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 March 31, 2019

Commission File Number: 001-31486

WEBSTER FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

145 Bank Street, Waterbury, Connecticut 06702
(Address and zip code of principal executive offices)

(203) 578-2202
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of Exchange on which registered
Common Stock, $.01 par value	WBS	New York Stock Exchange
Depository Shares, each representing 1/1000th interest in a share of 5.25% Series F Non-Cumulative Perpetual Preferred Stock	WBS-F	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

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

Large accelerated filer	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐						

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transaction period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). ☐ Yes ☑ No

The number of shares of common stock, par value $.01 per share, outstanding as of April 30, 2019 was 92,142,999.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

FOWARD-LOOKING STATEMENTS

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 our actual results to differ from those discussed in any forward-looking statements include, but are not limited to:

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

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

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

KEY TO ACRONYMS AND TERMS

Agency CMBS	Agency commercial mortgage-backed securities
Agency CMO	Agency collateralized mortgage obligations
Agency MBS	Agency mortgage-backed securities
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
AOCL	Accumulated other comprehensive loss, net of tax
ASC	Accounting Standards Codification
ASU or the Update	Accounting Standards Update
Basel III	Capital rules under a global regulatory framework developed by the Basel Committee on Banking Supervision
CET1 capital	Common Equity Tier 1 Capital, defined by Basel III capital rules
CLO	Collateralized loan obligation securities
CMBS	Non-agency commercial mortgage-backed securities
CME	Chicago Mercantile Exchange
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation
FRB	Federal Reserve Bank
FTP	Funds Transfer Pricing, a matched maturity funding concept
GAAP	U.S. Generally Accepted Accounting Principles
Holding Company	Webster Financial Corporation
HSA Bank	A division of Webster Bank, National Association
LEP	Loss emergence period
LGD	Loss given default
LPL	LPL Financial Holdings Inc.
NAV	Net asset value
NII	Net interest income
OCC	Office of the Comptroller of the Currency
OCI/OCL	Other comprehensive income (loss)
OREO	Other real estate owned
OTTI	Other-than-temporary impairment
PD	Probability of default
PPNR	Pre-tax, pre-provision net revenue
ROU asset	Right-of-use asset
RPA	Risk participation agreement
SEC	United States Securities and Exchange Commission
SERP	Supplemental defined benefit retirement plan
Tax Act	Tax Cuts and Jobs Act of 2017
TDR	Troubled debt restructuring, defined in ASC 310-40 "Receivables-Troubled Debt Restructurings by Creditors"
VIE	Variable interest entity, defined in ASC 810-10 "Consolidation-Overall"
Webster Bank	Webster Bank, National Association, a wholly-owned subsidiary of Webster Financial Corporation
Webster or the Company	Webster Financial Corporation, collectively with its consolidated subsidiaries

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PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	March 31, 2019 (Unaudited)	December 31, 2018
Assets:		
Cash and due from banks (includes restricted cash)	$ 167,587	$ 260,422
Interest-bearing deposits	53,072	69,077
Investment securities available-for-sale, at fair value	2,977,316	2,898,730
Investment securities held-to-maturity (fair value of $4,433,377 and $4,209,121)	4,480,160	4,325,420
Federal Home Loan Bank and Federal Reserve Bank stock	106,674	149,286
Loans held for sale (valued under fair value option $20,615 and $7,908)	20,615	11,869
Loans and leases	18,814,290	18,465,489
Allowance for loan and lease losses	(211,389)	(212,353)
Loans and leases, net	18,602,901	18,253,136
Deferred tax assets, net	76,576	96,516
Premises and equipment, net	279,580	124,850
Goodwill	538,373	538,373
Other intangible assets, net	24,803	25,764
Cash surrender value of life insurance policies	546,094	543,616
Accrued interest receivable and other assets	364,378	313,256
Total assets	$ 28,238,129	$ 27,610,315
Liabilities and shareholders' equity:		
Deposits:		
Non-interest-bearing	$ 4,224,144	$ 4,162,446
Interest-bearing	18,526,784	17,696,399
Total deposits	22,750,928	21,858,845
Securities sold under agreements to repurchase and other borrowings	688,065	581,874
Federal Home Loan Bank advances	951,730	1,826,808
Long-term debt	524,303	226,021
Accrued expenses and other liabilities	356,848	230,252
Total liabilities	25,271,874	24,723,800
Shareholders' equity:		
Preferred stock, $.01 par value; Authorized - 3,000,000 shares:		
Series F issued and outstanding (6,000 shares)	145,037	145,037
Common stock, $.01 par value; Authorized - 200,000,000 shares:		
Issued (93,686,311 shares)	937	937
Paid-in capital	1,113,107	1,114,394
Retained earnings	1,895,870	1,828,303
Treasury stock, at cost (1,613,308 and 1,508,456 shares)	(86,855)	(71,504)
Accumulated other comprehensive loss, net of tax	(101,841)	(130,652)
Total shareholders' equity	2,966,255	2,886,515
Total liabilities and shareholders' equity	$ 28,238,129	$ 27,610,315

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(In thousands, except per share data)	Three months ended March 31, 2019	2018
Interest Income:		
Interest and fees on loans and leases	$ 228,764	$ 193,220
Taxable interest and dividends on investments	51,876	47,288
Non-taxable interest on investment securities	5,402	5,271
Loans held for sale	148	142
Total interest income	286,190	245,921
Interest Expense:		
Deposits	31,020	18,156
Securities sold under agreements to repurchase and other borrowings	2,752	3,640
Federal Home Loan Bank advances	7,785	7,281
Long-term debt	3,082	2,676
Total interest expense	44,639	31,753
Net interest income	241,551	214,168
Provision for loan and lease losses	8,600	11,000
Net interest income after provision for loan and lease losses	232,951	203,168
Non-interest Income:		
Deposit service fees	43,024	40,451
Loan and lease related fees	7,819	6,996
Wealth and investment services	7,651	7,870
Mortgage banking activities	764	1,144
Increase in cash surrender value of life insurance policies	3,584	3,572
Other income	5,770	8,714
Total non-interest income	68,612	68,747
Non-interest Expense:		
Compensation and benefits	97,785	94,765
Occupancy	14,696	15,145
Technology and equipment	25,697	23,862
Intangible assets amortization	962	962
Marketing	3,328	3,552
Professional and outside services	6,048	4,788
Deposit insurance	4,430	6,717
Other expense	22,740	21,824
Total non-interest expense	175,686	171,615
Income before income tax expense	125,877	100,300
Income tax expense	26,141	20,075
Net income	99,736	80,225
Preferred stock dividends and other	(2,187)	(2,142)
Earnings applicable to common shareholders	$ 97,549	$ 78,083
Earnings per common share:		
Basic	$ 1.06	$ 0.85
Diluted	1.06	0.85

See accompanying Notes to Condensed Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three months ended March 31,	
(In thousands)	**2019**	**2018**
Net income	$ 99,736	$ 80,225
Other comprehensive income (loss), net of tax:		
Investment securities available-for-sale	27,559	(27,424)
Derivative instruments	196	2,522
Defined benefit pension and other postretirement benefit plans	1,056	954
Other comprehensive income (loss), net of tax	28,811	(23,948)
Comprehensive income	$ 128,547	$ 56,277

See accompanying Notes to Condensed Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(In thousands, except per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss, Net of Tax	Total Shareholders' Equity
Balance at December 31, 2018	$ 145,037	$ 937	$ 1,114,394	$ 1,828,303	$ (71,504)	$ (130,652)	$ 2,886,515
Cumulative effect of changes in accounting principles	—	—	—	(515)	—	—	(515)
Net income	—	—	—	99,736	—	—	99,736
Other comprehensive income, net of tax	—	—	—	—	—	28,811	28,811
Common stock dividends/equivalents $0.33 per share	—	—	—	(30,589)	—	—	(30,589)
Series F preferred stock dividends $328.125 per share	—	—	—	(1,969)	—	—	(1,969)
Stock-based compensation	—	—	—	904	2,072	—	2,976
Exercise of stock options	—	—	(1,287)	—	1,691	—	404
Common shares acquired from stock compensation plan activity	—	—	—	—	(6,111)	—	(6,111)
Common stock repurchase program	—	—	—	—	(13,003)	—	(13,003)
Balance at March 31, 2019	$ 145,037	$ 937	$ 1,113,107	$ 1,895,870	$ (86,855)	$ (101,841)	$ 2,966,255

(In thousands, except per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss, Net of Tax	Total Shareholders' Equity
Balance at December 31, 2017	$ 145,056	$ 937	$ 1,122,164	$ 1,595,762	$ (70,430)	$ (91,531)	$ 2,701,958
Cumulative effect of changes in accounting principles	—	—	—	(1,362)	—	—	(1,362)
Net income	—	—	—	80,225	—	—	80,225
Other comprehensive loss, net of tax	—	—	—	—	—	(23,948)	(23,948)
Common stock dividends/equivalents $0.26 per share	—	—	43	(24,111)	—	—	(24,068)
Series F preferred stock dividends $328.125 per share	—	—	—	(1,969)	—	—	(1,969)
Dividends accrued on Series F preferred stock	—	—	—	22	—	—	22
Stock-based compensation	—	—	(1,541)	957	3,919	—	3,335
Exercise of stock options	—	—	(144)	—	434	—	290
Common shares acquired from stock compensation plan activity	—	—	—	—	(6,164)	—	(6,164)
Common stock repurchase program	—	—	—	—	(12,158)	—	(12,158)
Series F preferred stock issuance adjustment	(19)	—	—	—	—	—	(19)
Balance at March 31, 2018	$ 145,037	$ 937	$ 1,120,522	$ 1,649,524	$ (84,399)	$ (115,479)	$ 2,716,142

See accompanying Notes to Condensed Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three months ended March 31, 2019	2018
Operating Activities:		
Net income	$ 99,736	$ 80,225
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	8,600	11,000
Deferred tax expense	9,939	1,286
Depreciation and amortization	9,636	9,489
Amortization of premium/discount on earning assets and funding, net	10,604	13,390
Stock-based compensation	2,976	3,335
Gain on sale, net of write-down, on foreclosed and repossessed assets	(457)	(89)
Loss on sale, net of write-down, on premises and equipment	446	57
Increase in cash surrender value of life insurance policies	(3,584)	(3,572)
Gain from life insurance policies	(64)	—
Mortgage banking activities	(764)	(1,144)
Proceeds from sale of loans held for sale	20,613	44,806
Origination of loans held for sale	(33,168)	(43,131)
Net increase in right-of-use lease assets	(654)	—
Net (increase) decrease in derivative contract assets net of liabilities	(45,896)	11,744
Net increase in accrued interest receivable and other assets	(23,004)	(10,484)
Net (decrease) increase in accrued expenses and other liabilities	(11,625)	15,355
Net cash provided by operating activities	43,334	132,267
Investing Activities:		
Purchases of available for sale investment securities	(126,717)	(251,920)
Proceeds from maturities and principal payments of available for sale investment securities	81,858	111,231
Purchases of held-to-maturity investment securities	(269,670)	(64,281)
Proceeds from maturities and principal payments of held-to-maturity investment securities	108,732	133,692
Net proceeds from Federal Home Loan Bank stock	42,612	26,238
Alternative investments capital call, net	(700)	(364)
Net increase in loans	(361,881)	(289,165)
Proceeds from loans not originated for sale	4,395	34
Proceeds from life insurance policies	2,270	—
Proceeds from the sale of foreclosed and repossessed assets	5,561	1,948
Additions to premises and equipment	(5,963)	(5,780)
Net cash used for investing activities [(1)]	(519,503)	(338,367)

See accompanying Notes to Condensed Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited), continued

	Three months ended March 31,	
(In thousands)	**2019**	**2018**
Financing Activities:		
Net increase in deposits	890,903	391,087
Proceeds from Federal Home Loan Bank advances	1,400,000	1,525,000
Repayments of Federal Home Loan Bank advances	(2,275,078)	(2,000,075)
Net increase in securities sold under agreements to repurchase and other borrowings	106,191	288,030
Issuance of long-term debt	300,000	—
Debt issuance costs	(3,642)	—
Dividends paid to common shareholders	(30,366)	(23,901)
Dividends paid to preferred shareholders	(1,969)	(1,969)
Exercise of stock options	404	290
Common stock repurchase program	(13,003)	(12,158)
Common shares purchased related to stock compensation plan activity	(6,111)	(6,164)
Net cash provided by financing activities	367,329	160,140
Net increase (decrease) in cash and due from banks and interest-bearing deposits (1)	(108,840)	(45,960)
Cash and due from banks and interest-bearing deposits at beginning of period (1)	329,499	256,786
Cash and due from banks and interest-bearing deposits at end of period (1)	$ 220,659	$ 210,826
Supplemental disclosure of cash flow information:		
Interest paid	$ 43,372	$ 33,986
Income taxes paid	4,274	3,313
Noncash investing and financing activities:		
Transfer of loans and leases to foreclosed properties and repossessed assets	$ 3,735	$ 1,626
Transfer of loans from loans and leases to loans-held-for-sale	436	35
Right-of-use lease assets recorded	157,234	—
Lessee operating lease liabilities recorded	178,208	—

(1) The Condensed Consolidated Statements of Cash Flows have been revised to present an aggregated total change in cash and due from banks and interest-bearing deposits. Previously, cash flows from interest-bearing deposits was presented in Net cash used for investing activities. As a result of this revision, cash flows from interest-bearing deposits have been excluded from Net cash used for investing activities.

See accompanying Notes to Condensed Consolidated Financial Statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Webster Financial Corporation (the Holding Company) 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 March 31, 2019, the Holding Company's principal asset is all of the outstanding capital stock of Webster Bank, National Association (Webster Bank).

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

Basis of Presentation

The accounting and reporting policies of the Company that materially affect its financial statements conform with U.S. Generally Accepted Accounting Principles (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, 2018, included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (SEC) on March 1, 2019.

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

Use of Estimates

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

Accounting Standards Adopted During 2019

Effective January 1, 2019, the following new Accounting Standards Updates (ASU or Update) were adopted by the Company:

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

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

The Company adopted the Update during the first quarter of 2019 on a prospective basis. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

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

The purpose of the Update is to better align a company’s risk management and financial reporting for hedging activities with the economic objectives of those activities. The Update expands an entity's ability to hedge non-financial and financial risk components and reduce complexity in hedges of interest rate risk. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness, and generally requires the entire change in fair value of a hedging instrument to be presented in the same income statement line in which the earnings effect of the hedged item is reported.

The Company adopted the Update during the first quarter of 2019 on a modified retrospective basis. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements. The Company has provided enhanced disclosures in Note 13 - Derivative Financial Instruments as a result of adopting this Update.

ASU No. 2016-02, Leases (Topic 842) and subsequent ASUs issued to amend this Topic.

The Updates introduce a lessee model that requires substantially all leases to be recorded as assets and liabilities on the balance sheet and requires expanded quantitative and qualitative disclosures regarding key information about leasing arrangements. The lessor model remains substantially the same with targeted improvements that do not materially impact the Company.

The Company adopted the Updates during the first quarter of 2019 using the new transition method option that allows the use of effective date, January 1, 2019, as the date of initial application of the new lease accounting standard and to recognize a cumulative-effect adjustment to the opening balance of retained earnings upon adoption. The Company elected the transition relief package of practical expedients which forgoes the requirement to reassess the existence of leases in existing contracts, their lease classification and the accounting treatment of their initial direct costs. As a practical expedient, the Company has also made a policy election to not separate non-lease components from lease components for its real estate leases and instead account for each separate lease components and non-lease components associated with that lease component as a single lease component. The Company will separately account for the lease and non-lease components in its equipment leases. The Company determines whether a contract contains a lease based on whether a contract, or a part of a contract, conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The discount rate used is either the rate implicit in the lease, or when a rate cannot be readily determined an incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and amount equal to the lease payments, in a similar economic environment.

