

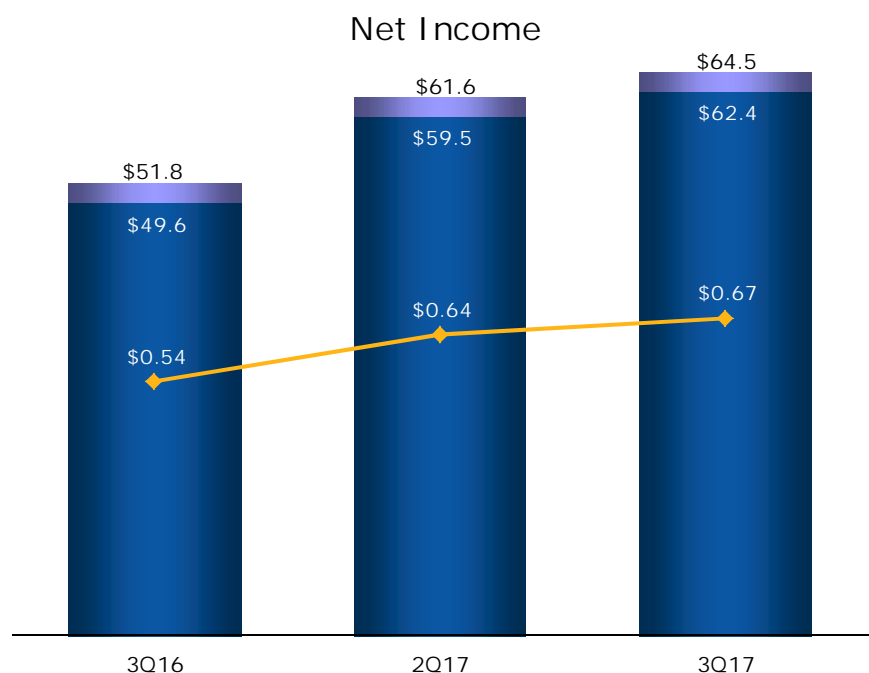


**Webster**  
Financial Corporation®

**Third Quarter 2017**  
**Earnings Conference Call**  
**October 19, 2017**

# WBS 3Q17 Earnings | Highlights

(\$ in millions, except EPS data)



■ Preferred Stock Dividends & Other of \$2.1MM in 3Q17 and 2Q17, \$2.2MM in 3Q16

■ Earnings Applicable to Common Shareholders

◆ Diluted earnings per common share

## ROACE:

8.36%	9.63%	9.95%
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## ROATCE:

11.24%	12.65%	12.99%
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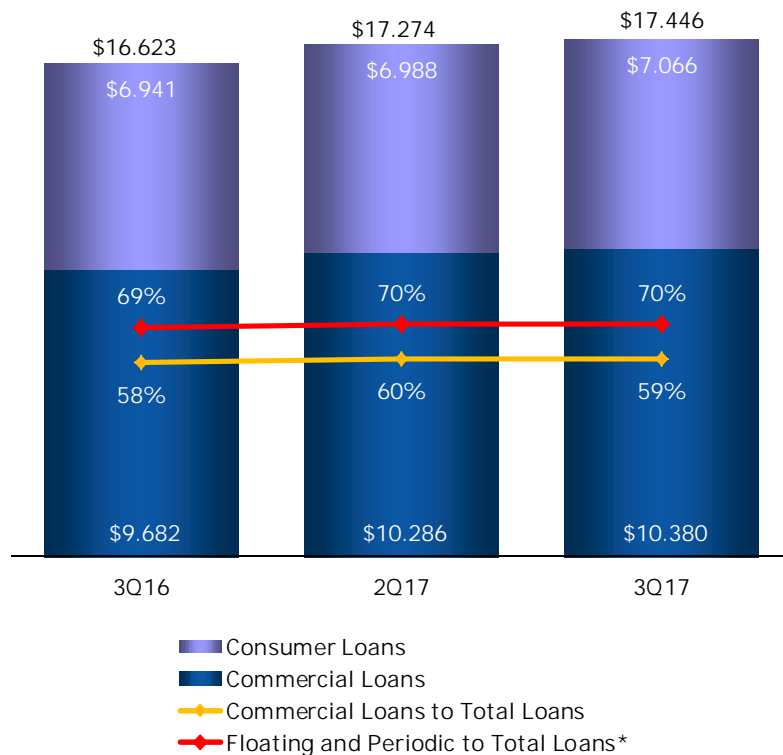
## Key Observations:

- Return on average common shareholders' equity of 9.95%
- Return on average tangible common equity of 12.99%
- Year-over-year net income growth of 24.5%
- Continued progress in our growth strategies:
  - Year-over-year commercial loan growth of 7.2%
  - HSA Bank year-over-year growth of 20.5% in total footings and account growth of 17.3%
  - 32 consecutive quarters of year-over-year revenue growth with total revenue of \$267 million (+8.2%)
- Efficiency ratio of 59.2% vs. 61.4% prior year
- Continued stable credit performance
- Strong capital position

