoanObligationsMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:LoanOriginationCommitmentsMember 2016-12-31 0000801337 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember  
2016-12-31 0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2016-12-31 0000801337  
us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:PrivateEquityFundsDomesticMember 2016-12-31  
0000801337 us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:HeldtomaturitySecuritiesMember 2017-09-30  
0000801337 us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel2Member wbs:DepositsOtherThanTimeDepositsMember

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember  
us-gaap:HeldtomaturitySecuritiesMember 2016-12-31 0000801337  
us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30 0000801337  
us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:PrivateEquityFundsDomesticMember 2017-09-30  
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:HeldtomaturitySecuritiesMember 2017-09-30  
0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:PrivateEquityFundsDomesticMember 2017-09-30  
0000801337 us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2016-12-31  
0000801337 wbs:TimeDepositsMember us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2017-09-30  
0000801337 us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:HeldtomaturitySecuritiesMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel2Member wbs:TimeDepositsMember  
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember  
2016-12-31 0000801337 us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2017-09-30  
0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:ResidentialMortgageMember 2016-12-31  
0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:PrivateEquityFundsDomesticMember 2016-12-31  
0000801337 wbs:TimeDepositsMember us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel2Member wbs:TimeDepositsMember  
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member wbs:DepositsOtherThanTimeDepositsMember  
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember  
2016-12-31 0000801337 us-gaap:FairValueInputsLevel3Member  
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsNonrecurringMember  
2016-12-31 0000801337 wbs:DepositsOtherThanTimeDepositsMember  
us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30 0000801337  
wbs:DepositsOtherThanTimeDepositsMember us-gaap:CarryingReportedAmountFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2016-12-31 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30  
0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember  
wbs:OtherRealEstateOwnedMember us-gaap:MinimumMember  
us-gaap:MarketApproachValuationTechniqueMember 2017-01-01 2017-09-30 0000801337  
wbs:OtherRealEstateOwnedMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsNonrecurringMember  
wbs:MarketApproachValuationTechniqueDiscountforcosttosellMember 2017-01-01 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:NonperformingFinancingReceivableMember us-gaap:MaximumMember  
us-gaap:MarketApproachValuationTechniqueMember 2017-01-01 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember  
wbs:OtherRealEstateOwnedMember us-gaap:MaximumMember  
us-gaap:MarketApproachValuationTechniqueMember 2017-01-01 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember  
us-gaap:NonperformingFinancingReceivableMember us-gaap:MinimumMember  
wbs:MarketApproachValuationTechniqueDiscountforcosttosellMember 2017-01-01 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember  
us-gaap:NonperformingFinancingReceivableMember us-gaap:MinimumMember  
us-gaap:MarketApproachValuationTechniqueMember 2017-01-01 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember  
us-gaap:NonperformingFinancingReceivableMember us-gaap:MaximumMember  
wbs:MarketApproachValuationTechniqueDiscountforcosttosellMember 2017-01-01 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember  
us-gaap:NonperformingFinancingReceivableMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AvailableforsaleSecuritiesMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2017-09-30  
0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:PrivateEquityFundsDomesticMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:LoanOriginationCommitmentsMember 2017-09-30  
0000801337 us-gaap:DerivativeFinancialInstrumentsAssetsMember  
us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedLoanObligationsMember 2017-09-30  
0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:USTreasuryBillSecuritiesMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:LoanOriginationCommitmentsMember 2017-09-30  
0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedLoanObligationsMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
wbs:AgencyCommercialMortgageBackedSecuritiesMember 2017-09-30 0000801337  
us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:PrivateEquityFundsDomesticMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2017-09-30  
0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:LoanOriginationCommitmentsMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2017-09-30  
0000801337 us-gaap:FairValueMeasurementsRecurringMember wbs:TrustPreferredSecuritiesSingleIssuersMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:PrivateEquityFundsDomesticMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember 2017-09-30 0000801337 us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:PrivateEquityFundsDomesticMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-09-30 0000801337  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CollateralizedMortgageObligationsMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CollateralizedMortgageObligationsMember 2017-09-30  
0000801337 us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsRecurringMember wbs:AgencyCommercialMortgageBackedSecuritiesMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AvailableforsaleSecuritiesMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember wbs:TrustPreferredSecuritiesSingleIssuersMember 2017-09-30  
0000801337 us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryBillSecuritiesMember  
2017-09-30 0000801337 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2017-09-30 0000801337  
us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000801337 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsRecurringMember wbs:InvestmentsHeldInRabbiTrustMember 2017-09-30  
0000801337 us-gaap:EquityMethodInvestmentsMember 2017-09-30 0000801337  
us-gaap:EquityMethodInvestmentsMember 2016-12-31 0000801337 us-gaap:EquityMethodInvestmentsMember  
2017-01-01 2017-09-30 0000801337 us-gaap:PrivateEquityFundsDomesticMember 2017-09-30 0000801337  
us-gaap:FairValueMeasurementsNonrecurringMember 2017-09-30 0000801337 wbs:RabbiTrustMember 2017-09-30  
0000801337 us-gaap:PensionPlansDefinedBenefitMember 2016-01-01 2016-09-30 0000801337  
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2016-01-01 2016-09-30 0000801337  
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2017-01-01 2017-09-30 0000801337  
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2016-01-01 2016-09-30 0000801337  
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2017-01-01 2017-09-30 0000801337  
us-gaap:PensionPlansDefinedBenefitMember 2017-01-01 2017-09-30 0000801337  
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2017-07-01 2017-09-30 0000801337  
us-gaap:DefinedBenefitPostretirementHealthCoverageMember 2016-07-01 2016-09-30 0000801337  
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2016-07-01 2016-09-30 0000801337  
us-gaap:PensionPlansDefinedBenefitMember 2016-07-01 2016-09-30 0000801337  
us-gaap:PensionPlansDefinedBenefitMember 2017-07-01 2017-09-30 0000801337  
us-gaap:SupplementalEmployeeRetirementPlanDefinedBenefitMember 2017-07-01 2017-09-30 0000801337  
us-gaap:RestrictedStockMember 2017-01-01 2017-09-30 0000801337 us-gaap:EmployeeStockOptionMember  
2017-07-01 2017-09-30 0000801337 us-gaap:RestrictedStockMember 2017-07-01 2017-09-30 0000801337  
us-gaap:EmployeeStockOptionMember 2016-01-01 2016-09-30 0000801337 us-gaap:RestrictedStockMember  
2016-01-01 2016-09-30 0000801337 us-gaap:EmployeeStockOptionMember 2016-07-01 2016-09-30 0000801337  
us-gaap:EmployeeStockOptionMember 2017-01-01 2017-09-30 0000801337 us-gaap:RestrictedStockMember  
2016-07-01 2016-09-30 0000801337 us-gaap:PerformanceSharesMember 2017-01-01 2017-09-30 0000801337  
us-gaap:PerformanceSharesMember us-gaap:MinimumMember  
us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-01-01 2017-09-30 0000801337  
us-gaap:EmployeeStockOptionMember us-gaap:MaximumMember 2017-01-01 2017-09-30 0000801337  
us-gaap:PerformanceSharesMember us-gaap:MaximumMember  
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-01-01 2017-09-30 0000801337  
wbs:TimeBasedRestrictedStockAwardsMember us-gaap:MaximumMember 2017-01-01 2017-09-30 0000801337  
us-gaap:RestrictedStockMember 2017-09-30 0000801337 wbs:NonQualifiedStockOptionsMember 2017-09-30

0000801337 us-gaap:RestrictedStockMember us-gaap:MaximumMember 2017-09-30 0000801337  
wbs:IncentiveStockOptionsMember 2017-09-30 0000801337 wbs:TimeBasedRestrictedStockAwardsMember  
us-gaap:MinimumMember 2017-01-01 2017-09-30 0000801337 us-gaap:PerformanceSharesMember 2016-12-31  
0000801337 us-gaap:EmployeeStockOptionMember 2017-09-30 0000801337  
us-gaap:RestrictedStockUnitsRSUMember 2017-01-01 2017-09-30 0000801337 us-gaap:RestrictedStockMember  
2016-12-31 0000801337 us-gaap:EmployeeStockOptionMember 2016-12-31 0000801337  
us-gaap:PerformanceSharesMember 2017-09-30 0000801337 us-gaap:RestrictedStockUnitsRSUMember 2017-09-30  
0000801337 us-gaap:RestrictedStockUnitsRSUMember 2016-12-31 0000801337  
us-gaap:OperatingSegmentsMember wbs:CommunityBankingMember 2017-09-30 0000801337  
us-gaap:OperatingSegmentsMember wbs:CommunityBankingMember 2016-12-31 0000801337  
us-gaap:CorporateNonSegmentMember 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember  
wbs:HSABankMember 2017-09-30 0000801337 us-gaap:OperatingSegmentsMember  
wbs:CommercialBankingMember 2016-12-31 0000801337 us-gaap:OperatingSegmentsMember  
wbs:CommercialBankingMember 2017-09-30 0000801337 us-gaap:CorporateNonSegmentMember 2017-09-30  
0000801337 us-gaap:OperatingSegmentsMember wbs:HSABankMember 2016-12-31 0000801337  
us-gaap:CorporateNonSegmentMember 2016-07-01 2016-09-30 0000801337 us-gaap:OperatingSegmentsMember  
wbs:HSABankMember 2016-07-01 2016-09-30 0000801337 us-gaap:OperatingSegmentsMember  
wbs:CommercialBankingMember 2016-07-01 2016-09-30 0000801337 us-gaap:OperatingSegmentsMember  
wbs:CommunityBankingMember 2016-07-01 2016-09-30 0000801337 us-gaap:OperatingSegmentsMember  
wbs:CommunityBankingMember 2017-01-01 2017-09-30 0000801337 us-gaap:CorporateNonSegmentMember  
2017-01-01 2017-09-30 0000801337 us-gaap:OperatingSegmentsMember wbs:HSABankMember 2017-01-01  
2017-09-30 0000801337 us-gaap:OperatingSegmentsMember wbs:CommercialBankingMember 2017-01-01  
2017-09-30 0000801337 us-gaap:OperatingSegmentsMember wbs:HSABankMember 2016-01-01 2016-09-30  
0000801337 us-gaap:CorporateNonSegmentMember 2016-01-01 2016-09-30 0000801337  
us-gaap:OperatingSegmentsMember wbs:CommercialBankingMember 2016-01-01 2016-09-30 0000801337  
us-gaap:OperatingSegmentsMember wbs:CommunityBankingMember 2016-01-01 2016-09-30 0000801337  
us-gaap:ConsumerPortfolioSegmentMember wbs:HomeEquityLiquidatingPortfolioMember 2016-12-31 0000801337  
us-gaap:OperatingSegmentsMember wbs:HSABankMember 2017-07-01 2017-09-30 0000801337  
us-gaap:CorporateNonSegmentMember 2017-07-01 2017-09-30 0000801337 us-gaap:OperatingSegmentsMember  
wbs:CommunityBankingMember 2017-07-01 2017-09-30 0000801337 us-gaap:OperatingSegmentsMember  
wbs:CommercialBankingMember 2017-07-01 2017-09-30 0000801337 us-gaap:AllowanceForCreditLossMember  
2016-09-30 0000801337 us-gaap:AllowanceForCreditLossMember 2017-07-01 2017-09-30 0000801337  
us-gaap:AllowanceForCreditLossMember 2017-06-30 0000801337 us-gaap:AllowanceForCreditLossMember  
2016-12-31 0000801337 us-gaap:AllowanceForCreditLossMember 2017-09-30 0000801337  
us-gaap:AllowanceForCreditLossMember 2015-12-31 0000801337 us-gaap:AllowanceForCreditLossMember  
2016-06-30 0000801337 us-gaap:AllowanceForCreditLossMember 2016-01-01 2016-09-30 0000801337  
us-gaap:AllowanceForCreditLossMember 2016-07-01 2016-09-30 0000801337  
us-gaap:AllowanceForCreditLossMember 2017-01-01 2017-09-30 0000801337 us-gaap:LetterOfCreditMember  
2016-12-31 0000801337 us-gaap:LetterOfCreditMember 2017-09-30 0000801337  
us-gaap:CommitmentsToExtendCreditMember 2017-09-30 0000801337  
us-gaap:CommitmentsToExtendCreditMember 2016-12-31 0000801337 us-gaap:StandbyLettersOfCreditMember  
2016-12-31 0000801337 us-gaap:StandbyLettersOfCreditMember 2017-09-30 wbs:holding iso4217:USD xbrli:shares  
xbrli:shares iso4217:USD wbs:loan xbrli:pure wbs:Segment

**Table of Contents**

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



# FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ending September 30, 2017**

**Commission File Number: 001-31486**

## WEBSTER FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**06-1187536**

(I.R.S. Employer Identification No.)

**145 Bank Street, Waterbury, Connecticut 06702**

(Address and zip code of principal executive offices)

**(203) 578-2202**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark 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 transition 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 number of shares of common stock, par value \$.01 per share, outstanding as of October 31, 2017 was 92,074,790.

**INDEX**

	<b>Page No.</b>
Key to Acronyms and Terms	<u>ii</u>
 <b><u>PART I – FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	<u>1</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>40</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>68</u>
Item 4. <u>Controls and Procedures</u>	<u>68</u>
 <b><u>PART II – OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	<u>69</u>
Item 1A. <u>Risk Factors</u>	<u>69</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>69</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>70</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>70</u>
Item 5. <u>Other Information</u>	<u>70</u>
Item 6. <u>Exhibits</u>	<u>70</u>
<b><u>SIGNATURES</u></b>	<u>71</u>
<b><u>EXHIBIT INDEX</u></b>	<u>72</u>

**WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES**  
**FORWARD-LOOKING STATEMENTS and FACTORS THAT COULD AFFECT FUTURE RESULTS**

This Quarterly Report on Form 10-Q 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. References to the "Company," "Webster," "we," "our," or "us" mean Webster Financial Corporation and its consolidated subsidiaries.

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

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

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

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

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

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



## WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

### KEY TO ACRONYMS AND TERMS

<b>Agency CMBS</b>	Agency commercial mortgage-backed securities
<b>Agency CMO</b>	Agency collateralized mortgage obligations
<b>Agency MBS</b>	Agency mortgage-backed securities
<b>ALCO</b>	Asset/Liability Committee
<b>ALLL</b>	Allowance for loan and lease losses
<b>AOCL</b>	Accumulated other comprehensive loss, net of tax
<b>ASC</b>	Accounting Standards Codification
<b>ASU</b>	Accounting Standards Update
<b>Basel III</b>	Capital rules under a global regulatory framework developed by the Basel Committee on Banking Supervision
<b>CDI</b>	Core deposit intangible assets
<b>CET1 capital</b>	Common Equity Tier 1 Capital, defined by Basel III capital rules
<b>CLO</b>	Collateralized loan obligation securities
<b>CMBS</b>	Non-agency commercial mortgage-backed securities
<b>Dodd-Frank Act</b>	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
<b>FASB</b>	Financial Accounting Standards Board
<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>FHLB</b>	Federal Home Loan Bank
<b>FICO</b>	Fair Isaac Corporation
<b>FINRA</b>	Financial Industry Regulatory Authority
<b>FRB</b>	Federal Reserve Bank
<b>FTP</b>	Funds Transfer Pricing, a matched maturity funding concept
<b>GAAP</b>	U.S. Generally Accepted Accounting Principles
<b>Holding Company</b>	Webster Financial Corporation
<b>HSA Bank</b>	A division of Webster Bank, National Association
<b>ISDA</b>	International Swaps Derivative Association
<b>LBP</b>	Look back period
<b>LEP</b>	Loss emergence period
<b>LGD</b>	Loss given default
<b>LIBOR</b>	London Interbank Offered Rate
<b>LPL</b>	LPL Financial Holdings Inc.
<b>NII</b>	Net interest income
<b>OCC</b>	Office of the Comptroller of the Currency
<b>OCI/OCL</b>	Other comprehensive income (loss)
<b>OREO</b>	Other real estate owned
<b>OTTI</b>	Other-than-temporary impairment
<b>PD</b>	Probability of default
<b>PPNR</b>	Pre-tax, pre-provision net revenue
<b>RPA</b>	Risk participation agreement
<b>SEC</b>	United States Securities and Exchange Commission
<b>SERP</b>	Supplemental defined benefit retirement plan
<b>SIPC</b>	Securities Investor Protection Corporation
<b>TDR</b>	Troubled debt restructuring, defined in ASC 310-40 "Receivables-Troubled Debt Restructurings by Creditors"
<b>VIE</b>	Variable interest entity, defined in ASC 810-10 "Consolidation-Overall"
<b>Webster Bank</b>	Webster Bank, National Association, a wholly-owned subsidiary of Webster Financial Corporation
<b>Webster or the Company</b>	Webster Financial Corporation, collectively with its consolidated subsidiaries

**Table of Contents****PART I. – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2017	December 31, 2016
	(Unaudited)	
<i>(In thousands, except share data)</i>		
<b>Assets:</b>		
Cash and due from banks	\$215,244	\$190,663
Interest-bearing deposits	26,992	29,461
Investment securities available-for-sale, at fair value	2,591,162	2,991,091
Investment securities held-to-maturity (fair value of \$4,481,675 and \$4,125,125)	4,497,311	4,160,658
Federal Home Loan Bank and Federal Reserve Bank stock	136,340	194,646
Loans held for sale (valued under fair value option \$32,855 and \$60,260)	32,855	67,577
Loans and leases	17,446,421	17,026,588
Allowance for loan and lease losses	(201,803 )	(194,320 )
Loans and leases, net	17,244,618	16,832,268
Deferred tax assets, net	82,895	84,391
Premises and equipment, net	130,358	137,413
Goodwill	538,373	538,373
Other intangible assets, net	30,589	33,674
Cash surrender value of life insurance policies	528,136	517,852
Accrued interest receivable and other assets	295,309	294,462
Total assets	\$26,350,182	\$26,072,529
<b>Liabilities and shareholders' equity:</b>		
Deposits:		
Non-interest-bearing	\$4,138,206	\$4,021,061
Interest-bearing	16,717,029	15,282,796
Total deposits	20,855,235	19,303,857
Securities sold under agreements to repurchase and other borrowings	902,902	949,526
Federal Home Loan Bank advances	1,507,681	2,842,908
Long-term debt	225,704	225,514
Accrued expenses and other liabilities	219,873	223,712
Total liabilities	23,711,395	23,545,517
Shareholders' equity:		
Preferred stock, \$.01 par value; Authorized - 3,000,000 shares:		
Series E issued and outstanding (5,060 shares)	122,710	122,710
Common stock, \$.01 par value; Authorized - 200,000,000 shares:		
Issued (93,679,599 and 93,651,601 shares)	937	937
Paid-in capital	1,123,685	1,125,937
Retained earnings	1,535,585	1,425,320
Treasury stock, at cost (1,764,131 and 1,899,502 shares)	(75,032 )	(70,899 )
Accumulated other comprehensive loss, net of tax	(69,098 )	(76,993 )
Total shareholders' equity	2,638,787	2,527,012
Total liabilities and shareholders' equity	\$26,350,182	\$26,072,529

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**Table of Contents****WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<i>(In thousands, except per share data)</i>				
<b>Interest Income:</b>				
Interest and fees on loans and leases	\$ 181,130	\$ 157,071	\$ 523,394	\$ 459,050
Taxable interest and dividends on investments	43,819	43,384	136,167	136,734
Non-taxable interest on investment securities	5,765	4,820	17,103	13,691
Loans held for sale	307	440	826	1,006
Total interest income	231,021	205,715	677,490	610,481
<b>Interest Expense:</b>				
Deposits	16,760	12,594	44,874	37,267
Securities sold under agreements to repurchase and other borrowings	3,847	3,447	10,970	10,999
Federal Home Loan Bank advances	6,894	6,979	22,543	21,517
Long-term debt	2,616	2,498	7,748	7,444
Total interest expense	30,117	25,518	86,135	77,227
Net interest income	200,904	180,197	591,355	533,254
Provision for loan and lease losses	10,150	14,250	27,900	43,850
Net interest income after provision for loan and lease losses	190,754	165,947	563,455	489,404
<b>Non-interest Income:</b>				
Deposit service fees	38,321	35,734	113,519	105,553
Loan and lease related fees	6,346	9,253	19,898	20,563
Wealth and investment services	7,750	7,593	22,900	21,992
Mortgage banking activities	2,421	4,322	8,038	11,335
Increase in cash surrender value of life insurance policies	3,720	3,743	10,943	11,060
Gain on sale of investment securities, net	—	—	—	414
Impairment loss on investment securities recognized in earnings	—	—	(126	) (149
Other income	7,288	5,767	18,267	23,093
Total non-interest income	65,846	66,412	193,439	193,861
<b>Non-interest Expense:</b>				
Compensation and benefits	89,192	83,148	264,822	244,089
Occupancy	14,744	15,004	46,957	44,915
Technology and equipment	22,580	19,753	66,646	59,067
Intangible assets amortization	1,002	1,493	3,085	4,570
Marketing	4,045	4,622	14,101	14,215
Professional and outside services	4,030	4,795	11,813	11,360
Deposit insurance	6,344	6,177	19,701	19,596
Other expense	19,886	21,105	62,901	63,508
Total non-interest expense	161,823	156,097	490,026	461,320
Income before income tax expense	94,777	76,262	266,868	221,945
Income tax expense	30,281	24,445	81,322	72,478
Net income	64,496	51,817	185,546	149,467
Preferred stock dividends and other	(2,070	) (2,183	) (6,284	) (6,540
Earnings applicable to common shareholders	\$ 62,426	\$ 49,634	\$ 179,262	\$ 142,927
<b>Earnings per common share:</b>				
Basic	\$ 0.68	\$ 0.54	\$ 1.95	\$ 1.57
Diluted	0.67	0.54	1.94	1.56

*See accompanying Notes to Condensed Consolidated Financial Statements.*



**Table of Contents****WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
<i>(In thousands)</i>	2017	2016	2017	2016
<b>Net income</b>	\$64,496	\$51,817	\$185,546	\$149,467
<b>Other comprehensive income, net of tax:</b>				
Total securities available-for-sale and transferred	872	1,218	1,847	19,988
Total derivative instruments	1,111	2,015	2,921	1,589
Total defined benefit pension and other postretirement benefit plans	1,001	1,125	3,127	3,376
Other comprehensive income, net of tax	2,984	4,358	7,895	24,953
Comprehensive income	\$67,480	\$56,175	\$193,441	\$174,420

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**Table of Contents****WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)**

<i>(In thousands, except per share data)</i>	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss, Net of Tax	Total Shareholders' Equity
<b>Balance at December 31, 2016</b>	\$ 122,710	\$ 937	\$ 1,125,937	\$ 1,425,320	\$(70,899)	\$ (76,993)	\$ 2,527,012
Net income	—	—	—	185,546	—	—	185,546
Other comprehensive income, net of tax	—	—	—	—	—	7,895	7,895
Dividends and dividend equivalents declared on common stock \$0.77 per share	—	—	124	(71,096)	—	—	(70,972)
Dividends paid on Series E preferred stock \$1,200.00 per share	—	—	—	(6,072)	—	—	(6,072)
Stock-based compensation	—	—	—	1,887	9,070	—	10,957
Exercise of stock options	—	—	(2,376)	—	7,677	—	5,301
Common shares acquired related to stock compensation plan activity	—	—	—	—	(9,295)	—	(9,295)
Common stock repurchase program	—	—	—	—	(11,585)	—	(11,585)
<b>Balance at September 30, 2017</b>	\$ 122,710	\$ 937	\$ 1,123,685	\$ 1,535,585	\$(75,032)	\$ (69,098)	\$ 2,638,787

<i>(In thousands, except per share data)</i>	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss, Net of Tax	Total Shareholders' Equity
<b>Balance at December 31, 2015</b>	\$ 122,710	\$ 937	\$ 1,124,325	\$ 1,315,948	\$(71,854)	\$ (78,106)	\$ 2,413,960
Net income	—	—	—	149,467	—	—	149,467
Other comprehensive income, net of tax	—	—	—	—	—	24,953	24,953
Dividends and dividend equivalents declared on common stock \$0.73 per share	—	—	109	(67,088)	—	—	(66,979)
Dividends paid on Series E preferred stock \$1,200.00 per share	—	—	—	(6,072)	—	—	(6,072)
Stock-based compensation, net of tax impact	—	—	2,413	245	8,031	—	10,689
Exercise of stock options	—	—	(1,307)	—	3,679	—	2,372
Common shares acquired related to stock compensation plan activity	—	—	—	—	(5,392)	—	(5,392)
Common stock repurchase program	—	—	—	—	(11,206)	—	(11,206)
Common stock warrants repurchased	—	—	(163)	—	—	—	(163)
<b>Balance at September 30, 2016</b>	\$ 122,710	\$ 937	\$ 1,125,377	\$ 1,392,500	\$(76,742)	\$ (53,153)	\$ 2,511,629