As a result of adopting this Update, the Company recognized $157.2 million of right-of-use asset (ROU) and $178.2 million of lease liability, as of January 1, 2019. The Company also recorded a $0.5 million cumulative-effect adjustment directly to retained earnings as of January 1, 2019 for abandoned leased properties and the remaining deferred gains on sale-leaseback transactions which occurred prior to the date of adoption. See Note 9: Leasing for further information.

Accounting Standards Issued But Not Yet Adopted

The following list identifies ASUs applicable to the Company that have been issued by the Financial Accounting Standards Board (FASB) but are not yet effective:

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

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

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

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

The Update modifies the disclosure requirements for employers that sponsor defined benefit pension plans and other postretirement plans.

The updated guidance will be effective for the Company on January 1, 2021. The Company does not expect this Update to have a material impact on its consolidated financial statements.

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

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

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

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

The Update simplifies quantitative goodwill impairment testing by requiring entities to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for any amount by which the carrying amount exceeds the reporting unit's fair value, to the extent that the loss recognized does not exceed the amount of goodwill allocated to that reporting unit.

This changes current guidance by eliminating the second step of the goodwill impairment analysis which involves calculating the implied fair value of goodwill determined in the same manner as the amount of goodwill recognized in a business combination upon acquisition. Entities will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

The Update must be applied prospectively and is effective for the Company on January 1, 2020. Early adoption is permitted. The Company does not expect this new guidance to have a material impact on its consolidated financial statements.

ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments and subsequent ASUs issued to clarify this Topic.

Current GAAP requires an incurred loss methodology for recognizing credit losses. This approach requires recognition of credit losses when it is probable a loss has been incurred. The main objective of this Update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update will replace today's incurred loss approach with a new credit loss methodology known as the Current Expected Credit Loss (CECL) model which requires earlier recognition of credit losses using a lifetime credit loss measurement approach for financial assets carried at amortized cost. The CECL model requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates.

The change from an incurred loss method to an expected loss method represents a fundamental shift from existing GAAP and may result in a material increase to the Company's accounting for credit losses on financial instruments. To prepare for implementation of the new standard the Company has established a project lead and has empowered a cross functional steering committee comprised of members from different disciplines including Credit, Accounting, Finance, IT, and Treasury as well as specific working groups to focus on key components of the development process. Through these working groups, the Company has begun to evaluate the effect that this Update, including the subsequent ASUs issued to clarify this Topic, will have on its financial statements and related disclosures. An implementation project plan has been created and is made up of targeted work streams focused on credit models, data management, treasury, and accounting. These work streams are collectively assessing required resources, use of existing and new models, and data availability. The Company expects that the new credit models will include additional assumptions used to calculate credit losses over the estimated life of the financial assets and will include the impact of forecasted macroeconomic conditions. The Company contracted with system solution providers and is in the process of implementing the selected solutions. During 2019, the Company is focused on model validations as well as the development of processes and related controls. The Company expects to begin parallel runs by mid-2019.

These Updates are effective for the Company on January 1, 2020. The adoption of these Updates is expected to increase the Company's allowance for loan and lease losses (ALLL). The magnitude of the increase will depend on the composition, characteristics, and credit quality of our loan and securities portfolios as well as the economic conditions in effect at the adoption date.

Note 2: Variable Interest Entities

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

Consolidated

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

Invested assets 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. See Note 14: Fair Value Measurements for additional information.

Non-Consolidated

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

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

At March 31, 2019 and December 31, 2018, the aggregate carrying value of the Company's tax credit-finance investments was $38.8 million and $29.1 million, respectively, which represents the Company's maximum exposure to loss. At March 31, 2019 and December 31, 2018, unfunded commitments have been recognized, totaling $15.0 million and $10.4 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 the outstanding common stock of Webster Statutory Trust, a financial vehicle that has issued, and in the future may issue, trust preferred securities. The trust is a VIE in which the Company is not the primary beneficiary. The trust's only assets are junior subordinated debentures issued by the Company, which were acquired by the trust using the proceeds from the issuance of the trust preferred securities and common stock. The junior subordinated debentures are included in long-term debt in the accompanying 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 Non-Marketable Investments. The Company invests in various alternative investments in which it holds a variable interest. These investments are non-public entities which cannot be redeemed since the Company’s investment is distributed as the underlying equity is liquidated. For these investments, the Company has determined it is not the primary beneficiary due to its inability to direct the activities that most significantly impact the economic performance of the VIEs.

At March 31, 2019 and December 31, 2018, the aggregate carrying value of the Company's other investments in VIEs was $18.1 million and $17.6 million, respectively, and the total exposure of the Company's other investments in VIEs, including unfunded commitments, was $31.2 million and $31.0 million, respectively. Refer to Note 14: Fair Value Measurements for additional information.

The Company's equity interests in Tax Credit-Finance Investments, Webster Statutory Trust, and Other Non-Marketable Investments are included in accrued interest receivable and other assets in the accompanying Condensed Consolidated Balance Sheets. For a description of the Company's accounting policy regarding the consolidation of VIEs, refer to Note 1 to the Consolidated Financial Statements included in its Form 10-K, for the year ended December 31, 2018.

Note 3: Investment Securities

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

	At March 31, 2019				At December 31, 2018			
(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:								
U.S. Treasury Bills	$ 7,595	$ —	$ —	$ 7,595	$ 7,549	$ 1	$ —	$ 7,550
Agency CMO	226,104	704	(2,814)	223,994	238,968	412	(4,457)	234,923
Agency MBS	1,603,023	7,876	(25,501)	1,585,398	1,521,534	1,631	(42,076)	1,481,089
Agency CMBS	598,442	—	(33,943)	564,499	608,167	—	(41,930)	566,237
CMBS	432,933	500	(1,132)	432,301	447,897	645	(2,961)	445,581
CLO	112,116	89	(581)	111,624	114,641	94	(1,964)	112,771
Corporate debt	55,678	5	(3,778)	51,905	55,860	—	(5,281)	50,579
Available-for-sale	$ 3,035,891	$ 9,174	$ (67,749)	$ 2,977,316	$ 2,994,616	$ 2,783	$ (98,669)	$ 2,898,730
Held-to-maturity:								
Agency CMO	$ 200,568	$ 432	$ (3,419)	$ 197,581	$ 208,113	$ 287	$ (5,255)	$ 203,145
Agency MBS	2,614,590	15,623	(48,352)	2,581,861	2,517,823	8,250	(79,701)	2,446,372
Agency CMBS	704,653	902	(19,366)	686,189	667,500	53	(22,572)	644,981
Municipal bonds and notes	753,589	11,564	(4,248)	760,905	715,041	2,907	(18,285)	699,663
CMBS	206,760	765	(684)	206,841	216,943	405	(2,388)	214,960
Held-to-maturity	$ 4,480,160	$ 29,286	$ (76,069)	$ 4,433,377	$ 4,325,420	$ 11,902	$ (128,201)	$ 4,209,121

Other-Than-Temporary Impairment

The amount in the amortized cost columns in the table above includes other-than-temporary impairment (OTTI) related to certain CLO positions that were previously considered Covered Funds as defined by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), commonly known as the Volcker Rule. The Company has taken measures to bring its CLO positions into conformance with the Volcker Rule.

The balance of OTTI at March 31, 2019 and 2018 was $0.8 million and $1.4 million, respectively. There were no changes in the OTTI balance during the three months ended March 31, 2019 and 2018.

To the extent that changes occur in interest rates, credit movements, or 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.

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 March 31, 2019						
	Less Than Twelve Months		Twelve Months or Longer		Total		
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	# of Holdings	Fair Value	Unrealized Losses
Available-for-sale:							
Agency CMO	$ 4,054	$ —	$ 154,220	$ (2,814)	26	$ 158,274	$ (2,814)
Agency MBS	904	(2)	964,147	(25,499)	149	965,051	(25,501)
Agency CMBS	—	—	564,500	(33,943)	37	564,500	(33,943)
CMBS	315,706	(1,123)	4,318	(9)	33	320,024	(1,132)
CLO	45,573	(197)	56,051	(384)	6	101,624	(581)
Corporate debt	16,418	(1,065)	15,339	(2,713)	7	31,757	(3,778)
Available-for-sale in an unrealized loss position	$ 382,655	$ (2,387)	$ 1,758,575	$ (65,362)	258	$ 2,141,230	$ (67,749)
Held-to-maturity:							
Agency CMO	$ 83	$ —	$ 165,631	$ (3,419)	22	$ 165,714	$ (3,419)
Agency MBS	—	—	1,897,381	(48,352)	246	1,897,381	(48,352)
Agency CMBS	—	—	626,484	(19,366)	56	626,484	(19,366)
Municipal bonds and notes	554	—	240,123	(4,248)	86	240,677	(4,248)
CMBS	2,697	—	115,886	(684)	17	118,583	(684)
Held-to-maturity in an unrealized loss position	$ 3,334	$ —	$ 3,045,505	$ (76,069)	427	$ 3,048,839	$ (76,069)

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

Impairment Analysis

The following impairment analysis summarizes the basis for evaluating if investment securities within the Company's available-for-sale and held-to-maturity portfolios are other-than-temporarily impaired as of March 31, 2019. Unless otherwise noted for an investment security type, management does not intend to sell these investment securities and has determined, based upon available evidence, that it is more likely than not that the Company will not be required to sell these investment securities before the recovery of their amortized cost. As such, based on the following impairment analysis, the Company does not consider any of these investment securities, in unrealized loss positions, to be other-than-temporarily impaired at March 31, 2019.

Available-for-Sale Securities

Agency CMO. There were unrealized losses of $2.8 million on the Company's investment in Agency CMO securities issued by government agencies at March 31, 2019, compared to $4.5 million at December 31, 2018. Unrealized losses decreased due to lower market rates while principal balances decreased for this asset class since December 31, 2018. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Agency MBS. There were unrealized losses of $25.5 million on the Company's investment in Agency MBS securities issued by government agencies at March 31, 2019, compared to $42.1 million at December 31, 2018. Unrealized losses decreased due to lower market rates while principal balances increased for this asset class since December 31, 2018. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Agency CMBS. There were unrealized losses of $33.9 million on the Company's investment in Agency Commercial Mortgage-Backed Securities (CMBS) issued by government agencies at March 31, 2019, compared to $41.9 million at December 31, 2018. Unrealized losses decreased due to lower market rates while principal balances decreased for this asset class since December 31, 2018. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

CMBS. There were unrealized losses of $1.1 million on the Company's investment in CMBS at March 31, 2019, compared to $3.0 million at December 31, 2018. Unrealized losses decreased due to reduced market spreads while balances were essentially unchanged for the portfolio of mainly floating rate CMBS at March 31, 2019 compared to December 31, 2018. Internal stress tests are performed on individual bonds to monitor potential losses under stress scenarios. Contractual cash flows for the bonds continue to perform as expected.

CLO. There were unrealized losses of $0.6 million on the Company's investments in CLO at March 31, 2019 compared to $2.0 million unrealized losses at December 31, 2018. Unrealized losses decreased due to reduced market spreads while principal balances were essentially unchanged from December 31, 2018. Internal stress tests are performed on individual bonds to monitor potential losses under stress scenarios. Contractual cash flows for the bonds continue to perform as expected.

Corporate debt. There were unrealized losses of $3.8 million on the Company's corporate debt portfolio at March 31, 2019, compared to $5.3 million at December 31, 2018. Unrealized losses decreased due to reduced market spreads and rates while balances were essentially unchanged since December 31, 2018. The Company performs periodic credit reviews of the issuer to assess the likelihood for ultimate recovery of amortized cost. Contractual cash flows for the bonds continue to perform as expected.

Held-to-Maturity Securities

Agency CMO. There were unrealized losses of $3.4 million on the Company's investment in Agency CMO securities issued by government agencies at March 31, 2019, compared to $5.3 million at December 31, 2018. Unrealized losses decreased due to lower market rates while principal balances decreased since December 31, 2018. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Agency MBS. There were unrealized losses of $48.4 million on the Company's investment Agency MBS securities issued by government agencies at March 31, 2019, compared to $79.7 million at December 31, 2018. Unrealized losses decreased due to lower market rates while principal balances increased for this asset class since December 31, 2018. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Agency CMBS. There were unrealized losses of $19.4 million on the Company's investment in Agency Commercial Mortgage-Backed Securities (CMBS) issued by government agencies at March 31, 2019, compared to $22.6 million at December 31, 2018. Unrealized losses decreased due to lower market rates while principal balances increased since December 31, 2018. These investments are issued by a government or government sponsored agency and therefore, are backed by certain government guarantees, either direct or implicit. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Municipal bonds and notes. There were unrealized losses of $4.2 million on the Company's investment in municipal bonds and notes at March 31, 2019, compared to $18.3 million at December 31, 2018. Unrealized losses decreased due to lower market rates while principal balances increased since December 31, 2018. The Company performs periodic credit reviews of the issuers and the securities are currently performing as expected.

CMBS. There were unrealized losses of $0.7 million on the Company's investment in CMBS at March 31, 2019, compared to $2.4 million unrealized losses at December 31, 2018. Unrealized losses decreased due to lower market rates on mainly seasoned fixed rate conduit transactions while principal balances were essentially unchanged since December 31, 2018. Internal stress tests are performed on individual bonds to monitor potential losses under stress scenarios. There has been no change in the credit quality, and the contractual cash flows are performing as expected.

Sales of Available-for Sale Investment Securities

There were no sales during the three months ended March 31, 2019 and 2018.

Contractual Maturities

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

	At March 31, 2019			
	Available-for-Sale		Held-to-Maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 27,737	$ 27,742	$ 7,089	$ 7,110
Due after one year through five years	17,000	17,008	3,759	3,784
Due after five through ten years	271,751	271,115	73,799	75,040
Due after ten years	2,719,403	2,661,451	4,395,513	4,347,443
Total debt securities	$ 3,035,891	$ 2,977,316	$ 4,480,160	$ 4,433,377

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 March 31, 2019, the Company had a carrying value of $1.6 billion in callable debt securities in its CMBS, CLO, and municipal bond portfolios. The Company considers prepayment risk in the evaluation of its interest rate risk profile. These maturities may change due to calls and prepayments.

Investment securities with a carrying value totaling $2.3 billion at March 31, 2019 and $2.2 billion December 31, 2018 were pledged to secure public funds, trust deposits, repurchase agreements, and for other purposes, as required or permitted by law.

Note 4: Loans and Leases

The following table summarizes loans and leases:

(In thousands)	At March 31, 2019	At December 31, 2018
Residential	$ 4,631,787	$ 4,416,637
Consumer	2,339,736	2,396,704
Commercial	6,356,571	6,216,606
Commercial Real Estate	4,991,825	4,927,145
Equipment Financing	494,371	508,397
Loans and leases (1) (2)	$ 18,814,290	$ 18,465,489

(1) *Includes net deferred fees and net premiums/discounts of $6.3 million and $13.9 million at March 31, 2019 and December 31, 2018, respectively.*

(2) *At March 31, 2019 the Company had pledged $7.0 billion of eligible loans as collateral to support borrowing capacity at the Federal Home Loan Bank (FHLB) of Boston and the Federal Reserve Bank (FRB) of Boston.*

The equipment financing portfolio includes net investment in leases of $150.5 million at March 31, 2019. Total undiscounted cash flows to be received from the Company's net investment in leases are $162.7 million at March 31, 2019 and are primarily due within the next five years. The Company's lessor portfolio has recognized interest income of $1.4 million for the three months ended March 31, 2019.

Loans and Leases Aging

The following tables summarize the aging of loans and leases:

	At March 31, 2019						
(In thousands)	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	$ 8,166	$ 4,737	$ —	$ 49,382	$ 62,285	$ 4,569,502	$ 4,631,787
Consumer:							
Home equity	8,724	4,765	—	33,705	47,194	2,066,174	2,113,368
Other consumer	2,016	709	—	1,578	4,303	222,065	226,368
Commercial:							
Commercial non-mortgage	15,858	104	—	61,638	77,600	5,239,338	5,316,938
Asset-based	—	—	—	218	218	1,039,415	1,039,633
Commercial real estate:							
Commercial real estate	2,085	208	—	7,459	9,752	4,778,597	4,788,349
Commercial construction	—	—	—	—	—	203,476	203,476
Equipment financing	2,778	334	—	4,951	8,063	486,308	494,371
Total	$ 39,627	$ 10,857	$ —	$ 158,931	$ 209,415	$ 18,604,875	$ 18,814,290

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

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 $3.0 million and $2.1 million for the three months ended March 31, 2019 and 2018, respectively.