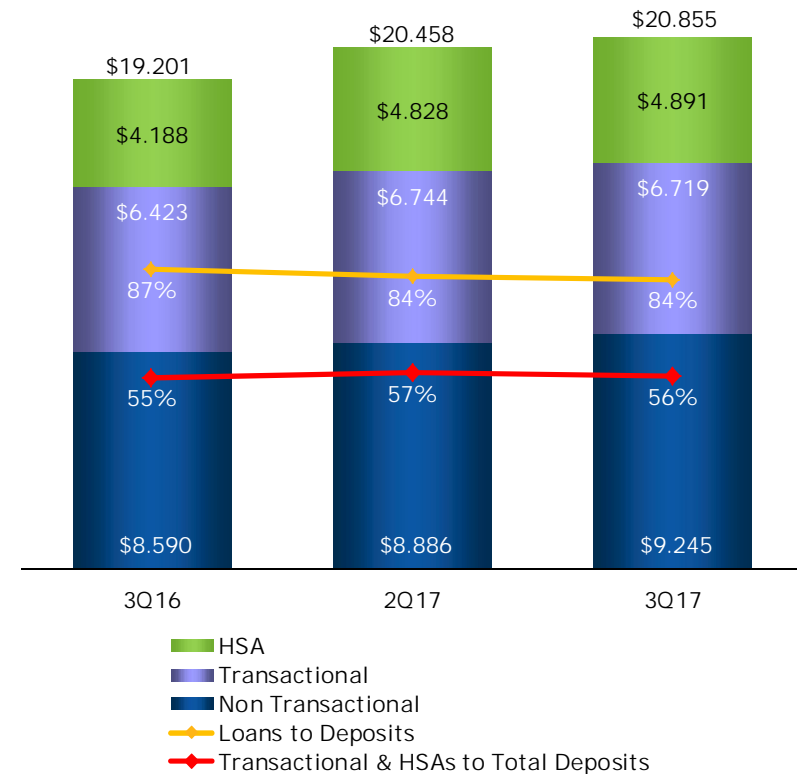
# WBS 3Q17 Earnings | Loans & Deposits

(\$ in billions)

## Loans: +5.0% YOY



## Deposits: +8.6% YOY



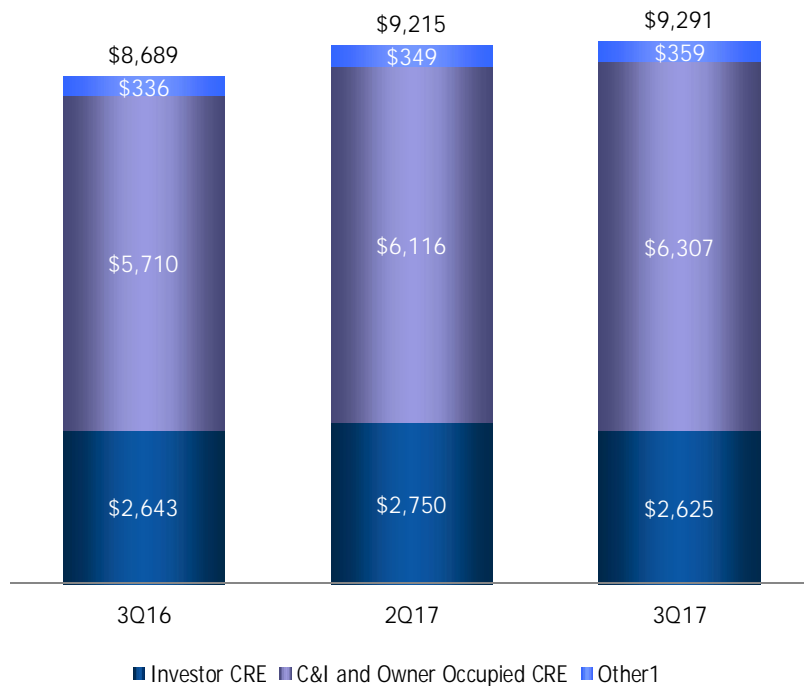
**\$823 million of loan growth over the past year, funded by HSA and transactional deposit growth**

\* Floating loan rates reset in 1 month or less; periodic loans reset in greater than 1 month but before final maturity

# WBS 3Q17 Earnings | Commercial Banking\*

(\$ in millions)

