



Webster
Financial Corporation®

Fourth Quarter 2017
Earnings Conference Call
January 23, 2018

WBS 4Q17 Earnings | Highlights

(\$ in millions, except EPS data)

Significant progress against our key strategic initiatives:

Quarterly Overview:

33 consecutive quarters of reported year-over-year revenue growth with total revenue of \$271 million (+5.9%)

Efficiency ratio of 59.5% vs. 63.1% prior year

Stable credit quality with non-accruals declining 23% linked-quarter

Full Year 2017 Overview:

Total revenue exceeded \$1 billion

Earned in excess of cost of capital

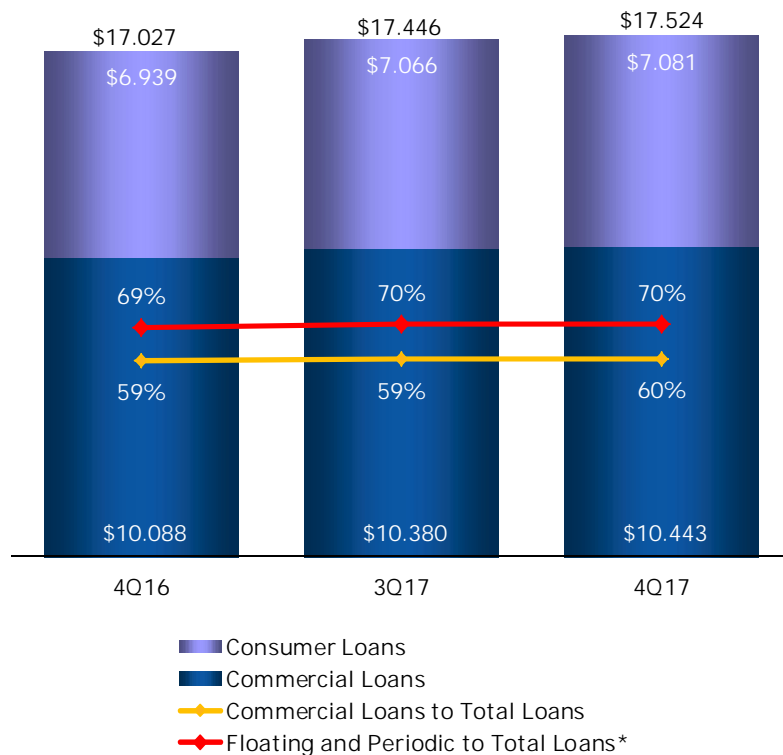
HSA Bank year-over-year growth of 20.3% in total footings and account growth of 17.7%

	Net Income	EPS	ROACE	ROATCE
Reported	\$69.9	\$0.73	10.66%	13.85%
Adjusted	\$67.6	\$0.71	10.29%	13.38%

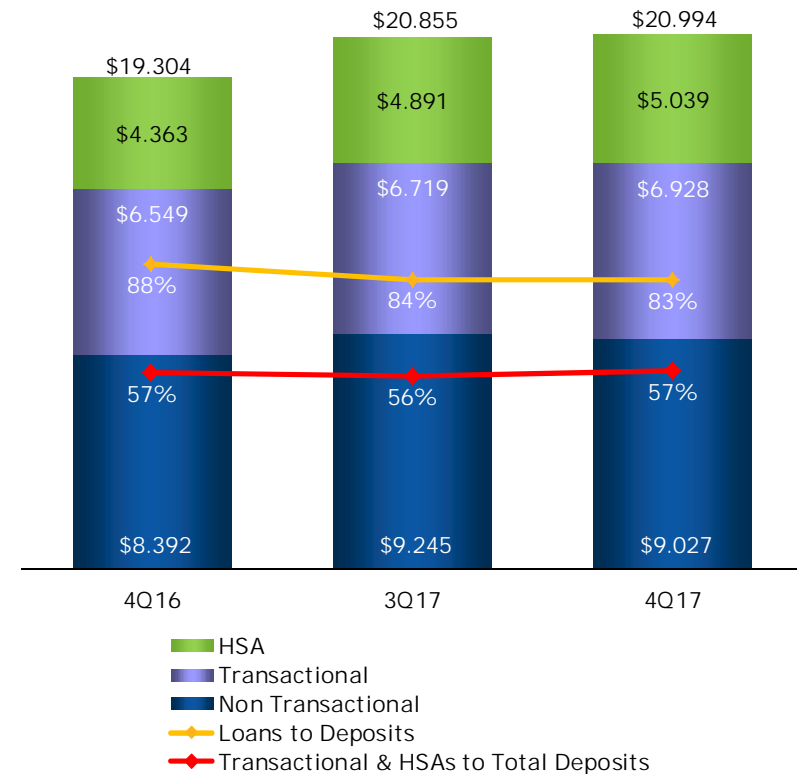
WBS 4Q17 Earnings | Loans & Deposits

(\$ in billions)