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 March 31, 2019					
(In thousands)	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Total
ALLL:						
Balance, beginning of period	$ 19,599	$ 28,681	$ 98,793	$ 60,151	$ 5,129	$ 212,353
Provision (benefit) charged to expense	887	(277)	8,227	(291)	54	8,600
Charge-offs	(251)	(3,972)	(7,633)	(973)	(204)	(13,033)
Recoveries	178	2,487	787	6	11	3,469
Balance, end of period	$ 20,413	$ 26,919	$ 100,174	$ 58,893	$ 4,990	$ 211,389
Individually evaluated for impairment	$ 4,167	$ 1,376	$ 7,162	$ 906	$ 194	$ 13,805
Collectively evaluated for impairment	$ 16,246	$ 25,543	$ 93,012	$ 57,987	$ 4,796	$ 197,584
Loan and lease balances:						
Individually evaluated for impairment	$ 102,321	$ 38,852	$ 115,989	$ 12,261	$ 4,953	$ 274,376
Collectively evaluated for impairment	4,529,466	2,300,884	6,240,582	4,979,564	489,418	18,539,914
Loans and leases	$ 4,631,787	$ 2,339,736	$ 6,356,571	$ 4,991,825	$ 494,371	$ 18,814,290

	At or for the three months ended March 31, 2018					
(In thousands)	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Total
ALLL:						
Balance, beginning of period	$ 19,058	$ 36,190	$ 89,533	$ 49,407	$ 5,806	$ 199,994
(Benefit) provision charged to expense	251	1,680	7,420	2,104	(455)	11,000
Charge-offs	(917)	(5,074)	(1,497)	(77)	(45)	(7,610)
Recoveries	385	1,443	117	2	18	1,965
Balance, end of period	$ 18,777	$ 34,239	$ 95,573	$ 51,436	$ 5,324	$ 205,349
Individually evaluated for impairment	$ 4,574	$ 1,579	$ 11,166	$ 257	$ 21	$ 17,597
Collectively evaluated for impairment	$ 14,203	$ 32,660	$ 84,407	$ 51,179	$ 5,303	$ 187,752
Loan and lease balances:						
Individually evaluated for impairment	$ 111,937	$ 42,587	$ 76,573	$ 10,928	$ 6,455	$ 248,480
Collectively evaluated for impairment	4,347,925	2,479,793	5,682,551	4,533,903	512,923	17,557,095
Loans and leases	$ 4,459,862	$ 2,522,380	$ 5,759,124	$ 4,544,831	$ 519,378	$ 17,805,575

Impaired Loans and Leases

The following tables summarize impaired loans and leases:

	At March 31, 2019				
(In thousands)	Unpaid Principal Balance	Total Recorded Investment	Recorded Investment No Allowance	Recorded Investment With Allowance	Related Valuation Allowance
Residential	$ 111,562	$ 102,321	$ 64,958	$ 37,363	$ 4,167
Consumer - home equity	42,277	38,852	30,227	8,625	1,376
Commercial non-mortgage	141,046	115,771	87,057	28,714	7,156
Asset-based	544	218	—	218	6
Commercial real estate	15,784	12,261	3,779	8,482	906
Equipment financing	4,948	4,953	930	4,023	194
Total	$ 316,161	$ 274,376	$ 186,951	$ 87,425	$ 13,805

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

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

	Three months ended March 31,					
	2019			2018		
(In thousands)	Average Recorded Investment	Accrued Interest Income	Cash Basis Interest Income	Average Recorded Investment	Accrued Interest Income	Cash Basis Interest Income
Residential	$ 102,926	$ 908	$ 264	$ 113,116	$ 981	$ 253
Consumer - home equity	38,998	269	280	44,011	294	250
Commercial non-mortgage	107,529	920	—	73,461	539	—
Asset based	222	—	—	1,061	—	—
Commercial real estate	11,544	73	—	11,077	96	—
Equipment financing	5,634	—	—	4,890	36	—
Total	$ 266,853	$ 2,170	$ 544	$ 247,616	$ 1,946	$ 503

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 default (PD) and the loss given default (LGD). The credit risk grade system assigns a rating to each borrower and to the facility, which together form a Composite Credit Risk Profile. The credit risk grade system categorizes borrowers by common financial characteristics that measure the credit strength of borrowers and facilities by common structural characteristics. The Composite Credit Risk Profile has ten grades, with each grade corresponding to a progressively greater risk of 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	
(In thousands)	At March 31, 2019	At December 31, 2018	At March 31, 2019	At December 31, 2018	At March 31, 2019	At December 31, 2018
(1) - (6) Pass	$ 5,991,939	$ 5,781,138	$ 4,830,898	$ 4,773,298	$ 481,423	$ 494,585
(7) Special Mention	128,160	206,351	82,531	75,338	2,415	1,303
(8) Substandard	230,122	222,405	78,396	78,509	10,533	12,509
(9) Doubtful	6,350	6,712	—	—	—	—
Total	$ 6,356,571	$ 6,216,606	$ 4,991,825	$ 4,927,145	$ 494,371	$ 508,397

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

Troubled Debt Restructurings

The following table summarizes information for troubled debt restructurings (TDRs):

(Dollars in thousands)	At March 31, 2019	At December 31, 2018
Accrual status	$ 149,076	$ 138,479
Non-accrual status	101,333	91,935
Total recorded investment of TDRs	$ 250,409	$ 230,414
Specific reserves for TDRs included in the balance of ALLL	$ 13,381	$ 11,930
Additional funds committed to borrowers in TDR status	5,118	3,893

For the portion of TDRs deemed to be uncollectible, Webster charged off $1.4 million, and $0.7 million for the three months ended March 31, 2019 and 2018, respectively.

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

(Dollars in thousands)	Three months ended March 31, 2019 Number of Loans and Leases	2019 Post-Modification Recorded Investment(1)	2018 Number of Loans and Leases	2018 Post-Modification Recorded Investment(1)
Residential				
Extended Maturity	1	$ 519	—	$ —
Maturity/Rate Combined	5	451	—	—
Other (2)	2	261	5	757
Consumer - home equity				
Extended Maturity	2	145	2	193
Maturity/Rate Combined	—	—	2	113
Other (2)	13	754	11	778
Commercial non - mortgage				
Extended Maturity	2	124	3	85
Maturity/Rate Combined	1	25	—	—
Other (2)	15	22,027	2	4,684
Commercial real estate				
Extended Maturity	—	—	1	45
Other (2)	2	2,636	—	—
Total TDRs	43	$ 26,942	26	$ 6,655

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

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

There were no significant amounts of loans and leases modified as TDRs within the previous 12 months and for which there was a payment default for the three months ended March 31, 2019 and 2018, respectively.

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

(In thousands)	At March 31, 2019	At December 31, 2018
(1) - (6) Pass	$ 20,765	$ 13,165
(7) Special Mention	78	84
(8) Substandard	82,043	67,880
(9) Doubtful	6,350	6,610
Total	$ 109,236	$ 87,739

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. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The gain or loss on residential mortgage loans sold and the related origination fee income, as well as fair value adjustments to loans held-for-sale are included as mortgage banking activities in the accompanying 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 loan repurchase requests received by the Company for which management evaluates the identity of counterparty, the vintage of the loans sold, the amount of open repurchase requests, specific loss estimates for each open request, the current level of loan losses in similar vintages held in the residential loan portfolio, and estimated recoveries on the underlying collateral. The reserve also reflects management's expectation of losses from loan repurchase requests for which the Company has not yet been notified, as the performance of loans sold and the quality of the servicing provided by the acquirer also may impact potential future requests. The provision recorded at the time of the loan sale is netted from the gain or loss recorded in mortgage banking activities, while any incremental provision, post loan sale, is recorded in other non-interest expense in the accompanying Condensed Consolidated Statements of Income.

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

	Three months ended March 31,	
(In thousands)	**2019**	**2018**
Beginning balance	$ 674	$ 872
Provision (benefit) charged to expense	7	(203)
Repurchased loans and settlements charged off	(5)	(5)
Ending balance	$ 676	$ 664

The following table provides information for mortgage banking activities:

	Three months ended March 31,	
(In thousands)	**2019**	**2018**
Residential mortgage loans held for sale:		
Proceeds from sale	$ 20,613	$ 44,806
Loans sold with servicing rights retained	17,348	39,904
Net gain on sale	158	1,083
Ancillary fees	261	410
Fair value option adjustment	345	(349)

Additionally, loans not originated for sale were sold approximately at carrying value for cash proceeds of $4.0 million for certain residential loans for the three months ended March 31, 2019, and $436 thousand and $34 thousand for certain commercial loans for the three months ended March 31, 2019 and 2018, respectively.

The Company has retained servicing rights on residential mortgage loans totaling $2.5 billion at both March 31, 2019 and December 31, 2018.

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

	Three months ended March 31,	
(In thousands)	**2019**	**2018**
Beginning balance	$ 21,215	$ 25,139
Additions	462	1,412
Amortization	(1,892)	(2,148)
Ending balance	$ 19,785	$ 24,403

The mortgage servicing assets are recorded at fair value upon transfer, and thereafter are carried at the lower of cost or fair value. Loan servicing fees, net of mortgage servicing rights amortization, were $0.4 million and $0.3 million for the three months ended March 31, 2019 and 2018, respectively, and are included as a component of loan related fees in the accompanying Condensed Consolidated Statements of Income.

See Note 14: Fair Value Measurements for additional fair value information on loans held for sale and mortgage servicing assets.

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Note 6: Goodwill and Other Intangible Assets

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

(In thousands)	At March 31, 2019			At December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill:						
Community Banking			$ 516,560			$ 516,560
HSA Bank			21,813			21,813
Total goodwill			$ 538,373			$ 538,373
Other intangible assets:						
HSA Bank - Core deposits	$ 22,000	$ (11,399)	$ 10,601	$ 22,000	$ (10,842)	$ 11,158
HSA Bank - Customer relationships	21,000	(6,798)	14,202	21,000	(6,394)	14,606
Total other intangible assets	$ 43,000	$ (18,197)	$ 24,803	$ 43,000	$ (17,236)	$ 25,764

As of March 31, 2019, the remaining estimated aggregate future amortization expense for intangible assets is as follows:

(In thousands)	
Remainder of 2019	$ 2,885
2020	3,847
2021	3,847
2022	3,847
2023	3,847
Thereafter	6,530

Note 7: Deposits

A summary of deposits by type follows:

(In thousands)	At March 31, 2019	At December 31, 2018
Non-interest-bearing:		
Demand	$ 4,224,144	$ 4,162,446
Interest-bearing:		
Health savings accounts	6,209,213	5,740,601
Checking	2,560,975	2,518,472
Money market	2,299,229	2,100,084
Savings	4,102,740	4,140,696
Time deposits	3,354,627	3,196,546
Total interest-bearing	18,526,784	$ 17,696,399
Total deposits	$ 22,750,928	$ 21,858,845
Time deposits and interest-bearing checking, included in above balances, obtained through brokers	$ 758,472	$ 869,003
Time deposits, included in above balance, that exceed the FDIC limit	669,476	555,949
Deposit overdrafts reclassified as loan balances	1,065	2,245

The scheduled maturities of time deposits are as follows:

(In thousands)	At March 31, 2019
Remainder of 2019	$ 2,304,523
2020	705,479
2021	259,584
2022	51,785
2023	29,443
Thereafter	3,813
Total time deposits	$ 3,354,627

Note 8: Borrowings

Total borrowings of $2.2 billion at March 31, 2019 and $2.6 billion at December 31, 2018 are described in detail below.

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

(In thousands)	At March 31, 2019 Amount	Rate	At December 31, 2018 Amount	Rate
Securities sold under agreements to repurchase [(1)]:				
Original maturity of one year or less	$ 168,065	0.65%	$ 236,874	0.35%
Original maturity of greater than one year, non-callable	—	—	—	—
Total securities sold under agreements to repurchase	168,065	0.65	236,874	0.35
Fed funds purchased	520,000	2.50	345,000	2.52
Securities sold under agreements to repurchase and other borrowings	$ 688,065	2.05	$ 581,874	1.64

(1) The Company has right of offset with respect to all repurchase agreement assets and liabilities. However, securities sold under agreements to repurchase represents the gross amount for these transactions, as only liabilities are outstanding for the periods presented.

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 or municipal customers through Webster's Treasury Unit.

The following table provides information for FHLB advances:

(Dollars in thousands)	At March 31, 2019 Amount	Weighted-Average Contractual Coupon Rate	At December 31, 2018 Amount	Weighted-Average Contractual Coupon Rate
Maturing within 1 year	$ 578,026	2.46%	$ 1,403,026	2.55%
After 1 but within 2 years	165,000	1.77	215,000	1.73
After 2 but within 3 years	200,000	3.16	200,000	3.16
After 3 but within 4 years	145	—	150	—
After 4 but within 5 years	239	2.95	242	2.95
After 5 years	8,320	2.65	8,390	2.65
FHLB advances and overall rate	$ 951,730	2.49	$ 1,826,808	2.52
Aggregate carrying value of assets pledged as collateral	$ 6,514,053		$ 6,689,761	
Remaining borrowing capacity	3,204,370		2,568,664	

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:

(Dollars in thousands)		At March 31, 2019	At December 31, 2018
4.375%	Senior fixed-rate notes due February 15, 2024	150,000	150,000
4.100%	Senior fixed-rate notes due March 25, 2029 [(1)]	301,628	—
Junior subordinated debt Webster Statutory Trust I floating-rate notes due September 17, 2033 [(2)]		77,320	77,320
Total notes and subordinated debt		528,948	227,320
Discount on senior fixed-rate notes		(1,576)	(608)
Debt issuance cost on senior fixed-rate notes		(3,069)	(691)
Long-term debt		$ 524,303	$ 226,021

(1) In March 2019, the Company completed a $300.0 million senior fixed-rate notes issuance. The fixed interest rate on a $150.0 million portion of this issuance has been swapped to a variable rate and designated in a fair value hedging relationship. The $1.6 million basis adjustment included in the carrying value reflects the changes in the benchmark rate.

(2) The interest rate on Webster Statutory Trust I floating-rate notes, which varies quarterly based on 3-month London Interbank Offered Rate plus 2.95%, was 5.56% at March 31, 2019 and 5.74% at December 31, 2018.

Note 9: Leasing

The Company, as lessee, primarily leases office space, banking centers, and certain other assets. These leases are generally classified as operating leases, however, an insignificant amount of the leases are classified as finance leases. The Company's operating leases generally have lease terms for periods of 5 to 20 years with various renewal options. The Company, by policy, does not include renewal options for leases as part of its ROU assets and lease liabilities unless they are deemed reasonably certain to exercise. The Company does not have any material sub-lease agreements.

During the quarter ended March 31, 2019, the Company began recognizing operating leases on its balance sheet by recording a lease liability representing the Company's legal obligation to make lease payments, and a ROU asset representing its legal right to use the leased office space, banking centers and certain other assets.

The following table summarizes information related to the Company's ROU assets and lease liability:

	At March 31, 2019		
(In thousands)	Operating Leases		Balance Sheet Line Item Location
ROU asset	$	157,962	Premises and equipment, net
Lease liability		179,501	Accrued expenses and other liabilities

Operating lease expense is comprised of operating lease costs and variable lease costs, net of sublease income. The pattern and measurement of expense recognition of these costs was not significantly impacted by ASU 2016-02 and subsequent ASUs issued to amend Topic 842.

Variable lease payments are defined as payments made for the right to use an asset that vary because of changes in facts or circumstances occurring after the commencement date, other than the passage of time. Variable lease payments that are dependent on an index or a rate are initially measured using the index or rate at the commencement date and are included in the measurement of a lease liability. Variable lease payments that are not dependent on an index or a rate, or changes in variable payments based on an index or rate after the commencement date, are excluded from the measurement of a lease liability and recognized in the period incurred. All variable lease payments are included within variable lease costs presented below.