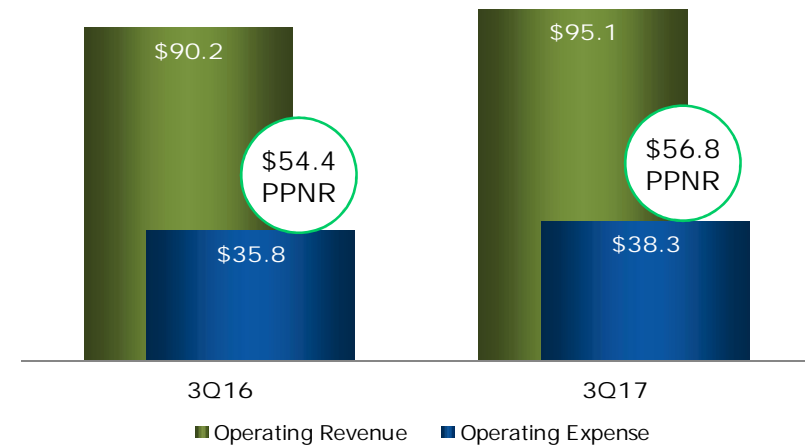
## Loans: +6.9% YOY



### Portfolio yield:

3.65%      4.04%      4.19%

## PPNR: +4.4% YOY



## Key Business Metrics

	3Q17	Increase / (Decrease)	
		2Q17	3Q16
Loan originations	\$ 647	\$ (247)	\$ (38)
Loan fundings	\$ 500	\$ (35)	\$ (43)
Yield on fundings	4.71%	+17 bps	+62 bps
Pipeline	\$ 328	\$ 69	\$ (107)
Deposits	\$ 4,251	\$ 425	\$ 362
Non-interest income / Total revenue	13.88%	+19 bps	-376 bps
AUM / AUA	\$ 1,991	\$ 91	\$ 198

\* As of 2Q17, due to segment realignment, Private Banking results are now reflected in Commercial Banking

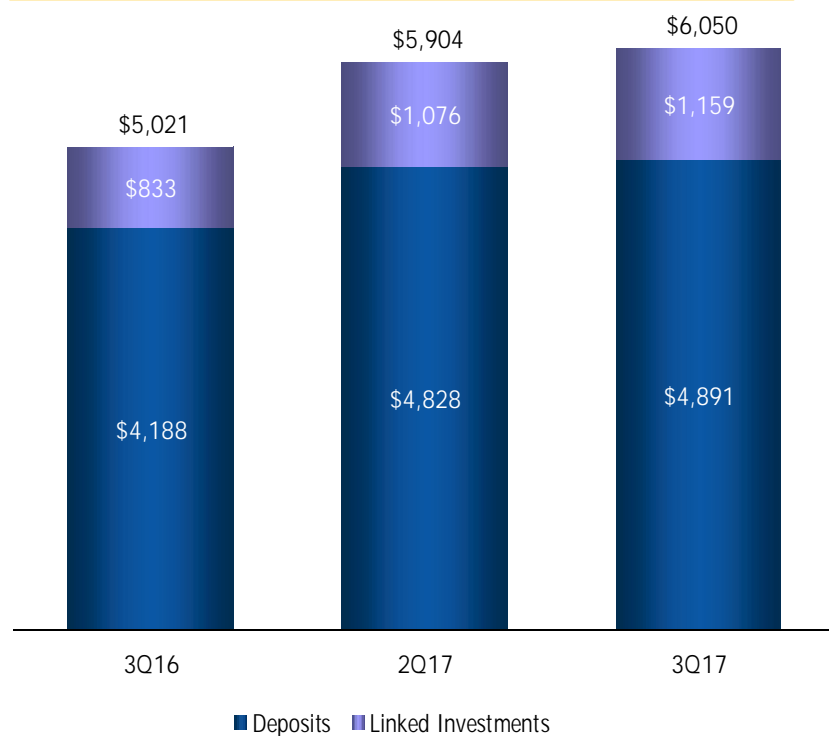
<sup>1</sup> Private Banking consumer loans

AUM =Assets Under Management    AUA =Assets Under Administration

# WBS 3Q17 Earnings | HSA Bank

(\$ in millions)

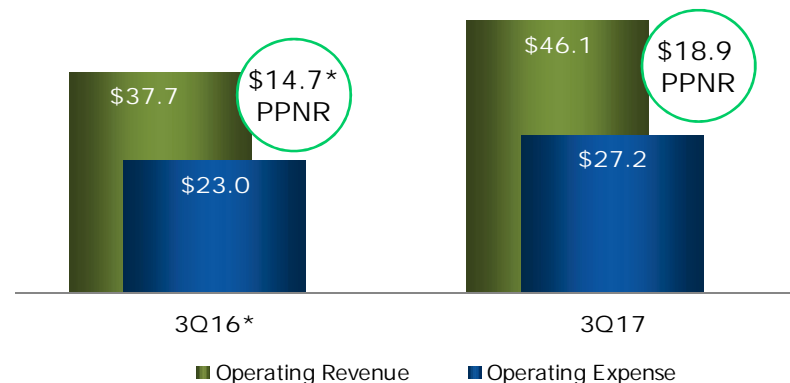
**Total Footings: +20.5% YOY**  
**Total Deposits: +16.8% YOY**  
**Total Accounts: +17.3% YOY**