Loans: +2.9% YOY



Deposits: +8.8% YOY



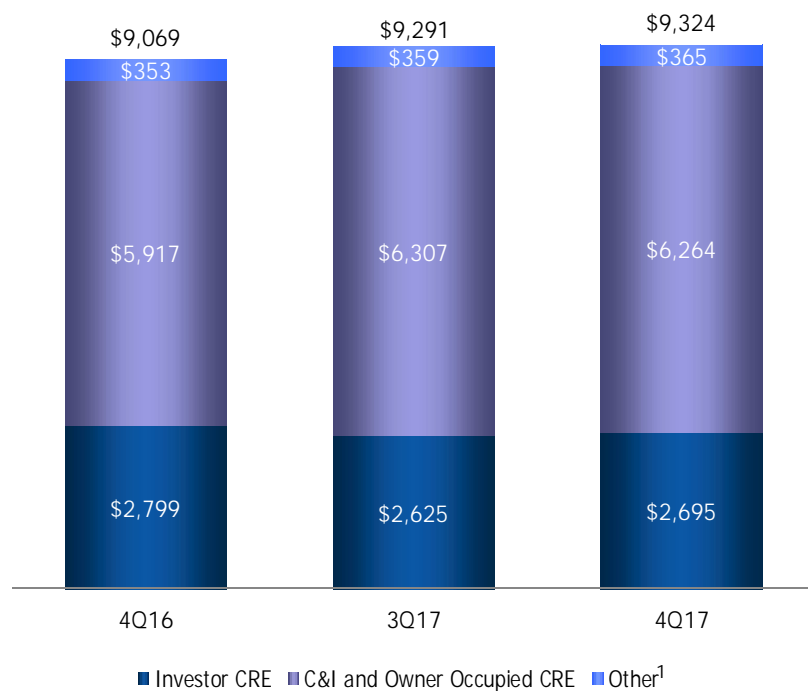
\$1.7 billion of deposit growth over the past year has funded loan growth and a significant portion of borrowings decline

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

WBS 4Q17 Earnings | Commercial Banking*

(\$ in millions)

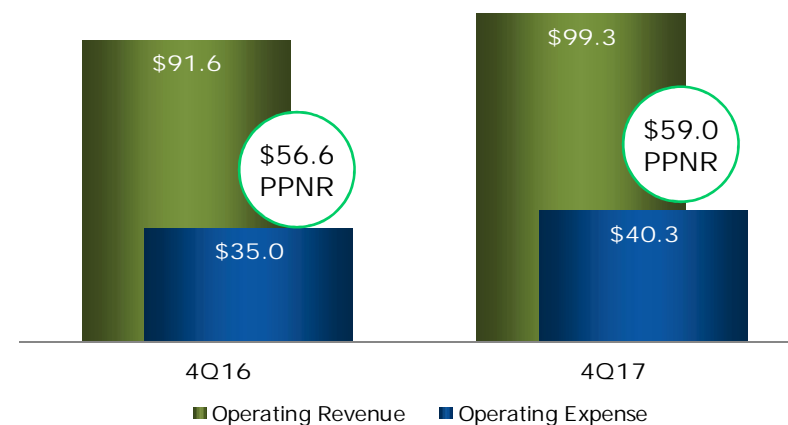
Loans: +2.8% YOY



Portfolio yield:

3.75% 4.19% 4.29%

PPNR: +4.4% YOY



Key Business Metrics

	4Q17	Increase / (Decrease)	
		3Q17	4Q16
Loan originations	\$ 974	\$ 327	\$ (221)
Loan fundings	\$ 589	\$ 89	\$ (306)
Yield on fundings	4.46%	-25 bps	+66 bps
Pipeline	\$ 422	\$ 94	\$ 138
Deposits	\$ 4,123	\$ (129)	\$ 530
Non-interest income / Total revenue	16.14%	+226 bps	-71 bps
AUM / AUA	\$ 2,039	\$ 48	\$ 257