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**Table of Contents****WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Nine months ended September 30,	
<i>(In thousands)</i>	2017	2016
<b>Operating Activities:</b>		
Net income	\$ 185,546	\$ 149,467
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	27,900	43,850
Deferred tax (benefit) expense	(3,241 )	14,425
Depreciation and amortization	28,060	27,342
Amortization of earning assets and funding, premiums/discounts, net	33,338	42,855
Stock-based compensation	9,050	8,558
Gain on sale, net of write-down, on foreclosed and repossessed assets	(551 )	(744 )
Write-down (gain on sale), net on premises and equipment	218	(713 )
Impairment loss on investment securities recognized in earnings	126	149
Gain on the sale of investment securities, net	—	(414 )
Increase in cash surrender value of life insurance policies	(10,943 )	(11,060 )
Mortgage banking activities	(8,038 )	(11,335 )
Proceeds from sale of loans held for sale	262,029	298,840
Origination of loans held for sale	(227,435 )	(320,739 )
Net decrease (increase) in derivative contract assets net of liabilities	11,235	(73,765 )
Net (increase) decrease in accrued interest receivable and other assets	(19,405 )	51,270
Net increase (decrease) in accrued expenses and other liabilities	12,386	(30,419 )
Net cash provided by operating activities	300,275	187,567
<b>Investing Activities:</b>		
Net decrease in interest-bearing deposits	2,469	133,969
Purchases of available for sale investment securities	(305,309 )	(615,174 )
Proceeds from maturities and principal payments of available for sale investment securities	695,595	430,099
Proceeds from sales of available for sale investment securities	—	259,283
Purchases of held-to-maturity investment securities	(887,240 )	(640,218 )
Proceeds from maturities and principal payments of held-to-maturity investment securities	525,499	517,513
Net proceeds of Federal Home Loan Bank stock	58,306	3,243
Alternative investments return of capital (capital call), net	107	(649 )
Net increase in loans	(446,454 )	(1,010,423 )
Proceeds from loans not originated for sale	7,445	20,764
Proceeds from life insurance policies	746	—
Proceeds from the sale of foreclosed and repossessed assets	5,651	6,900
Proceeds from the sale of premises and equipment	2,182	1,550
Additions to premises and equipment	(20,034 )	(31,250 )
Proceeds from redemption of other assets	7,581	—
Net cash used for investing activities	(353,456 )	(924,393 )

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**Table of Contents****WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited), continued**

	Nine months ended September 30,	
<i>(In thousands)</i>	2017	2016
<b>Financing Activities:</b>		
Net increase in deposits	1,551,987	1,248,710
Proceeds from Federal Home Loan Bank advances	9,245,000	14,150,000
Repayments of Federal Home Loan Bank advances	(10,580,218)	(14,226,147)
Net decrease in securities sold under agreements to repurchase and other borrowings	(46,624 )	(350,695 )
Dividends paid to common shareholders	(70,732 )	(66,648 )
Dividends paid to preferred shareholders	(6,072 )	(6,072 )
Exercise of stock options	5,301	2,372
Excess tax benefits from stock-based compensation	—	2,363
Common stock repurchase program	(11,585 )	(11,206 )
Common shares purchased related to stock compensation plan activity	(9,295 )	(5,392 )
Common stock warrants repurchased	—	(163 )
Net cash provided by financing activities	77,762	737,122
Net increase in cash and due from banks	24,581	296
Cash and due from banks at beginning of period	190,663	199,693
Cash and due from banks at end of period	\$215,244	\$ 199,989
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$85,242	\$ 79,054
Income taxes paid	78,832	61,639
<b>Noncash investing and financing activities:</b>		
Transfer of loans and leases to foreclosed properties and repossessed assets	\$6,503	\$ 4,917
Transfer of loans from loans and leases to loans-held-for-sale	—	20,547
<i>See accompanying Notes to Condensed Consolidated Financial Statements.</i>		

## **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 Bank Holding Company Act, incorporated under the laws of Delaware in 1986 and headquartered in Waterbury, Connecticut. At September 30, 2017, 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](http://www.websterbank.com) or [www.wbst.com](http://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. The accompanying unaudited Condensed Consolidated Financial Statements of the Company have been prepared in conformity with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements and should be read in conjunction with the Company's Consolidated Financial Statements, and Notes thereto, for the year ended December 31, 2016, included in the Company's Annual Report on Form 10-K filed with the SEC on March 1, 2017. 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. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the full year or any future period.

Certain prior period amounts have been reclassified to conform to the current year's presentation. These reclassifications had an immaterial effect on non-interest income, non-interest expense, net cash provided by operating activities, and net cash used for investing activities.

#### **Significant Accounting Policy Updates**

##### ***Centrally Cleared Derivatives***

Effective during the first quarter of 2016, the Company offset the variation margin pertaining to derivatives reported on a net basis, subject to a legally enforceable master netting arrangement, with the same counterparty against the net derivative position on the Company's balance sheets. The Chicago Mercantile Exchange has amended their rulebooks to legally characterize variation margin payments for over-the-counter derivatives that clear, as settlements rather than collateral, effective January 3, 2017.

The Company has updated its significant accounting policies to classify variation margin deemed to be legal settlements as a single unit of account with the derivative, for accounting and presentation purposes. The policy update does not result in a change in the presentation of the Company's balance sheets as the Company previously offset the variation margin pertaining to derivatives reporting on a net basis, subject to a legally enforceable master netting arrangement, with the same counterparty against the net derivative position.

##### **Accounting Standards Adopted during 2017**

Effective January 1, 2017, the following new accounting guidance was adopted by the Company:

##### ***ASU No. 2016-09, Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share Based Payment Accounting***

The Update impacted the accounting for employee share-based payment transactions, including the income tax consequences, and classification on the statement of cash flows. The Update requires the Company to recognize the income tax effects of awards in the income statement on a prospective basis when the awards vest or are settled, compared to within additional paid-in capital. As a result, applicable excess tax benefits and tax deficiencies are recorded as an income tax benefit or expense, respectively. The Company elected to present the classification on the

statement of cash flows on a prospective basis to better align this presentation with the income tax effects. The impact of the Update will vary from period to period based on the Company's stock price and the quantity of shares that vest or are settled within a given period.

7

---

## **Table of Contents**

The Update also requires the Company to elect the accounting for forfeitures of share-based payments by either (i) recognizing forfeitures of awards as they occur or (ii) estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as is currently required. The Company elected to account for forfeitures of share-based payments by estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, which is in accordance with the Company's previous accounting practices. The adoption of this accounting standard did not have a material impact on the Company's financial statements.

### ***ASU No. 2016-06, Derivatives and Hedging (Topic 815) - Contingent Put and Call Options in Debt Instruments.***

The Update clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The Update requires the assessment of embedded call (put) options solely in accordance with the four-step decision sequence. The Update clarified that companies are not required to assess whether the event triggering the ability to exercise the call/put option was also clearly and closely related.

The adoption of this accounting standard did not have a material impact on the Company's financial statements, as the Company has not performed the additional step of assessing whether the event triggering the ability to exercise the call (put) option was clearly and closely related, which was deemed not required by the Update.

### **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. 2017-12, Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities.***

The purpose of the Update is to better align a company's 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 Company is in the process of assessing all potential impacts of the standard.

The Update is effective for the first quarter of 2019, early adoption is permitted. The Company is evaluating the potential to early adopt the Update.

### ***ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20) - Premium Amortization on Purchased Callable Debt Securities.***

The Update is intended to enhance the accounting for the amortization of premiums for purchased callable debt securities. Specifically, 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. The Update is being issued in response to concerns from stakeholders that, current GAAP excludes certain callable debt securities from consideration of early repayment of principal even if the holder is certain that the call will be exercised.

The Update, upon adoption, is expected to accelerate the Company's recognition of premium amortization on debt securities held within the portfolio. The amendments in the Update will be applied on a modified retrospective basis through a cumulative-effect adjustment directly through retained earnings upon adoption.

Management is in the process of evaluating the full impact of adopting the Update including, but not limited to the following:

• Modifying system amortization requirements;

• Evaluation of premiums associated with debt securities to determine the appropriate cumulative-effect adjustment; and

• Establishing new accounting policies pertaining to premium amortization on purchased callable debt securities.

The Update is effective for the first quarter of 2019, early adoption is permitted. The Company is evaluating the potential to early adopt the Update.

### ***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 disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in

the income statement and present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the Update requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines.

The new guidance will be applied on a retrospective basis. The Company intends to adopt the Update for the first quarter of 2018. The Company does not expect this guidance to have a material impact on its consolidated financial statements.



## **Table of Contents**

### ***ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment.***

The Update eliminates Step 2 from the goodwill impairment analysis. Step 2, requires the Company to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities). Under current guidance, Step 2 testing would be performed only if Step 1 testing indicated the fair value of the reporting unit is below the reporting unit's carrying amount.

Once effective the Update will require the Company to record an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, eliminating the Step 2 requirements. The Company intends to adopt the Update for the first quarter of 2020. Adoption is not anticipated to have a material impact on the Company's financial statements.

### ***ASU No. 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments.***

The Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The Update addresses the following eight issues: 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 intends to adopt the Update for the first quarter of 2018. The Company does not expect this 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.***

Current GAAP requires an "incurred loss" methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. Both financial institutions and users of their financial statements expressed concern that current GAAP restricts the ability to record credit losses that are expected, but do not yet meet the "probable" threshold.

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 is likely to result in a material increase to the Company's accounting for credit losses on financial instruments. The Company has established a project lead and identified a working group comprised of members from different disciplines including Credit, Finance and Information Technology. The Company is in the early stages of evaluation of the effect that this ASU will have on its financial statements and related disclosures, but has begun to develop a roadmap which includes a consideration of external resources that may be required, use of existing and new models, data availability and system solutions to facilitate implementation. The ASU will be effective for the Company as of the first quarter 2020. While we are currently unable to reasonably estimate the impact of adopting the Update, we expect the impact of adoption will be significantly influenced by the composition, characteristics and quality of our loan and securities portfolios as well as the economic conditions as of the adoption date.

### ***ASU No. 2016-02, Leases (Topic 842).***

The Update introduces a lessee model that brings most leases on the balance sheet. The Update also aligns certain of the underlying principles of the new lessor model with those in ASC 606 "Revenue from Contracts with Customers", the FASB's new revenue recognition standard (e.g., evaluating how collectability should be considered and determining when profit can be recognized).

Furthermore, the Update addresses other concerns including the elimination of the required use of bright-line tests for determining lease classification. Lessors are required to provide additional transparency into the exposure to the

changes in value of their residual assets and how they manage that exposure.

The Company intends to adopt the Update for the first quarter of 2019 using the modified retrospective method. The Company is in the early assessment stage and will continue to review the existing lease portfolio to evaluate the impact of the new accounting guidance on the financial statements.

9

---

**Table of Contents**

***ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities.***

Equity investments not accounted for under the equity method or those that do not result in consolidation of the investee are to be measured at fair value with changes in the fair value recognized through net income. Entities are to present separately in other comprehensive income, the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when an election to measure the liability at fair value in accordance with the fair value option for financial instruments has been made. Also, the requirement to disclose the method(s) and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet has been eliminated.

The Company intends to adopt the Update for the first quarter of 2018. Adoption is not anticipated to have a material impact on the Company's financial statements.

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

The Update requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Update excludes the Company's revenue associated with net interest income, and certain non-interest income lines items (loan and lease related fees, mortgage banking activities, increase in cash surrender value of life insurance policies, gain on sale of investment securities, net, impairment loss on securities recognized in earnings, and a majority of other income). As a result a substantial amount of the Company's revenue will not be affected.

The Company's deposit service fees, wealth and investment services, and certain other non-interest income items are within the scope of the Update. The Company's evaluation of the impacted revenue streams and associated customer contracts is near completion. While the assessment is not complete, the timing of the Company's revenue recognition is not expected to materially change.

The disclosure objective of the Update is to provide users of the financial statement with sufficient information to understand the nature, amount, timing and uncertainty of revenue, certain costs, and cash flows arising from contracts with customers. The Company expects to provide expanded qualitative disclosure pertaining to significant judgments, accounting policy elections and the nature, timing, and uncertainty of revenue arising from contracts with customers. Further the Company expects to provide expanded quantitative disclosure pertaining to the disaggregation of revenue arising from contracts with customers. The Company continues to assess the impact of the changes in disclosure required by guidance.

The Company intends to adopt the Update for the first quarter of 2018 utilizing the modified retrospective application with a cumulative effect adjustment to opening retained earnings, if necessary. The Company's evaluations are not final and are subject to change.

**Table of Contents****Note 2: Investment Securities**

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

<i>(In thousands)</i>	At September 30, 2017				At December 31, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Available-for-sale:</b>								
U.S. Treasury Bills	\$3,596	\$ —	\$ —	\$3,596	\$734	\$ —	\$ —	\$734
Agency CMO	332,341	2,573	(3,116)	331,798	419,865	3,344	(3,503)	419,706
Agency MBS	923,819	3,214	(14,056)	912,977	969,460	4,398	(19,509)	954,349
Agency CMBS	599,165	—	(14,205)	584,960	587,776	63	(14,567)	573,272
CMBS	402,015	1,539	(121)	403,433	473,974	4,093	(702)	477,365
CLO	273,172	1,572	(161)	274,583	425,083	2,826	(519)	427,390
Trust preferred	30,463	676	(202)	30,937	30,381	—	(1,748)	28,633
Corporate debt	48,334	674	(130)	48,878	108,490	1,502	(350)	109,642
Available-for-sale	\$2,612,905	\$10,248	\$(31,991)	\$2,591,162	\$3,015,763	\$16,226	\$(40,898)	\$2,991,091
<b>Held-to-maturity:</b>								
Agency CMO	\$276,367	\$1,138	\$(3,030)	\$274,475	\$339,455	\$1,977	\$(3,824)	\$337,608
Agency MBS	2,549,500	24,275	(30,012)	2,543,763	2,317,449	26,388	(41,768)	2,302,069
Agency CMBS	708,229	280	(3,549)	704,960	547,726	694	(1,348)	547,072
Municipal bonds and notes	705,411	5,213	(13,150)	697,474	655,813	4,389	(25,749)	634,453
CMBS	257,361	3,394	(197)	260,558	298,538	4,107	(411)	302,234
Private Label MBS	443	2	—	445	1,677	12	—	1,689
Held-to-maturity	\$4,497,311	\$34,302	\$(49,938)	\$4,481,675	\$4,160,658	\$37,567	\$(73,100)	\$4,125,125

**Other-Than-Temporary Impairment**

The balance of OTTI, included in the amortized cost columns above, is 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. During the nine months ended September 30, 2017, OTTI of \$126 thousand, related to principal held back in conjunction with the exercise of a clean-up call option for a Private Label MBS security, was recognized. 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.

The following table presents the changes in OTTI:

<i>(In thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Beginning balance	\$3,231	\$3,437	\$3,243	\$3,288
Reduction for investment securities sold or called	(1,028)	(30)	(1,166)	(30)
Additions for OTTI not previously recognized in earnings	—	—	126	149
Ending balance	\$2,203	\$3,407	\$2,203	\$3,407

**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 September 30, 2017							
Less Than Twelve Months or Longer Total							
<i>(Dollars in thousands)</i>	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	# of Holdings	Fair Value	Unrealized Losses
<b>Available-for-sale:</b>							
Agency CMO	\$75,042	\$(1,002 )	\$ 70,167	\$(2,114 )	16	\$145,209	\$(3,116 )
Agency MBS	464,031	(5,169 )	303,770	(8,887 )	104	767,801	(14,056 )
Agency CMBS	306,025	(6,240 )	278,935	(7,965 )	34	584,960	(14,205 )
CMBS	39,775	(121 )	—	—	5	39,775	(121 )
CLO	82,989	(161 )	—	—	5	82,989	(161 )
Trust preferred	12,570	(97 )	4,574	(105 )	3	17,144	(202 )
Corporate debt	5,797	(87 )	1,825	(43 )	2	7,622	(130 )
Available-for-sale in an unrealized loss position	\$986,229	\$(12,877 )	\$ 659,271	\$(19,114 )	169	\$1,645,500	\$(31,991 )
<b>Held-to-maturity:</b>							
Agency CMO	\$82,839	\$(880 )	\$ 83,103	\$(2,150 )	19	\$165,942	\$(3,030 )
Agency MBS	870,376	(7,948 )	775,331	(22,064 )	157	1,645,707	(30,012 )
Agency CMBS	570,781	(3,504 )	4,730	(45 )	45	575,511	(3,549 )
Municipal bonds and notes	123,965	(1,745 )	226,545	(11,405 )	140	350,510	(13,150 )
CMBS	40,150	(197 )	250	—	5	40,400	(197 )
Held-to-maturity in an unrealized loss position	\$1,688,111	\$(14,274 )	\$ 1,089,959	\$(35,664 )	366	\$2,778,070	\$(49,938 )
At December 31, 2016							
Less Than Twelve Months or Longer Total							
<i>(Dollars in thousands)</i>	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	# of Holdings	Fair Value	Unrealized Losses
<b>Available-for-sale:</b>							
Agency CMO	\$107,853	\$(2,168 )	\$ 67,351	\$(1,335 )	15	\$175,204	\$(3,503 )
Agency MBS	512,075	(10,503 )	252,779	(9,006 )	97	764,854	(19,509 )
Agency CMBS	554,246	(14,567 )	—	—	32	554,246	(14,567 )
CMBS	12,427	(24 )	63,930	(678 )	12	76,357	(702 )
CLO	49,946	(54 )	50,237	(465 )	5	100,183	(519 )
Trust preferred	—	—	28,633	(1,748 )	5	28,633	(1,748 )
Corporate debt	—	—	7,384	(350 )	2	7,384	(350 )
Available-for-sale in an unrealized loss position	\$1,236,547	\$(27,316 )	\$ 470,314	\$(13,582 )	168	\$1,706,861	\$(40,898 )
<b>Held-to-maturity:</b>							
Agency CMO	\$163,439	\$(3,339 )	\$ 17,254	\$(485 )	16	\$180,693	\$(3,824 )
Agency MBS	1,394,623	(32,942 )	273,779	(8,826 )	150	1,668,402	(41,768 )
Agency CMBS	347,725	(1,348 )	—	—	25	347,725	(1,348 )
Municipal bonds and notes	384,795	(25,745 )	1,192	(4 )	196	385,987	(25,749 )
CMBS	60,768	(411 )	—	—	8	60,768	(411 )
Held-to-maturity in an unrealized loss position	\$2,351,350	\$(63,785 )	\$ 292,225	\$(9,315 )	395	\$2,643,575	\$(73,100 )

**Table of Contents****Impairment Analysis**

The following impairment analysis by investment security type, summarizes the basis for evaluating if investment securities within the Company's available-for-sale and held-to-maturity portfolios have been impacted by OTTI. 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 these investment securities, in unrealized loss positions, to be other-than-temporarily impaired at September 30, 2017.

***Available-for-Sale***

***Agency CMO.*** There were unrealized losses of \$3.1 million on the Company's investment in Agency CMO at September 30, 2017, compared to \$3.5 million at December 31, 2016. Unrealized losses decreased due to lower principal balances for this asset class at September 30, 2017 compared to December 31, 2016. Market prices remained essentially unchanged. These investments are issued by a government agency or a government-sponsored agency and, therefore, are backed by certain government guarantees, either direct or indirect. The contractual cash flows for these investments are performing as expected, and there has been no change in the underlying credit quality.

***Agency MBS.*** There were unrealized losses of \$14.1 million on the Company's investment in Agency MBS at September 30, 2017, compared to \$19.5 million at December 31, 2016. Unrealized losses decreased due to lower principal balances for this asset class at September 30, 2017 compared to December 31, 2016. Market prices remained essentially unchanged. These investments are issued by a government agency or a government-sponsored agency and, therefore, are backed by certain government guarantees, either direct or indirect. The contractual cash flows for these investments are performing as expected, and there has been no change in the underlying credit quality.

***Agency CMBS.*** There were unrealized losses of \$14.2 million on the Company's investment in Agency CMBS at September 30, 2017, compared to \$14.6 million at December 31, 2016. Unrealized losses decreased while principal balances remained essentially unchanged. Market prices were slightly higher at September 30, 2017 compared to December 31, 2016. These investments are issued by a government agency or a government-sponsored agency and, therefore, are backed by certain government guarantees, either direct or indirect. The contractual cash flows for these investments are performing as expected, and there has been no change in the underlying credit quality.

***CMBS.*** There were unrealized losses of \$0.1 million on the Company's investment in CMBS at September 30, 2017, compared to \$0.7 million at December 31, 2016. The portfolio of mainly floating rate CMBS experienced lower principal balances and lower market spreads which resulted in higher security prices and smaller unrealized losses at September 30, 2017 compared to December 31, 2016. Internal and external metrics are considered when evaluating potential OTTI. Internal stress tests are performed on individual bonds to monitor potential losses under stress scenarios. Contractual cash flows for these investments are performing as expected.

***CLO.*** There were unrealized losses of \$0.2 million on the Company's investment in CLO at September 30, 2017, compared to \$0.5 million at December 31, 2016. Unrealized losses decreased due to lower principal balances and lower market spreads for the CLO portfolio at September 30, 2017 compared to December 31, 2016. Internal and external metrics are considered when evaluating potential OTTI. Contractual cash flows for these investments are performing as expected.

***Trust preferred.*** There were unrealized losses of \$0.2 million on the Company's investment in trust preferred at September 30, 2017, compared to \$1.7 million at December 31, 2016. Unrealized losses decreased due to lower market spreads for this asset class, which resulted in higher security prices compared to December 31, 2016. The trust preferred portfolio consists of three floating rate investments issued by two different large capitalization money center financial institutions, which continue to service the debt. The Company performs periodic credit reviews of the issuer to assess the likelihood for ultimate recovery of amortized cost.

***Corporate debt.*** There were \$0.1 million unrealized losses on the Company's corporate debt at September 30, 2017, compared to \$0.4 million at December 31, 2016. Unrealized losses decreased due to lower principal balances for this asset class at September 30, 2017 compared to December 31, 2016. Market prices remained essentially unchanged. The Company performs periodic credit reviews of the issuer to assess the likelihood for ultimate recovery of amortized cost.

***Held-to-Maturity***

***Agency CMO.*** There were unrealized losses of \$3.0 million on the Company's investment in Agency CMO at September 30, 2017 compared to \$3.8 million at December 31, 2016. Unrealized losses decreased due to lower principal balances for this asset class at September 30, 2017 compared to December 31, 2016. Market prices remained essentially unchanged. These investments are issued by a government agency or a government-sponsored agency and, therefore, are backed by certain government guarantees, either direct or indirect. The contractual cash flows for these investments are performing as expected, and there has been no change in the underlying credit quality.

**Table of Contents**

**Agency MBS.** There were unrealized losses of \$30.0 million on the Company's investment in Agency MBS at September 30, 2017, compared to \$41.8 million at December 31, 2016. Unrealized losses decreased due to lower principal balances for this asset class at September 30, 2017 compared to December 31, 2016. Market prices remained essentially unchanged. These investments are issued by a government agency or a government-sponsored agency and, therefore, are backed by certain government guarantees, either direct or indirect. There has been no change in the underlying credit quality, and the contractual cash flows are performing as expected.

**Agency CMBS.** There were unrealized losses of \$3.5 million on the Company's investment in Agency CMBS at September 30, 2017, compared to \$1.3 million at December 31, 2016. Unrealized losses increased due to lower prices on recently purchased ACMBS as principal balances increased at September 30, 2017 compared to December 31, 2016. These investments are issued by a government agency or a government-sponsored agency and, therefore, are backed by certain government guarantees, either direct or indirect. There has been no change in the underlying credit quality, and the contractual cash flows are performing as expected.

**Municipal bonds and notes.** There were unrealized losses of \$13.2 million on the Company's investment in municipal bonds and notes at September 30, 2017, compared to \$25.7 million at December 31, 2016. Unrealized losses decreased due to lower market rates which resulted in higher prices at September 30, 2017. The Company performs periodic credit reviews of the issuers and these investments are currently performing as expected.

**CMBS.** There were unrealized losses of \$0.2 million on the Company's investment in CMBS at September 30, 2017, compared to \$0.4 million at December 31, 2016. Unrealized losses were approximately the same, for the portfolio comprised mainly of seasoned fixed rate conduit transactions, at September 30, 2017 compared to December 31, 2016. Internal and external metrics are considered when evaluating potential OTTI. Internal stress tests are performed on individual bonds to monitor potential losses under stress scenarios. The contractual cash flows for these investments are performing as expected.

**Sales of Available-for Sale Investment Securities**

There were no sales during the three and nine months ended September 30, 2017, or the three months ended September 30, 2016. For the nine months ended September 30, 2016, there were sales resulting in proceeds of \$259.3 million, with the related gross realized gains and gross realized losses of \$2.9 million and \$2.5 million, respectively.