The components of operating lease cost and other related information are as follows:

(In thousands)	Three months ended March 31, 2019	
Lease Cost:		
Operating lease costs	$	7,385
Variable lease costs		1,253
Sublease income		(140)
Total operating lease cost	$	8,498
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating leases	$	7,673
Right-of-use assets obtained in exchange for new operating lease liabilities		6,638
Weighted-average remaining lease term-operating leases at March 31, 2019		8.2
Weighted-average discount rate-operating leases at March 31, 2019		3.44 %

The undiscounted scheduled maturities reconciled to total operating lease liabilities are as follows:

(In thousands)	At March 31, 2019	
Remainder of 2019	$	21,282
2020		30,890
2021		29,318
2022		25,105
2023		21,771
Thereafter		81,818
Total lease liability payments		210,184
Lease liabilities		179,501
Present value adjustment	$	30,683

See Note 4: Loans and Leases for information relating to leases included within the equipment financing portfolio in which the Company is lessor.

Note 10: Accumulated Other Comprehensive Loss, Net of Tax

The following tables summarize the changes in accumulated other comprehensive loss, net of tax (AOCL) by component:

(In thousands)	Three months ended March 31, 2019			
	Securities Available For Sale	Derivative Instruments	Defined Benefit Pension and Other Postretirement Benefit Plans	Total
Beginning balance	$ (71,374)	$ (9,313)	$ (49,965)	$ (130,652)
Other comprehensive income (loss) (OCI (OCL)) before reclassifications	27,559	(839)	—	26,720
Amounts reclassified from AOCL	—	1,035	1,056	2,091
Net current-period OCI	27,559	196	1,056	28,811
Ending balance	$ (43,815)	$ (9,117)	$ (48,909)	$ (101,841)

(In thousands)	Three months ended March 31, 2018			
	Securities Available For Sale	Derivative Instruments	Defined Benefit Pension and Other Postretirement Benefit Plans	Total
Beginning balance	$ (27,947)	$ (15,016)	$ (48,568)	$ (91,531)
(OCL)/OCI before reclassifications	(27,424)	1,129	—	(26,295)
Amounts reclassified from AOCL	—	1,393	954	2,347
Net current-period (OCL)/OCI	(27,424)	2,522	954	(23,948)
Ending balance	$ (55,371)	$ (12,494)	$ (47,614)	$ (115,479)

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

(In thousands)	Three months ended March 31,		Associated Line Item in the Condensed Consolidated Statements of Income
AOCL Components	**2019**	**2018**	
Derivative instruments:			
Cash flow hedges	$ (1,391)	$ (1,871)	Interest expense
Tax benefit	356	478	Income tax expense
Net of tax	$ (1,035)	$ (1,393)	
Defined benefit pension and other postretirement benefit plans:			
Amortization of net loss	$ (1,430)	$ (1,285)	*(1)*
Tax benefit	374	331	Income tax expense
Net of tax	$ (1,056)	$ (954)	

(1) These AOCL components are included in the computation of net periodic benefit cost, see Note 15 - Retirement Benefit Plans for further details.

Note 11: 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 Office of the Comptroller of the Currency (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 adjustments. 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 March 31, 2019					
	Actual		Minimum Requirement		Well Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Webster Financial Corporation						
CET1 risk-based capital	$ 2,337,162	11.46%	$ 917,798	4.5%	$ 1,325,708	6.5%
Total risk-based capital	2,773,419	13.60	1,631,640	8.0	2,039,551	10.0
Tier 1 risk-based capital	2,482,199	12.17	1,223,730	6.0	1,631,640	8.0
Tier 1 leverage capital	2,482,199	9.09	1,091,878	4.0	1,364,847	5.0
Webster Bank						
CET1 risk-based capital	$ 2,496,047	12.24%	$ 917,468	4.5%	$ 1,325,232	6.5%
Total risk-based capital	2,709,947	13.29	1,631,054	8.0	2,038,818	10.0
Tier 1 risk-based capital	2,496,047	12.24	1,223,291	6.0	1,631,054	8.0
Tier 1 leverage capital	2,496,047	9.15	1,091,347	4.0	1,364,184	5.0

	At December 31, 2018					
	Actual		Minimum Requirement		Well Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Webster Financial Corporation						
CET1 risk-based capital	$ 2,284,978	11.44%	$ 898,972	4.5%	$ 1,298,514	6.5%
Total risk-based capital	2,722,194	13.63	1,598,172	8.0	1,997,715	10.0
Tier 1 risk-based capital	2,430,015	12.16	1,198,629	6.0	1,598,172	8.0
Tier 1 leverage capital	2,430,015	9.02	1,077,303	4.0	1,346,628	5.0
Webster Bank						
CET1 risk-based capital	$ 2,170,566	10.87%	$ 898,317	4.5%	$ 1,297,569	6.5%
Total risk-based capital	2,385,425	11.95	1,597,008	8.0	1,996,260	10.0
Tier 1 risk-based capital	2,170,566	10.87	1,197,756	6.0	1,597,008	8.0
Tier 1 leverage capital	2,170,566	8.06	1,076,712	4.0	1,345,889	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 three months ended March 31, 2019 compared to $100 million during the three months ended March 31, 2018.

Cash Restrictions

Webster Bank is required by Federal Reserve System regulations to hold cash reserve balances on hand or with a Federal Reserve Bank. Pursuant to this requirement, it held $84.8 million at March 31, 2019 and $81.2 million at December 31, 2018. These restricted cash amounts are included in cash and due from banks, in the accompanying Condensed Consolidated Balance Sheets.

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Note 12: Earnings Per Common Share

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

(In thousands, except per share data)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Earnings for basic and diluted earnings per common share:		
Net income	$ 99,736	$ 80,225
Less: Preferred stock dividends	1,969	1,947
Net income available to common shareholders	97,767	78,278
Less: Earnings applicable to participating securities	218	195
Earnings applicable to common shareholders	$ 97,549	$ 78,083
Shares:		
Weighted-average common shares outstanding - basic	91,962	91,921
Effect of dilutive securities:		
Stock options and restricted stock	263	327
Warrants	—	6
Weighted-average common shares outstanding - diluted	92,225	92,254
Earnings per common share:		
Basic	$ 1.06	$ 0.85
Diluted	1.06	0.85

Potential common shares from non-participating restricted stock, of 91 thousand and 72 thousand for the three months ended March 31, 2019 and 2018, respectively, are excluded from the effect of dilutive securities because, due to performance conditions, they would have been anti-dilutive.

Note 13: 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. Changes in fair value of the derivatives which are designated as cash flow hedges, and that qualify for hedge accounting, are recorded to AOCL and are reclassified into earnings in the subsequent periods that the hedged forecasted transaction affects earnings.

Fair value hedges are used for certain fixed-rate obligations which can be exposed to a change in fair value attributable to changes in benchmark interest rates. 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 typically utilized. 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 risk hedged, is recognized in interest expense in the accompanying Condensed Consolidated Statements of Income.

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, which results in minimal impact on earnings, except for fee income earned in such transactions. All contracts eligible for clearing are cleared through Chicago Mercantile Exchange (CME). In accordance with its amended rulebook, CME legally characterizes variation margin payments made to and received from CME as settlement of derivatives rather than as collateral against derivatives.

Risk participation agreements (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 and customer hedging activity, 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.

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

	At March 31, 2019				At December 31, 2018			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
(In thousands)	Notional Amounts	Fair Value	Notional Amounts	Fair Value	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Designated as hedging instruments:								
Positions subject to a master netting agreement *(1)*								
Interest rate derivatives *(2)*	$ 475,000	$ 1,920	$ —	$ —	$ 325,000	$ 3,050	$ —	$ —
Not designated as hedging instruments:								
Positions subject to a master netting agreement *(1)*								
Interest rate derivatives *(2)*	2,211,262	3,951	1,911,298	3,511	2,767,518	6,570	1,276,109	2,012
Mortgage banking derivatives *(3)*	23,712	276	38,300	459	13,599	226	17,000	293
Other	37,578	296	19,073	539	11,952	308	43,097	553
Positions not subject to a master netting agreement *(4)*								
Interest rate derivatives	2,286,717	65,122	1,835,850	18,025	1,668,012	35,635	2,367,876	36,017
RPAs	64,554	48	93,749	99	64,974	39	96,296	81
Other	7,019	529	1,072	49	8,506	450	1,208	54
Total not designated as hedging instruments	4,630,842	70,222	3,899,342	22,682	4,534,561	43,228	3,801,586	39,010
Gross derivative instruments, before netting	$ 5,105,842	72,142	$ 3,899,342	22,682	$ 4,859,561	46,278	$ 3,801,586	39,010
Less: Legally enforceable master netting agreements		3,629		3,629		2,495		2,495
Less: Cash collateral posted/received		930		514		4,936		—
Total derivative instruments, after netting		$ 67,583		$ 18,539		$ 38,847		$ 36,515

(1) The Company has elected to report derivative positions subject to a legally enforceable master netting agreement on a net basis, net of cash collateral. Refer to the Offsetting Derivatives section of this footnote for additional information.

(2) Balances related to CME are presented as a single unit of account. Notional amounts of interest rate swaps cleared through CME include $1.5 billion and $1.9 billion for asset derivatives and $1.6 billion and $1.1 billion for liability derivatives at March 31, 2019 and December 31, 2018, respectively. The related fair values approximate zero.

(3) Notional amounts include mandatory forward commitments of $38.0 million, while notional amounts do not include approved floating rate commitments of $7.3 million, at March 31, 2019.

(4) Fair value of assets are included in accrued interest receivable and other assets, while, fair value of liabilities are included in accrued expenses and other liabilities, in the accompanying Condensed Consolidated Balance Sheets.

The following table presents the change in fair value for derivatives designated as fair value hedges as well as the offsetting change in fair value on the hedged item, and the effect on the income statement for derivatives designated as cash flow hedges:

		Three months ended March 31,	
(In thousands)	Recognized In	2019	2018
Fair value hedges:			
Recognized on derivatives	Interest expense	$ 1,628	$ —
Recognized on hedged items	Interest expense	(1,628)	—
Net recognized on fair value hedges		—	—
Cash flow hedges:			
Interest rate derivatives	Interest expense	953	1,823

Additional information related to fair value hedges:

Balance Sheet Line Item in Which Hedged Item is Located	Carrying Amount of Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment Included in Carrying Amount	
(In thousands)	2019	2018	2019	2018
Long-term debt	$ 151,628	$ —	$ 1,628	$ —

The following table presents the effect on the income statement for derivatives not designated as hedging instruments:

		Three months ended March 31,	
(In thousands)	**Recognized In**	**2019**	**2018**
Interest rate derivatives	Other non-interest income	$ 1,051	$ 3,791
RPAs	Other non-interest income	5	10
Mortgage banking derivatives	Mortgage banking activities	(408)	65
Other	Other non-interest income	510	(600)
Total not designated as hedging instruments		$ 1,158	$ 3,266

Amounts for the change in the fair value of derivatives qualifying for cash flow hedge accounting treatment are recorded to AOCL and reclassified to interest expense as interest payments are made on Webster's variable-rate debt. Over the next twelve months, an estimated $0.6 million will be reclassified from AOCL as a reduction to interest expense. Amounts for gains and losses related to hedge terminations are also recorded to AOCL and subsequently amortized into interest expense over the respective terms of the hedged debt instruments. Over the next twelve months, an estimated $3.6 million will be reclassified from AOCL as an increase to interest expense. At March 31, 2019, the remaining unamortized loss on the termination of cash flow hedges is $7.7 million.

Additional information about cash flow hedge activity impacting AOCL, and the related amounts reclassified to interest expense is provided in Note 10: Accumulated Other Comprehensive Loss, Net of Tax. Information about the valuation methods used to measure the fair value of derivatives is provided in Note 14: Fair Value Measurements.

Offsetting Derivatives

Non-cleared derivatives subject to a legally enforceable master netting agreement are reported on a net basis, net of cash collateral. Cash collateral received, in the amount of $930 thousand, is included in cash and due from banks and is considered restricted in nature. 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 presents the transition from a gross basis to net basis, due to the application of counterparty netting agreements:

	At March 31, 2019				At December 31, 2018			
(In thousands)	**Gross Amount**	**Relationship Offset**	**Cash Collateral Offset**	**Net Amount**	**Gross Amount**	**Relationship Offset**	**Cash Collateral Offset**	**Net Amount**
Derivative instrument gains:								
Hedge accounting	$ 1,920	$ 337	$ 54	$ 1,529	$ 3,050	$ 88	$ 567	$ 2,395
Non-hedge accounting	4,523	3,292	876	355	6,878	2,407	4,369	102
Total assets	$ 6,443	$ 3,629	$ 930	$ 1,884	$ 9,928	$ 2,495	$ 4,936	$ 2,497
Derivative instrument losses:								
Hedge accounting	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-hedge accounting	4,446	3,629	514	303	2,566	2,495	—	71
Total liabilities	$ 4,446	$ 3,629	$ 514	$ 303	$ 2,566	$ 2,495	$ —	$ 71

Derivative Exposure

Use of derivative contracts may expose Webster Bank to counterparty credit risk. The Company has International Swaps and Derivatives Association Master Agreements, including a Credit Support Annex, with all derivative counterparties. In accordance with counterparty credit agreements and derivative clearing rules, cash or securities are posted or received on a daily basis to offset counterparty derivative exposure. Remaining exposure is collateralized by securities received. In the event of default and if the collateral is not returned, the exposure would be offset by terminating the transaction.

The Company had approximately $53.9 million in net margin collateral posted with financial counterparties or the derivative clearing organization at March 31, 2019, which is primarily comprised of $39.3 million in initial margin posted at CME and $14.4 million in CME margin posted.

The Company regularly evaluates the credit risk of its derivative customers, taking into account the likelihood of default, net exposures, and remaining contractual life, among other related factors. Credit risk exposure is mitigated as transactions with customers are generally secured by the same collateral of the underlying transactions being hedged. The net current credit exposure relating to interest rate derivatives with Webster Bank customers was $65.1 million at March 31, 2019. 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 $35.7 million at March 31, 2019.

Note 14: 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,) 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 available-for-sale 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, 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.

All other derivative instruments are valued using third-party valuation software, which considers the present value of cash flows discounted using observable forward rate assumptions. 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. The change in value of derivative assets and liabilities attributable to credit risk was not significant during the reported periods.

Webster reviews its counterparty exposure on a regular basis, and, when necessary, appropriate business actions are taken to mitigate 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 CME rulebook legally characterizes variation margin payments for over-the-counter derivatives as settlements rather than collateral, which impacts Webster's counterparty relationship with CME, resulting in the fair value of the instrument including cash collateral to be represented as a single unit of account.

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.

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 Accounting Standards Codification (*ASC) Topic 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.

The following table presents the fair value, unpaid principal balance, and accrual status, of assets accounted for under the fair value option:

	At March 31, 2019			At December 31, 2018		
(In thousands)	Fair Value	Unpaid Principal Balance	Difference	Fair Value	Unpaid Principal Balance	Difference
Originated loans held for sale	$ 20,615	$ 20,010	$ 605	$ 7,908	$ 8,227	$ (319)

Electing to measure originated loans held for sale at fair value reduces certain timing differences and better matches changes in the value of these assets with changes in the value of the derivatives used as an economic hedge on these assets.

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 $1.8 million at March 31, 2019.

Alternative Investments. Equity investments have a readily determinable fair value when quoted prices are available in an active market. The Company classifies alternative investments with a readily determinable fair value within Level 1 of the fair value hierarchy.

Equity investments that do not have a readily available fair value may qualify for net asset value (NAV) measurement based on specific requirements. The Company's alternative investments accounted for at NAV consist of investments in non-public entities that generally cannot be redeemed since the Company’s investments are distributed as the underlying equity is liquidated. Alternative investments recorded at NAV are not classified within the fair value hierarchy. At March 31, 2019, these alternative investments had a remaining unfunded commitment of $2.7 million.