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

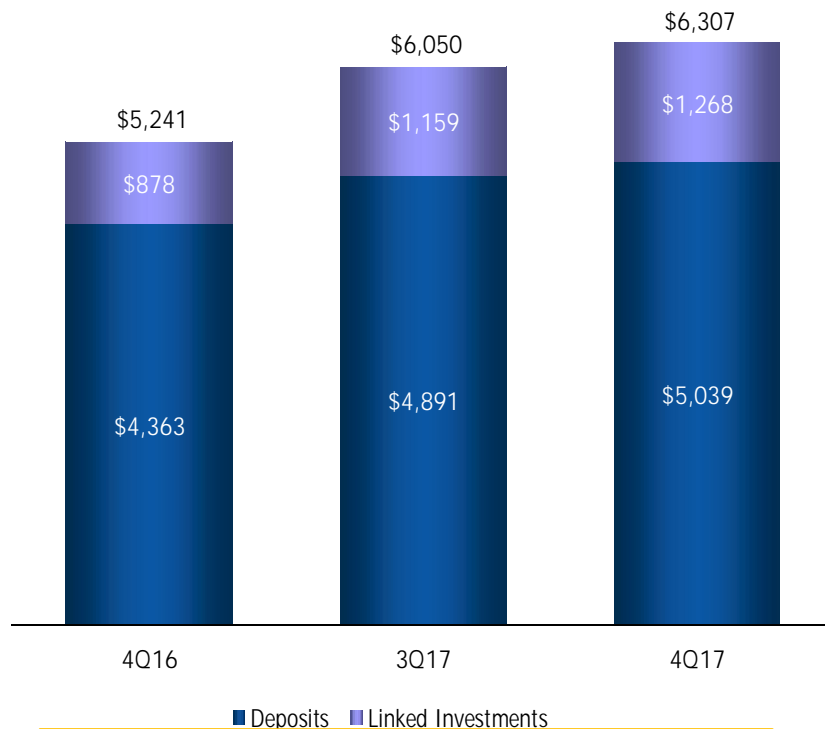
¹ Private Banking consumer loans

AUM =Assets Under Management AUA =Assets Under Administration

WBS 4Q17 Earnings | HSA Bank

(\$ in millions)

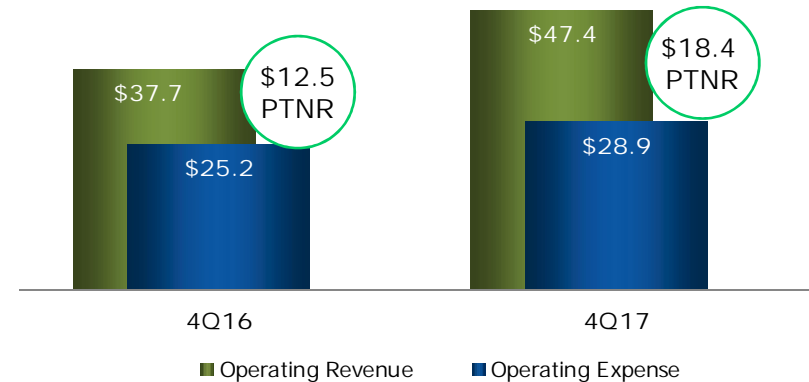
Total Footings: +20.3% YOY
Total Deposits: +15.5% YOY
Total Accounts: +17.7% YOY



Deposit Cost:

0.21% 0.20% 0.20%

PTNR: +47.1% YOY



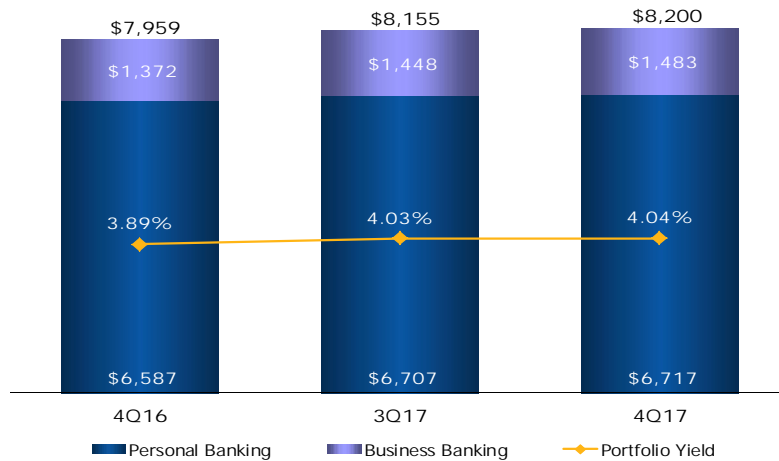
Key Business Metrics

End of period	4Q17	Increase / (Decrease)	
		3Q17	4Q16
Accounts ('000)	2,461	45	370
% of Unfunded accounts	6.74%	+15 bps	+74 bps
Footings per account	\$ 2,563	\$ 59	\$ 57
Investments as % of total footings	20.11%	+96 bps	+335 bps
New accounts ('000)	122	(3)	24
PTNR/avg. account	\$ 30.25	\$ (1.29)	\$ 5.57