**Deposit Cost:**

0.22%      0.20%      0.20%

**PPNR: +28.5% YOY**



**Key Business Metrics**

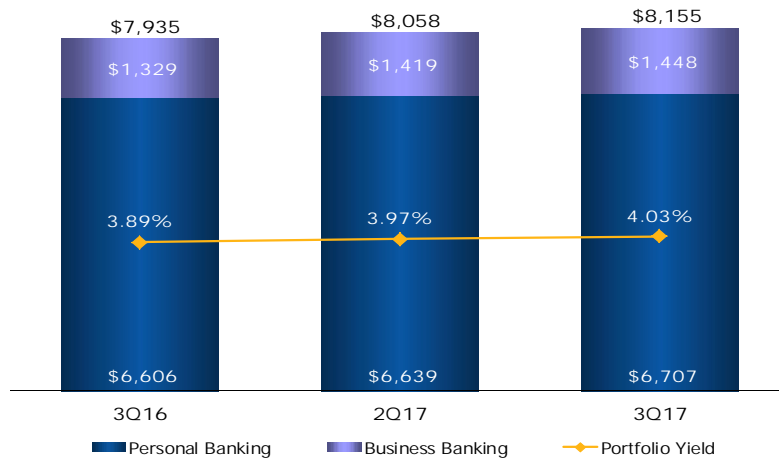
End of period	3Q17	Increase / (Decrease)	
		2Q17	3Q16
Accounts ('000)	2,416	48	357
% of Unfunded accounts	6.59%	+39 bps	+124 bps
Footings per account	\$ 2,504	\$ 10	\$ 65
Investments as % of total footings	19.15%	+92 bps	+256 bps
New accounts ('000)	125	25	14
PPNR/avg. account	\$ 31.54	\$ 3.54	\$ 2.68

\* 3Q16 PPNR excludes HSA acquisition receivable adjustment. Including adjustment, PPNR was \$14.4MM

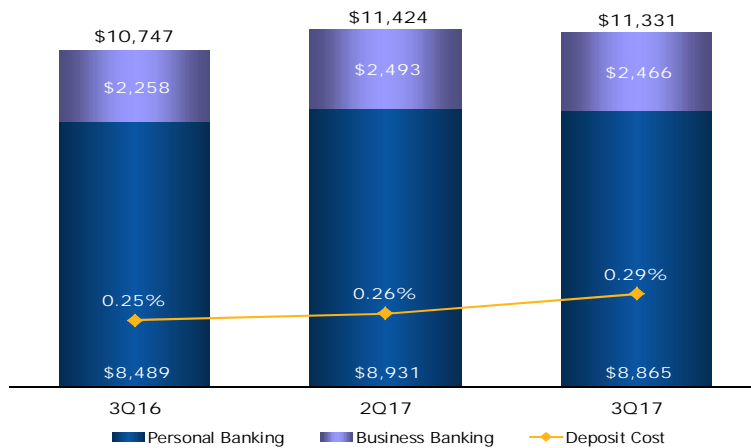
# WBS 3Q17 Earnings | Community Banking\*

(\$ in millions)

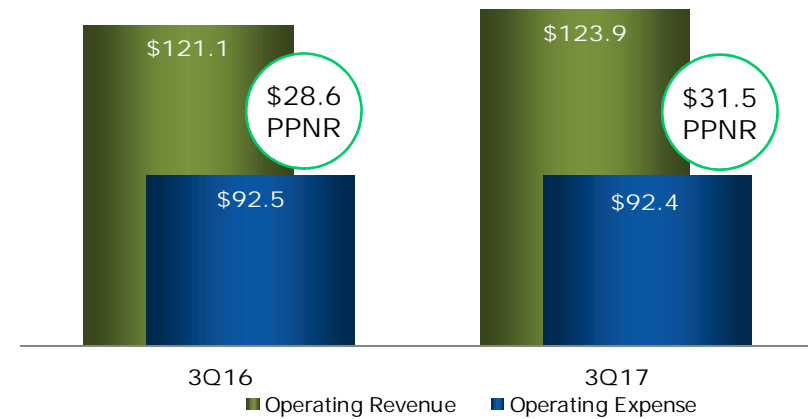
## Loans: +2.8% YOY



## Deposits: +5.4% YOY



## PPNR: +9.9% YOY



## Key Business Metrics

	Increase / (Decrease)		
	3Q17	2Q17	3Q16
Loan originations - Mortgage & Consumer	\$ 446	\$ (27)	\$ (107)
Loan originations - Business Banking	\$ 72	\$ (8)	\$ (33)
Yield on fundings	4.21%	-3 bps	+65 bps
Transaction deposits / Total deposits	38.16%	-93 bps	-45 bps
Digitally active households / Total households	45.89%	+29 bps	+179 bps
Self-service transactions / Total transactions	70.40%	+40 bps	+88 bps
Assets Under Administration	\$ 3,231	\$ 72	\$ 258