**Contractual Maturities**

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

	At September 30, 2017			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In thousands)</i>				
Due in one year or less	\$ 18,668	\$ 18,714	\$ 40,146	\$ 40,753
Due after one year through five years	40,246	40,748	13,410	13,684
Due after five through ten years	381,547	383,721	38,323	39,102
Due after ten years	2,172,444	2,147,979	4,405,432	4,388,136
Total debt securities	\$ 2,612,905	\$ 2,591,162	\$ 4,497,311	\$ 4,481,675

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 September 30, 2017, the Company had a carrying value of \$1.2 billion in callable investment 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 \$2.8 billion at September 30, 2017 and \$2.5 billion at December 31, 2016 were pledged to secure public funds, trust deposits, repurchase agreements, and for other



purposes, as required or permitted by law.

14

---

**Table of Contents****Note 3: Variable Interest Entities**

The Company has an investment interest in several entities that meet the definition of a VIE. The following discussion provides information about the Company's VIEs.

**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 Condensed 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 Condensed Consolidated Statements of Income.

**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, CLO and trust preferred. 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 2: 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.

At September 30, 2017 and December 31, 2016, the aggregate carrying value of the Company's tax credit-finance investments were \$35.7 million and \$22.8 million, respectively. At September 30, 2017 and December 31, 2016, unfunded commitments have been recognized, totaling \$24.3 million and \$14.0 million, respectively, and are included in accrued expenses and other liabilities in the accompanying Condensed Consolidated Balance Sheets.

**Webster Statutory Trust.** The Company owns all of the outstanding common stock of Webster Statutory Trust, which is a financial vehicle that has issued, and may issue in the future, trust preferred securities. The trust is a VIE in which the Company is not the primary beneficiary and therefore, is not consolidated. 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 Condensed Consolidated Balance Sheets, and the related interest expense is reported as interest expense on long-term debt in the accompanying Condensed Consolidated Statements of Income.

**Other Investments.** The Company invests in various alternative investments in which it holds a variable interest. Alternative 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 September 30, 2017 and December 31, 2016, the aggregate carrying value of the Company's other investments in VIEs were \$13.0 million and \$12.3 million, respectively, and the total exposure of the Company's other investments in VIEs, including unfunded commitments, were \$22.4 million and \$19.9 million, respectively.

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 Condensed Consolidated Balance Sheets. For a further description of the Company's accounting policies regarding the consolidation of a VIE, refer to Note 1 to the Consolidated Financial Statements for the year ended December 31, 2016 included in its 2016 Form 10-K.

15

---

**Table of Contents****Note 4: Loans and Leases**

The following table summarizes loans and leases:

<i>(In thousands)</i>	At September 30, 2017	At December 31, 2016
Residential	\$ 4,499,441	\$ 4,254,682
Consumer	2,566,983	2,684,500
Commercial	5,348,303	4,940,931
Commercial Real Estate	4,464,917	4,510,846
Equipment Financing	566,777	635,629
Loans and leases <sup>(1)(2)</sup>	\$ 17,446,421	\$ 17,026,588

(1) Loans and leases include net deferred fees and net premiums/discounts of \$20.8 million and \$17.3 million at September 30, 2017 and December 31, 2016, respectively.

(2) At September 30, 2017, the Company had pledged \$6.7 billion of eligible residential, consumer and commercial loans as collateral to support borrowing capacity at the FHLB Boston and the FRB of Boston.

**Loans and Leases Aging**

The following tables summarize the aging of loans and leases:

<i>(In thousands)</i>	At September 30, 2017			Non-accrual	Total Past Due and Non-accrual	Current	Total Loans and Leases
	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	90 or More Days Past Due and Accruing				
Residential	\$ 8,069	\$ 3,654	\$ —	\$ 45,676	\$ 57,399	\$ 4,442,042	\$ 4,499,441
Consumer:							
Home equity	7,613	4,685	—	37,105	49,403	2,269,468	2,318,871
Other consumer	2,224	1,454	—	1,859	5,537	242,575	248,112
Commercial:							
Commercial non-mortgage	1,948	364	934	58,915	62,161	4,402,543	4,464,704
Asset-based	—	—	—	8,558	8,558	875,041	883,599
Commercial real estate:							
Commercial real estate	1,347	444	—	10,603	12,394	4,161,572	4,173,966
Commercial construction	—	—	—	477	477	290,474	290,951
Equipment financing	818	49	—	570	1,437	565,340	566,777
Total	\$ 22,019	\$ 10,650	\$ 934	\$ 163,763	\$ 197,366	\$ 17,249,055	\$ 17,446,421
	At December 31, 2016						
<i>(In thousands)</i>	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	\$ 8,631	\$ 2,609	\$ —	\$ 47,279	\$ 58,519	\$ 4,196,163	\$ 4,254,682
Consumer:							
Home equity	8,831	5,782	—	35,926	50,539	2,359,354	2,409,893
Other consumer	2,233	1,485	—	1,663	5,381	269,226	274,607
Commercial:							
Commercial non-mortgage	1,382	577	749	38,190	40,898	4,094,727	4,135,625
Asset-based	—	—	—	—	—	805,306	805,306
Commercial real estate:							
Commercial real estate	6,357	1,816	—	9,871	18,044	4,117,742	4,135,786
Commercial construction	—	—	—	662	662	374,398	375,060
Equipment financing	903	693	—	225	1,821	633,808	635,629
Total	\$ 28,337	\$ 12,962	\$ 749	\$ 133,816	\$ 175,864	\$ 16,850,724	\$ 17,026,588

Interest on non-accrual loans and leases that would have been recorded as additional interest income had the loans and leases been current in accordance with the original terms totaled \$2.8 million and \$3.7 million for the three months ended September 30, 2017 and 2016, respectively, and \$6.4 million and \$8.4 million for the nine months ended September 30, 2017 and 2016, 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 three months ended September 30, 2017**

	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Total
--	-------------	----------	------------	---------------------------	------------------------	-------

**ALLL:**

Balance, beginning of period	\$ 18,427	\$ 42,488	\$ 79,964	\$ 52,402	\$ 6,297	\$ 199,578
(Benefit) provision charged to expense	(348 )	(41 )	12,166	(2,129 )	502	10,150
Charge-offs	(585 )	(6,197 )	(3,002 )	(749 )	(121 )	(10,654 )
Recoveries	280	1,894	466	10	79	2,729
Balance, end of period	\$ 17,774	\$ 38,144	\$ 89,594	\$ 49,534	\$ 6,757	\$ 201,803

**At or for the three months ended September 30, 2016**

	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Total
--	-------------	----------	------------	---------------------------	------------------------	-------

*(In thousands)***ALLL:**

Balance, beginning of period	\$ 24,413	\$ 42,956	\$ 73,822	\$ 33,622	\$ 5,615	\$ 180,428
Provision charged to expense	1,076	4,985	4,351	2,953	885	14,250
Charge-offs	(1,304 )	(5,259 )	(2,561 )	—	(300 )	(9,424 )
Recoveries	554	1,313	370	194	240	2,671
Balance, end of period	\$ 24,739	\$ 43,995	\$ 75,982	\$ 36,769	\$ 6,440	\$ 187,925

**At or for the nine months ended September 30, 2017**

	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Total
--	-------------	----------	------------	---------------------------	------------------------	-------

*(In thousands)***ALLL:**

Balance, beginning of period	\$ 23,226	\$ 45,233	\$ 71,905	\$ 47,477	\$ 6,479	\$ 194,320
(Benefit) provision charged to expense	(4,436 )	6,847	21,905	2,987	597	27,900
Charge-offs	(1,940 )	(18,273 )	(5,321 )	(951 )	(425 )	(26,910 )
Recoveries	924	4,337	1,105	21	106	6,493
Balance, end of period	\$ 17,774	\$ 38,144	\$ 89,594	\$ 49,534	\$ 6,757	\$ 201,803
Individually evaluated for impairment	\$ 4,925	\$ 1,689	\$ 10,844	\$ 290	\$ 38	\$ 17,786
Collectively evaluated for impairment	\$ 12,849	\$ 36,455	\$ 78,750	\$ 49,244	\$ 6,719	\$ 184,017

**Loan and lease balances:**

Individually evaluated for impairment	\$ 116,706	\$ 46,224	\$ 85,385	\$ 18,199	\$ 3,642	\$ 270,156
Collectively evaluated for impairment	4,382,735	2,520,759	5,262,918	4,446,718	563,135	17,176,265
Loans and leases	\$ 4,499,441	\$ 2,566,983	\$ 5,348,303	\$ 4,464,917	\$ 566,777	\$ 17,446,421

**At or for the nine months ended September 30, 2016**

	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Total
--	-------------	----------	------------	---------------------------	------------------------	-------

*(In thousands)***ALLL:**

Balance, beginning of period	\$ 25,876	\$ 42,052	\$ 66,686	\$ 34,889	\$ 5,487	\$ 174,990
Provision charged to expense	991	12,458	25,447	3,921	1,033	43,850
Charge-offs	(3,536 )	(14,236 )	(17,294 )	(2,521 )	(521 )	(38,108 )
Recoveries	1,408	3,721	1,143	480	441	7,193
Balance, end of period	\$ 24,739	\$ 43,995	\$ 75,982	\$ 36,769	\$ 6,440	\$ 187,925
Individually evaluated for impairment	\$ 9,443	\$ 3,005	\$ 6,579	\$ 467	\$ 9	\$ 19,503
Collectively evaluated for impairment	\$ 15,296	\$ 40,990	\$ 69,403	\$ 36,302	\$ 6,431	\$ 168,422

**Loan and lease balances:**

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

Individually evaluated for impairment	\$ 122,020	\$ 46,208	\$ 58,197	\$ 24,423	\$ 6,863	\$ 257,711
Collectively evaluated for impairment	4,112,027	2,661,135	4,721,605	4,256,090	614,833	16,365,690
Loans and leases	\$ 4,234,047	\$ 2,707,343	\$ 4,779,802	\$ 4,280,513	\$ 621,696	\$ 16,623,401

**Table of Contents****Impaired Loans and Leases**

The following tables summarize impaired loans and leases:

<i>(In thousands)</i>	At September 30, 2017				
	Unpaid Principal Balance	Total Recorded Investment	Recorded Investment No Allowance	Recorded Investment With Allowance	Related Valuation Allowance
Residential	\$ 127,986	\$ 116,706	\$ 27,961	\$ 88,745	\$ 4,925
Consumer - home equity	51,496	46,225	21,833	24,392	1,689
Commercial :					
Commercial non-mortgage	88,221	76,827	28,124	48,703	10,844
Asset-based	8,558	8,558	8,558	—	—
Commercial real estate:					
Commercial real estate	19,026	17,725	12,894	4,831	271
Commercial construction	580	474	—	474	19
Equipment financing	3,721	3,642	3,004	638	38
Total	\$ 299,588	\$ 270,157	\$ 102,374	\$ 167,783	\$ 17,786
<i>(In thousands)</i>	At December 31, 2016				
	Unpaid Principal Balance	Total Recorded Investment	Recorded Investment No Allowance	Recorded Investment With Allowance	Related Valuation Allowance
Residential	\$ 131,468	\$ 119,424	\$ 21,068	\$ 98,356	\$ 8,090
Consumer - home equity	52,432	45,719	22,746	22,973	2,903
Commercial :					
Commercial non-mortgage	57,732	53,037	26,006	27,031	7,422
Asset-based	—	—	—	—	—
Commercial real estate:					
Commercial real estate	24,146	23,568	19,591	3,977	169
Commercial construction	1,188	1,187	1,187	—	—
Equipment financing	6,398	6,420	6,197	223	9
Total	\$ 273,364	\$ 249,355	\$ 96,795	\$ 152,560	\$ 18,593

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

<i>(In thousands)</i>	Three months ended September 30,						Nine months ended September 30,					
	2017			2016			2017			2016		
	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	Average Recorded Investment	Accrued Interest Income	Cash Basis Interest Income
Residential	\$ 118,841	\$ 1,027	\$ 285	\$ 124,993	\$ 1,070	\$ 304	\$ 118,065	\$ 3,133	\$ 986	\$ 128,234	\$ 3,309	\$ 918
Consumer - home equity	46,753	341	246	46,892	336	238	45,972	998	808	47,317	1,029	754
Commercial												
Commercial Non-Mortgage	81,816	249	—	58,874	352	—	64,932	704	—	57,389	1,299	—
Asset based	4,279	—	—	—	—	—	4,279	—	—	—	—	—
Commercial real estate:												
Commercial real estate	20,249	96	—	23,930	77	—	20,647	329	—	26,689	374	—
Commercial construction	828	—	—	4,386	12	—	831	12	—	5,171	81	—
Equipment financing	4,895	30	—	3,642	107	—	5,031	168	—	3,642	109	—
Total	\$ 277,661	\$ 1,743	\$ 531	\$ 262,717	\$ 1,954	\$ 542	\$ 259,757	\$ 5,344	\$ 1,794	\$ 268,442	\$ 6,201	\$ 1,672





**Table of Contents**

**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 probability of borrower default and the loss given default. 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 default. 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 borrower's 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 September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016
(1) - (6) Pass	\$ 5,037,439	\$ 4,655,007	\$ 4,266,658	\$ 4,357,458	\$ 548,298	\$ 618,084
(7) Special Mention	108,828	56,240	85,926	69,023	3,557	1,324
(8) Substandard	192,161	226,603	112,333	84,365	14,922	16,221
(9) Doubtful	9,875	3,081	—	—	—	—
Total	\$ 5,348,303	\$ 4,940,931	\$ 4,464,917	\$ 4,510,846	\$ 566,777	\$ 635,629

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 both 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 trend 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 September 30, 2017	At December 31, 2016
Accrual status	\$ 135,774	\$ 147,809
Non-accrual status	82,576	75,719
Total recorded investment of TDRs	\$ 218,350	\$ 223,528
Specific reserves for TDRs included in the balance of ALLL	\$ 11,837	\$ 14,583
Additional funds committed to borrowers in TDR status	3,944	459

For the portion of TDRs deemed to be uncollectible, Webster charged off \$0.4 million and \$3.0 million for the three months ended September 30, 2017 and 2016, respectively, and \$3.0 million, and \$17.9 million for the nine months

ended September 30, 2017 and 2016, respectively.

19

---

**Table of Contents**

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

	Three months ended September 30, 2017		2016		Nine months ended September 30, 2017		2016	
	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>	Number of Loans and Leases Modified and Recorded Investment <sup>(1)</sup>
<i>(Dollars in thousands)</i>								
Residential:								
Extended Maturity	—	\$ —	4	\$ 967	9	\$ 1,390	11	\$ 1,969
Adjusted Interest Rate	—	—	1	292	2	335	2	528
Maturity/Rate Combined	4	570	3	290	9	1,416	10	1,185
Other <sup>(2)</sup>	6	1,357	3	299	32	5,471	18	3,190
Consumer - home equity								
Extended Maturity	2	158	2	89	8	822	9	381
Adjusted Interest Rate	1	247	—	—	1	247	—	—
Maturity/Rate Combined	2	399	3	264	13	3,212	11	923
Other <sup>(2)</sup>	12	839	8	270	55	3,733	37	1,447
Commercial non - mortgage								
Extended Maturity	—	—	2	213	8	813	11	14,862
Maturity/Rate Combined	8	299	—	—	13	9,153	2	648
Other <sup>(2)</sup>	—	—	4	1,265	1	4	11	1,639
Commercial real estate:								
Extended Maturity	—	—	1	109	—	—	1	109
Maturity/Rate Combined	—	—	1	291	—	—	2	335
Other <sup>(2)</sup>	—	—	—	—	—	—	1	509
Equipment Financing								
Extended Maturity	—	—	6	6,638	—	—	7	6,642
Total TDRs	35	\$ 3,869	38	\$ 10,987	151	\$ 26,596	133	\$ 34,367

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

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

Loans and leases modified as TDRs within the previous 12 months and for which there was a payment default, consisted of one residential loan with a recorded investment of \$248 thousand for both the three and nine months ended September 30, 2017. There were no such loans and leases for both the three and nine months ended September 30, 2016.

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

<i>(In thousands)</i>	At September 30, 2017	At December 31, 2016
(1) - (6) Pass	\$ 8,902	\$ 10,210
(7) Special Mention	360	7
(8) Substandard	46,157	45,509
(9) Doubtful	—	2,738
Total	\$ 55,419	\$ 58,464



**Table of Contents****Note 5: 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. The gain or loss on residential mortgage loans sold and the related origination fee income, and the fair value adjustment to loans held-for-sale are included as mortgage banking activities in the accompanying Condensed 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 management's evaluation of the identity of the 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 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 also may impact the reserve. 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 Condensed Consolidated Statements of Income. The following table provides a summary of activity in the reserve for loan repurchases:

	Three months ended		Nine months ended	
	September 30,		September 30,	
<i>(In thousands)</i>	2017	2016	2017	2016
Beginning balance	\$843	\$992	\$790	\$1,192
Provision (benefit) charged to expense	25	37	78	(64 )
Repurchased loans and settlements charged off	(18 )	—	(18 )	(99 )
Ending balance	\$850	\$1,029	\$850	\$1,029

The following table provides information for mortgage banking activities:

	Three months ended		Nine months ended	
	September 30,		September 30,	
<i>(In thousands)</i>	2017	2016	2017	2016
<b>Residential mortgage loans held for sale:</b>				
Proceeds from sale	\$88,691	\$128,268	\$262,029	\$298,840
Loans sold with servicing rights retained	79,690	115,822	239,357	273,827
Net gain on sale	1,979	3,324	4,356	6,749
Ancillary fees	682	1,046	2,091	2,485
Fair value option adjustment	(240 )	(48 )	1,591	2,101

The Company has retained servicing rights on residential mortgage loans totaling \$2.6 billion at both September 30, 2017 and December 31, 2016.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
<i>(In thousands)</i>	2017	2016	2017	2016
Beginning balance	\$24,708	\$21,946	\$24,466	\$20,698
Additions	2,576	3,338	7,063	8,198
Amortization	(2,144 )	(1,900 )	(6,389 )	(5,512 )
Ending balance	\$25,140	\$23,384	\$25,140	\$23,384

Loan servicing fees, net of mortgage servicing rights amortization, were \$0.2 million and \$0.3 million for the three months ended September 30, 2017 and 2016, respectively, and \$0.6 million and \$0.9 million for the nine months

ended September 30, 2017 and 2016, respectively, and are included as a component of loan related fees in the accompanying Condensed Consolidated Statements of Income.

See Note 13: Fair Value Measurements for a further discussion on the fair value of loans held for sale and mortgage servicing assets. Additionally, loans not originated for sale were sold approximately at carrying value, for cash proceeds of \$7.4 million for certain residential loans and \$20.8 million for certain commercial loans for the nine months ended September 30, 2017 and 2016, respectively.

**Table of Contents****Note 6: Goodwill and Other Intangible Assets**

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

<i>(In thousands)</i>	At September 30, 2017		At December 31, 2016			
	Gross Carrying Amount	Accumulated Net Carrying Amount	Gross Carrying Amount	Accumulated Net Carrying Amount		
<b>Other intangible assets:</b>						
HSA Bank CDI	\$ 22,000	\$ (8,036 )	\$ 13,964	\$ 22,000	\$ (6,162 )	\$ 15,838
HSA Bank Customer relationships	21,000	(4,375 )	16,625	21,000	(3,164 )	17,836
Total other intangible assets	\$ 43,000	\$ (12,411 )	\$ 30,589	\$ 43,000	\$ (9,326 )	\$ 33,674
<b>Goodwill:</b>						
Community Banking			\$ 516,560			\$ 516,560
HSA Bank			21,813			21,813
Total goodwill			\$ 538,373			\$ 538,373

There was no change in the carrying amounts for goodwill since December 31, 2016.

As of September 30, 2017, the remaining estimated aggregate future amortization expense for intangible assets is as follows:

<i>(In thousands)</i>	
Remainder of 2017	\$ 978
2018	3,847
2019	3,847
2020	3,847
2021	3,847
Thereafter	14,223

**Note 7: Deposits**

A summary of deposits by type follows:

<i>(In thousands)</i>	At September 30, 2017	At December 31, 2016
<b>Non-interest-bearing:</b>		
Demand	\$ 4,138,206	\$ 4,021,061
<b>Interest-bearing:</b>		
Checking	2,581,266	2,528,274
Health savings accounts	4,891,024	4,362,503
Money market	2,598,187	2,047,121
Savings	4,428,061	4,320,090
Time deposits	2,218,491	2,024,808
Total interest-bearing	16,717,029	15,282,796
Total deposits	\$ 20,855,235	\$ 19,303,857
Time deposits and interest-bearing checking, included in above balances, obtained through brokers	\$ 913,042	\$ 848,618
Time deposits, included in above balance, that meet or exceed the FDIC limit	613,012	490,721
Deposit overdrafts reclassified as loan balances	2,494	1,885

The scheduled maturities of time deposits are as follows:

<i>(In thousands)</i>	At September 30, 2017
Remainder of 2017	\$ 285,203



Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

2018	952,745
2019	607,952
2020	225,159
2021	107,921
Thereafter	39,511
Total time deposits	\$ 2,218,491

**Table of Contents****Note 8: Borrowings**

Total borrowings of \$2.6 billion at September 30, 2017 and \$4.0 billion at December 31, 2016 are described in detail below.

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

<i>(In thousands)</i>	At September 30, 2017		At December 31, 2016	
	Amount	Rate	Amount	Rate
Securities sold under agreements to repurchase:				
Original maturity of one year or less	\$ 335,902	0.18 %	\$ 340,526	0.16 %
Original maturity of greater than one year, non-callable	400,000	3.04	400,000	3.09
Total securities sold under agreements to repurchase	735,902	1.73	740,526	1.82
Fed funds purchased	167,000	1.12	209,000	0.46
Securities sold under agreements to repurchase and other borrowings	\$ 902,902	1.62 %	\$ 949,526	1.53 %

Repurchase agreements are used as a source of borrowed funds and are collateralized by U.S. Government agency mortgage-backed securities. Repurchase agreement 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:

<i>(Dollars in thousands)</i>	At September 30, 2017			At December 31, 2016		
	Amount	Weighted- Average Contractual Coupon Rate		Amount	Weighted- Average Contractual Coupon Rate	
Maturing within 1 year	\$ 880,500	1.28	%	\$ 2,130,500	0.71	%
After 1 but within 2 years	133,731	1.34		200,000	1.36	
After 2 but within 3 years	259,295	1.79		128,026	1.73	
After 3 but within 4 years	75,000	1.51		175,000	1.77	
After 4 but within 5 years	150,061	2.23		200,000	1.81	
After 5 years	9,091	2.61		9,370	2.59	
	1,507,678	1.49	%	2,842,896	0.95	%
Premiums on advances	3			12		
Federal Home Loan Bank advances	\$ 1,507,681			\$ 2,842,908		
Aggregate carrying value of assets pledged as collateral	\$ 6,388,102			\$ 5,967,318		
Remaining borrowing capacity	2,668,964			1,192,758		

Webster Bank is in compliance with FHLB collateral requirements for the periods presented. Eligible collateral, primarily certain residential and commercial real estate loans, has been pledged to secure FHLB advances.