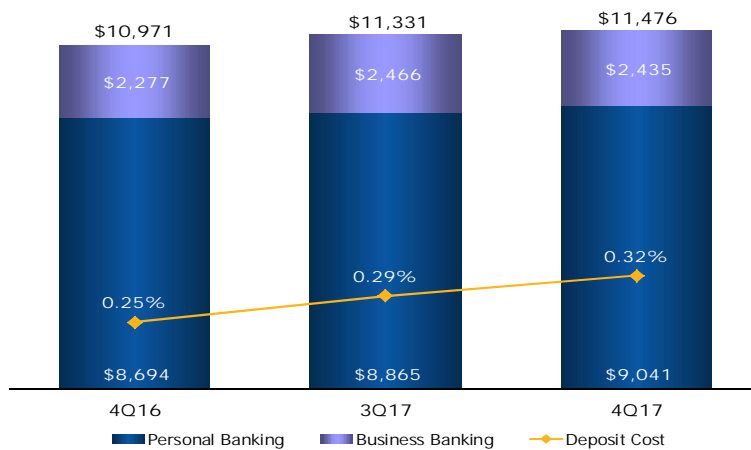
WBS 4Q17 Earnings | Community Banking

(\$ in millions)

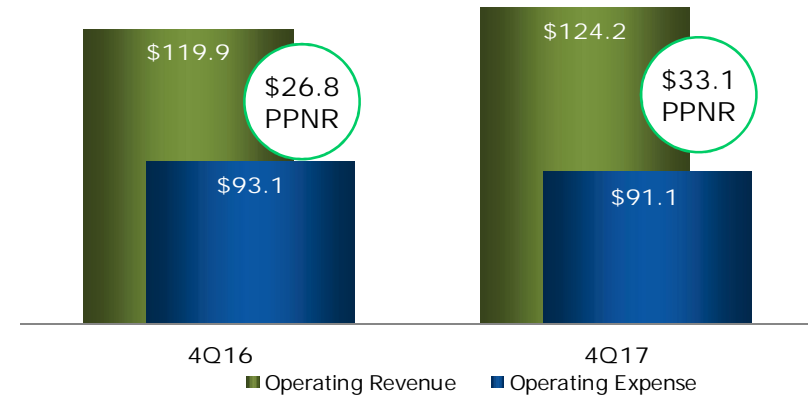
Loans: +3.0% YOY



Deposits: +4.6% YOY



PPNR: +23.5% YOY



Key Business Metrics

	Increase / (Decrease)		
	4Q17	3Q17	4Q16
Loan originations - Mortgage & Consumer	\$ 301	\$ (145)	\$ (211)
Loan originations - Business Banking	\$ 90	\$ 18	\$ (21)
Yield on fundings	4.35%	+14 bps	+58 bps
Transaction deposits / Total deposits	38.80%	+64 bps	-29 bps
Digitally active households / Total households	46.13%	+24 bps	+173 bps
Self-service transactions / Total transactions	70.20%	-20 bps	+80 bps
Assets Under Administration	\$ 3,376	\$ 145	\$ 396

WBS 4Q17 Earnings | Average Balance Sheet

(\$ in millions)

	Increase / (Decrease)		
	4Q17	3Q17	4Q16
Securities	\$ 7,095	\$ 100	\$ 37
Commercial loans	\$ 10,402	\$ 77	\$ 593
Consumer loans	<u>7,100</u>	<u>60</u>	<u>153</u>
Total loans	\$ 17,502	\$ 138	\$ 746
Deposits	\$ 20,956	\$ 21	\$ 1,667
Borrowings	\$ 2,650	\$ 157	\$ (1,168)
Common equity	\$ 2,544	\$ 31	\$ 141

(At end of period)

Key Ratios:			
Loans / total deposits	83.5%	-20 bps	-470 bps
Transactional & HSAs / total deposits	57.0%	+130 bps	+50 bps
Common Equity Tier 1	11.14%	+15 bps	+62 bps
Tangible common equity	7.67%	+12 bps	+48 bps
Tangible book value per common share	\$ 21.59	\$ 0.43	\$ 1.65

Key Observations:

Up modestly; duration of 4.4 years

C&I +\$106 million, CRE -\$29 million LQ

Continued growth in residential +\$43 million LQ

Growth of 0.8% LQ, 4.5% YOY

Flat LQ, +8.6% YOY including +\$700 million HSA

Excess deposits utilized to reduce borrowings YOY

Growth reflects solid earnings

Ratio continues well below industry averages

HSAs are 24.0% of total deposits vs. 22.6% prior year

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

Increased for the 11th consecutive quarter

WBS 4Q17 Earnings | GAAP Income Statement

(\$ in millions)

	Increase / (Decrease)		
	4Q17	3Q17	4Q16
Net interest income	\$ 205.0	\$ 4.1	\$ 19.7
Total non-interest income	<u>66.0</u>	<u>0.1</u>	<u>(4.6)</u>
Total revenue	\$ 271.0	\$ 4.1	\$ 15.1
Total non-interest expense	<u>\$ 171.1</u>	<u>\$ 9.2</u>	<u>\$ 9.2</u>
Pre-provision net revenue	\$ 99.9	\$ (5.1)	\$ 5.9
Provision for loan losses	\$ 13.0	\$ 2.8	\$ 0.5
Reported pre-tax income	\$ 86.9	\$ (7.9)	\$ 5.4
Reported net income	\$ 69.9	\$ 5.4	\$ 12.2
Tax rate	19.6%	-1241 bps	-967 bps
Efficiency ratio (non-GAAP) ⁽¹⁾	59.48%	+30 bps	-365 bps