\* As of 2Q17 the liquidating portfolio is included in Community Banking

# WBS 3Q17 Earnings | Average Balance Sheet

(\$ in millions)

	Increase / (Decrease)		
	3Q17	2Q17	3Q16
Securities	\$ 6,995	\$ (35)	\$ 210
Commercial loans	\$ 10,325	\$ 19	\$ 819
Consumer loans	<u>7,040</u>	<u>80</u>	<u>122</u>
Total loans	\$ 17,365	\$ 99	\$ 941
Deposits	\$ 20,935	\$ 597	\$ 1,656
Borrowings	\$ 2,493	\$ (575)	\$ (801)
Common equity	\$ 2,513	\$ 38	\$ 132

(At end of period)

Key Ratios:			
Loans / total deposits	83.7%	-70 bps	-290 bps
Transactional & HSAs / total deposits	55.7%	-90 bps	+40 bps
Common Equity Tier 1	10.96%	+12 bps	+48 bps
Tangible common equity	7.55%	+8 bps	+30 bps
Tangible book value per common share	\$ 21.16	\$ 0.42	\$ 1.36

## Key Observations:

LQ balances flat; duration of 4.2 years

Commercial non-mortgage +\$94 million, CRE -\$75 million

Continued growth in residential with partial offset in other consumer

Average loan growth of 0.6% LQ, 5.7% year-over-year

Average deposit growth of 2.9% LQ, 8.6% year-over-year

Excess deposits utilized to reduce borrowings

3Q17 dividends of \$23.9 million

Ratio continues well below industry averages

Majority of 3Q17 deposit increase in public money market and retail CD's

Ratio remains in excess of Basel III 6.5% well-capitalized level

LQ increases reflects growth in tangible common equity (+7% annualized)

# WBS 3Q17 Earnings | Income Statement

(\$ in millions)

	Increase / (Decrease)		
	3Q17	2Q17	3Q16
Net interest income	\$ 200.9	\$ 3.1	\$ 20.7
Total non-interest income	<u>65.9</u>	<u>1.3</u>	<u>(0.5)</u>
Total revenue	\$ 266.9	\$ 4.5	\$ 20.3
Less: Gain on securities (including write-downs)	-	-	-
Total non-interest expense	<u>\$ 161.9</u>	<u>\$ (2.5)</u>	<u>\$ 5.8</u>
Pre-provision net revenue	\$ 105.0	\$ 7.0	\$ 14.5
Provision for loan losses	\$ 10.2	\$ 2.9	\$ (4.2)
Reported pre-tax income	\$ 94.8	\$ 4.1	\$ 18.5
Reported net income	\$ 64.5	\$ 2.9	\$ 12.7
Tax rate	32.0%	-10 bps	-10 bps
Efficiency ratio (non-GAAP) <sup>(1)</sup>	59.18%	-147 bps	-225 bps

## Key Observations:

LQ increase driven by NIM expansion (3 bps) and average loan growth (0.6%)

LQ increase reflects higher client hedging revenue

LQ decrease reflects declines in multiple categories

Quarterly record

ALLL / total loans of 1.16%, \$2.2 million net reserve build; NCO 18 bps annualized

Quarterly records

LQ improvement reflects revenue growth and lower expenses

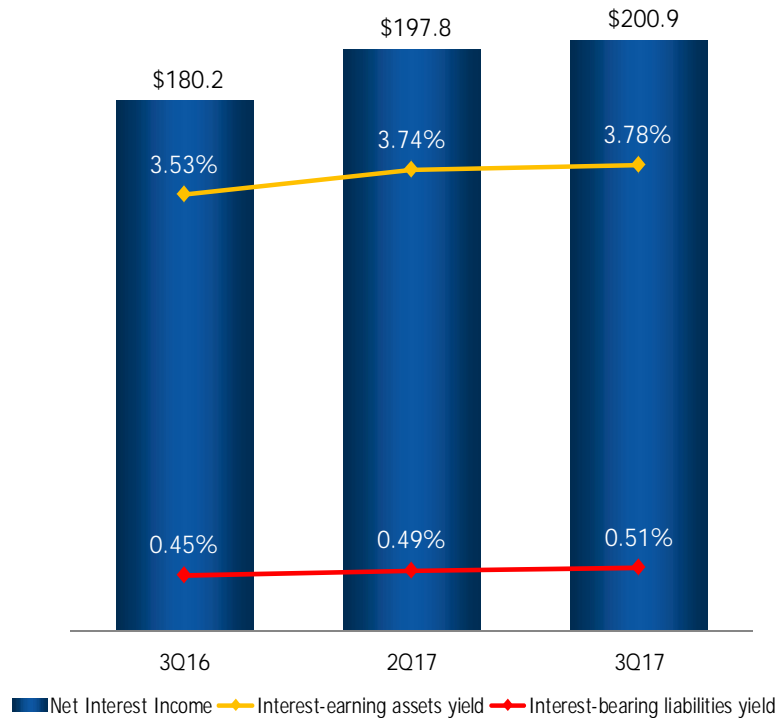
<sup>1</sup> See reconciliation on page 15