The following table summarizes long-term debt:

<i>(Dollars in thousands)</i>	At September 30, 2017	At December 31, 2016
4.375% Senior fixed-rate notes due February 15, 2024	\$ 150,000	\$ 150,000
Junior subordinated debt Webster Statutory Trust I floating-rate notes due September 17, 2033 <sup>(1)</sup>	77,320	77,320
Total notes and subordinated debt	227,320	227,320
Discount on senior fixed-rate notes	(756)	(845)
Debt issuance cost on senior fixed-rate notes	(860)	(961)

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

Long-term debt \$ 225,704 \$ 225,514

(1) *The interest rate on Webster Statutory Trust I floating-rate notes, which varies quarterly based on 3-month LIBOR plus 2.95%, was 4.27% at September 30, 2017 and 3.94% at December 31, 2016.*

23

---

**Table of Contents****Note 9: Accumulated Other Comprehensive Loss, Net of Tax**

The following tables summarize the changes in AOCL by component:

<i>(In thousands)</i>	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	Securities Available For Sale and Transferred	Derivative Instruments	Defined Benefit Pension and Other Postretirement Benefit Plans	Total	Securities Available For Sale and Transferred	Derivative Instruments	Defined Benefit Pension and Other Postretirement Benefit Plans	Total
Beginning balance	\$(14,501)	\$(15,258)	\$(42,323)	\$(72,082)	\$(15,476)	\$(17,068)	\$(44,449)	\$(76,993)
OCI/OCL before reclassifications	872	(34)	—	838	1,847	(445)	—	1,402
Amounts reclassified from AOCL	—	1,145	1,001	2,146	—	3,366	3,127	6,493
Net current-period OCI/OCL	872	1,111	1,001	2,984	1,847	2,921	3,127	7,895
Ending balance	\$(13,629)	\$(14,147)	\$(41,322)	\$(69,098)	\$(13,629)	\$(14,147)	\$(41,322)	\$(69,098)

  

<i>(In thousands)</i>	Three months ended September 30, 2016				Nine months ended September 30, 2016			
	Securities Available For Sale and Transferred	Derivative Instruments	Defined Benefit Pension and Other Postretirement Benefit Plans	Total	Securities Available For Sale and Transferred	Derivative Instruments	Defined Benefit Pension and Other Postretirement Benefit Plans	Total
Beginning balance	\$12,363	\$(23,406)	\$(46,468)	\$(57,511)	\$(6,407)	\$(22,980)	\$(48,719)	\$(78,106)
OCI/OCL before reclassifications	1,218	794	—	2,012	20,156	(2,416)	—	17,740
Amounts reclassified from AOCL	—	1,221	1,125	2,346	(168)	4,005	3,376	7,213
Net current-period OCI/OCL	1,218	2,015	1,125	4,358	19,988	1,589	3,376	24,953
Ending balance	\$13,581	\$(21,391)	\$(45,343)	\$(53,153)	\$13,581	\$(21,391)	\$(45,343)	\$(53,153)

The following tables provide information for the items reclassified from AOCL:

<i>(In thousands)</i>	Three months ended September 30,		Nine months ended September 30,		Associated Line Item in the Condensed Consolidated Statements of Income
	2017	2016	2017	2016	
<b>Securities available-for-sale and transferred:</b>					
Unrealized gains (losses) on investment securities	\$—	\$—	\$—	\$414	Gain on sale of investment securities, net
Unrealized gains (losses) on investment securities	—	—	—	(149)	Impairment loss recognized in earnings
Total before tax	—	—	—	265	
Tax benefit (expense)	—	—	—	(97)	Income tax expense
Net of tax	\$—	\$—	\$—	\$168	
<b>Derivative instruments:</b>					
Cash flow hedges	\$(1,810)	\$(1,925)	\$(5,316)	\$(6,314)	Total interest expense
Tax benefit	665	704	1,950	2,309	Income tax expense
Net of tax	\$(1,145)	\$(1,221)	\$(3,366)	\$(4,005)	
<b>Defined benefit pension and other postretirement benefit plans:</b>					
Amortization of net loss	\$(1,587)	\$(1,780)	\$(4,959)	\$(5,343)	(1)
Prior service costs	—	(4)	—	(11)	(1)
Total before tax	(1,587)	(1,784)	(4,959)	(5,354)	
Tax benefit	586	659	1,832	1,978	Income tax expense
Net of tax	\$(1,001)	\$(1,125)	\$(3,127)	\$(3,376)	

(1) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost (see Note 14 - Retirement Benefit Plans for further details).



**Table of Contents****Note 10: Regulatory Matters****Capital Requirements**

Webster Financial Corporation is subject to regulatory capital requirements administered by the Federal Reserve System, while Webster Bank is subject to regulatory capital requirements administered by the OCC. Regulatory authorities can initiate certain mandatory actions if Webster Financial Corporation or Webster Bank fail to meet minimum capital requirements, which could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, both Webster Financial Corporation and Webster Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. These quantitative measures require minimum amounts and ratios to ensure capital adequacy.

Basel III total risk-based capital is comprised of three categories: CET1 capital, additional Tier 1 capital, and Tier 2 capital. CET1 capital includes common shareholders' equity, less deductions for goodwill, other intangibles, and certain deferred tax liabilities. Common shareholders' equity, for purposes of CET1 capital, excludes AOCL components as permitted by the opt-out election taken by Webster upon adoption of Basel III. Tier 1 capital is comprised of CET1 capital plus perpetual preferred stock, while Tier 2 capital includes qualifying subordinated debt and qualifying allowance for credit losses, that together equal total capital.

The following table provides information on the capital ratios for Webster Financial Corporation and Webster Bank:

**At September 30, 2017**

<i>(Dollars in thousands)</i>	Actual		Minimum Requirement		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>Webster Financial Corporation</i>						
CET1 risk-based capital	\$2,031,955	10.99 %	\$832,149	4.5 %	\$1,201,993	6.5 %
Total risk-based capital	2,436,332	13.17	1,479,376	8.0	1,849,220	10.0
Tier 1 risk-based capital	2,154,665	11.65	1,109,532	6.0	1,479,376	8.0
Tier 1 leverage capital	2,154,665	8.36	1,030,973	4.0	1,288,717	5.0
<i>Webster Bank</i>						
CET1 risk-based capital	\$2,061,764	11.16 %	\$831,319	4.5 %	\$1,200,794	6.5 %
Total risk-based capital	2,266,110	12.27	1,477,900	8.0	1,847,376	10.0
Tier 1 risk-based capital	2,061,764	11.16	1,108,425	6.0	1,477,900	8.0
Tier 1 leverage capital	2,061,764	8.00	1,030,260	4.0	1,287,825	5.0

**At December 31, 2016**

<i>(Dollars in thousands)</i>	Actual		Minimum Requirement		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>Webster Financial Corporation</i>						
CET1 risk-based capital	\$1,932,171	10.52 %	\$826,504	4.5 %	\$1,193,840	6.5 %
Total risk-based capital	2,328,808	12.68	1,469,341	8.0	1,836,677	10.0
Tier 1 risk-based capital	2,054,881	11.19	1,102,006	6.0	1,469,341	8.0
Tier 1 leverage capital	2,054,881	8.13	1,010,857	4.0	1,263,571	5.0
<i>Webster Bank</i>						
CET1 risk-based capital	\$1,945,332	10.61 %	\$825,228	4.5 %	\$1,191,995	6.5 %
Total risk-based capital	2,141,939	11.68	1,467,071	8.0	1,833,839	10.0
Tier 1 risk-based capital	1,945,332	10.61	1,100,304	6.0	1,467,071	8.0
Tier 1 leverage capital	1,945,332	7.70	1,010,005	4.0	1,262,507	5.0

**Dividend Restrictions**

Webster Financial Corporation is dependent upon dividends from Webster Bank to provide funds for its cash requirements, including payments of dividends to shareholders. Banking regulations may limit the amount of

dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of Webster Bank to fall below specified minimum levels, or if dividends declared exceed the net income for that year combined with the undistributed net income for the preceding two years. In addition, the OCC has discretion to prohibit any otherwise permitted capital distribution on general safety and soundness grounds. Dividends paid by Webster Bank to Webster Financial Corporation totaled \$80 million during the nine months ended September 30, 2017 compared to \$115 million during the nine months ended September 30, 2016.

**Cash Restrictions**

Webster Bank is required by Federal Reserve System regulations to hold cash reserve balances on hand or with the Federal Reserve Bank. Pursuant to this requirement, Webster Bank held \$76.7 million and \$58.6 million at September 30, 2017 and December 31, 2016, respectively.

**Table of Contents****Note 11: Earnings Per Common Share**

Reconciliation of the calculation of basic and diluted earnings per common share follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<i>(In thousands, except per share data)</i>				
<b>Earnings for basic and diluted earnings per common share:</b>				
Net income	\$64,496	\$51,817	\$185,546	\$149,467
Less: Preferred stock dividends	2,024	2,024	6,072	6,072
Net income available to common shareholders	62,472	49,793	179,474	143,395
Less: Earnings applicable to participating securities	46	159	212	468
Earnings applicable to common shareholders	\$62,426	\$49,634	\$179,262	\$142,927
<b>Shares:</b>				
Weighted-average common shares outstanding - basic	92,125	91,365	92,003	91,298
Effect of dilutive securities:				
Stock options and restricted stock	372	465	403	452
Warrants	6	27	6	26
Weighted-average common shares outstanding - diluted	92,503	91,857	92,412	91,776
<b>Earnings per common share:</b>				
Basic	\$0.68	\$0.54	\$1.95	\$1.57
Diluted	0.67	0.54	1.94	1.56

Potential common shares excluded from the effect of dilutive securities because they would have been anti-dilutive, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<i>(In thousands)</i>				
Stock options (shares with exercise price greater than market price)	—	172	—	172
Restricted stock (due to performance conditions on non-participating shares)	80	—	61	161



**Table of Contents****Note 12: Derivative Financial Instruments****Risk Management Objective of Using Derivatives**

Webster manages economic risks, such as interest rate, liquidity, and credit risks by managing the amount, sources, and duration of its debt funding in conjunction with the use of interest rate derivative financial instruments. Webster enters into interest rate derivatives to mitigate the exposure related to business activities that result in the future receipt or payment of, both known and uncertain, cash amounts that are impacted by interest rates. The primary objective for using interest rate derivatives is to add stability to interest expense by managing exposure to interest rate movements. To accomplish this objective, Webster uses interest rate swaps and interest rate caps as part of its interest rate risk management strategy.

Interest rate swaps and interest rate caps designated as cash flow hedges are designed to manage the risk associated with a forecasted event or an uncertain variable-rate cash flow. Forward-settle interest rate swaps 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. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for payment of an up-front premium.

Cash flow hedges are used to regulate the variable cash flows associated with existing variable-rate debt and forecasted issuances of debt. Derivative instruments designated as cash flow hedges are recorded on the balance sheet at fair value. The effective portion of the change in fair value of the derivatives which are designated as cash flow hedges, and that qualify for hedge accounting, is recorded to AOCL and is reclassified into earnings in the subsequent periods that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of these derivatives, attributable to the difference in the effective date of the hedge and the effective date of the debt issuance, is recognized directly in earnings. During the periods presented, there was no ineffectiveness to be recognized in earnings.

Certain fixed-rate obligations can be exposed to a change in fair value attributable to changes in benchmark interest rates. On occasion, interest rate swaps will be used to manage this exposure. An interest rate swap which involves the receipt of fixed-rate amounts from a counterparty in exchange for Webster making variable-rate payments over the life of the agreement, without the exchange of the underlying notional amount, is designated as a fair value hedge. For a qualifying derivative designated as a fair value hedge, the gain or loss on the derivative, as well as the gain or loss on the hedged item, is recognized in interest expense. During the periods presented, Webster did not have any interest rate derivative financial instruments designated as fair value hedges and as a result, there was no impact to interest expense.

Additionally, in order to address certain other risk management matters, the Company also utilizes derivative instruments that do not qualify for hedge accounting. These derivative instruments, which are recorded on the balance sheet at fair value, with changes in fair value recognized each period as other non-interest income in the accompanying Condensed Consolidated Statements of Income, are described in the following paragraphs.

Interest rate swap and cap contracts are sold to commercial and other customers who wish to modify loan interest rate sensitivity. These contracts are offset with dealer counterparty transactions structured with matching terms. As a result, there is minimal impact on earnings, except for fee income earned in such transactions.

RPAs are entered into as financial guarantees of performance on interest rate swap derivatives. The purchased (asset) or sold (liability) guarantee allows the Company to participate-in (fee received) or participate-out (fee paid) the risk associated with certain derivative positions executed with the borrower by the lead bank in a loan syndication. Other derivatives include foreign currency forward contracts related to lending arrangements, a VISA equity swap transaction, and mortgage banking derivatives such as mortgage-backed securities related to residential loan commitments and loans held for sale. Mortgage banking derivatives are utilized by Webster in its efforts to manage risk of loss associated with its mortgage loan commitments and mortgage loans held for sale. Prior to closing and funding certain single-family residential mortgage loans interest rate lock commitments are generally extended to the borrowers. During the period from commitment date to closing date, Webster is subject to the risk that market rates of

interest may change. If market rates rise, investors generally will pay less to purchase such loans causing a reduction in the anticipated gain on sale of the loans, or possibly resulting in a loss. In an effort to mitigate such risk, forward delivery sales commitments are established under which Webster agrees to deliver whole mortgage loans to various investors or issue mortgage-backed securities. Mandatory forward commitments establish the price to be received upon the sale of the related mortgage loan, thereby mitigating certain interest rate risk. There is, however, still certain execution risk specifically related to Webster's ability to close and deliver to its investors the mortgage loans it has committed to sell.

**Table of Contents****Fair Value of Derivative Instruments**

The following table presents the notional amounts and fair values of derivative positions:

	At September 30, 2017				At December 31, 2016			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
	Notional Amounts	Fair Value	Notional Amounts	Fair Value	Notional Amounts	Fair Value	Notional Amounts	Fair Value
<i>(In thousands)</i>								
<b>Designated as hedging instruments:</b>								
Positions subject to a master netting agreement <sup>(1)</sup>								
Interest rate derivatives	\$ 225,000	\$ 1,972	\$ 100,000	\$ 195	\$ 225,000	\$ 3,270	\$ 100,000	\$ 792
<b>Not designated as hedging instruments:</b>								
Positions subject to a master netting agreement <sup>(1)</sup>								
Interest rate derivatives	2,270,444	4,225	1,125,953	3,224	1,943,485	32,226	1,242,937	24,388
Other	8,595	260	22,161	419	10,634	231	14,265	120
Positions not subject to a master netting agreement								
Interest rate derivatives	1,738,527	35,065	1,652,004	15,764	1,734,679	38,668	1,451,762	19,001
RPAs	94,103	112	99,538	136	86,037	139	87,273	166
Mortgage banking derivatives <sup>(2)</sup>	42,290	614	60,698	128	103,440	3,084	59,895	711
Other	262	2	1,777	157	1,438	19	181	11
Total not designated as hedging instruments	4,154,221	40,278	2,962,131	19,828	3,879,713	74,367	2,856,313	44,397
Gross derivative instruments, before netting	\$ 4,379,221	\$ 42,250	\$ 3,062,131	\$ 20,023	\$ 4,104,713	\$ 77,637	\$ 2,956,313	\$ 45,189
Less: Legally enforceable master netting agreements		2,915		2,916		24,252		24,254
Less: Cash collateral posted		2,540		766		11,475		600
Total derivative instruments, after netting		\$ 36,795		\$ 16,341		\$ 41,910		\$ 20,335

*One of Webster's counterparty relationships was impacted by a Chicago Mercantile Exchange rulebook amendment, resulting in the (1) presentation of that relationship on a settlement basis, as a single unit of account at September 30, 2017, versus a netting basis at December 31, 2016.*

*(2) Notional amounts include mandatory forward commitments of \$60.5 million, while notional amounts do not include approved floating rate commitments of \$21.9 million, at September 30, 2017.*

**Changes in Fair Value**

Changes in the fair value of derivatives not qualifying for hedge accounting treatment were recognized as follows:

	Three months ended September 30, 2017		Nine months ended September 30, 2016	
	2017	2016	2017	2016
	<i>(In thousands)</i>			
Interest rate derivatives	\$ 1,501	\$ 608	\$ 1,780	\$ 6,515
RPAs	51	110	157	(143 )
Mortgage banking derivatives	(219 )	720	(1,886 )	357
Other	(7 )	(285 )	(634 )	(582 )
Total impact on other non-interest income	\$ 1,326	\$ 1,153	\$ (583 )	\$ 6,147

Amounts for the effective portion of changes in the fair value of derivatives qualifying for hedge accounting treatment are reclassified to interest expense as interest payments are made on Webster's variable-rate debt. Over the next twelve months, the Company estimates that \$1.2 million will be reclassified from AOCL as an increase to interest expense. Webster records gains and losses related to hedge terminations to AOCL. These balances are subsequently amortized into interest expense over the respective terms of the hedged debt instruments. At September 30, 2017, the remaining unamortized loss on the termination of cash flow hedges is \$16.5 million. Over the next twelve months, the Company estimates that \$6.4 million will be reclassified from AOCL as an increase to interest expense.

Additional information about cash flow hedge activity impacting AOCL, and the related amounts reclassified to interest expense is provided in Note 9: Accumulated Other Comprehensive Loss, Net of Tax. Information about the valuation methods used to measure the fair value of derivatives is provided in Note 13: Fair Value Measurements.



**Table of Contents****Offsetting Derivatives**

Webster has entered into transactions with counterparties that are subject to a legally enforceable master netting agreement. Derivatives subject to a legally enforceable master netting agreement are reported on a net basis, net of cash collateral. Net gain positions are recorded as assets and are included in accrued interest receivable and other assets, while, net loss positions are recorded as liabilities and are included in accrued expenses and other liabilities, in the accompanying Condensed Consolidated Balance Sheets.

The following table is presented on a gross basis, prior to the application of counterparty netting agreements:

<i>(In thousands)</i>	At September 30, 2017				At December 31, 2016			
	Gross Amount	Relationship Offset	Cash Collateral Offset	Net Amount	Gross Amount	Relationship Offset	Cash Collateral Offset	Net Amount
<b>Derivative instrument gains:</b>								
Hedge accounting	\$ 1,972	\$ 292	\$ 1,051	\$ 629	\$ 3,270	\$ 2,335	\$ 935	\$ —
Non-hedge accounting	4,452	2,623	1,489	340	32,457	21,917	10,540	—
Total assets	\$ 6,424	\$ 2,915	\$ 2,540	\$ 969	\$ 35,727	\$ 24,252	\$ 11,475	\$ —
<b>Derivative instrument losses:</b>								
Hedge accounting	\$ 195	\$ 195	\$ —	\$ —	\$ 792	\$ 792	\$ —	\$ —
Non-hedge accounting	3,643	2,721	766	156	24,508	23,462	600	446
Total liabilities	\$ 3,838	\$ 2,916	\$ 766	\$ 156	\$ 25,300	\$ 24,254	\$ 600	\$ 446

**Counterparty Credit Risk**

Use of derivative contracts may expose the bank to counterparty credit risk. The Company has ISDA master agreements, including a Credit Support Annex, with all derivative counterparties. The ISDA master agreements provide that on each payment date, all amounts otherwise owing the same currency under the same transaction are netted so that only a single amount is owed in that currency. The ISDA provides, if the parties so elect, for such netting of amounts in the same currency among all transactions identified as being subject to such election that have common payment dates and booking offices. Under the Credit Support Annex, daily net exposure in excess of a negotiated threshold is secured by posted cash collateral. The Company has negotiated a zero threshold with the majority of its approved financial institution counterparties. In accordance with Webster policies, institutional counterparties must be analyzed and approved through the Company's credit approval process.

The Company's credit exposure on interest rate derivatives with non-dealer counterparties is limited to the net favorable value, including accrued interest, of all such instruments, reduced by the amount of collateral pledged by the counterparties. The Company's credit exposure related to derivatives with dealer counterparties is significantly mitigated with cash collateral equal to, or in excess of, the market value of the instrument updated daily.

In accordance with counterparty credit agreements and derivative clearing rules, the Company had approximately \$20.7 million in net margin collateral posted with financial counterparties at September 30, 2017, comprised of \$30.5 million in initial margin and \$9.8 million in variation margin collateral received from financial counterparties or the derivative clearing organization. Collateral levels for approved financial institution counterparties are monitored daily and adjusted as necessary. In the event of default, should the collateral not be returned, the exposure would be offset by terminating the transaction.

The Company regularly evaluates the credit risk of its counterparties, taking into account the likelihood of default, net exposures, and remaining contractual life, among other related factors. The Company's net current credit exposure relating to interest rate derivatives with Webster Bank customers was \$35.1 million at September 30, 2017. In addition, the Company monitors potential future exposure, representing its best estimate of exposure to remaining contractual maturity. The potential future exposure relating to interest rate derivatives with Webster Bank customers totaled \$27.7 million at September 30, 2017. Credit risk exposure is mitigated as transactions with customers are generally secured by the same collateral of the underlying transactions being hedged.



**Table of Contents****Note 13: Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined using quoted market prices. However, in many instances, quoted market prices are not available. In such instances, fair values are determined using appropriate valuation techniques. Various assumptions and observable inputs must be relied upon in applying these techniques. Accordingly, categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As such, the fair value estimates may not be realized in an immediate transfer of the respective asset or liability.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings or any part of a particular financial instrument. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These factors are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**Fair Value Hierarchy**

The three levels within the fair value hierarchy are as follows:

**Level 1:** Valuation is based upon unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2:** Fair value is calculated using significant inputs other than quoted market prices that are directly or indirectly observable for the asset or liability. The valuation may rely on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit ratings, etc.), or inputs that are derived principally or corroborated by market data, by correlation, or other means.

**Level 3:** Inputs for determining the fair value of the respective assets or liabilities are not observable. Level 3 valuations are reliant upon pricing models and techniques that require significant management judgment or estimation.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

**Available-for-Sale Investment Securities.** When quoted prices are available in an active market, the Company classifies investment securities within Level 1 of the valuation hierarchy. U.S. Treasury Bills are classified within Level 1 of the fair value hierarchy.

When quoted market prices are not available, the Company employs an independent pricing service that utilizes matrix pricing to calculate fair value. Such fair value measurements consider observable data such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and respective terms and conditions for debt instruments. Management maintains procedures to monitor the pricing service's assumptions and establishes processes to challenge the pricing service's valuations that appear unusual or unexpected. Available-for-Sale investment securities which include Agency CMO, Agency MBS, Agency CMBS, CMBS, CLO, trust preferred, and corporate debt, are classified within Level 2 of the fair value hierarchy.

**Derivative Instruments.** Foreign exchange contracts are valued based on unadjusted quoted prices in active markets and classified within Level 1 of the fair value hierarchy. Derivative instruments are valued using third-party valuation software, which considers the present value of cash flows discounted using observable forward rate assumptions. The Chicago Mercantile Exchange have amended their rulebooks to legally characterize variation margin payments for over-the-counter derivatives that clear as settlements rather than collateral, effective January 3, 2017. One of Webster's counterparty relationships was impacted by this change, resulting in the fair value of the instrument including cash collateral as a single unit of account.

The resulting fair values are validated against valuations performed by independent third parties and are classified within Level 2 of the fair value hierarchy. In determining if any fair value adjustment related to credit risk is required, Webster evaluates the credit risk of its counterparties by considering factors such as the likelihood of default by the

counterparties, its net exposures, the remaining contractual life, as well as the amount of collateral securing the position. Webster reviews its counterparty exposure on a regular basis, and, when necessary, appropriate business actions are taken to adjust the exposure. When determining fair value, Webster applies the portfolio exception with respect to measuring counterparty credit risk for all of its derivative transactions subject to a master netting arrangement. The change in value of derivative assets and liabilities attributable to credit risk was not significant during the reported periods.



## **Table of Contents**

***Mortgage Banking Derivatives.*** Forward sales of mortgage loans and mortgage-backed securities are utilized by the Company in its efforts to manage risk of loss associated with its mortgage loan commitments and mortgage loans held for sale. Prior to closing and funding certain single-family residential mortgage loans, an interest rate lock commitment is generally extended to the borrower. During the period from commitment date to closing date, the Company is subject to the risk that market rates of interest may change. If market rates rise, investors generally will pay less to purchase such loans resulting in a reduction in the gain on sale of the loans or, possibly, a loss. In an effort to mitigate such risk, forward delivery sales commitments are established, under which the Company agrees to deliver whole mortgage loans to various investors or issue mortgage-backed securities. The fair value of mortgage banking derivatives is determined based on current market prices for similar assets in the secondary market and, therefore, classified within Level 2 of the fair value hierarchy.

***Investments Held in Rabbi Trust.*** Investments held in the Rabbi Trust primarily include mutual funds that invest in equity and fixed income securities. Shares of mutual funds are valued based on net asset value, which represents quoted market prices for the underlying shares held in the mutual funds. Therefore, investments held in the Rabbi Trust are classified within Level 1 of the fair value hierarchy. Webster has elected to measure the investments held in the Rabbi Trust at fair value. The cost basis of the investments held in the Rabbi Trust is \$2.9 million at September 30, 2017.

***Alternative Investments.*** Alternative investments are non-public entities that cannot be redeemed since the Company's investment is distributed as the underlying equity is liquidated. Alternative investments in which the ownership percentage is greater than 3% are fair valued on a recurring basis based upon the net asset value of the respective fund. Alternative investments in which the ownership percentage is less than 3% are fair valued on a non-recurring basis. These alternative investments are recorded at cost, subject to impairment testing. Both recurring and non-recurring alternative investments are classified within Level 3 of the fair value hierarchy, as they are non-public entities that cannot be redeemed since the Company's investment is distributed as the underlying investments are liquidated. At September 30, 2017, the alternative investments book value was \$17.3 million and there was \$9.4 million in remaining unfunded commitments.

***Originated Loans Held For Sale.*** Residential mortgage loans typically are classified as held for sale upon origination based on management's intent to sell such loans. The Company generally records residential mortgage loans held for sale under the fair value option of ASC 825 "*Financial Instruments*". The fair value of residential mortgage loans held for sale is based on quoted market prices of similar loans sold in conjunction with securitization transactions. Accordingly, such loans are classified within Level 2 of the fair value hierarchy.