Key Observations:

LQ increase driven by NIM expansion (3 bps) and average loan growth (0.8%)

Non-interest income flat LQ; prior year included a \$7.3 million one time gain

33 consecutive quarters of YOY revenue growth

LQ increase reflects cost to redeem preferred stock and one-time employee bonus

ALLL / NPLs of 158%, NCO 34 bps annualized

Record level

Includes net impact of DTA revaluations and a net tax benefit specific to the quarter

Two consecutive quarters below 60%; revenue +9.1% and expenses +2.8% YOY

¹ See reconciliation on page 17

WBS 4Q17 Earnings | GAAP to Adjusted

(\$ in millions)

4Q17 Reconciliation

	Net Income	EPS
Reported	\$ 69.9	\$ 0.73
Tax Cuts and Jobs Act net deferred tax asset revaluation	20.9	0.22
State net deferred tax asset revaluations	(28.7)	(0.31)
Preferred stock redemption	3.8	0.04
Cash payment to employees (net of 35% tax)	1.7	0.03
Adjusted	<u>\$ 67.6</u>	<u>\$ 0.71</u>

On a combined basis:

- ▶ The Tax Cuts and Jobs Act and state revaluations result in a net benefit of \$7.8 million to the provision for income taxes in 4Q17
- ▶ The preferred stock redemption and cash payment to employees represent \$6.4 million pre-tax and \$5.5 million after \$0.9 million of tax

WBS 4Q17 Earnings | Adjusted Income Statement

(\$ in millions)

Key Observations:

	Reported		Adjusted 4Q17	Increase / (Decrease)	
	4Q17	Adj's		3Q17	4Q16
Net interest income	\$ 205.0	\$ -	\$ 205.0	\$ 4.1	\$ 19.7
Total non-interest income	<u>66.0</u>	<u>-</u>	<u>66.0</u>	<u>0.1</u>	<u>(4.6)</u>
Total revenue	\$ 271.0	\$ -	\$ 271.0	\$ 4.1	\$ 15.1
Total non-interest expense	<u>\$ 171.1</u>	<u>\$ (6.4)</u>	<u>\$ 164.7</u>	<u>\$ 2.8</u>	<u>\$ 2.8</u>
Pre-provision net revenue	\$ 99.9	\$ 6.4	\$ 106.3	\$ 1.3	\$ 12.3
Provision for loan losses	\$ 13.0	\$ -	\$ 13.0	\$ 2.8	\$ 0.5
Reported pre-tax income	\$ 86.9	\$ 6.4	\$ 93.3	\$ (1.5)	\$ 11.8
Income tax expense	\$ 17.0	\$ 8.7	\$ 25.8	\$ (4.5)	\$ 1.9
Reported net income	\$ 69.9	\$ (2.3)	\$ 67.6	\$ 3.1	\$ 9.9
Tax rate	19.6%		27.6%	-440 bps	-166 bps
Efficiency ratio (non-GAAP) ⁽¹⁾	59.48%	-	59.48%	+30 bps	-365 bps

LQ increase driven by NIM expansion (3 bps) and average loan growth (0.8%)

Non-interest income flat LQ; prior year included a \$7.3 million one time gain

33 consecutive quarters of YOY revenue growth

LQ increase reflects strategic hires and HSA Bank growth and investment initiatives

ALLL / NPLs of 158 bps, NCO 34 bps annualized

Record level

Adjusted rate includes a \$2.1 million net tax benefit specific to the quarter

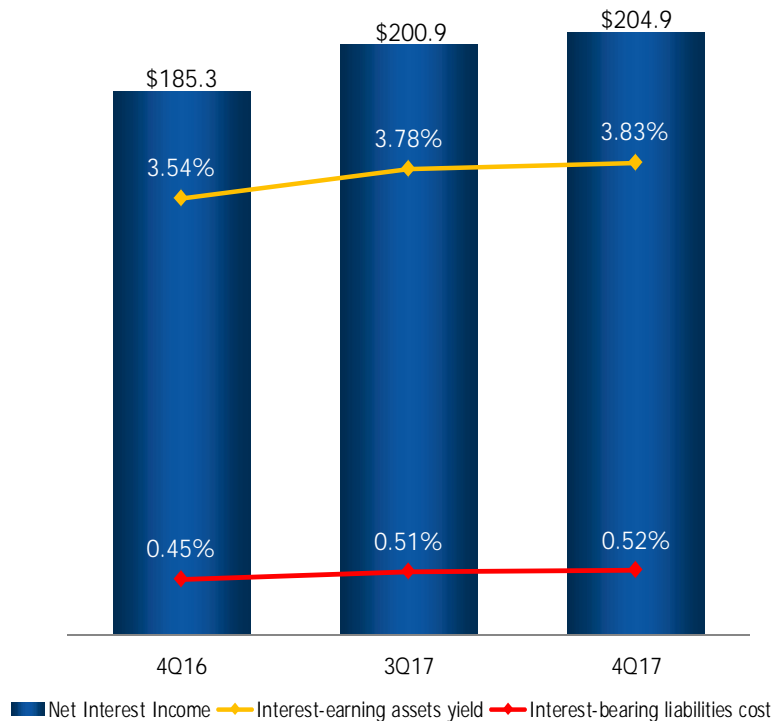
Two consecutive quarters below 60%; revenue +9.1% and expenses +2.8%