# WBS 3Q17 Earnings | Net Interest Income

(\$ in millions)

**+11.5% YOY**



NIM:

3.10%

3.27%

3.30%

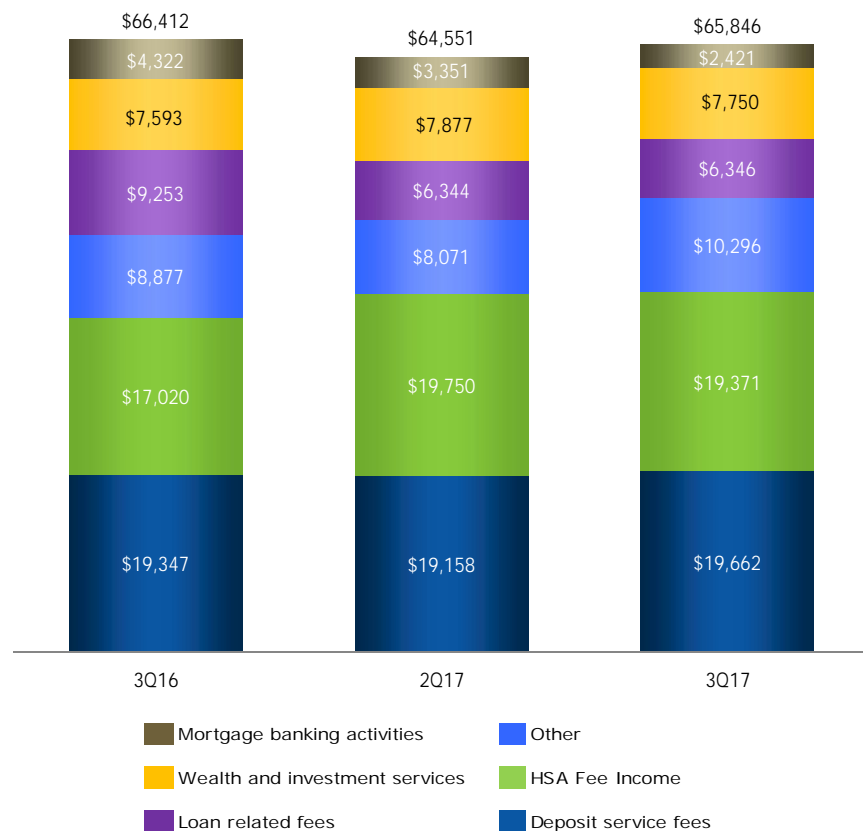
## Linked Quarter Drivers:

- ▀ NII: +\$3.1 million (non FTE)
  - \$6.7 million increase in interest on loans (yield up 10 bps to 4.14%)
  - \$2.1 million increase in interest on deposits (rate up 3 bps to 0.32%)
  - \$2.5 million decrease in interest on securities (yield down 12 bps to 2.92%)
  - \$0.9 million decrease in borrowing cost (rate up 26 bps to 2.11%)
  
- ▀ NIM: +3 bps
  - +7 bps from loans
  - 3 bps from securities
  - <1 bp from deposits
  - <1 bp from borrowings

# WBS 3Q17 Earnings | Non-interest Income

(\$ in thousands)