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

(In thousands)	At March 31, 2019 Level 1	Level 2	Level 3	NAV	Total
Financial assets held at fair value:					
U.S. Treasury Bills	$ 7,595	$ —	$ —	$ —	$ 7,595
Agency CMO	—	223,994	—	—	223,994
Agency MBS	—	1,585,398	—	—	1,585,398
Agency CMBS	—	564,499	—	—	564,499
CMBS	—	432,301	—	—	432,301
CLO	—	111,624	—	—	111,624
Corporate debt	—	51,905	—	—	51,905
Total available-for-sale investment securities	7,595	2,969,721	—	—	2,977,316
Gross derivative instruments, before netting (1)	825	71,317	—	—	72,142
Originated loans held for sale	—	20,615	—	—	20,615
Investments held in Rabbi Trust	4,602	—	—	—	4,602
Alternative investments	—	—	—	2,534	2,534
Total financial assets held at fair value	$ 13,022	$ 3,061,653	$ —	$ 2,534	$ 3,077,209
Financial liabilities held at fair value:					
Gross derivative instruments, before netting (1)	$ 588	$ 22,094	$ —	$ —	$ 22,682

(In thousands)	At December 31, 2018 Level 1	Level 2	Level 3	NAV	Total
Financial assets held at fair value:					
U.S. Treasury Bills	$ 7,550	$ —	$ —	$ —	$ 7,550
Agency CMO	—	234,923	—	—	234,923
Agency MBS	—	1,481,089	—	—	1,481,089
Agency CMBS	—	566,237	—	—	566,237
CMBS	—	445,581	—	—	445,581
CLO	—	112,771	—	—	112,771
Corporate debt	—	50,579	—	—	50,579
Total available-for-sale investment securities	7,550	2,891,180	—	—	2,898,730
Gross derivative instruments, before netting (1)	758	45,520	—	—	46,278
Originated loans held for sale	—	7,908	—	—	7,908
Investments held in Rabbi Trust	4,307	—	—	—	4,307
Alternative investments	—	—	—	2,563	2,563
Total financial assets held at fair value	$ 12,615	$ 2,944,608	$ —	$ 2,563	$ 2,959,786
Financial liabilities held at fair value:					
Gross derivative instruments, before netting (1)	$ 588	$ 38,422	$ —	$ —	$ 39,010

(1) *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 13: Derivative Financial Instruments.*

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. At March 31, 2019, no significant assets classified within Level 3 were identified and measured under this basis. The following is a description of valuation methodologies used for assets measured at fair value on a non-recurring basis.

Alternative Investments. The measurement alternative has been elected for alternative investments without readily determinable fair values that do not qualify for the NAV practical expedient. The measurement alternative requires investments to be accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These alternative investments are investments in non-public entities that generally cannot be redeemed since the investment is distributed as the underlying equity is liquidated. Accordingly, these alternative investments are classified within Level 2 of the fair value hierarchy. The carrying amount of these alternative investments was $5.4 million at March 31, 2019. No reduction for impairments, or adjustments due to observable price changes, was identified during the three months ended March 31, 2019.

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 primarily consists of commercial loans with observable inputs and is classified within Level 2. On the occasion that these loans should 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 within Level 3 of the fair value hierarchy.

Other Real Estate Owned and Repossessed Assets. The total book value of other real estate owned (OREO) and repossessed assets was $5.5 million at March 31, 2019. OREO and repossessed assets are accounted for at the lower of cost or fair value 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.

At March 31, 2019, there were no significant assets measured at fair value on a non-recurring basis.

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, as well as servicing assets. 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 results and establishes processes to challenge their valuations, or methodology, that appear unusual or unexpected. Held-to-Maturity investment securities, which include Agency CMO, Agency MBS, Agency CMBS, CMBS, and municipal bonds and notes, 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.

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. Fair value of all other borrowings is 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 and subsequently measured under the amortization method. Mortgage servicing assets are subject to impairment testing and considered to be recognized at fair value when they are recorded at below cost. Amortization, and impairment charges, if any, 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 March 31, 2019		At December 31, 2018	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Level 2				
Held-to-maturity investment securities	$ 4,480,160	$ 4,433,377	$ 4,325,420	$ 4,209,121
Level 3				
Loans and leases, net	18,602,901	18,608,221	18,253,136	18,155,798
Mortgage servicing assets	19,785	38,258	21,215	45,478
Liabilities:				
Level 2				
Deposit liabilities	$ 19,396,301	$ 19,396,301	$ 18,662,299	$ 18,662,299
Time deposits	3,354,627	3,343,754	3,196,546	3,175,948
Securities sold under agreements to repurchase and other borrowings	688,065	688,065	581,874	581,874
FHLB advances	951,730	953,539	1,826,808	1,826,381
Long-term debt (1)	524,303	527,495	226,021	229,306

(1) *Adjustments to the carrying amount of long-term debt for unamortized discount and debt issuance cost on senior fixed-rate notes are not included for determination of fair value, see Note 8: Borrowings.*

Note 15: Retirement Benefit Plans

Defined benefit pension and other postretirement benefits

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

	Three months ended March 31,					
	2019			2018		
(In thousands)	Pension Plan	SERP	Other Benefits	Pension Plan	SERP	Other Benefits
Interest cost on benefit obligations	$ 1,978	$ 16	$ 21	$ 1,785	$ 187	$ 20
Expected return on plan assets	(2,815)	—	—	(3,180)	—	—
Recognized net loss	1,430	4	(4)	1,160	125	—
Net periodic benefit cost	$ 593	$ 20	$ 17	$ (235)	$ 312	$ 20

The components of net periodic benefit cost, other than the service cost component, are included as a component of other expense reflected in non-interest expense in the accompanying Condensed Consolidated Statements of Income.

Note 16: Segment Reporting

Webster's operations are organized into three reportable segments that represent its primary businesses - Commercial Banking, HSA Bank, and Community Banking. These three segments reflect how executive management responsibilities are assigned, the primary businesses, the products and services provided, the type of customer served, and how discrete financial information is currently evaluated. Certain corporate treasury activities 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 (FTP). The allocation process considers the specific interest rate risk and liquidity risk of financial instruments and other assets and liabilities in each line of business. The matched maturity funding concept considers the origination date and the earlier of the maturity date or the repricing date of a financial instrument to assign an FTP rate for loans and deposits originated each day. Loans are assigned an FTP rate for funds used and deposits are assigned an FTP rate for funds provided. This process is executed by the Company's Financial Planning and Analysis division and is overseen by the Company's Asset/Liability Committee (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.

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.

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

(In thousands)	Commercial Banking	HSA Bank	Community Banking	Corporate and Reconciling	Consolidated Total
At March 31, 2019	$ 10,685,011	$ 86,686	$ 8,981,264	$ 8,485,168	$ 28,238,129
At December 31, 2018	10,477,050	70,826	8,727,335	8,335,104	27,610,315

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

	Three months ended March 31, 2019				
(In thousands)	Commercial Banking	HSA Bank	Community Banking	Corporate and Reconciling	Consolidated Total
Net interest income (expense)	$ 90,510	$ 41,741	$ 101,360	$ 7,940	$ 241,551
Provision for loan and lease losses	6,894	—	1,706	—	8,600
Net interest income (expense) after provision for loan and lease losses	83,616	41,741	99,654	7,940	232,951
Non-interest income	14,011	25,577	25,382	3,642	68,612
Non-interest expense	44,618	33,522	95,075	2,471	175,686
Income (loss) before income tax expense	53,009	33,796	29,961	9,111	125,877
Income tax expense (benefit)	13,040	8,787	5,962	(1,648)	26,141
Net income	$ 39,969	$ 25,009	$ 23,999	$ 10,759	$ 99,736

	Three months ended March 31, 2018				
(In thousands)	Commercial Banking	HSA Bank	Community Banking	Corporate and Reconciling	Consolidated Total
Net interest income (expense)	$ 84,651	$ 32,924	$ 98,928	$ (2,335)	$ 214,168
Provision (benefit) for loan and lease losses	7,178	—	3,822	—	11,000
Net interest income (expense) after provision for loan and lease losses	77,473	32,924	95,106	(2,335)	203,168
Non-interest income	15,316	22,669	25,195	5,567	68,747
Non-interest expense	41,245	31,515	96,829	2,026	171,615
Income (loss) before income tax expense	51,544	24,078	23,472	1,206	100,300
Income tax expense (benefit)	12,680	6,260	4,671	(3,536)	20,075
Net income (loss)	$ 38,864	$ 17,818	$ 18,801	$ 4,742	$ 80,225

Note 17: Revenue from Contracts with Customers

The following tables present the disaggregation by operating segment and major revenue stream, with disaggregated revenue reconciled to segment revenue as presented in Note 16: Segment Reporting:

	Three months ended March 31, 2019				
(In thousands)	Commercial Banking	HSA Bank	Community Banking	Corporate and Reconciling	Consolidated Total
Major Revenue Streams					
Deposit service fees	$ 3,036	$ 24,528	$ 15,365	$ 95	$ 43,024
Wealth and investment services	2,484	—	5,175	(8)	7,651
Other income	—	1,049	501	—	1,550
Revenue from contracts with customers	5,520	25,577	21,041	87	52,225
Non-interest income within the scope of other GAAP topics	8,491	—	4,341	3,555	16,387
Total non-interest income	$ 14,011	$ 25,577	$ 25,382	$ 3,642	$ 68,612

	Three months ended March 31, 2018				
(In thousands)	Commercial Banking	HSA Bank	Community Banking	Corporate and Reconciling	Consolidated Total
Major Revenue Streams					
Deposit service fees	$ 3,222	$ 21,812	$ 15,309	$ 108	$ 40,451
Wealth and investment services	2,539	—	5,339	(8)	7,870
Other income	—	857	493	—	1,350
Revenue from contracts with customers	5,761	22,669	21,141	100	49,671
Non-interest income within the scope of other GAAP topics	9,555	—	4,054	5,467	19,076
Total non-interest income	$ 15,316	$ 22,669	$ 25,195	$ 5,567	$ 68,747

A description of deposit service fees and wealth and investment services are provided below:

Deposit service fees, predominately consist of fees earned from deposit accounts and interchange revenue. Fees earned from deposit accounts relate to event-driven services and periodic account maintenance activities. Webster's obligations for event-driven services are satisfied at the time the service is delivered, while the obligations for maintenance services is satisfied monthly. Interchange fees are assessed as the performance obligation is satisfied, which is at the point in time the card transaction is authorized.

Wealth and investment services, consists of fees earned from investment and securities-related services, trust and other related services. Obligations for wealth and investment services are generally satisfied over time through a time-based measurement of progress, but certain obligations may be satisfied at points in time for activities that are transactional in nature.

Revenue from contracts with customers did not generate significant contract assets and liabilities.

Note 18: 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.

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.

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

(In thousands)	At March 31, 2019	At December 31, 2018
Commitments to extend credit	$ 5,757,123	$ 5,840,585
Standby letter of credit	189,031	189,040
Commercial letter of credit	11,070	21,181
Total credit-related financial instruments with off-balance sheet risk	$ 5,957,224	$ 6,050,806

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:

	Three months ended March 31,	
(In thousands)	2019	2018
Beginning balance	$ 2,506	$ 2,362
Provision charged to expense	5	(68)
Ending balance	$ 2,511	$ 2,294

Note 19: Subsequent Events

The Company has evaluated events from the date of the Condensed Consolidated Financial Statements and accompanying Notes thereto, March 31, 2019, through the issuance of this Quarterly Report on Form 10-Q and determined that no significant events were identified requiring recognition or disclosure.

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, 2018, included in the Company's Annual Report on Form 10-K, filed with the SEC on March 1, 2019, and in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in Item 1 of this report. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results for the full year ending December 31, 2019, or any future period.

Results of Operations

Selected financial highlights are presented in the following table:

(In thousands, except per share and ratio data)	At or for the three months ended March 31, 2019	2018
Earnings:		
Net interest income	$ 241,551	$ 214,168
Provision for loan and lease losses	8,600	11,000
Total non-interest income	68,612	68,747
Total non-interest expense	175,686	171,615
Net income	99,736	80,225
Earnings applicable to common shareholders	97,549	78,083
Share Data:		
Weighted-average common shares outstanding - diluted	92,225	92,254
Diluted earnings per common share	$ 1.06	$ 0.85
Dividends and dividend equivalents declared per common share	0.33	0.26
Dividends declared per Series F preferred share	328.13	328.13
Book value per common share	30.62	27.94
Tangible book value per common share *(non-GAAP)*	24.51	21.78
Selected Ratios:		
Net interest margin	3.74%	3.44%
Return on average assets *(annualized basis)*	1.44	1.20
Return on average common shareholders' equity *(annualized basis)*	14.01	12.15
CET1 risk-based capital	11.46	10.99
Tangible common equity ratio *(non-GAAP)*	8.16	7.65
Return on average tangible common shareholders' equity *(annualized basis) (non-GAAP)*	17.70	15.73
Efficiency ratio *(non-GAAP)*	55.93	59.76

Providing the non-GAAP financial measures identified in the preceding table provides 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.

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

(Dollars and shares in thousands, except per share data)	At March 31, 2019	2018
Tangible book value per common share (non-GAAP):		
Shareholders' equity (GAAP)	$ 2,966,255	$ 2,716,142
Less: Preferred stock (GAAP)	145,037	145,037
Goodwill and other intangible assets (GAAP)	563,176	567,023
Tangible common shareholders' equity (non-GAAP)	$ 2,258,042	$ 2,004,082
Common shares outstanding	92,125	92,016
Tangible book value per common share (non-GAAP)	**$ 24.51**	**$ 21.78**
Tangible common equity ratio (non-GAAP):		
Tangible common shareholders' equity (non-GAAP)	$ 2,258,042	$ 2,004,082
Total assets (GAAP)	$ 28,238,129	$ 26,752,147
Less: Goodwill and other intangible assets (GAAP)	563,176	567,023
Tangible assets (non-GAAP)	$ 27,674,953	$ 26,185,124
Tangible common equity ratio (non-GAAP)	**8.16%**	**7.65%**

(Dollars in thousands)	Three months ended March 31, 2019	2018
Return on average tangible common shareholders' equity (non-GAAP):		
Net income (GAAP)	$ 99,736	$ 80,225
Less: Preferred stock dividends (GAAP)	1,969	1,947
Add: Intangible assets amortization, tax-affected (GAAP)	760	760
Income adjusted for preferred stock dividends and intangible assets amortization (non-GAAP)	$ 98,527	$ 79,038
Income adjusted for preferred stock dividends and intangible assets amortization, annualized basis (non-GAAP)	$ 394,108	$ 316,152
Average shareholders' equity (non-GAAP)	$ 2,935,653	$ 2,722,591
Less: Average preferred stock (non-GAAP)	145,037	145,161
Average goodwill and other intangible assets (non-GAAP)	563,646	567,547
Average tangible common shareholders' equity (non-GAAP)	$ 2,226,970	$ 2,009,883
Return on average tangible common shareholders' equity (non-GAAP)	**17.70%**	**15.73%**
Efficiency ratio (non-GAAP):		
Non-interest expense (GAAP)	$ 175,686	$ 171,615
Less: Foreclosed property activity (GAAP)	(253)	85
Intangible assets amortization (GAAP)	962	962
Other expense (non-GAAP) *(1)*	7	—
Non-interest expense (non-GAAP)	$ 174,970	$ 170,568
Net interest income (GAAP)	$ 241,551	$ 214,168
Add: Tax-equivalent adjustment (non-GAAP)	2,338	2,230
Non-interest income (GAAP)	68,612	68,747
Other income (non-GAAP) *(1)*	342	295
Income (non-GAAP)	$ 312,843	$ 285,440
Efficiency ratio (non-GAAP)	**55.93%**	**59.76%**

(1) Other expense includes facility optimization, while other income includes low income housing tax credits.

Financial Performance

For the three months ended March 31, 2019, net income of $99.7 million increased $19.5 million, or 24.3%, from the three months ended March 31, 2018 due to improved performance across all businesses driven by increased net interest margin and stable credit quality. The increase in net interest margin coupled with flat non-interest income and an insignificant increase in non-interest expense resulted in a further reduction of the efficiency ratio to 55.9%.