**Table of Contents**

Summaries of the fair values of assets and liabilities measured at fair value on a recurring basis are as follows:

<i>(In thousands)</i>	<b>At September 30, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets held at fair value:</b>				
U.S. Treasury Bills	\$3,596	\$—	\$—	\$3,596
Agency CMO	—	331,798	—	331,798
Agency MBS	—	912,977	—	912,977
Agency CMBS	—	584,960	—	584,960
CMBS	—	403,433	—	403,433
CLO	—	274,583	—	274,583
Trust preferred	—	30,937	—	30,937
Corporate debt	—	48,878	—	48,878
Total available-for-sale investment securities	3,596	2,587,566	—	2,591,162
Gross derivative instruments, before netting <sup>(1)</sup>	262	41,988	—	42,250
Investments held in Rabbi Trust	5,278	—	—	5,278
Alternative investments	—	—	6,986	6,986
Originated loans held for sale	—	32,855	—	32,855
Total financial assets held at fair value	\$9,136	\$2,662,409	\$6,986	\$2,678,531

**Financial liabilities held at fair value:**

Gross derivative instruments, before netting <sup>(1)</sup>	\$562	\$19,461	\$—	\$20,023
---	-------	----------	-----	----------

<i>(In thousands)</i>	<b>At December 31, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets held at fair value:</b>				
U.S. Treasury Bills	\$734	\$—	\$—	\$734
Agency CMO	—	419,706	—	419,706
Agency MBS	—	954,349	—	954,349
Agency CMBS	—	573,272	—	573,272
CMBS	—	477,365	—	477,365
CLO	—	427,390	—	427,390
Trust preferred	—	28,633	—	28,633
Corporate debt	—	109,642	—	109,642
Total available-for-sale investment securities	734	2,990,357	—	2,991,091
Gross derivative instruments, before netting <sup>(1)</sup>	250	77,387	—	77,637
Investments held in Rabbi Trust	5,119	—	—	5,119
Alternative investments	—	—	5,502	5,502
Originated loans held for sale	—	60,260	—	60,260
Total financial assets held at fair value	\$6,103	\$3,128,004	\$5,502	\$3,139,609

**Financial liabilities held at fair value:**

Gross derivative instruments, before netting <sup>(1)</sup>	\$120	\$45,069	\$—	\$45,189
---	-------	----------	-----	----------

<sup>(1)</sup> For information relating to the impact of netting derivative assets and derivative liabilities as well as the impact from offsetting cash collateral paid to the same derivative counterparties see Note 12: Derivative Financial Instruments.

The following table presents the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis:

<i>(In thousands)</i>	<b>Alternative Investments</b>
Balance at January 1, 2017	\$ 5,502
Unrealized gain included in net income	639
Purchases/capital funding	899
Payments	(54 )
Balance at September 30, 2017	\$ 6,986



**Table of Contents****Assets Measured at Fair Value on a Non-Recurring Basis**

Certain assets are measured at fair value on a non-recurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The following is a description of valuation methodologies used for assets measured on a non-recurring basis.

**Transferred Loans Held For Sale.** Certain loans are transferred to loans held for sale once a decision has been made to sell such loans. These loans are accounted for at the lower of cost or market and are considered to be recognized at fair value when they are recorded at below cost. This activity is primarily commercial loans with observable inputs and is classified within Level 2. On the occasion should these loans include adjustments for changes in loan characteristics using unobservable inputs, the loans would be classified within Level 3.

**Collateral Dependent Impaired Loans and Leases.** Impaired loans and leases for which repayment is expected to be provided solely by the value of the underlying collateral are considered collateral dependent and are valued based on the estimated fair value of such collateral using customized discounting criteria. As such, collateral dependent impaired loans and leases are classified as Level 3 of the fair value hierarchy.

**Other Real Estate Owned and Repossessed Assets.** The total book value of OREO and repossessed assets was \$5.3 million at September 30, 2017. OREO and repossessed assets are accounted for at the lower of cost or market and are considered to be recognized at fair value when they are recorded at below cost. The fair value of OREO is based on independent appraisals or internal valuation methods, less estimated selling costs. The valuation may consider available pricing guides, auction results, and price opinions. Certain assets require assumptions about factors that are not observable in an active market in the determination of fair value; as such, OREO and repossessed assets are classified within Level 3 of the fair value hierarchy.

The table below presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis as of September 30, 2017:

*(Dollars in thousands)*

Asset	Fair Value	Valuation Methodology	Unobservable Inputs	Range of Inputs
Collateral dependent impaired loans and leases	\$15,955	Real Estate Appraisals	Discount for appraisal type	0% - 20%
			Discount for costs to sell	0% - 15%
OREO	\$2,587	Real Estate Appraisals	Discount for appraisal type	0% - 20%
			Discount for costs to sell	8%

**Fair Value of Financial Instruments and Servicing Assets**

The Company is required to disclose the estimated fair value of financial instruments, both assets and liabilities, for which it is practicable to estimate fair value. The following is a description of valuation methodologies used for those assets and liabilities.

**Cash, Due from Banks, and Interest-bearing Deposits.** The carrying amount of cash, due from banks, and interest-bearing deposits is used to approximate fair value, given the short time frame to maturity and, as such, these assets do not present unanticipated credit concerns. Cash, due from banks, and interest-bearing deposits are classified within Level 1 of the fair value hierarchy.

**Held-to-Maturity Investment Securities.** When quoted market prices are not available, the Company employs an independent pricing service that utilizes matrix pricing to calculate fair value. Such fair value measurements consider observable data such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and respective terms and conditions for debt instruments. Management maintains procedures to monitor the pricing service's assumptions and establishes processes to challenge the pricing service's valuations that appear unusual or unexpected. Held-to-Maturity investment securities, which include Agency CMO, Agency MBS, Agency CMBS, CMBS, municipal bonds and notes, and private label MBS securities, are classified within Level 2 of the fair value hierarchy.

**Loans and Leases, net.** The estimated fair value of loans and leases held for investment is calculated using a discounted cash flow method, using future prepayments and market interest rates inclusive of an illiquidity premium

for comparable loans and leases. The associated cash flows are adjusted for credit and other potential losses. Fair value for impaired loans and leases is estimated using the net present value of the expected cash flows. Loans and leases are classified within Level 3 of the fair value hierarchy.

**Deposit Liabilities.** The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. Deposit liabilities are classified within Level 2 of the fair value hierarchy.

**Time Deposits.** The fair value of a fixed-maturity certificate of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. Time deposits are classified within Level 2 of the fair value hierarchy.

**Table of Contents**

**Securities Sold Under Agreements to Repurchase and Other Borrowings.** The carrying value is an estimate of fair value for those securities sold under agreements to repurchase and other borrowings that mature within 90 days. The fair values of all other borrowings are estimated using discounted cash flow analysis based on current market rates adjusted, as appropriate, for associated credit risks. Securities sold under agreements to repurchase and other borrowings are classified within Level 2 of the fair value hierarchy.

**Federal Home Loan Bank Advances and Long-Term Debt.** The fair value of FHLB advances and long-term debt is estimated using a discounted cash flow technique. Discount rates are matched with the time period of the expected cash flow and are adjusted, as appropriate, to reflect credit risk. FHLB advances and long-term debt are classified within Level 2 of the fair value hierarchy.

**Mortgage Servicing Assets.** Mortgage servicing assets are accounted for at cost, subject to impairment testing. Mortgage servicing assets are considered to be recognized at fair value when they are recorded at below cost. Changes in fair value are included as a component of other non-interest income in the accompanying Condensed Consolidated Statements of Income. Fair value is calculated as the present value of estimated future net servicing income and relies on market based assumptions for loan prepayment speeds, servicing costs, discount rates, and other economic factors; as such, the primary risk inherent in valuing mortgage servicing assets is the impact of fluctuating interest rates on the servicing revenue stream. Mortgage servicing assets are classified within Level 3 of the fair value hierarchy.

The estimated fair values of selected financial instruments and servicing assets are as follows:

	At September 30, 2017		At December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(In thousands)</i>				
<b>Assets:</b>				
Level 2				
Held-to-maturity investment securities	\$4,497,311	\$4,481,675	\$4,160,658	\$4,125,125
Transferred loans held for sale	—	—	7,317	7,444
Level 3				
Loans and leases, net	17,244,618	17,155,002	16,832,268	16,678,106
Mortgage servicing assets	25,140	44,992	24,466	52,075
Alternative investments	10,296	12,539	11,034	13,189
<b>Liabilities:</b>				
Level 2				
Deposit liabilities	\$18,636,744	\$18,636,744	\$17,279,049	\$17,279,049
Time deposits	2,218,491	2,213,155	2,024,808	2,024,395
Securities sold under agreements to repurchase and other borrowings	902,902	905,249	949,526	955,660
FHLB advances <sup>(1)</sup>	1,507,681	1,512,203	2,842,908	2,825,101
Long-term debt <sup>(1)</sup>	225,704	235,686	225,514	225,514

*(1) The following adjustments to the carrying amount are not included for determination of fair value, see Note 8: Borrowings:*

- *FHLB advances - unamortized premiums on advances*
- *Long-term debt - unamortized discount and debt issuance cost on senior fixed-rate notes*

**Table of Contents****Note 14: Retirement Benefit Plans****Defined benefit pension and other postretirement benefits**

The following table summarizes the components of net periodic benefit cost:

	Three months ended September 30,					
	2017			2016		
<i>(In thousands)</i>	Pension Plan	SERP	Other Benefits	Pension Plan	SERP	Other Benefits
Service cost	\$12	\$—	\$—	\$11	\$—	\$—
Interest cost on benefit obligations	1,829	96	19	2,110	98	32
Expected return on plan assets	(3,074)	—	—	(3,067)	—	—
Amortization of prior service cost	—	—	—	—	—	4
Recognized net loss	1,466	136	(15)	1,666	106	8
Net periodic benefit cost	\$233	\$232	\$4	\$720	\$204	\$44

  

	Nine months ended September 30,					
	2017			2016		
<i>(In thousands)</i>	Pension Plan	SERP	Other Benefits	Pension Plan	SERP	Other Benefits
Service cost	\$37	\$—	\$—	\$34	\$—	\$—
Interest cost on benefit obligations	5,486	281	69	6,331	292	94
Expected return on plan assets	(9,222)	—	—	(8,596)	—	—
Amortization of prior service cost	—	—	—	—	—	11
Recognized net loss	4,398	561	—	4,998	319	26
Net periodic benefit cost	\$699	\$842	\$69	\$2,767	\$611	\$131

**Table of Contents****Note 15: Share-Based Plans****Stock compensation plans**

Webster maintains stock compensation plans under which non-qualified stock options, incentive stock options, restricted stock, restricted stock units, or stock appreciation rights may be granted to employees and directors. The Company believes these share awards better align the interests of its employees with those of its shareholders. Stock compensation cost is recognized over the required service vesting period for the awards, based on the grant-date fair value, net of estimated forfeitures, and is included as a component of compensation and benefits reflected in non-interest expense.

The following table provides a summary of stock compensation expense recognized in the accompanying Condensed Consolidated Statements of Income:

<i>(In thousands)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Stock options	\$—	\$—	\$—	\$43
Restricted stock	3,007	2,944	9,050	8,515
Total stock compensation expense	\$3,007	\$2,944	\$9,050	\$8,558

At September 30, 2017 there was \$16.7 million of unrecognized stock compensation expense for restricted stock expected to be recognized over a weighted-average period of 2.0 years.

The following table provides a summary of the stock compensation plans activity for the nine months ended September 30, 2017:

	Restricted Stock Awards Outstanding				Stock Options Outstanding			
	Time-Based		Performance-Based		Time-Based		Performance-Based	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Exercise Price
Outstanding, at January 1, 2017	253,361	\$ 32.24	2,158	\$ 32.89	116,184	\$ 33.62	1,072,974	\$ 21.24
Granted	164,953	54.79	8,129	56.07	89,581	56.18	—	—
Exercised options	—	—	—	—	—	—	279,344	25.80
Vested restricted stock awards <sup>(1)</sup>	155,390	36.36	6,900	48.82	87,982	40.74	—	—
Forfeited	14,586	36.44	—	—	6,276	42.72	—	—
Outstanding and exercisable, at September 30, 2017	248,338	\$ 43.96	3,387	\$ 56.07	111,507	\$ 45.61	793,630	\$ 19.63

*(1) Vested for purposes of recording compensation expense.*

**Time-based restricted stock.** Time-based restricted stock awards vest over the applicable service period ranging from 1 to 5 years. The number of time-based awards that may be granted to an eligible individual in a calendar year is limited to 100,000 shares. Compensation expense is recorded over the vesting period based on a fair value, which is measured using the Company's common stock closing price at the date of grant.

**Performance-based restricted stock.** Performance-based restricted stock awards vest after a 3 year performance period. The awards vest with a share quantity dependent on that performance, in a range from 0 to 150%. The performance criteria for 50% of the shares granted in 2017 is based upon Webster's ranking for total shareholder return versus Webster's compensation peer group companies and the remaining 50% is based upon Webster's average of return on equity during the three year vesting period. The compensation peer group companies are utilized because they represent the financial institutions that best compare with Webster. The Company records compensation expense over the vesting period, based on a fair value calculated using the Monte-Carlo simulation model, which allows for the incorporation of the performance condition for the 50% of the performance-based shares tied to total shareholder return versus the compensation peer group, and based on a fair value of the market price on the date of grant for the remaining 50% of the performance-based shares tied to Webster's return on equity. 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 options.** Stock option awards have an exercise price equal to the market price of Webster Financial Corporation's stock on the date of grant. Each option grants the holder the right to acquire a share of Webster Financial Corporation common stock over a contractual life of up to 10 years. All awarded options have vested. There were 735,785 non-qualified stock options and 57,845 incentive stock options outstanding at September 30, 2017.

## **Table of Contents**

### **Note 16: Segment Reporting**

Webster's operations are organized into three reportable segments that represent its primary businesses - Commercial Banking, Community Banking and HSA Bank. 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 the amounts required to reconcile profitability metrics to amounts reported in accordance with GAAP, are included in the Corporate and Reconciling category.

#### ***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 Funds Transfer Pricing. 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 ALCO.

Webster allocates the provision for loan and lease losses to each segment based on management's estimate of the inherent loss content in each of the specific loan and lease portfolios. Provision expense for certain elements of risk that are not deemed specifically attributable to a reportable segment, such as the provision for the consumer liquidating portfolio, is shown as part of the Corporate and Reconciling category.

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. Income tax expense is allocated to each reportable segment based on the consolidated effective income tax rate for the period shown.

#### ***Segment Reporting Modifications***

The 2016 segment results have been adjusted for comparability to the 2017 segment presentation for the following changes.

To further strengthen Webster's ability to deliver the totality of its products and services to the owners and executives of commercial clients and other high net worth individuals, an organizational change was made during the second quarter of 2017. Effective April 1, 2017, the head of Private Banking reports directly to the head of Commercial Banking. The current organizational structure reflects how executive management responsibilities are assigned and reviewed. As a result of this change, the Private Banking and Commercial Banking operating segments are aggregated into one reportable segment, Commercial Banking.

In late 2007 Webster discontinued its indirect residential construction lending and its indirect home equity lending outside of its primary New England market area referred to as National Wholesale Lending. Webster placed these two portfolios into a liquidating loan portfolio included within the Corporate and Reconciling category. The balance of the home equity liquidating loan portfolio was \$65.0 million at December 31, 2016. As the remainder of this portfolio has been performing in the same manner as the continuing home equity portfolio, management has decided to combine the liquidating loan portfolio with the continuing home equity loan portfolio. The combined portfolio is included in the Community Banking reportable segment.

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

The following table presents total assets for Webster's reportable segments and the Corporate and Reconciling category:

<i>(In thousands)</i>	<b>Total Assets</b>				
	<b>Commercial Banking</b>	<b>Community Banking</b>	<b>HSA Bank</b>	<b>Corporate and Reconciling</b>	<b>Consolidated Total</b>
At September 30, 2017	\$9,428,676	\$8,881,322	\$76,090	\$7,964,094	\$26,350,182
At December 31, 2016	9,069,445	8,721,046	83,987	8,198,051	26,072,529

37

---

**Table of Contents**

The following tables present the operating results, including all appropriate allocations, for Webster's reportable segments and the Corporate and Reconciling category:

<i>(In thousands)</i>	<b>Three months ended September 30, 2017</b>				
	<b>Commercial Banking</b>	<b>Community Banking</b>	<b>HSA Bank</b>	<b>Corporate and Reconciling</b>	<b>Consolidated Total</b>
Net interest income (expense)	\$81,925	\$96,859	\$26,713	\$(4,593)	\$200,904
Provision (benefit) for loan and lease losses	12,073	(1,923)	—	—	10,150
Net interest income (expense) after provision for loan and lease losses	69,852	98,782	26,713	(4,593)	190,754
Non-interest income	13,207	27,079	19,371	6,189	65,846
Non-interest expense	38,339	92,478	27,222	3,784	161,823
Income (loss) before income tax expense	44,720	33,383	18,862	(2,188)	94,777
Income tax expense (benefit)	14,363	10,605	6,006	(693)	30,281
Net income (loss)	\$30,357	\$22,778	\$12,856	\$(1,495)	\$64,496

<i>(In thousands)</i>	<b>Three months ended September 30, 2016</b>				
	<b>Commercial Banking</b>	<b>Community Banking</b>	<b>HSA Bank</b>	<b>Corporate and Reconciling</b>	<b>Consolidated Total</b>
Net interest income (expense)	\$74,265	\$91,995	\$20,560	\$(6,623)	\$180,197
Provision for loan and lease losses	7,876	6,374	—	—	14,250
Net interest income (expense) after provision for loan and lease losses	66,389	85,621	20,560	(6,623)	165,947
Non-interest income	15,916	29,130	16,900	4,466	66,412
Non-interest expense	35,793	92,508	23,021	4,775	156,097
Income (loss) before income tax expense	46,512	22,243	14,439	(6,932)	76,262
Income tax expense (benefit)	14,957	7,122	4,624	(2,258)	24,445
Net income (loss)	\$31,555	\$15,121	\$9,815	\$(4,674)	\$51,817

<i>(In thousands)</i>	<b>Nine months ended September 30, 2017</b>				
	<b>Commercial Banking</b>	<b>Community Banking</b>	<b>HSA Bank</b>	<b>Corporate and Reconciling</b>	<b>Consolidated Total</b>
Net interest income (expense)	\$239,118	\$286,351	\$76,339	\$(10,453)	\$591,355
Provision for loan and lease losses	29,562	(1,662)	—	—	27,900
Net interest income (expense) after provision for loan and lease losses	209,556	288,013	76,339	(10,453)	563,455
Non-interest income	39,163	80,516	58,392	15,368	193,439
Non-interest expense	113,767	281,979	84,211	10,069	490,026
Income (loss) before income tax expense	134,952	86,550	50,520	(5,154)	266,868
Income tax expense (benefit)	41,125	26,374	15,395	(1,572)	81,322
Net income (loss)	\$93,827	\$60,176	\$35,125	\$(3,582)	\$185,546

<i>(In thousands)</i>	<b>Nine months ended September 30, 2016</b>				
	<b>Commercial Banking</b>	<b>Community Banking</b>	<b>HSA Bank</b>	<b>Corporate and Reconciling</b>	<b>Consolidated Total</b>
Net interest income (expense)	\$211,422	\$274,186	\$60,484	\$(12,838)	\$533,254
Provision for loan and lease losses	29,765	14,085	—	—	43,850
Net interest income (expense) after provision for loan and lease losses	181,657	260,101	60,484	(12,838)	489,404
Non-interest income	41,819	83,248	54,969	13,825	193,861
Non-interest expense	103,336	276,045	71,966	9,973	461,320
Income (loss) before income tax expense	120,140	67,304	43,487	(8,986)	221,945
Income tax expense (benefit)	39,233	21,979	14,201	(2,935)	72,478
Net income (loss)	\$80,907	\$45,325	\$29,286	\$(6,051)	\$149,467

**Table of Contents****Note 17: Commitments and Contingencies****Credit-Related Financial Instruments**

The Company offers credit-related financial instruments in the normal course of business to meet certain financing needs of its customers, that involve off-balance sheet risk. These transactions may include an unused commitment to extend credit, standby letter of credit, or commercial letter of credit. Such transactions involve, to varying degrees, elements of credit risk.

The following table summarizes the outstanding amounts of credit-related financial instruments with off-balance sheet risk:

<i>(In thousands)</i>	At September 30, 2017	At December 31, 2016
Commitments to extend credit	\$ 5,043,151	\$ 5,224,280
Standby letter of credit	159,485	128,985
Commercial letter of credit	42,007	46,497
Total credit-related financial instruments with off-balance sheet risk	\$ 5,244,643	\$ 5,399,762

**Commitments to Extend Credit.** The Company makes commitments under various terms to lend funds to customers at a future point in time. These commitments include revolving credit arrangements, term loan commitments, and short-term borrowing agreements. Most of these loans have fixed expiration dates or other termination clauses where a fee may be required. Since commitments routinely expire without being funded, or after required availability of collateral occurs, the total commitment amount does not necessarily represent future liquidity requirements.

**Standby Letter of Credit.** A standby letter of credit commits the Company to make payments on behalf of customers if certain specified future events occur. The Company has recourse against the customer for any amount required to be paid to a third party under a standby letter of credit, which is often part of a larger credit agreement under which security is provided. Historically, a large percentage of standby letters of credit expire without being funded. The contractual amount of a standby letter of credit represents the maximum amount of potential future payments the Company could be required to make, and is the Company's maximum credit risk.

**Commercial Letter of Credit.** A commercial letter of credit is issued to facilitate either domestic or foreign trade arrangements for customers. As a general rule, drafts are committed to be drawn when the goods underlying the transaction are in transit. Similar to a standby letter of credit, a commercial letter of credit is often secured by an underlying security agreement including the assets or inventory to which they relate.

These commitments subject the Company to potential exposure in excess of the amounts recorded in the financial statements, and therefore, management maintains a specific reserve for unfunded credit commitments. This reserve is reported as a component of accrued expenses and other liabilities in the accompanying Condensed Consolidated Balance Sheets.

The following table provides a summary of activity in the reserve for unfunded credit commitments:

<i>(In thousands)</i>	Three months ended September 30, 2017		Nine months ended September 30, 2016	
Beginning balance	\$2,544	\$2,319	\$2,287	\$2,119
Provision charged to expense	—	172	257	372
Ending balance	\$2,544	\$2,491	\$2,544	\$2,491

**Litigation**

Webster is involved in routine legal proceedings occurring in the ordinary course of business and is subject to loss contingencies related to such litigation and claims arising therefrom. Webster evaluates these contingencies based on information currently available, including advice of counsel and assessment of available insurance coverage. Webster establishes an accrual for litigation and claims when a loss contingency is considered probable and the related amount is reasonably estimable. This accrual is periodically reviewed and may be adjusted as circumstances change. Webster

also estimates certain loss contingencies for possible litigation and claims, whether or not there is an accrued probable loss. Webster believes it has defenses to all the claims asserted against it in existing litigation matters and intends to defend itself in all matters.

Based upon its current knowledge, after consultation with counsel and after taking into consideration its current litigation accrual, Webster believes that at September 30, 2017 any reasonably possible losses, in addition to amounts accrued, are not material to Webster's consolidated financial condition. However, in light of the uncertainties involved in such actions and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the amounts currently accrued by Webster or that the Company's litigation accrual will not need to be adjusted in future periods. Such an outcome could be material to the Company's operating results in a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of the Company's income for that period.

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, for the year ended December 31, 2016, included in its 2016 Form 10-K, and in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in Item 1 of this report. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results for the full year ending December 31, 2017, or any future period.

**Application of Critical Accounting Policies and Accounting Estimates**

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in its 2016 Form 10-K. Modifications to significant accounting policies made during the year are described in Note 1 to the Condensed Consolidated Financial Statements included in Item 1 of this report. The preparation of the Condensed Consolidated Financial Statements in accordance with GAAP and practices generally applicable to the financial services industry requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates.

Management has identified the Company's most critical accounting policies as:

- allowance for loan and lease losses;
- fair value measurements for valuation of investments and other financial instruments;
- evaluation for impairment of goodwill and other intangible assets; and
- assessing the realizability of deferred tax assets and the measurement of uncertain tax positions.