¹ See reconciliation on page 17

WBS 4Q17 Earnings | Net Interest Income

(\$ in millions)

+10.6% YOY



NIM:

3.11% 3.30% 3.33%

Linked Quarter Drivers:

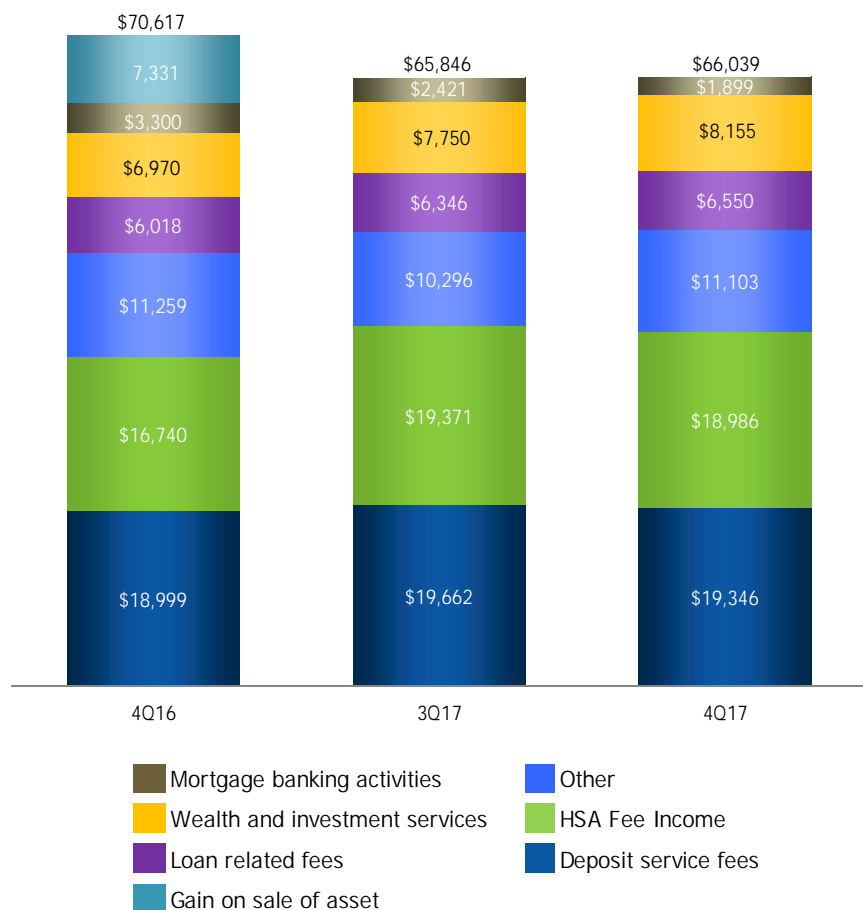
- ▀ NII: +\$4.0 million (non-FTE)
 - + \$2.8 million due to rate on loans and securities (Fed Funds up 5 bps and 10 year swap up 16 bps)
 - + \$1.5 million due to loan volume (up \$138 million)

- ▀ NIM: +3 bps
 - +4 bps from loans
 - 1 bp from deposits and borrowings

WBS 4Q17 Earnings | Non-interest Income

(\$ in thousands)

Diverse Sources



Key Observations:

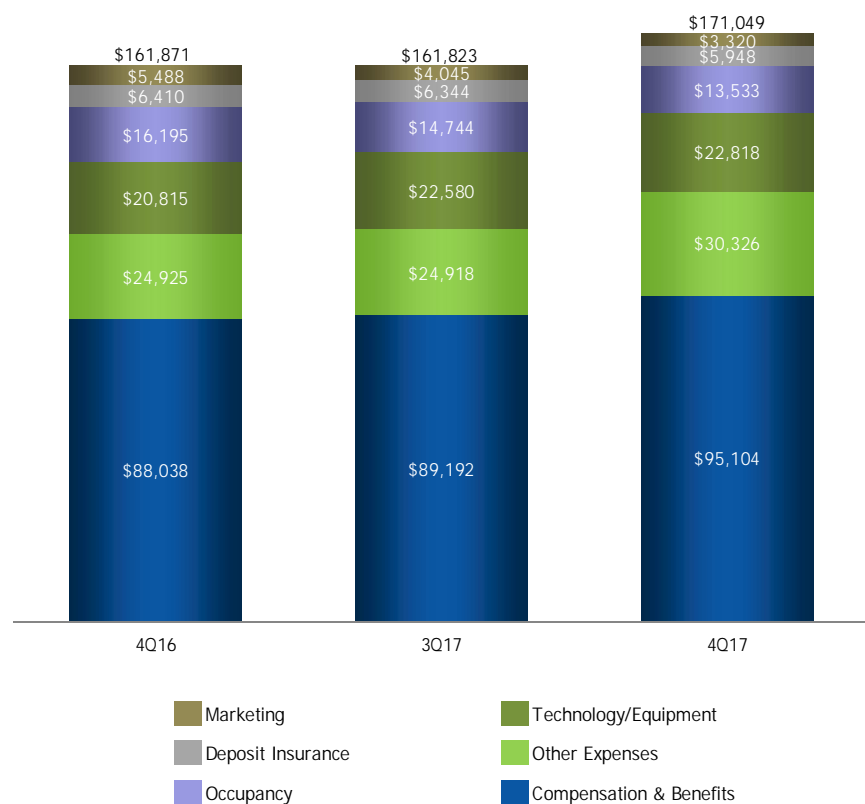
- Non-interest income flat linked-quarter
 - Increase in wealth management offset by lower lending activities

- \$4.6 million decrease year-over-year
 - Prior year included a one-time tax-free gain on sale of an asset of \$7.3 million
 - Increase in HSA fee income of \$2.2 million due to account growth
 - Increase in wealth and investment services of \$1.2 million due to increased activity
 - Decrease in mortgage banking activities of \$1.4 million due to lower application volume

WBS 4Q17 Earnings | Non-interest Expense

(\$ in thousands)

Maintaining discipline while investing for growth



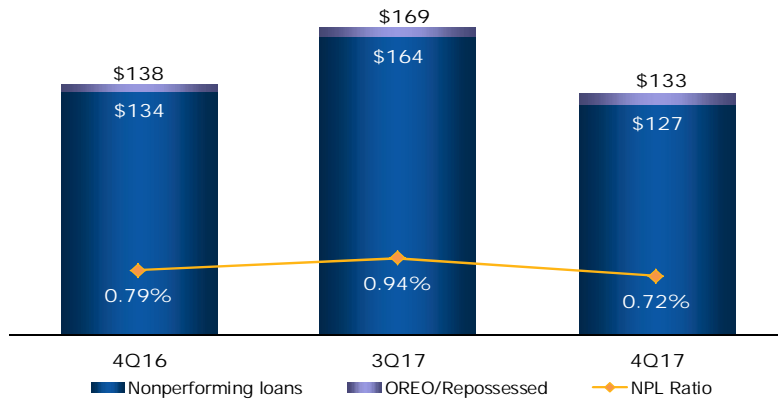
Key Observations:

- ▀ Linked-quarter and year-over-year variances include \$6.4 million related to the preferred stock redemption and cash payment to employees
- ▀ \$2.8 million increase linked-quarter adjusted
 - \$1.7 million increase in HSA Bank due to growth and investment initiatives
 - \$1.8 million increase in compensation and benefits due to strategic hires and medical costs
 - \$1.2 million decrease due to lower occupancy costs
- ▀ \$2.8 million increase year-over-year adjusted
 - \$3.7 million increase in HSA Bank due to growth and investment initiatives
 - \$2.5 million increase in compensation and benefits related to strategic hires
 - \$2.7 million decrease in occupancy primarily driven by the reduction of 9 banking centers

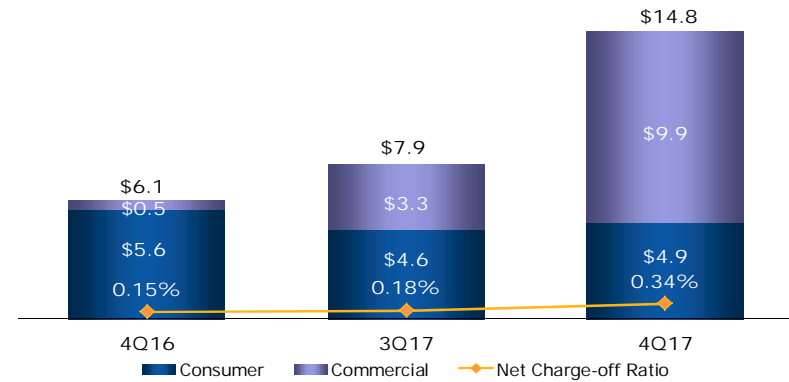
WBS 4Q17 Earnings | Key Asset Quality Metrics