The impact of the items outlined above, coupled with the effect of in income tax expense of $26.1 million and $20.1 million for the three months ended March 31, 2019 and 2018, resulted to net income of $99.7 million and diluted earnings per share of $1.06 for the three months ended March 31, 2019 compared to net income of $80.2 million and diluted earnings per share of $0.85 for the three months ended March 31, 2018.

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

	Three months ended March 31,					
	2019			2018		
(Dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets						
Interest-earning assets:						
Loans and leases	$ 18,509,174	$ 229,385	4.96%	$ 17,754,773	$ 193,864	4.37%
Investment Securities	7,308,946	56,954	3.09	7,158,505	52,489	2.91
FHLB and FRB stock	113,016	1,712	6.14	133,241	1,455	4.43
Interest-bearing deposits	55,372	329	2.37	52,711	201	1.52
Securities	7,477,334	58,995	3.13	7,344,457	54,145	2.93
Loans held for sale	13,451	148	4.40	16,330	142	3.49
Total interest-earning assets	25,999,959	$ 288,528	4.43%	25,115,560	$ 248,151	3.95%
Non-interest-earning assets	1,795,430			1,641,721		
Total Assets	$ 27,795,389			$ 26,757,281		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Demand deposits	$ 4,191,870	$ —	—%	$ 4,163,364	$ —	—%
Health savings accounts	6,140,062	2,949	0.19	5,427,000	2,624	0.20
Interest-bearing checking, money market and savings	8,958,522	12,793	0.58	9,342,743	7,713	0.33
Time deposits	3,244,714	15,278	1.91	2,459,145	7,819	1.29
Total deposits	22,535,168	31,020	0.56	21,392,252	18,156	0.34
Securities sold under agreements to repurchase and other borrowings	597,107	2,752	1.84	875,829	3,640	1.66
FHLB advances	1,119,035	7,785	2.78	1,311,832	7,281	2.22
Long-term debt	249,169	3,082	4.95	225,799	2,676	4.74
Total borrowings	1,965,311	13,619	2.77	2,413,460	13,597	2.25
Total interest-bearing liabilities	24,500,479	$ 44,639	0.74%	23,805,712	$ 31,753	0.54%
Non-interest-bearing liabilities	359,257			228,978		
Total liabilities	24,859,736			24,034,690		
Preferred stock	145,037			145,161		
Common shareholders' equity	2,790,616			2,577,430		
Total shareholders' equity	2,935,653			2,722,591		
Total Liabilities and Shareholders' Equity	$ 27,795,389			$ 26,757,281		
Tax-equivalent net interest income		$ 243,889			$ 216,398	
Less: Tax-equivalent adjustments		(2,338)			(2,230)	
Net interest income		$ 241,551			$ 214,168	
Net interest margin			3.74%			3.44%

Net interest income and net interest margin are impacted by the level of interest rates, mix of assets earning and liabilities paying those interest rates, and the volume of interest-earning assets and interest-bearing liabilities. These conditions are influenced by changes in economic conditions that impact interest rate policy, competitive conditions that impact loan and deposit pricing strategies, as well as the extent of interest lost to non-performing assets.

Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest income is the Company's largest source of revenue, representing 77.9% of total revenue for the three months ended March 31, 2019.

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

Webster manages the risk of changes in interest rates on net interest income and net interest margin through ALCO and through related interest rate risk monitoring and management policies. ALCO meets at least monthly to make decisions on the investment securities and funding portfolios based on the economic outlook, its interest rate expectations, the portfolio risk position, and other factors.

Four main tools are used for managing interest rate risk:

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

The federal funds rate target range was 1.25-1.50% at December 31, 2017 compared to 2.25-2.50% at both December 31, 2018 and March 31, 2019. See the "Asset/Liability Management and Market Risk" section for further discussion of Webster's interest rate risk position.

Net Interest Income

Net interest income totaled $241.6 million for the three months ended March 31, 2019 compared to $214.2 million for the three months ended March 31, 2018, an increase of $27.4 million.

Net interest margin increased 30 basis points to 3.74% for the three months ended March 31, 2019 from 3.44% for the three months ended March 31, 2018. On a fully tax-equivalent basis, net interest income increased $27.5 million when compared to the same period in 2018. The increase for the three months ended March 31, 2019 was primarily the result of strong loan growth at increased yields, partially offset by an increase in the cost of deposits other than health savings account deposits.

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 March 31, 2019 vs. 2018 Increase (decrease) due to		
(In thousands)	**Rate** *(1)*	**Volume**	**Total**
Interest on interest-earning assets:			
Loans and leases	$ 26,358	$ 9,164	$ 35,522
Loans held for sale	31	(26)	5
Securities *(2)*	4,025	825	4,850
Total interest income	$ 30,414	$ 9,963	$ 40,377
Interest on interest-bearing liabilities:			
Deposits	$ 10,701	$ 2,163	$ 12,864
Borrowings	2,076	(2,054)	22
Total interest expense	$ 12,777	$ 109	$ 12,886
Net change in net interest income	$ 17,637	$ 9,854	$ 27,491

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

(2) Securities include: Investment securities, FHLB and FRB stock, and Interest-bearing deposits.

Average loans and leases for the three months ended March 31, 2019 increased $0.8 billion compared to the average for the three months ended March 31, 2018. The loan and lease portfolio comprised 71.2% of the average interest-earning assets at March 31, 2019 compared to 70.7% of the average interest-earning assets at March 31, 2018. The loan and lease portfolio yield increased 59 basis points to 4.96% for the three months ended March 31, 2019 compared to 4.37% for the three months ended March 31, 2018. The increase in the yield on the average loan and lease portfolio is primarily due to the impact of variable-rate loans resetting higher and growth in commercial loans with higher yields.

Average securities for the three months ended March 31, 2019 increased $132.9 million compared to the average for the three months ended March 31, 2018. The securities portfolio comprised 28.8% of the average interest-earning assets at March 31, 2019 compared to 29.2% of the average interest-earning assets at March 31, 2018. The securities portfolio yield increased 20 basis points to 3.13% for the three months ended March 31, 2019 compared to 2.93% for the three months ended March 31, 2018. The increase in yield on the securities portfolio is primarily due to increased yield on variable-rate securities and higher yield from newly purchased securities.

Average total deposits for the three months ended March 31, 2019 increased $1.1 billion compared to the average for the three months ended March 31, 2018. The increase is due to growth in health savings accounts and time deposits which was slightly offset by lower balances for other interest-bearing deposits. The average cost of deposits increased 22 basis points to 0.56% for the three months ended March 31, 2019 from 0.34% for the three months ended March 31, 2018. The average cost of deposits increased due to selected deposit product rate increases and a change in mix from increased certificate of deposit accounts. Higher cost time deposits, increased to 17.7% for the three months ended March 31, 2019 from 14.3% for the three months ended March 31, 2018, as a percentage to total interest-bearing deposits.

Average total borrowings for the three months ended March 31, 2019 decreased $448.1 million compared to the average for the three months ended March 31, 2018. Average securities sold under agreements to repurchase and other borrowings decreased $278.7 million, and average FHLB advances decreased $192.8 million. The average cost of borrowings increased 52 basis points to 2.77% for the three months ended March 31, 2019 from 2.25% for the three months ended March 31, 2018. The increase in the average cost of borrowings was largely a result of changes in the federal funds rate.

The Company completed an underwritten public offering of $300 million senior fixed-rate notes on March 25, 2019. The debt did not have a significant impact on the average balance or cost of borrowings for the three months ended March 31, 2019 given the timing of its issuance. See "Sources of Funds and Liquidity" section for further discussion of the notes issued.

Cash flow hedges, including outstanding hedges and terminated forward starting hedges, impacted the average cost of funding as follows:

	Three months ended March 31,	
(In thousands)	**2019**	**2018**
Interest rate swaps on FHLB advances	$ 799	$ 1,630
Interest rate swaps on senior fixed-rate notes	76	76
Interest rate swaps on brokered/certificates of deposits	78	117
Net increase to interest expense on borrowings	$ 953	$ 1,823

Provision for Loan and Lease Losses

The provision for loan and lease losses was $8.6 million for the three months ended March 31, 2019, which decreased $2.4 million compared to the three months ended March 31, 2018. The decrease in provision for loan and lease losses was primarily due to stable asset quality. Total net charge-offs was $9.6 million and $5.6 million for the three months ended March 31, 2019 and 2018, respectively.

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

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Non-Interest Income

(Dollars in thousands)	Three months ended March 31, 2019	2018	Increase (decrease) Amount	Percent
Deposit service fees	$ 43,024	$ 40,451	$ 2,573	6.4 %
Loan related fees	7,819	6,996	823	11.8
Wealth and investment services	7,651	7,870	(219)	(2.8)
Mortgage banking activities	764	1,144	(380)	(33.2)
Increase in cash surrender value of life insurance policies	3,584	3,572	12	0.3
Other income	5,770	8,714	(2,944)	(33.8)
Total non-interest income	$ 68,612	$ 68,747	$ (135)	(0.2)

Comparison to Prior Year Quarter

Total non-interest income was $68.6 million for the three months ended March 31, 2019, a decrease of $0.1 million from the three months ended March 31, 2018. The decrease was primarily attributable to lower other income offset by higher deposit service fees.

Deposit service fees totaled $43.0 million for the three months ended March 31, 2019, compared to $40.5 million for the three months ended March 31, 2018. The increase was a result of higher checking account service charges and check card interchange attributable to health savings account growth.

Other income totaled $5.8 million for the three months ended March 31, 2019, compared to $8.7 million for the three months ended March 31, 2018. The decrease was primarily due to lower client interest rate hedging activities and related income.

Non-Interest Expense

(Dollars in thousands)	Three months ended March 31,		Increase (decrease)	
	2019	2018	Amount	Percent
Compensation and benefits	$ 97,785	$ 94,765	$ 3,020	3.2 %
Occupancy	14,696	15,145	(449)	(3.0)
Technology and equipment	25,697	23,862	1,835	7.7
Intangible assets amortization	962	962	—	—
Marketing	3,328	3,552	(224)	(6.3)
Professional and outside services	6,048	4,788	1,260	26.3
Deposit insurance	4,430	6,717	(2,287)	(34.0)
Other expense	22,740	21,824	916	4.2
Total non-interest expense	$ 175,686	$ 171,615	$ 4,071	2.4

Comparison to Prior Year Quarter

Total non-interest expense was $175.7 million for the three months ended March 31, 2019, an increase of $4.1 million, from the three months ended March 31, 2018. The increase was primarily attributable to increases in compensation and benefits, technology and equipment, and professional and outside services, offset by lower deposit insurance.

Compensation and benefits totaled $97.8 million for the three months ended March 31, 2019, compared to $94.8 million for the three months ended March 31, 2018. The increase was primarily due to additional hires, annual merit increases and other benefit costs.

Technology and equipment totaled $25.7 million for the three months ended March 31, 2019, compared to $23.9 million for the three months ended March 31, 2018. The increase was due to higher service contracts to support strategic infrastructure projects.

Professional and outside services totaled $6.0 million for the three months ended March 31, 2019, compared to $4.8 million for the three months ended March 31, 2018. The increase was primarily due to increased consulting fees for strategic projects.

Deposit insurance totaled $4.4 million for the three months ended March 31, 2019, compared to $6.7 million for the three months ended March 31, 2018. The decrease is primarily due to the discontinuance of the FDIC surcharge during the fourth quarter of 2018.

Income Taxes

Webster recognized income tax expense of $26.1 million reflecting an effective tax rate of 20.8% for the three months ended March 31, 2019, compared to $20.1 million reflecting an effective tax rate of 20.0% for the three months ended March 31, 2018.

The increases in both tax expense and the effective tax rate for the three months ended March 31, 2019 as compared to the same period for 2018 principally reflect the higher level of pre-tax income during the 2019 period.

For additional information on Webster's income taxes, including its deferred tax assets, see Note 8 - Income Taxes in the Notes to Consolidated Financial Statements contained in Webster's 2018 Form 10-K.

Segment Reporting

Webster's operations are organized into three reportable segments that represent its primary businesses - Commercial Banking, HSA Bank, and Community Banking. These three segments reflect how executive management responsibilities are assigned, the primary businesses, the products and services provided, the type of customer served, and how discrete financial information is currently evaluated. Certain corporate treasury activities 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 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.

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

HSA Bank deposits provide long duration low-cost funding that is used to minimize the Company's use of wholesale funding in support of the Company's loan growth. In addition, non-interest revenue is generated predominantly through service fees and interchange income.

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

Through a distribution network, consisting of 157 banking centers and 315 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 Financial Holdings Inc. (LPL), a broker dealer registered with the SEC, a registered investment advisor under federal and applicable state laws, a member of the Financial Industry Regulatory Authority, and a member of the Securities Investor Protection Corporation. Webster Bank has employees located throughout its banking center network, who, through LPL, are registered representatives.

Business Banking offers credit, deposit, and cash flow management products to businesses and professional service firms with annual revenues of up to $25 million. This group builds broad customer relationships through business bankers and business certified banking center managers, supported by a team of customer care center bankers and industry and product specialists.

Description of Segment Reporting Methodology

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

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

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.

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.

The following tables present net income, 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 March 31,	
(In thousands)	2019	2018
Net income:		
Commercial Banking	$ 39,969	$ 38,864
HSA Bank	25,009	17,818
Community Banking	23,999	18,801
Corporate and Reconciling	10,759	4,742
Consolidated Total	$ 99,736	$ 80,225

	At March 31, 2019				
(In thousands)	Commercial Banking	HSA Bank	Community Banking	Corporate and Reconciling	Consolidated Total
Total assets	$ 10,685,011	$ 86,686	$ 8,981,264	$ 8,485,168	$ 28,238,129
Loans and leases	10,630,622	60	8,183,608	—	18,814,290
Goodwill	—	21,813	516,560	—	538,373
Deposits	4,190,781	6,209,213	12,270,981	79,953	22,750,928
Not included in above amounts:					
Assets under administration/management	2,068,145	1,702,509	3,487,099	—	7,257,753

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

Commercial Banking

Operating Results:

	Three months ended March 31,	
(In thousands)	2019	2018
Net interest income	$ 90,510	$ 84,651
Provision for loan and lease losses	6,894	7,178
Net interest income after provision	83,616	77,473
Non-interest income	14,011	15,316
Non-interest expense	44,618	41,245
Income before income taxes	53,009	51,544
Income tax expense	13,040	12,680
Net income	$ 39,969	$ 38,864

Comparison to Prior Year Quarter

Net income increased $1.1 million for the three months ended March 31, 2019 as compared to the same period in 2018. Net interest income increased $5.9 million, primarily due to loan growth and higher deposit margins. The provision for loan and lease losses decreased $0.3 million. Non-interest income decreased $1.3 million primarily due to lower client interest rate hedging activity as compared to the same period in the prior year. Non-interest expense increased $3.4 million, primarily due to strategic hires and investments in product enhancements and infrastructure.

Selected Balance Sheet Information:

(In thousands)	At March 31, 2019	At December 31, 2018
Total assets	$ 10,685,011	$ 10,477,050
Loans and leases	10,630,622	10,437,319
Deposits	4,190,781	4,030,554
Not include in above amounts:		
Assets under administration/management	2,068,145	1,930,199

Loans and leases increased $193.3 million at March 31, 2019 compared to December 31, 2018. Loan originations in the three months ended March 31, 2019 and 2018 were $862.6 million and $846.9 million, respectively.

Deposits increased $160.2 million at March 31, 2019 compared to December 31, 2018. The increase was primarily due to new commercial clients and existing clients maintaining higher balances, which offset the seasonal decrease in municipal deposits.

Through Private Banking, Commercial Banking held approximately $465.9 million, and $422.5 million, in assets under administration at March 31, 2019 and December 31, 2018, respectively. In addition Commercial Banking held $1.6 billion, in assets under management, at March 31, 2019 and $1.5 billion at December 31, 2018.