These particular significant accounting policies are considered most critical in that they are important to the Company's financial condition and results, and they require management's subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. The accounting policies and estimates, including the nature of the estimates and types of assumptions used, are described throughout Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in Webster's 2016 Form 10-K and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

**Results of Operations**

Selected financial highlights are presented in the following table:

	At or for the three months ended September 30,		At or for the nine months ended September 30,		
	2017	2016	2017	2016	
<i>(In thousands, except per share and ratio data)</i>					
<b>Earnings:</b>					
Net interest income	\$200,904	\$180,197	\$591,355	\$533,254	
Provision for loan and lease losses	10,150	14,250	27,900	43,850	
Total non-interest income	65,846	66,412	193,439	193,861	
Total non-interest expense	161,823	156,097	490,026	461,320	
Net income	64,496	51,817	185,546	149,467	
Earnings applicable to common shareholders	62,426	49,634	179,262	142,927	
<b>Share Data:</b>					
Weighted-average common shares outstanding - diluted	92,503	91,857	92,412	91,776	
Diluted earnings per common share	\$0.67	\$0.54	\$1.94	\$1.56	
Dividends and dividend equivalents declared per common share	0.26	0.25	0.77	0.73	
Dividends declared per Series E preferred share	400.00	400.00	1,200.00	1,200.00	
Book value per common share	27.34	26.06	27.34	26.06	
Tangible book value per common share <i>(non-GAAP)</i>	21.16	19.80	21.16	19.80	
<b>Selected Ratios:</b>					
Net interest margin	3.30	% 3.10	% 3.27	% 3.10	%
Return on average assets <i>(annualized basis)</i>	0.98	0.82	0.95	0.80	
Return on average common shareholders' equity <i>(annualized basis)</i>	9.95	8.36	9.67	8.16	

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

CET1 risk-based capital	10.99	10.48	10.99	10.48
Tangible common equity ratio <i>(non-GAAP)</i>	7.55	7.25	7.55	7.25
Return on average tangible common shareholders' equity <i>(annualized basis) (non-GAAP)</i>	12.99	11.24	12.71	11.04
Efficiency ratio <i>(non-GAAP)</i>	59.18	61.43	60.62	61.63

40

---



**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 the non-GAAP financial measures with financial measures defined by GAAP:

	<b>At September 30,</b>			
<i>(Dollars and shares in thousands, except per share data)</i>	<b>2017</b>	<b>2016</b>		
<b>Tangible book value per common share (non-GAAP):</b>				
Shareholders' equity (GAAP)	\$2,638,787	\$2,511,629		
Less: Preferred stock (GAAP)	122,710	122,710		
Goodwill and other intangible assets (GAAP)	568,962	573,129		
Tangible common shareholders' equity (non-GAAP)	\$1,947,115	\$1,815,790		
Common shares outstanding	92,034	91,687		
<b>Tangible book value per common share (non-GAAP)</b>	<b>\$21.16</b>	<b>\$19.80</b>		
<b>Tangible common equity ratio (non-GAAP):</b>				
Tangible common shareholders' equity (non-GAAP)	\$1,947,115	\$1,815,790		
Total Assets (GAAP)	\$26,350,182	\$25,633,617		
Less: Goodwill and other intangible assets (GAAP)	568,962	573,129		
Tangible assets (non-GAAP)	\$25,781,220	\$25,060,488		
<b>Tangible common equity ratio (non-GAAP)</b>	<b>7.55</b>	<b>% 7.25</b>	<b>%</b>	
			<b>Three months ended</b>	<b>Nine months ended September</b>
			<b>September 30,</b>	<b>30,</b>
			<b>2017</b>	<b>2016</b>
			<b>2017</b>	<b>2016</b>
<b>Return on average tangible common shareholders' equity (non-GAAP):</b>				
Net income (GAAP)	\$64,496	\$51,817	\$185,546	\$149,467
Less: Preferred stock dividends (GAAP)	2,024	2,024	6,072	6,072
Add: Intangible assets amortization, tax-affected at 35% (GAAP)	651	970	2,005	2,971
Income adjusted for preferred stock dividends and intangible assets amortization (non-GAAP)	\$63,123	\$50,763	\$181,479	\$146,366
Income adjusted for preferred stock dividends and intangible assets amortization, annualized (non-GAAP)	\$252,492	\$203,052	\$241,972	\$195,155
Average shareholders' equity (non-GAAP)	\$2,635,312	\$2,503,960	\$2,597,574	\$2,466,414
Less: Average preferred stock (non-GAAP)	122,710	122,710	122,710	122,710
Average goodwill and other intangible assets (non-GAAP)	569,538	573,978	570,562	575,491
Average tangible common shareholders' equity (non-GAAP)	\$1,943,064	\$1,807,272	\$1,904,302	\$1,768,213
<b>Return on average tangible common shareholders' equity (non-GAAP)</b>	<b>12.99</b>	<b>% 11.24</b>	<b>% 12.71</b>	<b>% 11.04</b>
			<b>%</b>	<b>%</b>
<b>Efficiency ratio (non-GAAP):</b>				
Non-interest expense (GAAP)	\$161,823	\$156,097	\$490,026	\$461,320
Less: Foreclosed property activity (GAAP)	(72)	45	(141)	(236)
Intangible assets amortization (GAAP)	1,002	1,493	3,085	4,570
Other expense (non-GAAP)	213	793	2,923	2,270
Non-interest expense (non-GAAP)	\$160,680	\$153,766	\$484,159	\$454,716
Net interest income (GAAP)	\$200,904	\$180,197	\$591,355	\$533,254

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

Add: Tax-equivalent adjustment (non-GAAP)	4,340	3,478	12,509	9,735
Non-interest income (GAAP)	65,846	66,412	193,439	193,861
Less: Gain on sale of investment securities, net (GAAP)	—	—	—	414
Other (non-GAAP)	(431 )	(236 )	(1,377 )	(1,372 )
Income (non-GAAP)	\$271,521	\$250,323	\$798,680	\$737,808
<b>Efficiency ratio (non-GAAP)</b>	<b>59.18</b>	<b>% 61.43</b>	<b>% 60.62</b>	<b>% 61.63</b>

41

---

**Table of Contents**

**Financial Performance**

***Comparison to Prior Year Quarter***

For the three months ended September 30, 2017, income before income tax expense of \$94.8 million increased \$18.5 million, or 24.3%, compared to the three months ended September 30, 2016. Net interest income increased 11.5%, the provision for loan and lease losses decreased 28.8%, non-interest income decreased 0.9%, and non-interest expense increased 3.7%.

After income tax expense of \$30.3 million and \$24.4 million for the three months ended September 30, 2017 and 2016, respectively, net income was \$64.5 million and diluted earnings per share was \$0.67 for the three months ended September 30, 2017 compared to net income of \$51.8 million and diluted earnings per share of \$0.54 for the three months ended September 30, 2016.

***Comparison to Prior Year to Date***

For the nine months ended September 30, 2017, income before income tax expense of \$266.9 million increased \$44.9 million, or 20.2%, compared to the nine months ended September 30, 2016. Net interest income increased 10.9%, the provision for loan and lease losses decreased 36.4%, non-interest income was flat, and non-interest expense increased 6.2%.

After income tax expense of \$81.3 million and \$72.5 million for the nine months ended September 30, 2017 and 2016, respectively, net income was \$185.5 million and diluted earnings per share was \$1.94 for the nine months ended September 30, 2017 compared to net income of \$149.5 million and diluted earnings per share of \$1.56 for the nine months ended September 30, 2016.

**Table of Contents**

The following tables summarize daily average balances, interest, yield/rate, and net interest margin on a fully tax-equivalent basis:

<i>(Dollars in thousands)</i>	Three months ended September 30,					
	2017			2016		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<b>Assets</b>						
Interest-earning assets:						
Loans and leases	\$ 17,364,519	\$ 182,269	4.14 %	\$ 16,423,642	\$ 157,926	3.80 %
Investment securities <i>(based upon historical amortized cost)</i>	6,994,661	51,130	2.92	6,784,652	49,282	2.91
FHLB and FRB stock	135,943	1,482	4.33	185,104	1,478	3.18
Interest-bearing deposits	58,193	173	1.17	53,852	67	0.49
Loans held for sale	34,939	307	3.51	58,299	440	3.02
Total interest-earning assets	24,588,255	\$ 235,361	3.78 %	23,505,549	\$ 209,193	3.53 %
Non-interest-earning assets	1,721,591			1,752,981		
Total Assets	\$ 26,309,846			\$ 25,258,530		
<b>Liabilities and Shareholders' Equity</b>						
Interest-bearing liabilities:						
Demand deposits	\$ 4,201,723	\$ —	— %	\$ 4,011,712	\$ —	— %
Savings, checking, & money market deposits	14,577,673	10,229	0.28	13,257,559	7,005	0.21
Time deposits	2,155,743	6,531	1.20	2,009,433	5,589	1.11
Total deposits	20,935,139	16,760	0.32	19,278,704	12,594	0.26
Securities sold under agreements to repurchase and other borrowings	904,854	3,847	1.66	909,560	3,447	1.48
FHLB advances	1,362,165	6,894	1.98	2,158,911	6,979	1.26
Long-term debt	225,673	2,616	4.64	225,414	2,498	4.43
Total borrowings	2,492,692	13,357	2.11	3,293,885	12,924	1.54
Total interest-bearing liabilities	23,427,831	\$ 30,117	0.51 %	22,572,589	\$ 25,518	0.45 %
Non-interest-bearing liabilities	246,703			181,981		
Total liabilities	23,674,534			22,754,570		
Preferred stock	122,710			122,710		
Common shareholders' equity	2,512,602			2,381,250		
Total shareholders' equity	2,635,312			2,503,960		
Total Liabilities and Shareholders' Equity	\$ 26,309,846			\$ 25,258,530		
Tax-equivalent net interest income		\$ 205,244			\$ 183,675	
Less: Tax-equivalent adjustments		(4,340 )			(3,478 )	
Net interest income		\$ 200,904			\$ 180,197	
Net interest margin			3.30 %			3.10 %

**Table of Contents**

	Nine months ended September 30,					
	2017			2016		
<i>(Dollars in thousands)</i>	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<b>Assets</b>						
Interest-earning assets:						
Loans and leases	\$ 17,225,217	\$ 526,419	4.05 %	\$ 16,101,807	\$ 461,399	3.79 %
Investment securities <i>(based upon historical amortized cost)</i>	7,031,738	157,550	2.98	6,861,128	153,280	2.98
FHLB and FRB stock	160,911	4,732	3.93	188,692	4,315	3.05
Interest-bearing deposits	63,684	472	0.98	57,692	216	0.49
Loans held for sale	31,373	826	3.51	40,739	1,006	3.29
Total interest-earning assets	24,512,923	\$ 689,999	3.73 %	23,250,058	\$ 620,216	3.54 %
Non-interest-earning assets	1,666,080			1,768,426		
Total Assets	\$ 26,179,003			\$ 25,018,484		
<b>Liabilities and Shareholders' Equity</b>						
Interest-bearing liabilities:						
Demand deposits	\$ 4,039,738	\$ —	— %	\$ 3,802,873	\$ —	— %
Savings, checking & money market deposits	14,315,225	26,732	0.25	13,010,427	20,481	0.21
Time deposits	2,079,021	18,142	1.17	2,027,336	16,786	1.11
Total deposits	20,433,984	44,874	0.29	18,840,636	37,267	0.26
Securities sold under agreements to repurchase and other borrowings	884,975	10,970	1.63	943,458	10,999	1.53
FHLB advances	1,829,175	22,543	1.63	2,340,055	21,517	1.21
Long-term debt	225,607	7,748	4.58	225,651	7,444	4.40
Total borrowings	2,939,757	41,261	1.85	3,509,164	39,960	1.50
Total interest-bearing liabilities	23,373,741	\$ 86,135	0.49 %	22,349,800	\$ 77,227	0.46 %
Non-interest-bearing liabilities	207,688			202,270		
Total liabilities	23,581,429			22,552,070		
Preferred stock	122,710			122,710		
Common shareholders' equity	2,474,864			2,343,704		
Total shareholders' equity	2,597,574			2,466,414		
Total Liabilities and Shareholders' Equity	\$ 26,179,003			\$ 25,018,484		
Tax-equivalent net interest income		\$ 603,864			\$ 542,989	
Less: Tax-equivalent adjustments		(12,509 )			(9,735 )	
Net interest income		\$ 591,355			\$ 533,254	
Net interest margin			3.27 %			3.10 %

**Table of Contents**

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 75.4% of total revenue for the nine months ended September 30, 2017. Net interest margin is the ratio of tax-equivalent net interest income to average earning assets for the period.

Net interest income and net interest margin are impacted by the level of interest rates, 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.

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. 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.

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.

The Federal Open Market Committee increased the federal funds rate target range from 0.50-0.75% at December 31, 2016, to 0.75-1.00% effective March 16, 2017 and, to 1.00-1.25% effective June 15, 2017. See the "Asset/Liability Management and Market Risk" section for further discussion of Webster's interest rate risk position.

**Net Interest Income*****Comparison to Prior Year Quarter***

Net interest income totaled \$200.9 million for the three months ended September 30, 2017 compared to \$180.2 million for the three months ended September 30, 2016, an increase of \$20.7 million. On a fully tax-equivalent basis, net interest income increased \$21.6 million when compared to the same period in 2016. The increase for the three months ended September 30, 2017 was primarily the result of a significant increase in loan balances and yield improvement of 34 basis points, while investment balances remained flat but the reinvestment spreads on those assets improved. Net interest margin increased 20 basis points to 3.30% for the three months ended September 30, 2017 from 3.10% for the three months ended September 30, 2016.

***Comparison to Prior Year to Date***

Net interest income totaled \$591.4 million for the nine months ended September 30, 2017 compared to \$533.3 million for the nine months ended September 30, 2016, an increase of \$58.1 million. On a fully tax-equivalent basis, net interest income increased \$60.9 million when compared to the same period in 2016. The increase for the nine months ended September 30, 2017 was primarily the result of a significant increase in loan balances and yield improvement of 26 basis points, bearing greater weight on net interest margin than flat investment balances and reinvestment spreads on those assets. Net interest margin increased 17 basis points to 3.27% for the nine months ended September 30, 2017 from 3.10% for the nine months ended September 30, 2016.

***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:

	Three months ended September 30, 2017 vs. 2016			Nine months ended September 30, 2017 vs. 2016		
	Increase (decrease) due to Rate <sup>(1)</sup>	Volume	Total	Increase (decrease) due to Rate <sup>(1)</sup>	Volume	Total
<i>(In thousands)</i>						
Interest on interest-earning assets:						
Loans and leases	\$15,634	\$8,708	\$24,342	\$34,294	\$30,725	\$65,019
Loans held for sale	47	(181)	(134)	95	(215)	(120)
Investments <sup>(2)</sup>	366	1,594	1,960	897	3,987	4,884

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

Total interest income	\$ 16,047	\$ 10,121	\$ 26,168	\$ 35,286	\$ 34,497	\$ 69,783
Interest on interest-bearing liabilities:						
Deposits	\$ 3,104	\$ 1,062	\$ 4,166	\$ 5,067	\$ 2,541	\$ 7,608
Borrowings	3,034	(2,601)	)433	6,567	(5,267)	)1,300
Total interest expense	\$ 6,138	\$ (1,539)	)\$4,599	\$ 11,634	\$ (2,726)	)\$8,908
Net change in net interest income	\$ 9,909	\$ 11,660	\$ 21,569	\$ 23,652	\$ 37,223	\$ 60,875

(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.

**Table of Contents**

Average loans and leases for the nine months ended September 30, 2017 increased \$1.1 billion compared to the average for the nine months ended September 30, 2016. The loan and lease portfolio comprised 70.3% of the average interest-earning assets at September 30, 2017 compared to 69.3% of the average interest-earning assets at September 30, 2016. The loan and lease portfolio yield increased 26 basis points to 4.05% for the nine months ended September 30, 2017 compared to the loan and lease portfolio yield of 3.79% for the nine months ended September 30, 2016. The increase in the yield on the average loan and lease portfolio is due to increased yield on floating rate loans as well as increased spreads on loan originations.

Average investments for the nine months ended September 30, 2017 increased \$148.8 million compared to the average for the nine months ended September 30, 2016. The investments portfolio comprised 29.6% of the average interest-earning assets at September 30, 2017 compared to 30.6% of the average interest-earning assets at September 30, 2016. The investments portfolio yield increased 3 basis points to 2.99% for the nine months ended September 30, 2017 compared to the investments portfolio yield of 2.96% for the nine months ended September 30, 2016. The increase in the yield on the investments portfolio is primarily due to a reduction in premium amortization from slower prepayment speeds and an increased yield 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 total deposits for the nine months ended September 30, 2017 increased \$1.6 billion compared to the average for the nine months ended September 30, 2016. The increase is comprised of an increase of \$236.9 million in non-interest-bearing deposits and an increase of \$1.4 billion in 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 was 0.29% for the nine months ended September 30, 2017 compared to 0.26% for the nine months ended September 30, 2016. The slight increase in the 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 12.7% for the nine months ended September 30, 2017 from 13.5% for the nine months ended September 30, 2016, as a percentage of total interest-bearing deposits.

Average total borrowings for the nine months ended September 30, 2017 decreased \$569.4 million compared to the average for the nine months ended September 30, 2016. Average securities sold under agreements to repurchase and other borrowings decreased \$58.5 million, and average FHLB advances decreased \$510.9 million as utilization of advances maturing within one year declined significantly. The average cost of borrowings increased 35 basis point to 1.85% for the nine months ended September 30, 2017 from 1.50% for the nine months ended September 30, 2016. The increase in average cost of borrowings is the result of the federal funds rate being increased three times between December 2016 and June 2017.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
<i>(In thousands)</i>	2017	2016	2017	2016
Interest rate swaps on repurchase agreements	\$—	\$—	\$—	\$361
Interest rate swaps on FHLB advances	1,657	2,099	5,139	6,469
Interest rate swaps on senior fixed-rate notes	76	76	229	229
Interest rate swaps on brokered CDs and deposits	195	195	585	585
Net increase to interest expense on borrowings	\$1,928	\$2,370	\$5,953	\$7,644



## **Table of Contents**

### **Provision for Loan and Lease Losses**

The provision for loan and lease losses is the expense necessary to maintain the allowance for loan and lease losses at levels appropriate to absorb estimated credit losses in the loan and lease portfolio.

#### ***Comparison to Prior Year Quarter***

The provision for loan and lease losses was \$10.2 million for the three months ended September 30, 2017, which decreased \$4.1 million compared to the three months ended September 30, 2016. The decrease in provision for loan and lease losses was primarily due to lower loan growth on a quarter comparative basis. Total net charge-offs was \$7.9 million and \$6.8 million for the three months ended September 30, 2017 and 2016, respectively. Higher commercial real estate and commercial net charge-offs contributed \$1.3 million to the increase in net charge-offs.

#### ***Comparison to Prior Year to Date***

The provision for loan and lease losses was \$27.9 million for the nine months ended September 30, 2017, which decreased \$16.0 million compared to the nine months ended September 30, 2016. The decrease in provision for loan and lease losses was primarily due to lower loan growth as compared to the rate for the same period in 2016. Total net charge-offs was \$20.4 million and \$30.9 million for the nine months ended September 30, 2017 and 2016, respectively. The decrease was primarily due to lower commercial real estate and other commercial loan related net charge-offs.

#### ***Allowance for Loan and Lease Losses***

The ALLL is a significant accounting estimate that is determined through periodic and systematic detailed reviews of the Company's loan and lease portfolio. The ALLL is determined based on an analysis which assesses the inherent risk for probable losses within the portfolio. Significant judgments and estimates are necessary in the determination of the ALLL. Significant judgments include, among others, loan risk ratings and classifications, the probability of loan defaults, the net loss exposure in the event of loan defaults, the loss emergence period, the determination and measurement of impaired loans, and other quantitative and qualitative considerations.

At September 30, 2017, the ALLL totaled \$201.8 million, or 1.16% of total loans and leases, as compared to \$194.3 million, or 1.14% of total loans and leases, at December 31, 2016.

See the "Loans and Leases" through "Allowance for Loan and Lease Losses Methodology" sections for further details.

**Table of Contents****Non-Interest Income**

	Three months ended September 30,		Increase (decrease)		Nine months ended September 30,		Increase (decrease)	
	2017	2016	Amount	Percent	2017	2016	Amount	Percent
<i>(Dollars in thousands)</i>								
Deposit service fees	\$38,321	\$35,734	\$2,587	7.2 %	\$113,519	\$105,553	\$7,966	7.5 %
Loan related fees	6,346	9,253	(2,907)	(31.4)	19,898	20,563	(665)	(3.2)
Wealth and investment services	7,750	7,593	157	2.1	22,900	21,992	908	4.1
Mortgage banking activities	2,421	4,322	(1,901)	(44.0)	8,038	11,335	(3,297)	(29.1)
Increase in cash surrender value of life insurance policies	3,720	3,743	(23)	(0.6)	10,943	11,060	(117)	(1.1)
Gain on sale of investment securities, net	—	—	—	n/m	—	414	(414)	n/m
Impairment loss recognized in earnings	—	—	—	n/m	(126)	(149)	23	n/m
Other income	7,288	5,767	1,521	26.4	18,267	23,093	(4,826)	(20.9)
Total non-interest income	\$65,846	\$66,412	\$(566)	(0.9) %	\$193,439	\$193,861	\$(422)	(0.2) %

*n/m - not meaningful*

***Comparison to Prior Year Quarter***

Total non-interest income for the three months ended September 30, 2017 was \$65.8 million, a decrease of \$0.6 million, or 0.9%, compared to \$66.4 million for the three months ended September 30, 2016. The decrease is primarily attributable to reductions in loan related fees and mortgage banking activities, partially offset by deposit service fee growth and higher other income.

Deposit service fees totaled \$38.3 million for the three months ended September 30, 2017, compared to \$35.7 million for the three months ended September 30, 2016. The increase is primarily due to increased checking account service charges and check card interchange attributable to health savings account growth and usage activity.

Loan related fees totaled \$6.3 million for the three months ended September 30, 2017, compared to \$9.3 million for the three months ended September 30, 2016. The decrease is primarily due to a lower syndication activity, and to a lesser extent, increased mortgage servicing rights amortization.

Mortgage banking activities totaled \$2.4 million for the three months ended September 30, 2017, compared to \$4.3 million for the three months ended September 30, 2016. The decrease is due to lower sales volume of conforming residential mortgage originations, driven by a decrease in refinance activity.

Other income totaled \$7.3 million for the three months ended September 30, 2017, compared to \$5.8 million for the three months ended September 30, 2016. The increase is primarily due to increased client hedging revenue.

***Comparison to Prior Year to Date***

Total non-interest income for the nine months ended September 30, 2017 was \$193.4 million, a decrease of \$422 thousand, or 0.2%, compared to \$193.9 million for the nine months ended September 30, 2016. The decrease is primarily attributable to decreases in mortgage banking activities and other income, partially offset by increases in deposit service fees.

Deposit service fees totaled \$113.5 million for the nine months ended September 30, 2017, compared to \$105.6 million for the nine months ended September 30, 2016. The increase is primarily due to increased checking account service charges and check card interchange attributable to health savings account growth and usage activity.

Mortgage banking activities totaled \$8.0 million for the nine months ended September 30, 2017, compared to \$11.3 million for the nine months ended September 30, 2016. The decrease is due to lower volume of conforming residential mortgage originations, driven by a decrease in refinance activity.

Other income totaled \$18.3 million for the nine months ended September 30, 2017, compared to \$23.1 million for the nine months ended September 30, 2016. The decrease is due to a \$2.7 million favorable adjustment to the fair value of the contingent receivable recognized in 2016, a decrease in net client interest rate hedging activities/hedging revenue, and partially offset by an increase in alternative investment gains.



**Table of Contents****Non-Interest Expense**

	Three months ended September 30,		Increase (decrease)		Nine months ended September 30,		Increase (decrease)	
	2017	2016	Amount	Percent	2017	2016	Amount	Percent
<i>(Dollars in thousands)</i>								
Compensation and benefits	\$ 89,192	\$ 83,148	\$ 6,044	7.3 %	\$ 264,822	\$ 244,089	\$ 20,733	8.5 %
Occupancy	14,744	15,004	(260)	(1.7)	46,957	44,915	2,042	4.5
Technology and equipment	22,580	19,753	2,827	14.3	66,646	59,067	7,579	12.8
Intangible assets amortization	1,002	1,493	(491)	(32.9)	3,085	4,570	(1,485)	(32.5)
Marketing	4,045	4,622	(577)	(12.5)	14,101	14,215	(114)	(0.8)
Professional and outside services	4,030	4,795	(765)	(16.0)	11,813	11,360	453	4.0
Deposit insurance	6,344	6,177	167	2.7	19,701	19,596	105	0.5
Other expense	19,886	21,105	(1,219)	(5.8)	62,901	63,508	(607)	(1.0)
Total non-interest expense	\$ 161,823	\$ 156,097	\$ 5,726	3.7 %	\$ 490,026	\$ 461,320	\$ 28,706	6.2 %

***Comparison to Prior Year Quarter***

Total non-interest expense for the three months ended September 30, 2017 was \$161.8 million, an increase of \$5.7 million, or 3.7%, compared to \$156.1 million for the three months ended September 30, 2016. The increase is primarily attributable to compensation and benefits, technology and equipment, and somewhat offset by other expense.