## Diverse Sources



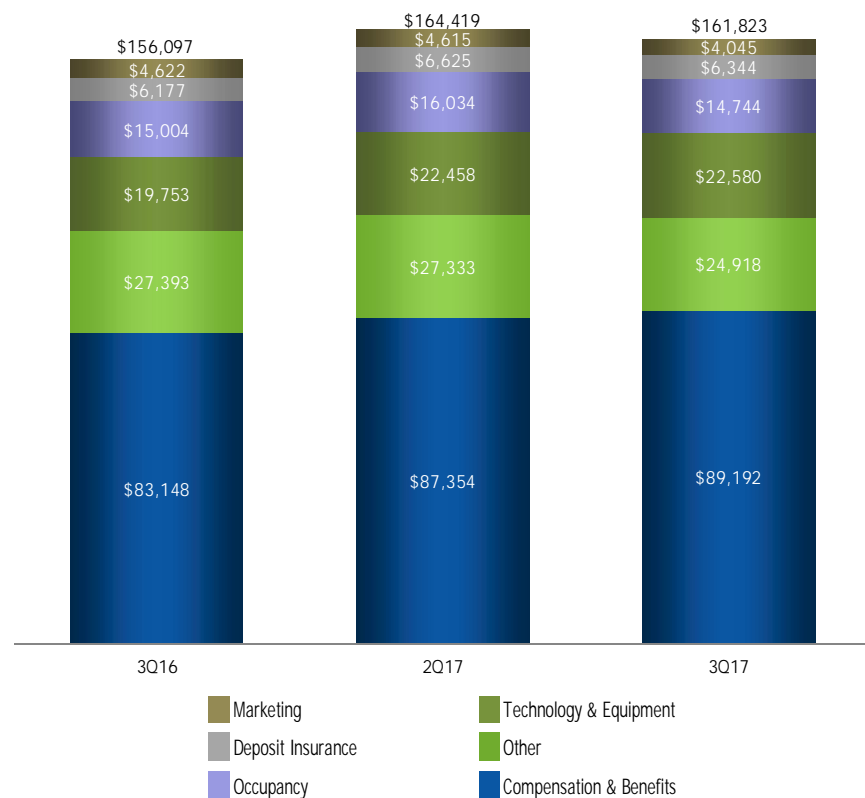
## Key Observations:

- ▮ \$1.3 million increase linked-quarter
  - ▶ Increase in other income of \$2.2 million primarily related to client hedging revenue
  - ▶ Decrease in mortgage banking of \$0.9 million due to lower application volume
  
- ▮ \$0.6 million decrease year-over-year
  - ▶ Decrease in loan related fees of \$2.9 million primarily due to lower syndication fees
  - ▶ Decrease in mortgage banking activities of \$1.9 million due to lower application volume
  - ▶ Increase in HSA fee income of \$2.4 million due to account growth
  - ▶ Increase in other of \$1.4 million related to client hedging revenue

# WBS 3Q17 Earnings | Non-interest Expense

(\$ in thousands)

## Maintaining discipline while investing for growth



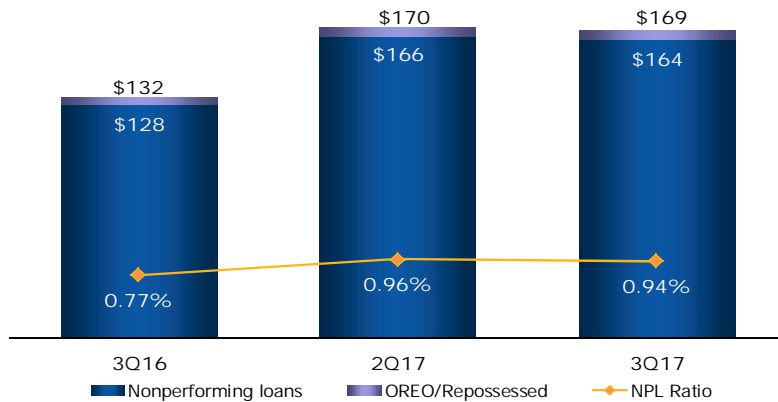
## Key Observations:

- ▮ \$2.6 million decrease linked-quarter
  - ▶ \$2.4 million decrease in other from multiple categories
  - ▶ \$1.3 million decrease in occupancy primarily related to 8 banking center closures in 2Q17
  - ▶ \$1.8 million increase in compensation and benefits related to strategic hires and medical costs
  
- ▮ \$5.7 million increase year-over-year
  - ▶ \$3.6 million increase in HSA Bank from growth and investment initiatives
  - ▶ \$4.4 million increase in compensation and benefits, excluding HSA Bank, from annual merit and strategic hires
  - ▶ \$2.5 million decrease in other from multiple categories

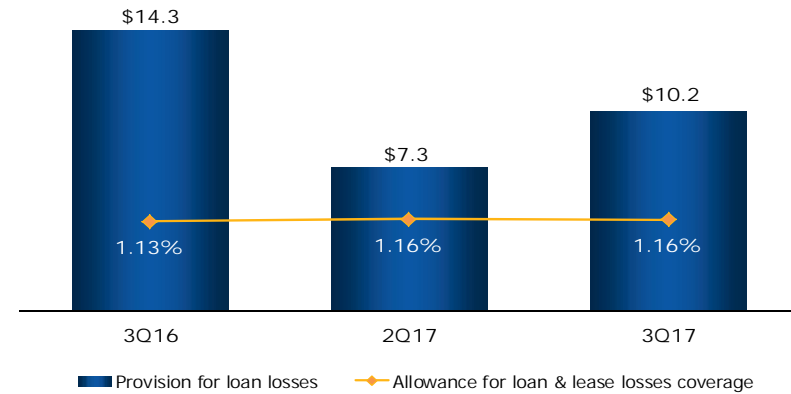
# WBS 3Q17 Earnings | Key Asset Quality Metrics