HSA Bank

Operating Results:

(In thousands)	Three months ended March 31, 2019	2018
Net interest income	$ 41,741	$ 32,924
Non-interest income	25,577	22,669
Non-interest expense	33,522	31,515
Income before income taxes	33,796	24,078
Income tax expense	8,787	6,260
Net income	$ 25,009	$ 17,818

Comparison to Prior Year Quarter

Net income increased $7.2 million for the three months ended March 31, 2019 as compared to the same period in 2018. Net interest income increased $8.8 million, primarily due to growth in deposits and improved deposit spreads. Non-interest income increased $2.9 million due to increased account growth. Non-interest expense increased $2.0 million primarily due to account growth and expanded distribution.

Selected Balance Sheet Information and Assets Under Administration:

(In thousands)	At March 31, 2019	At December 31, 2018
Total assets	$ 86,686	$ 70,826
Deposits	6,209,213	5,740,601
Not included in above amounts:		
Assets under administration	1,702,509	1,460,204

Deposits increased $468.6 million at March 31, 2019 compared to December 31, 2018, due to an increase in new accounts as well as organic growth in existing account balances.

Additionally, HSA Bank held $1.7 billion in assets under administration through linked brokerage accounts at March 31, 2019, compared to $1.5 billion at December 31, 2018. The $242.3 million increase in linked brokerage balances is driven primarily by account growth, continued net contributions by account holders and appreciation in market value of investments.

At March 31, 2019, there were $7.9 billion in total footings, comprised of $6.2 billion in deposit balances and $1.7 billion in assets under administration.

Community Banking

Operating Results:

(In thousands)	Three months ended March 31, 2019	2018
Net interest income	$ 101,360	$ 98,928
Provision for loan and lease losses	1,706	3,822
Net interest income after provision	99,654	95,106
Non-interest income	25,382	25,195
Non-interest expense	95,075	96,829
Income before income taxes	29,961	23,472
Income tax expense	5,962	4,671
Net income	$ 23,999	$ 18,801

Comparison to Prior Year Quarter

Net income increased $5.2 million for the three months ended March 31, 2019 as compared to the same period in 2018. Net interest income increased $2.4 million, primarily due to growth in loan and deposit balances as well as improved interest rate spreads on deposits. The provision for loan and lease losses decreased $2.1 million primarily due to stable asset quality and a decrease in the balance of Home Equity loans. Non-interest income increased $0.2 million resulting from overall growth in loan and deposit related fees, coupled with gains from SBA loan and asset sales, which offset lower mortgage production related fees from mortgage banking activities and lower fees from investment services. Non-interest expense decreased $1.8 million primarily due to a decrease in occupancy related expenses and lower direct marketing costs, offset by higher compensation expenses coupled with investments in technology and risk management.

Selected Balance Sheet Information and Assets Under Administration:

(In thousands)	At March 31, 2019	At December 31, 2018
Total assets	$ 8,981,264	$ 8,727,335
Loans	8,183,608	8,028,115
Deposits	12,270,981	11,856,652
Not included in above amounts:		
Assets under administration	3,487,099	3,391,946

Loans increased $155.5 million at March 31, 2019 compared to December 31, 2018. The increase is primarily due to a $242.2 million residential portfolio purchase which closed at the end of March 2019. These balances offset net attrition resulting from continued net prepayments in the home equity portfolios.

Loan originations in the three months ended March 31, 2019 and 2018 were $302.3 million and $307.0 million, respectively. The $4.6 million decrease in originations was driven by a decrease in originations of residential mortgages and business banking loans, partially offset by an increase in originations of home equity and other consumer loans.

Deposits increased $414.3 million at March 31, 2019 compared to December 31, 2018, due to growth in time deposits and seasonally higher balances in cyclical business and consumer transaction accounts offset by a net decline in savings and money market accounts.

Additionally, at March 31, 2019 and December 31, 2018, Webster Bank's investment services division held $3.5 billion and $3.4 billion, respectively, of assets under administration in its strategic partnership with LPL.

Financial Condition

Webster had total assets of $28.2 billion at March 31, 2019 and $27.6 billion at December 31, 2018 as:

- loans and leases, $18.6 billion, net of ALLL of $211.4 million, at March 31, 2019 increased $350 million compared to loans and leases of $18.3 billion, net of ALLL of $212.4 million, at December 31, 2018, while;
- total deposits, $22.8 billion at March 31, 2019 increased $0.9 billion compared to total deposits of $21.9 billion at December 31, 2018, the result of the 4.7% increase in interest bearing deposits is primarily due to growth in health savings accounts and time deposits.

At March 31, 2019, total shareholders' equity of $3.0 billion increased $79.7 million compared to total shareholders' equity of $2.9 billion at December 31, 2018. Changes in shareholders' equity for the three months ended March 31, 2019 include:

- an increase of $99.7 million in net income;
- an increase of $3.0 million related to share-based award activity, partially offset by;
- a reduction of $19.1 million for purchases of treasury stock at cost, and;
- reductions of $30.6 million in common dividends and $2.0 million in preferred dividends.

The quarterly cash dividend to shareholders was increased to $0.40 per common share effective April 22, 2018. See the selected financial highlights under the "Results of Operations" section and Note 11: Regulatory Matters in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for information on regulatory capital levels and ratios.

Investment Securities

Webster Bank's investment securities are managed within regulatory guidelines and corporate policy, which include limitations on aspects such as concentrations in and 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 Webster Bank, the Holding Company also may directly hold investment securities from time-to-time. At March 31, 2019, the Company had no holdings in obligations of individual states, counties, or municipalities which exceeded 10% of consolidated shareholders' equity.

Webster maintains, through its Corporate Treasury function, investment securities that are primarily used to provide a source of liquidity for operating needs, to generate interest income, and as a means to manage interest-rate risk. Investment securities are classified into two major categories, available-for-sale and held-to-maturity. Available-for-sale currently consists of U.S Treasury Bills, Agency CMO, Agency MBS, Agency CMBS, CMBS, CLO, and corporate debt. Held-to-maturity currently consists of Agency CMO, Agency MBS, Agency CMBS, municipal bonds and notes, CMBS.

The carrying value of investment securities totaled $7.5 billion at March 31, 2019 and $7.2 billion at December 31, 2018.

Available-for-sale investment securities increased by $78.6 million, primarily due to principal purchase activity for Agency MBS more than offsetting principal paydowns throughout the portfolio. The tax-equivalent yield in the portfolio was 3.08% for the three months ended March 31, 2019 compared to 2.81% for the three months ended March 31, 2018.

Held-to-maturity investment securities increased by $154.7 million, primarily due to principal purchase activity for Agency MBS and, to a lesser extent, Agency CMBS and municipal bonds and notes more than offsetting principal paydowns throughout the portfolio. The tax-equivalent yield in the portfolio was 3.09% for the three months ended March 31, 2019 compared to 2.98% for the three months ended March 31, 2018.

The Company held $5.2 billion in investment securities that are in an unrealized loss position at March 31, 2019. Approximately $0.4 billion of this total has been in an unrealized loss position for less than twelve months, while the remainder, $4.8 billion, has been in an unrealized loss position for twelve months or longer.

The Company held $6.2 billion in investment securities that were in an unrealized loss position at December 31, 2018. Approximately $1.2 billion of this total had been in an unrealized loss position for less than twelve months, while the remainder, $5.0 billion, had been in an unrealized loss position for twelve months or longer.

The benchmark 10-year U.S. Treasury rate decreased to 2.41% at March 31, 2019 from 2.69% at December 31, 2018.

These investment securities were evaluated by management and were determined not to be other than temporarily impaired, at March 31, 2019 and December 31, 2018. The Company does not have an intent to sell these investment securities, and it is more likely than not that it will not have to sell these securities before the recovery of their cost basis. To the extent that credit movements and other related factors influence the fair value of its investments, the Company may be required to record impairment charges for OTTI in future periods. The total unrealized loss was $143.8 million at March 31, 2019.

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

(In thousands)	At March 31, 2019 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	At December 31, 2018 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:								
U.S. Treasury Bills	$ 7,595	$ —	$ —	$ 7,595	$ 7,549	$ 1	$ —	$ 7,550
Agency CMO	226,104	704	(2,814)	223,994	238,968	412	(4,457)	234,923
Agency MBS	1,603,023	7,876	(25,501)	1,585,398	1,521,534	1,631	(42,076)	1,481,089
Agency CMBS	598,442	—	(33,943)	564,499	608,167	—	(41,930)	566,237
CMBS	432,933	500	(1,132)	432,301	447,897	645	(2,961)	445,581
CLO	112,116	89	(581)	111,624	114,641	94	(1,964)	112,771
Single issuer-trust preferred	—	—	—	—	—	—	—	—
Corporate debt	55,678	5	(3,778)	51,905	55,860	—	(5,281)	50,579
Available-for-sale	$ 3,035,891	$ 9,174	$ (67,749)	$ 2,977,316	$ 2,994,616	$ 2,783	$ (98,669)	$ 2,898,730
Held-to-maturity:								
Agency CMO	$ 200,568	$ 432	$ (3,419)	$ 197,581	$ 208,113	$ 287	$ (5,255)	$ 203,145
Agency MBS	2,614,590	15,623	(48,352)	2,581,861	2,517,823	8,250	(79,701)	2,446,372
Agency CMBS	704,653	902	(19,366)	686,189	667,500	53	(22,572)	644,981
Municipal bonds and notes	753,589	11,564	(4,248)	760,905	715,041	2,907	(18,285)	699,663
CMBS	206,760	765	(684)	206,841	216,943	405	(2,388)	214,960
Private Label MBS	—	—	—	—	—	—	—	—
Held-to-maturity	$ 4,480,160	$ 29,286	$ (76,069)	$ 4,433,377	$ 4,325,420	$ 11,902	$ (128,201)	$ 4,209,121

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 13: Derivative Financial Instruments in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for additional information concerning derivative financial instruments.

Loans and Leases

The following table provides the composition of loans and leases:

	At March 31, 2019		At December 31, 2018	
(Dollars in thousands)	Amount	%	Amount	%
Residential	$ 4,612,311	24.5	$ 4,389,866	23.8
Consumer:				
Home equity	2,098,141	11.2	2,153,911	11.7
Other consumer	226,084	1.2	227,257	1.2
Total consumer	2,324,225	12.4	2,381,168	12.9
Commercial:				
Commercial non-mortgage	5,339,118	28.4	5,269,557	28.5
Asset-based	1,042,377	5.5	971,876	5.3
Total commercial	6,381,495	33.9	6,241,433	33.8
Commercial real estate:				
Commercial real estate	4,800,233	25.5	4,715,949	25.5
Commercial construction	199,394	1.1	218,816	1.2
Total commercial real estate	4,999,627	26.6	4,934,765	26.7
Equipment financing	490,378	2.6	504,351	2.7
Unamortized premiums (discounts)	8,076	—	14,809	0.1
Deferred fees	(1,822)	—	(903)	—
Total loans and leases	$ 18,814,290	100.0	$ 18,465,489	100.0

Total residential loans were $4.6 billion at March 31, 2019, a increase of $222.4 million from December 31, 2018. The net increase is a result of a $242.2 million purchase of residential loans, net of discount, during the first quarter of 2019.

Total consumer loans were $2.3 billion at March 31, 2019, a decrease of $56.9 million from December 31, 2018. The net decrease is primarily due to continued net principal paydowns within the home equity lines and auto loan portfolios exceeding originations.

Total commercial loans were $6.4 billion at March 31, 2019, an increase of $140.1 million from December 31, 2018. The net increase primarily related to originations of $548.7 million, partially offset by payments and payoffs.

Total commercial real estate loans were $5.0 billion at March 31, 2019, an increase of $64.9 million from December 31, 2018. The increase is a result of originations of $361.1 million, partially offset by payments and payoffs.

Equipment financing loans and leases were $490.4 million at March 31, 2019, a decrease of $14.0 million from December 31, 2018. The net decrease was primarily related to amortization and higher prepayments, partially offset by originations of $36.6 million.

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 March 31, 2019	At December 31, 2018
Non-performing loans and leases as a percentage of loans and leases	0.84%	0.84%
Non-performing assets as a percentage of loans and leases plus OREO	0.87	0.87
Non-performing assets as a percentage of total assets	0.58	0.59
ALLL as a percentage of non-performing loans and leases	133.01	137.22
ALLL as a percentage of loans and leases	1.12	1.15
Net charge-offs as a percentage of average loans and leases (1)	0.21	0.16
Ratio of ALLL to net charge-offs (1)	5.53x	7.16x

(1) *Calculated for the March 31, 2019 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 classified as Substandard and have a well-defined weakness that could jeopardize the full repayment of the debt; and
- residential and consumer are performing loans 60-89 days past due and accruing.

Potential problem loans and leases exclude past due 90 days or more and accruing, non-accrual, and TDR classifications.

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. The Company had potential problem loans and leases of $222.2 million at March 31, 2019 compared to $226.9 million at December 31, 2018.

Past Due Loans and Leases

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

	At March 31, 2019		At December 31, 2018	
(Dollars in thousands)	Amount	% (1)	Amount	% (1)
Residential	$ 12,865	0.28	$ 12,789	0.29
Consumer:				
Home equity	13,451	0.64	14,595	0.68
Other consumer	2,723	1.20	2,729	1.20
Commercial non-mortgage	16,040	0.30	1,700	0.03
Commercial real estate	2,283	0.05	1,514	0.03
Equipment financing	3,112	0.63	915	0.18
Loans and leases past due 30-89 days	50,474	0.27	34,242	0.19
Commercial non-mortgage	—	—	104	—
Loans and leases past due 90 days and accruing	—	—	104	—
Total	50,474	0.27	34,346	0.19
Deferred costs and unamortized premiums (discounts), net	10		86	
Total loans and leases past due 30 days or more and accruing income	$ 50,484		$ 34,432	

(1) *Represents the principal balance of loans and leases past due 30 days or more and accruing income as a percentage of the outstanding principal balance within the comparable loan and lease category.*

The balance of loans and leases past due 30 days or more and accruing income increased $16.1 million at March 31, 2019 compared to December 31, 2018. The increase is primarily due to one commercial loan in the amount of $14.3 million which was brought back into current status in early April. The ratio of loans and leases past due 30 days or more and accruing income as a percentage of loans and leases increased to 0.27% at March 31, 2019 as compared to 0.19% at December 31, 2018.

Non-performing Assets

The following table provides information regarding non-performing assets:

(Dollars in thousands)	At March 31, 2019 Amount [1]	At March 31, 2019 % [2]	At December 31, 2018 Amount [1]	At December 31, 2018 % [2]
Residential	$ 49,267	1.07	$ 49,069	1.12
Consumer:				
Home equity	33,667	1.60	33,456	1.55
Other consumer	1,578	0.70	1,493	0.66
Total consumer	35,245	1.52	34,949	1.47
Commercial:				
Commercial non-mortgage	61,803	1.16	55,951	1.06
Asset-based loans	218	0.02	224	0.02
Total commercial	62,021	0.97	56,175	0.90
Commercial real estate:				
Commercial real estate	7,449	0.16	8,243	0.17
Commercial construction	—	—	—	—
Total commercial real estate	7,449	0.15	8,243	0.17
Equipment financing	4,951	1.01	6,314	1.25
Total non-accrual loans and leases	158,933	0.85	154,750	0.84
Deferred costs and unamortized premiums (discounts), net	(2)		17	
Total recorded investment in non-accrual loans and leases [3]	$ 158,931		$ 154,767	
Total non-accrual loans and leases	$ 158,933		$ 154,750	
Foreclosed and repossessed assets:				
Residential and consumer	4,637		6,460	
Equipment financing	861		407	
Total foreclosed and repossessed assets	5,498		6,867	
Total non-performing assets	$ 164,431		$ 161,617	

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

(2) 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.

(3) Includes non-accrual TDRs of $101.3 million at March 31, 2019 and $91.9 million at December 31, 2018.

Non-performing assets increased $2.8 million at March 31, 2019 compared to December 31, 2018. The increase in non-performing assets at March 31, 2019 is primarily due to the commercial non-mortgage portfolio. Overall non-performing assets as a percentage of total assets was 0.58% at March 31, 2019 as compared to 0.59% at December 31, 2018.