(\$ in millions)

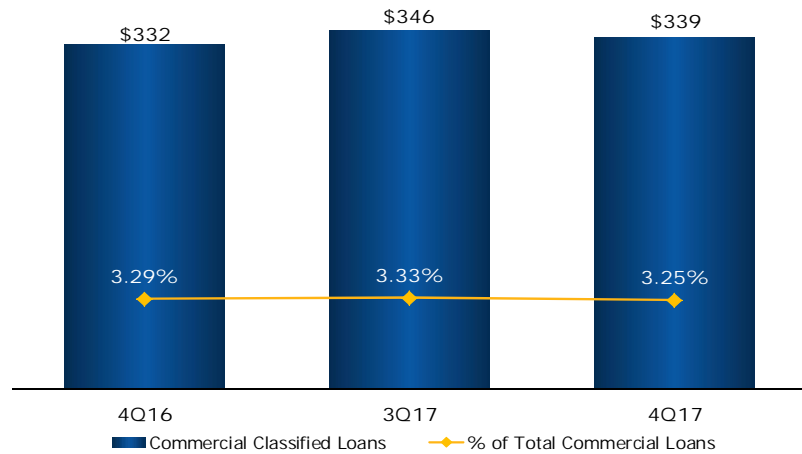
Nonperforming Loans, OREO, NPL Ratio



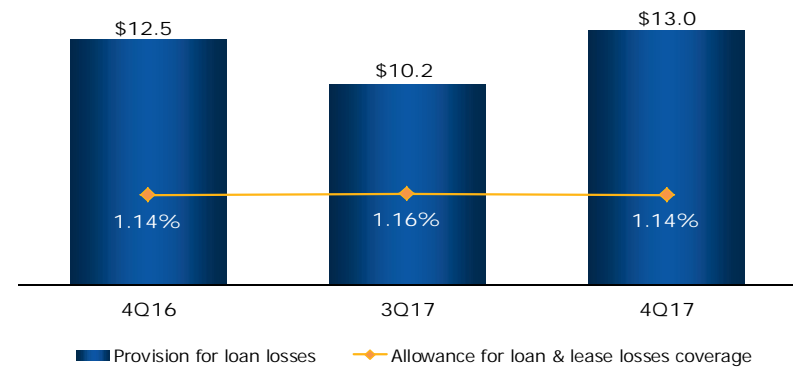
Net Charge-offs



Commercial Classified Loan Trend



Provision for Loan Losses



WBS 4Q17 Earnings | 1Q18 Outlook Relative to 4Q17

Balance Sheet

Average Loans + 1 to 2 %

Average Earning Assets \approx 1 %

Net Interest Margin + 5 to 7 bps

Income Statement

Net Interest Income + \$5 to \$7 million

Non-interest Income + \$1 to \$2 million

Efficiency Ratio 60% +/-

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

Tax Rate Approx. 21%

Avg. Diluted Share Count Approx. 92.5 million

WBS 4Q17 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 4Q17 Earnings | Efficiency Ratio non-GAAP – QTD

(\$ in thousands)

	4Q17	3Q17	4Q16
Non-interest Expense	\$ 171,049	\$ 161,823	\$ 161,871
Equity Related One Time Costs	(3,823)	0	0
Cash Bonus to Employees	(2,584)	0	0
Severance and Facilities Optimization	301	(213)	(1,243)
Net Foreclosed (Expense) Income	97	72	90
Amortization of Intangibles	(977)	(1,002)	(1,082)
Non-interest Expense (net of above)	<u>\$ 164,063</u>	<u>\$ 160,680</u>	<u>\$ 159,636</u>
Net Interest Income Before Provision	\$ 204,932	\$ 200,904	\$ 185,259
FTE Adjustment	4,444	4,340	3,902
Non-interest Income	66,039	65,846	70,617
Gain on Securities	0	0	0
Other	421	431	408
One-time gain on the sale of an asset	0	0	(7,331)
Total Revenue (net of above)	<u>\$ 275,836</u>	<u>\$ 271,521</u>	<u>\$ 252,855</u>
Efficiency Ratio	59.48%	59.18%	63.13%

WBS 4Q17 Earnings

Forward-looking Statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “believes,” “anticipates,” “expects,” “intends,” “targeted,” “continue,” “remain,” “will,” “should,” “may,” “plans,” “estimates,” and similar references to future periods; however, such words are not the exclusive means of identifying such statements. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, and other financial items; (ii) statements of plans, objectives, and expectations of Webster or its management or Board of Directors; (iii) statements of future economic performance; and (iv) 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. For more information about factors that could cause actual results to differ from those discussed in the forward-looking statements please refer to the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Any forward-looking statement made by the Company in this presentation speaks only as of the date on which it is made. Factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as may be required by law.

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