Compensation and benefits totaled \$89.2 million for the three months ended September 30, 2017, compared to \$83.1 million for the three months ended September 30, 2016. The increase is primarily due to strategic hires and annual incentives increases.

Technology and equipment totaled \$22.6 million for the three months ended September 30, 2017, compared to \$19.8 million for the three months ended September 30, 2016. The increase is primarily due to increased service contracts to support bank growth.

Other expense totaled \$19.9 million for the three months ended September 30, 2017, compared to \$21.1 million for the three months ended September 30, 2016. The decrease is a result of numerous items, none of which were individually significant.

***Comparison to Prior Year to Date***

Total non-interest expense for the nine months ended September 30, 2017 was \$490.0 million, an increase of \$28.7 million, or 6.2%, compared to \$461.3 million for the nine months ended September 30, 2016. The increase is primarily attributable to compensation and benefits, occupancy, and technology and equipment.

Compensation and benefits totaled \$264.8 million for the nine months ended September 30, 2017, compared to \$244.1 million for the nine months ended September 30, 2016. The increase is primarily due to strategic hires as well as an increase to annual merit increases and group insurance costs.

Occupancy totaled \$47.0 million for the nine months ended September 30, 2017, compared to \$44.9 million for the nine months ended September 30, 2016. The increase is essentially a result of charges related to banking center optimization.

Technology and equipment totaled \$66.6 million for the nine months ended September 30, 2017, compared to \$59.1 million for the nine months ended September 30, 2016. The increase is primarily due to increased service contracts and additional depreciation on infrastructure to support bank growth.

**Income Taxes**

Webster recognized income tax expense of \$30.3 million and \$81.3 million reflecting effective tax rates of 31.9% and 30.5% for the three and nine months ended September 30, 2017, respectively, compared to \$24.4 million and \$72.5 million and 32.1% and 32.7%, for the three and nine months ended September 30, 2016, respectively.

The increases in tax expense for the three and nine months ended September 30, 2017 as compared to 2016 principally reflect the higher levels of pre-tax income in 2017, while the decreases in the effective rates in those same periods principally reflect \$5.9 million of excess tax benefits recognized under ASU No. 2016-09 in the nine months ended September 30, 2017, which includes \$0.5 million during the three months ended September 30, 2017.

See “Accounting Standards Adopted During 2017” section of Note 1: Summary of Significant Accounting Policies in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for information on adoption of ASU No. 2016-09. For additional information on Webster's income taxes, including its deferred tax assets and uncertain tax positions, see Note 8 - Income Taxes in the Notes to Consolidated Financial Statements contained in the Company's 2016 Form 10-K.

## **Table of Contents**

### **Segment Reporting**

Webster's operations are organized into three reportable segments that represent its primary businesses - Commercial Banking, Community Banking and HSA Bank. 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 for 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.

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

Through a distribution network, consisting of 167 banking centers and 338 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.

**HSA Bank** offers 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 retirement 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 or through national and regional insurance carriers.

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.

### **Segment Results**

The 2016 segment results have been adjusted for comparability to the 2017 segment presentation for the following changes:

• To further strengthen Webster's ability to deliver the totality of its products and services to the owners and executives of commercial clients and other high net worth individuals, an organizational change was made during the second quarter of 2017. Effective April 1, 2017, the head of Private Banking reports directly to the head of Commercial

Banking. The current organizational structure reflects how executive management responsibilities are assigned and reviewed. As a result of this change, the Private Banking and Commercial Banking operating segments are aggregated into one reportable segment, Commercial Banking.

In late 2007 Webster discontinued its indirect residential construction lending and its indirect home equity lending outside of its primary New England market area, referred to as National Wholesale Lending. Webster placed these two portfolios into a liquidating loan portfolio included within the Corporate and Reconciling category. The balance of the home equity liquidating loan portfolio was \$65.0 million at December 31, 2016. As the remainder of this portfolio has been performing in the same manner as the continuing home equity portfolio, management has decided to combine the liquidating loan portfolio with the continuing home equity loan portfolio. The combined portfolio is included in the Community Banking reportable segment.

**Table of Contents**

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:

	Three months ended September 30,		Nine months ended September 30,		
<i>(In thousands)</i>	2017	2016	2017	2016	
<b>Net income (loss):</b>					
Commercial Banking	\$30,357	\$31,555	\$93,827	\$80,907	
Community Banking	22,778	15,121	60,176	45,325	
HSA Bank	12,856	9,815	35,125	29,286	
Corporate and Reconciling	(1,495 )	(4,674 )	(3,582 )	(6,051 )	
Total	\$64,496	\$51,817	\$185,546	\$149,467	
	<b>At September 30, 2017</b>				
<i>(In thousands)</i>	Commercial Banking	Community Banking	HSA Bank	Corporate and Reconciling	Total
Total assets	\$9,428,676	\$8,881,322	\$76,090	\$7,964,094	\$26,350,182
Loans and leases	9,291,257	8,155,063	101	—	17,446,421
Goodwill	—	516,560	21,813	—	538,373
Deposits	4,251,470	11,331,767	4,891,024	380,974	20,855,235
Not included in above amounts:					
Assets under administration/management	1,990,988	3,231,345	1,158,601	—	6,380,934
	<b>At December 31, 2016</b>				
<i>(In thousands)</i>	Commercial Banking	Community Banking	HSA Bank	Corporate and Reconciling	Total
Total assets	\$9,069,445	\$8,721,046	\$83,987	\$8,198,051	\$26,072,529
Loans and leases	9,066,905	7,959,558	125	—	17,026,588
Goodwill	—	516,560	21,813	—	538,373
Deposits	3,592,531	10,970,977	4,362,503	377,846	19,303,857
Not included in above amounts:					
Assets under administration/management	1,781,840	2,980,113	878,190	—	5,640,143



**Table of Contents*****Commercial Banking***

## Operating Results:

<i>(In thousands)</i>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net interest income	\$81,925	\$74,265	\$239,118	\$211,422
Provision for loan and lease losses	12,073	7,876	29,562	29,765
Net interest income after provision	69,852	66,389	209,556	181,657
Non-interest income	13,207	15,916	39,163	41,819
Non-interest expense	38,339	35,793	113,767	103,336
Income before income taxes	44,720	46,512	134,952	120,140
Income tax expense	14,363	14,957	41,125	39,233
Net income	\$30,357	\$31,555	\$93,827	\$80,907

***Comparison to Prior Year Quarter***

Net income decreased \$1.2 million for the three months ended September 30, 2017 as compared to the same period in 2016. Net interest income increased \$7.7 million, primarily due to loan growth and higher loan portfolio yield. The provision for loan and lease losses increased \$4.2 million due, in part, to slight increases in allowance levels for certain portfolios. Non-interest income decreased \$2.7 million primarily due to greater syndication fees in the year ago period. Non-interest expense increased \$2.5 million, related to strategic hires and investments in product enhancements and infrastructure.

***Comparison to Prior Year to Date***

Net income increased \$12.9 million for the nine months ended September 30, 2017 as compared to the same period in 2016. Net interest income increased \$27.7 million, primarily due to loan growth and higher loan portfolio yield. The provision for loan and lease losses decreased \$0.2 million. Non-interest income decreased \$2.7 million, primarily due to greater syndication fees in the year ago period. Non-interest expense increased \$10.4 million, related to strategic hires and investments in product enhancements and infrastructure.

**Selected Balance Sheet Information and Assets Under Administration/Management:**

<i>(In thousands)</i>	<b>At</b>	<b>At</b>
	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Total assets	\$ 9,428,676	\$ 9,069,445
Loans and leases	9,291,257	9,066,905
Deposits	4,251,470	3,592,531

Not included in above amounts:

Assets under administration/management 1,990,988 1,781,840

Loans and leases increased \$224.4 million at September 30, 2017 compared to December 31, 2016. Loan originations were \$2.3 billion for the nine months ended September 30, 2017 compared to \$2.1 billion for the nine months ended September 30, 2016. Management believes the reserve level is adequate to cover losses in the Commercial Banking portfolio. For additional discussion related to asset quality metrics, see the "Asset Quality" section elsewhere within this report. Deposits increased \$658.9 million at September 30, 2017 compared to December 31, 2016 primarily due to the acquisition of new clients and seasonality of government deposits.

Commercial Banking held approximately \$356.1 million and \$271.7 million in assets under administration, and \$1.6 billion and \$1.5 billion in assets under management, at September 30, 2017 and December 31, 2016, respectively, related to Private Bank clients.

**Table of Contents*****Community Banking***

## Operating Results:

<i>(In thousands)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net interest income	\$96,859	\$91,995	\$286,351	\$274,186
(Benefit) provision for loan and lease losses	(1,923 )	6,374	(1,662 )	14,085
Net interest income after provision	98,782	85,621	288,013	260,101
Non-interest income	27,079	29,130	80,516	83,248
Non-interest expense	92,478	92,508	281,979	276,045
Income before income taxes	33,383	22,243	86,550	67,304
Income tax expense	10,605	7,122	26,374	21,979
Net income	\$22,778	\$15,121	\$60,176	\$45,325

***Comparison to Prior Year Quarter***

Net income increased \$7.7 million for the three months ended September 30, 2017 as compared to the same period in 2016. Net interest income increased \$4.9 million, primarily due to growth in both loans and deposits, coupled with improved spreads on deposits as a result of higher interest rates. The increase was partially offset by the effects of tightening spreads on the loan portfolio. A benefit in 2017 compared to a provision for loan and lease losses in 2016 resulted in a favorable impact of \$8.3 million, primarily due to loan portfolio quality improvement. Non-interest income decreased \$2.1 million resulting from decreases in fees from mortgage banking activities and loan servicing income. Non-interest expense was flat compared to the three months ended September 30, 2016.

***Comparison to Prior Year to Date***

Net income increased \$14.9 million for the nine months ended September 30, 2017 as compared to the same period in 2016. Net interest income increased \$12.2 million, primarily due to growth in both loans and deposits, coupled with improved spreads on deposits as a result of higher interest rates. The overall increase was partially offset by the effects of tightening spreads on the loan portfolio. A benefit in 2017 compared to a provision for loan and lease losses in 2016 resulted in a favorable impact of \$15.7 million, primarily due to loan portfolio quality improvement.

Non-interest income decreased \$2.7 million, primarily due to lower fees from mortgage banking activities and client interest rate hedging activities; partially offset by increased fee income from investment management activity and deposit related service charges. Non-interest expense increased \$5.9 million, primarily due to increased compensation and benefits, increased investment in technology infrastructure, charges related to banking center optimization, and net deposit fraud losses; 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:**

<i>(In thousands)</i>	<b>At</b>	<b>At</b>
	<b>September 30,</b>	<b>December 31,</b>
	<b>2017</b>	<b>2016</b>
Total assets	\$ 8,881,322	\$ 8,721,046
Loans	8,155,063	7,959,558
Deposits	11,331,767	10,970,977

Not included in above amounts:

Assets under administration	3,231,345	2,980,113
-----------------------------	-----------	-----------

Loans increased \$195.5 million to \$8.2 billion at September 30, 2017 compared to December 31, 2016. The net increase is related to growth in residential mortgages and business banking loans; partially offset by net decreases in the equity and unsecured personal loans portfolios. Loan originations were \$1.5 billion in the nine months ended September 30, 2017 compared to \$1.7 billion for the same period in 2016. Originations decreased by \$127.3 million driven by less residential mortgage originations.

Deposits increased \$360.8 million at September 30, 2017 compared to December 31, 2016 due to the Boston expansion and continued growth in all major deposit product types.

Additionally, investment and securities-related services had assets under administration, in its strategic partnership with LPL, which increased \$251.2 million to \$3.2 billion at September 30, 2017, compared to December 31, 2016.

**Table of Contents*****HSA Bank***

## Operating Results:

<i>(In thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net interest income	\$26,713	\$20,560	\$76,339	\$60,484
Non-interest income	19,371	16,900	58,392	54,969
Non-interest expense	27,222	23,021	84,211	71,966
Income before income taxes	18,862	14,439	50,520	43,487
Income tax expense	6,006	4,624	15,395	14,201
Net income	\$12,856	\$9,815	\$35,125	\$29,286

***Comparison to Prior Year Quarter***

Net income increased \$3.0 million for the three months ended September 30, 2017 as compared to the same period in 2016. Net interest income increased \$6.2 million, reflecting the growth in deposits and improved deposit spread.

Non-interest income increased \$2.5 million due primarily to the growth in accounts. Non-interest expense increased \$4.2 million primarily as a result of account growth and continued investment in key initiatives related to continuous improvement, customer service, and expanded distribution.

***Comparison to Prior Year to Date***

Net income increased \$5.8 million for the nine months ended September 30, 2017 as compared to the same period in 2016. Net interest income increased \$15.9 million, reflecting the growth in deposits and improved deposit spread.

Non-interest income increased \$3.4 million due to growth in accounts. Non-interest expense increased \$12.2 million primarily due to increased compensation and benefit costs, increased processing costs in support of business growth as well as continued investment in key initiatives related to continuous improvement, customer service, and expanded distribution.

**Selected Balance Sheet Information and Assets Under Administration:**

<i>(In thousands)</i>	At September 30, 2017	At December 31, 2016
Total assets	\$ 76,090	\$ 83,987
Deposits	4,891,024	4,362,503

Not included in above amounts:

Assets under administration	1,158,601	878,190
-----------------------------	-----------	---------

Deposits increased \$528.5 million at September 30, 2017 compared to December 31, 2016, driven by organic growth. HSA Bank deposits accounted for 23.5% and 22.6% of the Company's total deposits at September 30, 2017 and December 31, 2016, respectively.

Additionally, HSA Bank had \$1.2 billion in assets under administration, through linked brokerage accounts, at September 30, 2017 compared to \$0.9 billion at December 31, 2016, as the number of account holders with investments continues to increase.

At September 30, 2017, there were \$6.1 billion in total footings, comprised of \$4.9 billion in deposit balances and \$1.2 billion in assets under administration balances.

**Financial Condition**

Webster had total assets of \$26.4 billion at September 30, 2017 and \$26.1 billion at December 31, 2016. Loans and leases of \$17.2 billion, net of ALLL of \$201.8 million, at September 30, 2017 increased \$0.4 billion compared to loans and leases of \$16.8 billion, net of ALLL of \$194.3 million, at December 31, 2016. Total deposits of \$20.9 billion at September 30, 2017 increased \$1.6 billion compared to total deposits of \$19.3 billion at December 31, 2016. Interest bearing deposits increased 9.4%, during the period, due to growth in health savings and money market accounts.

At September 30, 2017, total shareholders' equity of \$2.6 billion increased \$111.8 million compared to total shareholders' equity of \$2.5 billion at December 31, 2016. Changes in shareholders' equity for the nine months ended

September 30, 2017 included increases of \$185.5 million in net income and \$11.0 million for share-based award activity, partially offset by \$71.0 million in common dividends, \$6.1 million in preferred dividends, and \$20.9 million purchases of treasury stock at cost.

The quarterly cash dividend to shareholders has been increased to \$0.26 per common share since April 24, 2017. See the selected financial highlights under the "Results of Operations" section and Note 10: Regulatory Matters in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for information on regulatory capital levels and ratios.

**Table of Contents****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 type 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 the Bank, the Holding Company also may directly hold investment securities from time-to-time.

Webster maintains, through its Corporate Treasury Unit, investment securities that are primarily structured 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 consists primarily of Agency CMO, Agency MBS, Agency CMBS, CMBS, and CLO.

Held-to-maturity consists primarily of Agency CMO, Agency MBS, Agency CMBS, municipal bonds and notes, and CMBS. At September 30, 2017, the Company had no holdings in obligations of individual states, counties, or municipalities which exceeded 10% of consolidated shareholders' equity.

The combined carrying value of investment securities totaled \$7.1 billion and \$7.2 billion at September 30, 2017 and December 31, 2016, respectively. Available-for-sale investment securities decreased by \$399.9 million, primarily due to principal paydowns exceeding principal purchase activity. Held-to-maturity investment securities increased by \$336.7 million, primarily due to purchase activity exceeding principal paydowns. On a tax-equivalent basis, the yield in the investment securities portfolio for both the nine months ended September 30, 2017 and 2016 was 2.98%.

The Company held \$4.4 billion in investment securities that are in an unrealized loss position at September 30, 2017. Approximately \$2.7 billion of this total has been in an unrealized loss position for less than twelve months, while the remainder, \$1.7 billion, has been in an unrealized loss position for twelve months or longer. The total unrealized loss was \$81.9 million at September 30, 2017. 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 investment securities before the recovery of their cost basis. To the extent that credit movements and other related factors influence the fair value of its investment securities, the Company may be required to record impairment charges for OTTI in future periods.

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

<i>(In thousands)</i>	At September 30, 2017				At December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available-for-sale:</b>								
U.S. Treasury Bills	\$3,596	\$—	\$—	\$3,596	\$734	\$—	\$—	\$734
Agency CMO	332,341	2,573	(3,116)	331,798	419,865	3,344	(3,503)	419,706
Agency MBS	923,819	3,214	(14,056)	912,977	969,460	4,398	(19,509)	954,349
Agency CMBS	599,165	—	(14,205)	584,960	587,776	63	(14,567)	573,272
CMBS	402,015	1,539	(121)	403,433	473,974	4,093	(702)	477,365
CLO	273,172	1,572	(161)	274,583	425,083	2,826	(519)	427,390
Trust preferred	30,463	676	(202)	30,937	30,381	—	(1,748)	28,633
Corporate debt	48,334	674	(130)	48,878	108,490	1,502	(350)	109,642
Available-for-sale	\$2,612,905	\$10,248	\$(31,991)	\$2,591,162	\$3,015,763	\$16,226	\$(40,898)	\$2,991,091
<b>Held-to-maturity:</b>								
Agency CMO	\$276,367	\$1,138	\$(3,030)	\$274,475	\$339,455	\$1,977	\$(3,824)	\$337,608
Agency MBS	2,549,500	24,275	(30,012)	2,543,763	2,317,449	26,388	(41,768)	2,302,069
Agency CMBS	708,229	280	(3,549)	704,960	547,726	694	(1,348)	547,072
Municipal bonds and notes	705,411	5,213	(13,150)	697,474	655,813	4,389	(25,749)	634,453
CMBS	257,361	3,394	(197)	260,558	298,538	4,107	(411)	302,234
Private Label MBS	443	2	—	445	1,677	12	—	1,689
Held-to-maturity	\$4,497,311	\$34,302	\$(49,938)	\$4,481,675	\$4,160,658	\$37,567	\$(73,100)	\$4,125,125

The benchmark 10-year U.S. Treasury rate decreased to 2.33% at September 30, 2017 from 2.45% at December 31, 2016. Webster Bank has the ability to use its investment securities, as well as interest-rate financial instruments within internal policy guidelines, to hedge and manage interest-rate risk as part of its asset/liability strategy. See Note 12: Derivative Financial Instruments in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for additional information concerning derivative financial instruments.

**Table of Contents****Alternative Investments**

**Investments in Private Equity Funds.** The Company has investments in private equity funds. These investments, which totaled \$11.0 million at September 30, 2017 and \$10.8 million at December 31, 2016, are included in other assets in the accompanying Condensed Consolidated Balance Sheets. The majority of these funds are held at cost based on ownership percentage in the fund, while some are accounted for at fair value using a net asset value. See a further discussion of fair value in Note 13: Fair Value Measurements in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report. The Company recognized a net gain of \$563 thousand and a net loss of \$183 thousand for the three months ended September 30, 2017 and 2016, respectively, and a net gain of \$2.2 million and \$186 thousand for the nine months ended September 30, 2017 and 2016, respectively. These amounts are included in other non-interest income in the accompanying Condensed Consolidated Statements of Income.

**Other Non-Marketable Investments.** The Company holds certain non-marketable investments, which include preferred share ownership in other equity ventures. These investments, which totaled \$6.3 million at September 30, 2017 and \$5.7 million at December 31, 2016, are included in other assets in the accompanying Condensed Consolidated Balance Sheets. These funds are held at cost and subject to impairment testing. The Company recorded a net gain of \$17 thousand and \$8 thousand for the three months ended September 30, 2017 and 2016, respectively, and a net gain of \$44 thousand and \$35 thousand for the nine months ended September 30, 2017 and 2016, respectively. These amounts are included in other non-interest income in the accompanying Condensed Consolidated Statements of Income.

The Volcker Rule prohibits investments in private equity funds and non-public funds that are considered Covered Funds, as defined in the regulation. On May 4, 2017, the Federal Reserve approved Webster's illiquid funds extension request. As such, compliance with the rule provisions is required by July 21, 2022. See the "Supervision and Regulation" section of Item 1. Business, contained in the Company's 2016 Form 10-K, for additional information on the Volcker Rule, including Covered Funds.

**Loans and Leases**

The following table provides the composition of loans and leases:

<i>(Dollars in thousands)</i>	At September 30, 2017		At December 31, 2016	
	Amount	%	Amount	%
Residential	\$4,473,557	25.6	\$4,232,771	24.9
Consumer:				
Home equity	2,304,058	13.2	2,395,483	14.1
Other consumer	247,855	1.4	274,336	1.6
Total consumer	2,551,913	14.6	2,669,819	15.7
Commercial:				
Commercial non-mortgage	4,482,191	25.7	4,151,740	24.4
Asset-based	886,475	5.1	808,836	4.8
Total commercial	5,368,666	30.8	4,960,576	29.1
Commercial real estate:				
Commercial real estate	4,178,424	24.0	4,141,025	24.3
Commercial construction	290,936	1.7	375,041	2.2
Total commercial real estate	4,469,360	25.7	4,516,066	26.5
Equipment financing	562,171	3.2	630,040	3.7
Net unamortized premiums	14,780	0.1	9,402	0.1
Net deferred fees	5,974	—	7,914	—
Total loans and leases	\$17,446,421	100.0	\$17,026,588	100.0

Total residential loans were \$4.5 billion at September 30, 2017, an increase of \$240.8 million from December 31, 2016. The net increase is a result of direct and correspondent originations of \$632.8 million, partially offset by payments and payoffs.



Total consumer loans were \$2.6 billion at September 30, 2017, a decrease of \$117.9 million from December 31, 2016. The net decrease is primarily due to lower utilization of home equity lines.

Total commercial loans were \$5.4 billion at September 30, 2017, an increase of \$408.1 million from December 31, 2016. The net increase primarily related to originations of \$1.8 billion, partially offset by payments and payoffs.

Total commercial real estate loans were \$4.5 billion at September 30, 2017, a decrease of \$46.7 million from December 31, 2016. The net decrease is a result of originations of \$570.2 million, more than offset by payments and payoffs.

Equipment financing loans and leases were \$562.2 million at September 30, 2017, a decrease of \$67.9 million from December 31, 2016. The net decrease was primarily related to scheduled amortization and higher prepayments, partially offset by originations of \$96.3 million.

**Table of Contents****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 September 30, 2017		At December 31, 2016	
Non-performing loans and leases as a percentage of loans and leases	0.94	%	0.79	%
Non-performing assets as a percentage of loans and leases plus OREO	0.97		0.81	
Non-performing assets as a percentage of total assets	0.64		0.53	
Loans and leases over 30 days past due and accruing income as a percentage of loans and leases	0.19		0.25	
ALLL as a percentage of non-performing loans and leases	123.32		144.98	
ALLL as a percentage of loans and leases	1.16		1.14	
Net charge-offs as a percentage of average loans and leases <sup>(1)</sup>	0.16		0.23	
Ratio of ALLL to net charge-offs <sup>(1)</sup>	7.41x		5.25x	

*(1) Calculated for the September 30, 2017 period based on the year-to-date net charge-offs, annualized.*

**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 with a well defined weakness that jeopardizes the full repayment of the debt where there is also information which causes management to have serious concern about the ability of a borrower to comply with the present repayment terms in the future, and residential and consumer are performing loans with a delinquency migration that approaches a period which would historically result in non-accrual status.

Potential problem loans and leases exclude loans and leases past due 90 days or more and accruing, non-accrual loans and leases, and TDRs. Management monitors potential problem loans and leases due to a higher degree of risk associated 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. In addition to loans and leases past due 90 days or more and accruing and TDRs, which are contained elsewhere within this section, the Company had potential problem loans and leases of \$239.6 million at September 30, 2017 compared to \$263.3 million at December 31, 2016.