(\$ in millions)

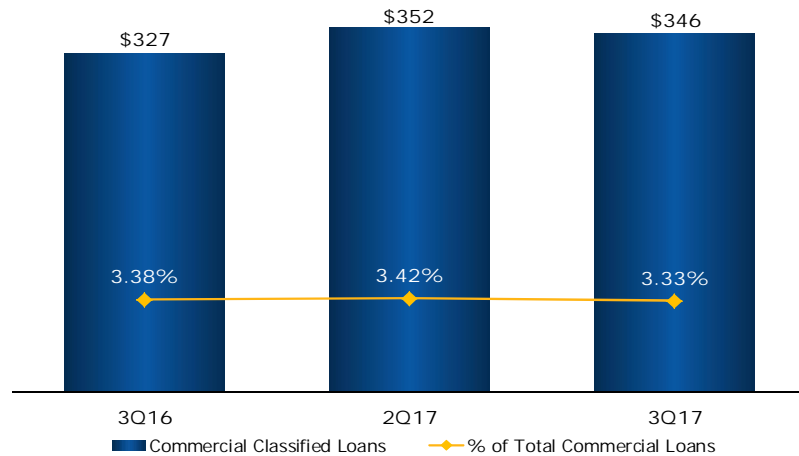
## Nonperforming Loans, OREO, NPL Ratio



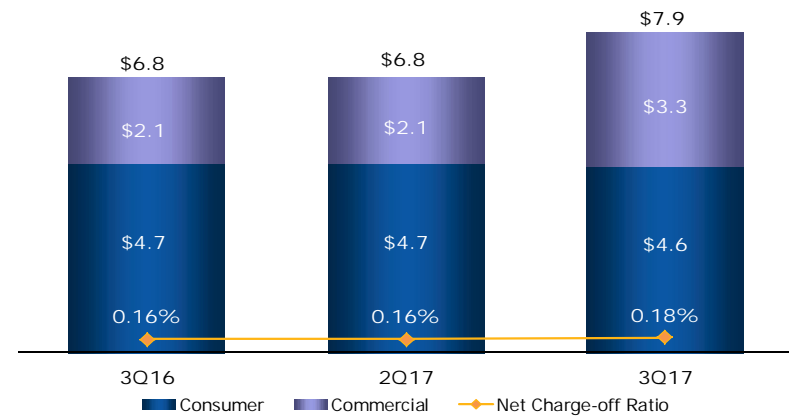
## Provision for Loan Losses



## Commercial Classified Loan Trend



## Net Charge-offs



## WBS 3Q17 Earnings | 4Q17 Outlook Relative to 3Q17

### Balance Sheet

Average Loans + 1% to 2%

Average Earning Assets + 1% to 2%

Net Interest Margin + 1 to 3 bps

### Income Statement

Net Interest Income + \$3 to \$5 million

Non-interest Income Flat

Efficiency Ratio 60% +/-

Provision for Loan and Lease Losses Driven by loan growth, AQ and mix

Tax Rate Approx. 32%

Avg. Diluted Share Count Approx. 92.5 million

# WBS 3Q17 Earnings | Concluding Comments

- Investing capital and resources in strategies that maximize value to customers and shareholders:
  - ▶ Aggressively growing HSA Bank
  - ▶ Expanding Commercial Banking
  - ▶ Transforming Community Banking
- Continued progress toward high performance goals measured by:
  - ▶ Financial performance
  - ▶ Growth in key customer segments
  - ▶ Customer satisfaction
- Sustained revenue growth
- Strong capital position

## WBS 3Q17 Earnings | Efficiency Ratio non-GAAP – QTD

(\$ in thousands)

	3Q17	2Q17	3Q16
Non-interest Expense	\$ 161,823	\$ 164,419	\$ 156,097
Severance and Facilities Optimization	(213)	(1,587)	(793)
Net Foreclosed (Expense) Income	72	143	(45)
Amortization of Intangibles	(1,002)	(1,028)	(1,493)
Non-interest Expense (net of above)	<u>\$ 160,680</u>	<u>\$ 161,947</u>	<u>\$ 153,766</u>
Net Interest Income Before Provision	\$ 200,904	\$ 197,787	\$ 180,197
FTE Adjustment	4,340	4,136	3,478
Non-interest Income	65,846	64,551	66,412
Gain on Securities	0	0	0
Other	431	555	236
Total Revenue (net of above)	<u>\$ 271,521</u>	<u>\$ 267,029</u>	<u>\$ 250,323</u>
Efficiency Ratio	59.18%	60.65%	61.43%

# WBS 3Q17 Earnings

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