**Past Due Loans and Leases**

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

	At September 30, 2017		At December 31, 2016	
<i>(Dollars in thousands)</i>	Amount	% <sup>(1)</sup>	Amount	% <sup>(1)</sup>
Residential	\$ 11,700	0.26	\$ 11,202	0.26
Consumer:				
Home equity	12,268	0.53	14,578	0.61
Other consumer	3,674	1.48	3,715	1.35
Commercial non-mortgage	2,302	0.05	1,949	0.05
Commercial real estate	1,783	0.04	8,173	0.20
Equipment financing	867	0.15	1,596	0.25
Loans and leases past due 30-89 days	32,594	0.19	41,213	0.24
Loans and leases past due 90 days and accruing <sup>(2)</sup>	934	0.02	749	0.02
Total	\$ 33,528	0.19	\$ 41,962	0.25
Deferred costs and unamortized premiums	75		86	

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

Total loans and leases over 30 days past due and accruing income    \$33,603            \$42,048

*(1) Represents the principal balance of loans and leases over 30 days past due and accruing income as a percentage of the outstanding principal balance within the comparable loan and lease category, and which excludes the impact of deferred costs and unamortized premiums.*

*(2) Loans and leases past due 90 days and accruing was exclusively commercial non-mortgage for the periods presented.*

**Table of Contents**

The balance of loans and leases past due 30 days or more and accruing income decreased \$8.4 million at September 30, 2017 compared to December 31, 2016 and was centered in commercial real estate and consumer home equity. The ratio of loans and leases past due 30 days or more and accruing income as a percentage of loans and leases declined to 0.19% at September 30, 2017 as compared to 0.25% at December 31, 2016.

**Non-performing Assets**

The following table provides information regarding non-performing assets:

	At September 30, 2017		At December 31, 2016	
<i>(Dollars in thousands)</i>	Amount	% <sup>(1)</sup>	Amount	% <sup>(1)</sup>
Residential	\$45,597	1.02	\$47,201	1.12
Consumer:				
Home equity	37,057	1.61	35,875	1.50
Other consumer	1,858	0.75	1,663	0.61
Total consumer	38,915	1.52	37,538	1.41
Commercial:				
Commercial non-mortgage	58,942	1.32	38,550	0.93
Asset-based loans	8,558	0.97	—	—
Total commercial	67,500	1.26	38,550	0.78
Commercial real estate:				
Commercial real estate	10,590	0.25	9,859	0.24
Commercial construction	476	0.16	662	0.18
Total commercial real estate	11,066	0.25	10,521	0.23
Equipment financing	570	0.10	225	0.04
Total non-accrual loans and leases	163,648	0.94	134,035	0.79
Deferred costs and unamortized premiums	115		(219 )	
Total recorded investment in non-accrual loans and leases <sup>(2)</sup>	\$163,763		\$133,816	
Total non-accrual loans and leases	\$163,648		\$134,035	
Foreclosed and repossessed assets:				
Residential and consumer	4,986		3,911	
Commercial and equipment financing	328		—	
Total foreclosed and repossessed assets	\$5,314		\$3,911	
Total non-performing assets	\$168,962		\$137,946	

<sup>(1)</sup> Represents the principal balance of non-accrual loans and leases as a percentage of the outstanding principal balance within the comparable loan and lease category, and which excludes the impact of deferred costs and unamortized premiums.

<sup>(2)</sup> Includes non-accrual TDRs of \$82.6 million at September 30, 2017 and \$75.7 million at December 31, 2016.

Non-performing assets increased \$31.0 million at September 30, 2017 compared to December 31, 2016. The increase in non-performing assets at September 30, 2017 is primarily due to three middle market loans that were moved to non-accrual during the year and are being actively monitored and managed, with appropriate reserves established at the time of move to non-accrual. As a result, overall non-performing assets as a percentage of total assets increased to 0.64% at September 30, 2017 as compared to 0.53% at December 31, 2016.

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

	Nine months ended September 30,	
<i>(In thousands)</i>	2017	2016
Beginning balance	\$134,035	\$139,941
Additions	104,693	73,990
Paydowns/draws	(48,187 )	(46,778 )
Charge-offs	(21,002 )	(32,999 )

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

Other reductions	(5,891 )	(5,936 )
Ending balance	\$ 163,648	\$ 128,218

58

---

**Table of Contents****Impaired Loans and Leases**

Loans are considered impaired when it becomes 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.

To the extent that an impaired loan or lease balance is collateral dependent, the Company evaluates the fair value of the collateral. Impairment is calculated as the excess of 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 and other customized discounting criteria.

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. Fair value is also reassessed, with any excess amount charged off, for consumer loans that reach 180 days past due in accordance with Federal Financial Institutions Examination Council guidelines. For commercial, commercial real estate, and equipment financing collateral dependent loans and leases, The Company's impairment process requires obtaining a third-party appraisal or asset valuation, an interim valuation analysis, blue book reference, or other internal methods, when determining the fair value of the collateral. 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 reviewer 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, thereby increasing 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 reserves may be recorded to reflect the particular situation. Any impaired loan for which no specific valuation allowance was necessary is the result of either sufficient cash flow or sufficient collateral coverage of the book balance.

At September 30, 2017, there were 1,612 impaired loans and leases with a recorded investment balance of \$270.2 million, which included loans and leases of \$167.8 million with an impairment allowance of \$17.8 million. This compares to 1,635 impaired loans and leases with a recorded investment balance of \$249.4 million, which included loans and leases of \$152.6 million, with an impairment allowance of \$18.6 million at December 31, 2016. For additional information, see Note 4: Loans and Leases in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report.

**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. Common modifications include material changes in covenants, pricing, and forbearance. 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 consumer loan TDRs, except those that were performing prior to TDR status, on non-accrual status for a minimum period of six months. Commercial TDRs are evaluated on a case-by-case basis for determination of 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. Generally, a TDR is classified as an impaired loan and reported as a 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 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:

<i>(In thousands)</i>	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 223,528	\$ 272,690
Additions	25,604	32,996
Paydowns/draws	(25,277 )	(49,906 )
Charge-offs	(2,999 )	(17,927 )
Transfers to OREO	(2,506 )	(1,853 )
Ending balance	\$ 218,350	\$ 236,000

<i>(In thousands)</i>	<b>At September 30, 2017</b>	<b>At December 31, 2016</b>
Accrual status	\$ 135,774	\$ 147,809
Non-accrual status	82,576	75,719
Total recorded investment of TDRs	\$ 218,350	\$ 223,528
Specific reserves for TDRs included in the balance of ALLL	\$ 11,837	\$ 14,583
Additional funds committed to borrowers in TDR status	3,944	459

Overall, TDR balances decreased \$5.2 million at September 30, 2017 compared to December 31, 2016. The September 30, 2017 specific reserves for TDRs declined from year end, and reflects management's current assessment of reserve requirements.

**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 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 at September 30, 2017.

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 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 PG and 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 a 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 LEP model which represents an amount of time between when a loss event first occurs to when it is charged-off. An 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.

**Table of Contents**

At September 30, 2017 the ALLL was \$201.8 million compared to \$194.3 million at December 31, 2016. The increase of \$7.5 million in the reserve at September 30, 2017 compared to December 31, 2016 is primarily due to growth in both commercial banking and community banking portfolios and increased reserves for certain impaired loans. 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 1.16% at September 30, 2017 from 1.14% at December 31, 2016, reflecting an updated assessment of inherent losses and impaired reserves. ALLL as a percentage of non-performing loans and leases decreased to 123.32% at September 30, 2017 from 144.98% at December 31, 2016.

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

	At September 30, 2017		At December 31, 2016	
	Amount	% <sup>(1)</sup>	Amount	% <sup>(1)</sup>
<i>(Dollars in thousands)</i>				
Residential	\$17,774	0.40	\$23,226	0.55
Consumer	38,144	1.49	45,233	1.68
Commercial	89,594	1.68	71,905	1.46
Commercial real estate	49,534	1.11	47,477	1.05
Equipment financing	6,757	1.19	6,479	1.02
Total ALLL	\$201,803	1.16	\$194,320	1.14

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

The following table provides detail of activity in the ALLL:

	At or for the three months ended September 30, 2017		At or for the nine months ended September 30, 2016	
	2017	2016	2017	2016
<i>(In thousands)</i>				
Beginning balance	\$199,578	\$180,428	\$194,320	\$174,990
Provision	10,150	14,250	27,900	43,850
Charge-offs:				
Residential	(585 )	(1,304 )	(1,940 )	(3,536 )
Consumer	(6,197 )	(5,259 )	(18,273 )	(14,236 )
Commercial	(3,002 )	(2,561 )	(5,321 )	(17,294 )
Commercial real estate	(749 )	—	(951 )	(2,521 )
Equipment financing	(121 )	(300 )	(425 )	(521 )
Total charge-offs	(10,654 )	(9,424 )	(26,910 )	(38,108 )
Recoveries:				
Residential	280	554	924	1,408
Consumer	1,894	1,313	4,337	3,721
Commercial	466	370	1,105	1,143
Commercial real estate	10	194	21	480
Equipment financing	79	240	106	441
Total recoveries	2,729	2,671	6,493	7,193
Net charge-offs	(7,925 )	(6,753 )	(20,417 )	(30,915 )
Ending balance	\$201,803	\$187,925	\$201,803	\$187,925

**Table of Contents**

The following table provides a summary of net charge-offs (recoveries) to average loans and leases by category:

	Three months ended September 30,		Nine months ended September 30,					
	2017	2016	2017	2016				
<i>(Dollars in thousands)</i>	Amount	% <sup>(1)</sup>	Amount	% <sup>(1)</sup>	Amount	% <sup>(1)</sup>		
Residential	\$305	0.03	\$750	0.07	\$1,016	0.03	\$2,128	0.07
Consumer	4,303	0.67	3,946	0.58	13,936	0.71	10,515	0.51
Commercial	2,536	0.19	2,191	0.19	4,216	0.11	16,151	0.48
Commercial real estate	739	0.07	(194)	(0.02)	930	0.03	2,041	0.07
Equipment financing	42	0.03	60	0.04	319	0.07	80	0.02
Net charge-offs	\$7,925	0.18	\$6,753	0.16	\$20,417	0.16	\$30,915	0.26

*(1) Net charge-offs (recoveries) to average loans and leases, percentage calculated based on period-to-date activity, annualized.*

Net charge-offs increased \$1.2 million and decreased \$10.5 million for the three and nine months ended September 30, 2017, respectively, as compared to the same periods in 2016. The decrease for nine months period is primarily due to improved asset quality in commercial loans. 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. Underwriting standards are designed to focus on and support the promotion of relationships rather than transactional banking. 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 also 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 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 the Consumer Financial Protection Bureau rules that went into effect on January 10, 2014.

**Table of Contents****Sources of Funds and Liquidity**

**Sources of Funds.** The primary source of Webster Bank's cash flow 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 flow. 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 local 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 Federal Home Loan Bank 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. The FHLB recently has initiated a process to redeem the holdings of its member banks in excess of their membership and activity requirements, based on current conditions. As a result, Webster Bank held \$85.6 million of FHLB capital stock at September 30, 2017 compared to \$143.9 million at December 31, 2016, for its membership and for outstanding advances and other extensions of credit. On August 2, 2017, the FHLB paid a cash dividend equal to an annual yield of 4.22%.

Additionally, Webster Bank is required to hold FRB 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 FRB. 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 September 30, 2017 and December 31, 2016, Webster Bank held \$50.7 million of FRB capital stock. Beginning in 2016, the semi-annual dividend payment from the FRB will be calculated as the lesser of three percent or yield of the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend.

**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 167 banking centers within 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 \$20.9 billion at September 30, 2017 compared to \$19.3 billion at December 31, 2016. The increase is predominately related to an increase in health savings accounts of \$0.5 billion and an increase in money market accounts of \$0.6 billion. See Note 7: Deposits in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for additional information.

**Borrowings.** Utilized as a source of funding for liquidity and interest rate risk management purposes, borrowings primarily consist of FHLB advances and 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. At September 30, 2017 and December 31, 2016, FHLB advances totaled \$1.5 billion and \$2.8 billion, respectively. Webster Bank had additional borrowing capacity from the FHLB of approximately \$2.7 billion at September 30, 2017 compared to approximately \$1.2 billion at December 31, 2016. Webster Bank also had additional borrowing capacity at the FRB of approximately \$0.5 billion at September 30, 2017 and \$0.6 billion at December 31, 2016. In addition, unpledged investment securities of \$4.3 billion at September 30, 2017 could have been used to increase borrowing capacity by approximately \$3.8 billion at the FHLB or approximately \$3.8 billion at the FRB, or alternatively used for collateral on other borrowings, such as repurchase agreements.

In addition, Webster Bank may utilize term and overnight Fed funds to meet short-term liquidity needs. The Company's long-term debt consists of senior fixed-rate notes maturing in 2024 and junior subordinated notes maturing in 2033. Total borrowed funds were \$2.6 billion at September 30, 2017 compared to \$4.0 billion at December 31, 2016. Borrowings represented 10.0% and 15.4% of total assets at September 30, 2017 and December 31, 2016,

respectively. The reduction in borrowings was primarily related to FHLB advances maturing within one year. For additional information, see Note 8: Borrowings in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report.

**Table of Contents**

**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 investment 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 \$300.3 million for the nine months ended September 30, 2017 as compared to \$187.6 million for the nine months ended September 30, 2016. The increase is significantly a result of derivative activity and, to a lesser extent, mortgage banking activities.

**Holding Company Liquidity.** The primary source of liquidity at the Holding Company is dividends from Webster Bank. Webster Bank paid \$80 million in dividends to the Holding Company during the nine months ended September 30, 2017. 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 is described in the section captioned "Supervision and Regulation" in Item 1 of Webster's 2016 Form 10-K. At September 30, 2017, there was \$328.8 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, with \$3.9 million of remaining repurchase authority at September 30, 2017. 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 nine months ended September 30, 2017, a total of 389,952 shares of common stock were repurchased for approximately \$20.9 million, of which 222,000 shares were purchased under the common stock repurchase program at a cost of approximately \$11.6 million, and 167,952 shares were purchased, at market prices, related to stock compensation plan activity for a cost of approximately \$9.3 million.

**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 83.7% and 88.2% at September 30, 2017 and December 31, 2016, 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 September 30, 2017. 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 a minimum tangible capital requirement. As of September 30, 2017, Webster Bank was in compliance with all applicable capital requirements and exceeded the FDIC requirements for a well-capitalized institution. See Note 10: Regulatory Matters in the Notes to Condensed 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.

**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 nine months ended September 30, 2017, Webster did not engage in any off-balance sheet transactions that would have a material effect on its financial condition. For additional information, see Note 17: Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report.



**Table of Contents****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 of Director approved risk limits. The Board of Directors sets the policy limits for earnings at risk for parallel ramps in interest rates over twelve months of plus and minus 100 and 200 basis points as well as 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 and 200 basis points. Based on the near historic lows in short-term interest rates, the declining interest rate scenarios of minus 100 basis points or more for both earnings at risk and equity at risk were temporarily suspended per ALCO policy. Effective with September 30, 2017, these scenarios were re-instituted. The results of the re-instituted minus 100 basis point scenario is outside of the established interest rate risk limit due to the impact of deposit floors. Due to the low probability of occurrence and the current level of rates, the Board of Directors has approved a temporary exception to policy. ALCO also regularly reviews earnings at risk scenarios for customized 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 are included in the simulation analysis. From such simulations, interest rate risk is quantified, and appropriate strategies are formulated and implemented.

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 are modeled based upon historical data. Webster Bank also has the option to change the interest rate paid on these deposits at any time.

**Table of Contents**

Webster's earnings at risk model incorporates net interest income, 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 to a 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 12: Derivative Financial Instruments in the Notes to Condensed 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 income of 100 and 200 basis points, over a twelve month period starting September 30, 2017 and December 31, 2016, might have on Webster's NII for the subsequent twelve month period compared to NII assuming no change in interest rates:

<b>NII</b>	<b>-200bp</b>	<b>-100bp</b>	<b>+100bp</b>	<b>+200bp</b>
September 30, 2017	N/A	(6.1)%	3.5%	6.5%
December 31, 2016	N/A	N/A	2.4%	4.7%

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 September 30, 2017 and December 31, 2016, might have on Webster's PPNR for the subsequent twelve month period compared to PPNR assuming no change in interest rates:

<b>PPNR</b>	<b>-200bp</b>	<b>-100bp</b>	<b>+100bp</b>	<b>+200bp</b>
September 30, 2017	N/A	(11.9)%	5.5%	10.7%
December 31, 2016	N/A	N/A	2.9%	6.3%

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 September 30, 2017 and December 31, 2016 assumed a Fed Funds rate of 1.25% and 0.75% respectively. Asset sensitivity for both NII and PPNR on September 30, 2017 was higher as compared to December 31, 2016, primarily due to growth in deposits, mainly health savings accounts, a reduction in borrowings and loans moving further away from floors.

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 yield curve twists or immediate non-parallel changes in interest rates might have on Webster's NII for the subsequent twelve month period starting September 30, 2017 and December 31, 2016:

	<b>Short End of the Yield Curve</b>		<b>Long End of the Yield Curve</b>	
<b>NII</b>	<b>-100bp</b>	<b>-50bp</b>	<b>+50bp</b>	<b>+100bp</b>
September 30, 2017	(8.6)%	(4.3)%	2.0%	3.9%
December 31, 2016	(4.1)%	(1.8)%	1.4%	2.6%

Edgar Filing: WEBSTER FINANCIAL CORP - Form 10-Q

December 31, 2016 N/A N/A 1.2% 2.3% (3.8)% (1.6)% 1.3% 2.3%

66

---

**Table of Contents**

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 September 30, 2017 and December 31, 2016:

PPNR	Short End of the Yield Curve				Long End of the Yield Curve			
	-100bp	-50bp	+50bp	+100bp	-100bp	-50bp	+50bp	+100bp
September 30, 2017	(16.3)%	(8.0)%	3.2%	6.3%	(6.3)%	(2.7)%	2.3%	4.5%
December 31, 2016	N/A	N/A	1.4%	2.7%	(5.6)%	(2.1)%	1.7%	3.7%

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.

Sensitivity to increases in the short end of the yield curve for NII and PPNR increased from December 31, 2016 due to higher forecasted health savings accounts balances, a reduction in borrowings and greater distance from loan floors. Sensitivity to decreases in the short end of the yield curve for NII and PPNR are much greater than sensitivity for increases due to the assumption of deposit floors. Sensitivity to both increases and decreases in the long end of the yield curve was essentially unchanged from December 31, 2016 in both NII and PPNR.

The following table summarizes the estimated economic value of assets, liabilities, and off-balance sheet contracts at September 30, 2017 and December 31, 2016 and the projected change to economic values if interest rates instantaneously increase or decrease by 100 basis points:

	Book Value	Estimated Economic Value	Estimated Economic Value Change	
			-100 bp	+100 bp
<i>(Dollars in thousands)</i>				
<b>September 30, 2017</b>				
Assets	\$26,350,182	\$25,811,516	\$518,087	\$(631,956)
Liabilities	23,711,395	22,630,383	741,133	(633,646)
Net	\$2,638,787	\$3,181,133	\$(223,046)	\$1,690
Net change as % base net economic value			(7.0)	)%0.1
<b>December 31, 2016</b>				
Assets	\$26,072,529	\$25,527,648	N/A	\$(633,934)
Liabilities	23,545,517	22,650,967	N/A	(555,854)
Net	\$2,527,012	\$2,876,681	N/A	\$(78,080)
Net change as % base net economic value			N/A	(2.7)

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 change in estimated economic value for a small change in interest rates. Webster's duration gap was negative 0.9 years at September 30, 2017. At December 31, 2016, the duration gap was negative 0.4 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 increase in health savings accounts and demand deposit balances as of September 30, 2017.

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 September 30, 2017 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.

**Table of Contents**

**Impact of Inflation and Changing Prices**

The Condensed 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.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The required information is set forth above, in Item 2. 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.

**ITEM 4. CONTROLS AND PROCEDURES**

As of September 30, 2017, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined i

ess,  
strengthening the design of the ALLL internal controls and enhancing communication protocols. The Company has engaged the use of a third party expert to test the operating effectiveness of the ALLL internal control environment. As of t

**Table of Contents****PART II - OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

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

**ITEM 1A. RISK FACTORS**

During the nine months ended September 30, 2017, there were no material changes to the risk factors previously disclosed in Webster's Annual Report on Form 10-K for the year ended December 31, 2016.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

The following table provides information with respect to any purchase of equity securities of 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 September 30, 2017:

Period	Total Number of Shares Purchased <sup>(1)</sup>	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 <sup>(1)</sup>	Total Number of Warrants Purchased <sup>(2)</sup>	Average Price Paid Per Warrant
July 1-31, 2017	128,464	\$ 52.22	128,238	\$ 8,792,599	—	\$ —
August 1-31, 2017	93,762	52.14	93,762	3,903,923	—	—
September 1-30, 2017	—	—	—	3,903,923	—	—
Total	222,226	52.18	222,000	3,903,923	—	—

*The maximum dollar amount available for repurchase under the plans or programs, at September 30, 2017, in the table above, reflects the amount remaining under the common stock repurchase program authorized by the Company's Board of Directors on December 6, 2012. In addition, on October 24, 2017, the Company's Board of Directors approved a new 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. Both programs will remain in effect until fully utilized or until modified, superseded, or terminated.*

*Of the total number of shares purchased during the three months ended September 30, 2017, 226 shares were acquired outside of the repurchase program related to stock compensation plan activity, at market prices.*

*On June 3, 2011, the Company announced that, with approval from its Board of Directors, it had repurchased a significant number of the warrants issued as part of Webster's participation in the U.S. Treasury's Capital Purchase Program in a public auction conducted on behalf of the U.S. Treasury. The Board approved plan provides for additional repurchases from time-to-time, as permitted by securities laws and other legal requirements. There remain 9,777 outstanding warrants to purchase a share (1:1) of the Company's common stock, which carry an exercise price of \$18.28 per share and expire on November 21, 2018.*

**Restrictions on Dividends**

Holders of the Company's common stock are entitled to receive such dividends as the Board of Directors may declare out of funds legally available for such payments. Also, as a bank holding company, the ability to declare and pay dividends is dependent on certain federal regulatory considerations. See Note 10: Regulatory Matters in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for additional information.

The Company has 5,060,000 outstanding Depository Shares, each representing 1/1000th interest in a share of 6.40% Series E Non-Cumulative Perpetual Preferred Stock, par value \$.01 per share, with a liquidation preference of \$25,000 per share (or \$25 per depository share). The Series E Preferred Stock is redeemable at Webster's option, in whole or in part, on December 15, 2017, or any dividend payment date thereafter, or in whole but not in part, upon a "regulatory capital treatment event" as defined in the Prospectus Supplement. The terms of the Series E Preferred Stock prohibit



the Company from declaring or paying any cash dividends on its common stock, unless Webster has declared and paid full dividends on the Series E Preferred Stock for the most recently completed dividend period.

**Table of Contents**

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

**ITEM 5. OTHER INFORMATION**

Not applicable

**ITEM 6. EXHIBITS**

The exhibits to this Quarterly Report on Form 10-Q are set forth on the Exhibit Index immediately preceding such exhibits and are incorporated herein by reference.

70

---

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**WEBSTER FINANCIAL CORPORATION**  
Registrant

Date: November 6, 2017 By: /s/ James C. Smith  
**James C. Smith**  
**Chairman and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 6, 2017 By: /s/ Glenn I. MacInnes  
**Glenn I. MacInnes**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**

Date: November 6, 2017 By: /s/ Albert J. Wang  
**Albert J. Wang**  
**Senior Vice President and Chief Accounting Officer**  
**(Principal Accounting Officer)**

**Table of Contents****WEBSTER FINANCIAL CORPORATION  
EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Exhibit	Filing Date
3	Certificate of Incorporation and Bylaws.				
3.1	<u>Fourth Amended and Restated Certificate of Incorporation</u>		10-Q	3.1	8/9/2016
3.2	<u>Certificate of Designations establishing the rights of the Company's 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock</u>		8-K	3.1	6/11/2008
3.3	<u>Certificate of Designations establishing the rights of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series B</u>		8-K	3.1	11/24/2008
3.4	<u>Certificate of Designations establishing the rights of the Company's Perpetual Participating Preferred Stock, Series C</u>		8-K	3.1	7/31/2009
3.5	<u>Certificate of Designations establishing the rights of the Company's Non-Voting Perpetual Participating Preferred Stock, Series D</u>		8-K	3.2	7/31/2009
3.6	<u>Certificate of Designations establishing the rights of the Company's 6.40% Series E Non-Cumulative Perpetual Preferred Stock</u>		8-A12B	3.3	12/4/2012
3.7	<u>Bylaws, as amended effective June 9, 2014</u>		8-K	3.1	6/12/2014
10.1 *	<u>Retirement and Advisory Services Agreement, dated as of September 17, 2017, by and between Webster Financial Corporation and James C. Smith</u>		8-K	10.1	9/19/2017
31.1	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Chief Executive Officer.</u>	X			
31.2	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Chief Financial Officer.</u>	X			
32.1 +	<u>Written statement pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Executive Officer.</u>	X			
32.2 +	<u>Written statement pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Financial Officer.</u>	X			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	XBRL Taxonomy Extension Schema Document	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X			

\* This exhibit is a management contract, or compensatory plan, or arrangement in which directors or executive officers are eligible to participate.

+ This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.