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

(In thousands)	Three months ended March 31, 2019	Three months ended March 31, 2018
Beginning balance	$ 154,750	$ 126,582
Additions	31,422	28,845
Paydowns/draws	(12,998)	(13,664)
Charge-offs	(10,496)	(5,966)
Other reductions	(3,745)	(1,538)
Ending balance	$ 158,933	$ 134,259

Impaired Loans and Leases

Loans and leases are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on a pooled basis for smaller-balance homogeneous residential, consumer loans and small business loans. Commercial, commercial real estate, and equipment financing loans and leases over a specific dollar amount and all TDR are evaluated individually for impairment.

At March 31, 2019, there were 1,485 impaired loans and leases with a recorded investment balance of $274.4 million, which included loans and leases of $87.4 million with an impairment allowance of $13.8 million. This compares to 1,501 impaired loans and leases with a recorded investment balance of $259.3 million, which included loans and leases of $93.1 million, with an impairment allowance of $15.4 million at December 31, 2018. 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.

The following tables provide information for TDRs:

	Three months ended March 31,	
(In thousands)	2019	2018
Beginning balance	$ 230,414	$ 221,404
Additions	26,333	6,593
Paydowns/draws	(4,550)	(7,053)
Charge-offs	(1,432)	(725)
Transfers to OREO	(356)	(681)
Ending balance	$ 250,409	$ 219,538

(In thousands)	At March 31, 2019	At December 31, 2018
Accrual status	$ 149,076	$ 138,479
Non-accrual status	101,333	91,935
Total recorded investment of TDRs	$ 250,409	$ 230,414
Specific reserves for TDRs included in the balance of ALLL	$ 13,381	$ 11,930
Additional funds committed to borrowers in TDR status	5,118	3,893

Overall, TDR balances increased $20.0 million at March 31, 2019 compared to December 31, 2018, primarily due to $22.0 in new commercial TDR's, while the specific reserves for TDRs increased from year end, reflective of 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 March 31, 2019.

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 probability of default (PD) 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 loss emergence period (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.

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. Management regularly monitors the cash flows of borrowers as results 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. 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. Management closely monitors these loans 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.

At March 31, 2019 the ALLL was $211.4 million compared to $212.4 million at December 31, 2018. The decrease of $1.0 million in the reserve at March 31, 2019 compared to December 31, 2018 is primarily due to stable asset quality coupled with a reduction in the impairment reserve of $1.5 million. 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, decreased to 1.12% at March 31, 2019 from 1.15% at December 31, 2018, reflecting an updated assessment of inherent losses and impaired reserves. ALLL as a percentage of non-performing loans and leases decreased to 133.01% at March 31, 2019 from 137.22% at December 31, 2018.

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

	At March 31, 2019		At December 31, 2018	
(Dollars in thousands)	Amount	% (1)	Amount	% (1)
Residential	$ 20,413	0.44	$ 19,599	0.44
Consumer	26,919	1.15	28,681	1.20
Commercial	100,174	1.58	98,793	1.59
Commercial real estate	58,893	1.18	60,151	1.22
Equipment financing	4,990	1.01	5,129	1.01
Total ALLL	$ 211,389	1.12	$ 212,353	1.15

(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 March 31,	
(In thousands)	2019	2018
Beginning balance	$ 212,353	$ 199,994
Provision	8,600	11,000
Charge-offs:		
Residential	(251)	(917)
Consumer	(3,972)	(5,074)
Commercial	(7,633)	(1,497)
Commercial real estate	(973)	(77)
Equipment financing	(204)	(45)
Total charge-offs	(13,033)	(7,610)
Recoveries:		
Residential	178	385
Consumer	2,487	1,443
Commercial	787	117
Commercial real estate	6	2
Equipment financing	11	18
Total recoveries	3,469	1,965
Net charge-offs	(9,564)	(5,645)
Ending balance	$ 211,389	$ 205,349

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

	Three months ended March 31,			
	2019		2018	
(Dollars in thousands)	Amount	% (1)	Amount	% (1)
Residential	$ 73	0.01	$ 532	0.05
Consumer	1,485	0.25	3,631	0.57
Commercial	6,846	0.43	1,380	0.10
Commercial real estate	967	0.08	75	0.01
Equipment financing	193	0.16	27	0.02
Net charge-offs	$ 9,564	0.21	$ 5,645	0.13

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

Net charge-offs increased $3.9 million for the three months ended March 31, 2019 as compared to the same periods in 2018. The increase is due primarily to a single credit in the commercial portfolio with a charge off of $6.0 million, partly offset by a decrease in consumer charge-offs. 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.

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 securities repayments are a relatively stable source of funds, loan and securities 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 FHLB System, which consists of eleven district Federal Home Loan Banks, each subject to the supervision and regulation of the Federal Housing Finance Agency. An activity-based FHLB capital stock investment is required in order for Webster Bank to access advances and other extensions of credit for sources of funds and liquidity purposes. The FHLB capital stock investment is restricted in that there is no market for it, and it can only be redeemed by the FHLB. Webster Bank held $56.0 million of FHLB capital stock at March 31, 2019 compared to $98.6 million at December 31, 2018, for its membership and for outstanding advances and other extensions of credit. On March 4, 2019, the FHLB paid a cash dividend equal to an annual yield of 6.17%.

Additionally, Webster Bank is required to hold FRB of Boston stock equal to 6% of its capital and surplus of which 50% is paid. The remaining 50% is subject to call when deemed necessary by the Federal Reserve System. The FRB capital stock investment is restricted in that there is no market for it, and it can only be redeemed by the FRB. At both March 31, 2019 and December 31, 2018, Webster Bank held $50.7 million of FRB capital stock. The semi-annual dividend payment from the FRB is calculated as the lesser of 6% or the yield on the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend.

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

Total deposits were $22.8 billion at March 31, 2019 compared to $21.9 billion at December 31, 2018. The increase is predominately related to an increase in health savings accounts of $468.6 million and time deposits of $158.1 million. See Note 7: Deposits in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for additional information.

Borrowings. Borrowings primarily consist of FHLB advances which are utilized as a source of funding for liquidity and interest rate risk management purposes. At March 31, 2019 and December 31, 2018, FHLB advances totaled $1.0 billion and $1.8 billion, respectively. Webster Bank had additional borrowing capacity from the FHLB of approximately $3.2 billion at March 31, 2019 and $2.6 billion at December 31, 2018. Webster Bank also had additional borrowing capacity at the FRB of approximately $0.7 billion at March 31, 2019 and $0.6 billion at December 31, 2018.

Securities sold under agreements to repurchase, whereby securities are delivered to counterparties under an agreement to repurchase the securities at a fixed price in the future, to a lesser extent, are also utilized as a source of funding. Unpledged investment securities of $4.9 billion at March 31, 2019 could have been used for collateral on borrowings such as repurchase agreements or, alternatively, to increase borrowing capacity by approximately $4.6 billion at the FHLB or approximately $4.7 billion at the FRB. In addition, Webster Bank may utilize term and overnight Fed funds to meet short-term liquidity needs.

Long-term debt consists of senior fixed-rate notes maturing in 2024 and 2029, and junior subordinated notes maturing in 2033. The Company completed an underwritten public offering of $300 million senior fixed-rate notes on March 25, 2019, of which it invested the net proceeds of $296.4 million in Webster Bank, as permanent capital, to be used for working capital needs or other general purposes. The notes carry a 4.10% coupon rate and were priced to yield 4.141%, and mature on March 25, 2029. At issuance, the fixed interest rate on a $150 million portion of the notes was swapped to a variable rate and designated in a fair value hedging relationship. During April 2019, the Company initiated a fair value hedging relationship for the remaining $150 million portion of the notes.

Total borrowed funds were $2.2 billion at March 31, 2019 compared to $2.6 billion at December 31, 2018. Borrowings represented 7.7% and 9.5% of total assets at March 31, 2019 and December 31, 2018, respectively. A lower usage of FHLB advances, achieved from deposits growing faster than loans, resulted in the decrease in borrowings. For additional information, see Note 8: Borrowings in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report.

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 securities, 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 $43.3 million for the three months ended March 31, 2019 as compared to $132.3 million for the three months ended March 31, 2018. The decrease is most significantly the impact of collateral settlement of derivative contracts in the periods and a decline in sales of loans held for sale.

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 three months ended March 31, 2019. 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 junior subordinated debt, the payment of dividends to preferred and common shareholders, repurchases of its common stock, and purchases of available-for-sale investment securities. There are certain restrictions on the payment of dividends by Webster Bank to the Holding Company, which are described in the section captioned "Supervision and Regulation" in Item 1 of Webster’s 2018 Form 10-K. At March 31, 2019, $285.6 million of retained earnings are 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 $78.7 million of remaining repurchase authority at March 31, 2019. 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 three months ended March 31, 2019, a total of 335,004 shares of common stock were repurchased for approximately $19.1 million, of which 227,199 shares were purchased under the common stock repurchase program at a cost of approximately $13.0 million, and 107,805 shares were purchased, at market prices, related to stock compensation plan activity for a cost of approximately $6.1 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 82.7% and 84.5% at March 31, 2019 and December 31, 2018, 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 March 31, 2019. 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 March 31, 2019, Webster Bank was in compliance with all applicable capital requirements and exceeded the FDIC requirements for a well-capitalized institution. See Note 11: Regulatory Matters in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report for a further discussion of regulatory requirements applicable to the Holding Company and Webster Bank.

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

Off-Balance Sheet Arrangements

Webster engages in a variety of financial transactions that, in accordance with GAAP, are not recorded in the financial statements or are recorded in amounts that differ from the notional amounts. Such transactions are utilized in the normal course of business, for general corporate purposes or for customer financing needs. Corporate purpose transactions are structured to manage credit, interest rate, and liquidity risks, or to optimize capital. Customer transactions are structured to manage their funding requirements or facilitate certain trade arrangements. These transactions give rise to, in varying degrees, elements of credit, interest rate, and liquidity risk. For the three months ended March 31, 2019, 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 18: Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements contained elsewhere in this report.

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 the Company's ALCO.

The following table summarizes the estimated impact that gradual parallel changes in income of 100 and 200 basis points might have on Webster's net interest income (NII) over a twelve month period, starting March 31, 2019 and December 31, 2018 for each subsequent twelve month period as compared to NII assuming no change in interest rates:

NII	-200bp	-100bp	+100bp	+200bp
March 31, 2019	(10.5)%	(4.6)%	3.0%	5.6%
December 31, 2018	(10.9)%	(4.7)%	3.2%	5.9%

The following table summarizes the estimated impact that gradual parallel changes in interest rates of 100 and 200 basis points might have on Webster's pre-tax, pre-provision net revenue (PPNR) over a twelve month period, starting March 31, 2019 and December 31, 2018 for each subsequent twelve month period as compared to PPNR assuming no change in interest rates:

PPNR	-200bp	-100bp	+100bp	+200bp
March 31, 2019	(16.8)%	(7.8)%	4.7%	9.2%
December 31, 2018	(18.3)%	(7.9)%	5.0%	9.2%

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 both March 31, 2019 and December 31, 2018 assumed a Fed Funds rate of 2.50%. Asset sensitivity for both NII and PPNR was lower as of March 31, 2019 when compared to December 31, 2018 primarily due to a reduction in the flat rate scenario income attributed to changes in the market rate environment in the first quarter of 2019 and the resulting impact these changes had on forecast prepayment speeds. Further contributing to these changes were increases in fixed-rate investments and fixed-rate loan balances.

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 March 31, 2019 and December 31, 2018:

	Short End of the Yield Curve				Long End of the Yield Curve			
NII	-100bp	-50bp	+50bp	+100bp	-100bp	-50bp	+50bp	+100bp
March 31, 2019	(6.5)%	(3.0)%	1.4%	2.9%	(3.8)%	(1.8)%	1.5%	2.6%
December 31, 2018	(7.1)%	(3.3)%	1.7%	3.4%	(3.3)%	(1.6)%	1.3%	2.3%

The following table summarizes the estimated impact that immediate non-parallel changes in interest rates might have on Webster's PPNR for the subsequent twelve month period starting March 31, 2019 and December 31, 2018:

	Short End of the Yield Curve				Long End of the Yield Curve			
PPNR	-100bp	-50bp	+50bp	+100bp	-100bp	-50bp	+50bp	+100bp
March 31, 2019	(10.7)%	(4.9)%	2.0%	3.9%	(5.9)%	(3.0)%	2.6%	4.6%
December 31, 2018	(11.6)%	(5.4)%	2.4%	4.8%	(5.6)%	(2.9)%	2.4%	4.2%

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. The results above reflect the annualized impact of immediate rate changes.

Sensitivity to the short end of the yield curve for NII and PPNR decreased as of March 31, 2019 when compared to December 31, 2018 due primarily to the increase in balances of fixed-rate investments and loans. NII and PPNR were more sensitive to changes in the long end of the yield curve as of March 31, 2019 when compared to December 31, 2018 due to increased forecast prepayment speeds.

The following table summarizes the estimated economic value of assets, liabilities, and off-balance sheet contracts at March 31, 2019 and December 31, 2018 and the projected change to economic values if interest rates instantaneously increase or decrease by 100 basis points:

(Dollars in thousands)	Book Value	Estimated Economic Value	Estimated Economic Value Change -100 bp	Estimated Economic Value Change +100 bp
March 31, 2019				
Assets	$ 28,238,129	$ 27,695,796	$ 542,465	$ (656,535)
Liabilities	25,271,874	23,854,200	714,669	(623,964)
Net	$ 2,966,255	$ 3,841,596	$ (172,204)	$ (32,571)
Net change as % base net economic value			(4.5)%	(0.8)%
December 31, 2018				
Assets	$ 27,610,315	$ 26,972,752	$ 568,122	$ (677,864)
Liabilities	24,723,800	23,119,466	719,658	(615,650)
Net	$ 2,886,515	$ 3,853,286	$ (151,536)	$ (62,214)
Net change as % base net economic value			(3.9)%	(1.6)%

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 0.7 years at both March 31, 2019 and December 31, 2018. 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.

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 March 31, 2019 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.

For a detailed description of the Company's asset/liability management process, refer to the section captioned "Asset/Liability Management and Market Risk" in Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations included in its Form 10-K for the year ended December 31, 2018.

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.

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 2018 Annual Report on Form 10-K. Modifications to significant accounting policies, if 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; and
- realizability of deferred tax assets.

These particular 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 2018 Form 10-K, and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

Recently Issued Accounting Standards Updates

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

ITEM 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

Evaluation of Disclosure Controls and Procedures

The Company has performed an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures for recording, processing, summarizing, and reporting the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in SEC rules and forms, were effective as of March 31, 2019.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2019, we implemented new lease accounting policies, procedures and controls as part of our adoption of ASU 2016-02 and subsequent ASUs issued to amend this Topic. There were no other changes made to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Webster, or its subsidiaries, may be involved in certain routine legal proceedings and claims occurring, from time-to-time, in the ordinary course of business. These possible loss contingencies are evaluated based on information currently available, including advice of counsel and assessment of available insurance coverage. 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. 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 those matters.

Management believes that the ultimate outcome of these proceedings, individually and in the aggregate, is not presently nor in the future anticipated to be be material to Webster or its consolidated financial condition. However, legal proceedings are subject to inherent uncertainties, with which unfavorable rulings could occur and, as such, 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.

ITEM 1A. RISK FACTORS

During the three months ended March 31, 2019, 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, 2018.

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 March 31, 2019:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount Available for Repurchase Under the Plans or Programs (1)
January	97	$ 51.00	—	$ 91,745,715
February	165,284	56.65	59,201	88,398,976
March	169,623	57.46	167,998	78,742,318
Total	335,004	57.06	227,199	78,742,318

(1) *On October 24, 2017, the Company's Board of Directors approved a common stock repurchase program which authorizes management to repurchase, in open market or privately negotiated transactions, subject to market conditions and other factors, up to a maximum of $100 million of common stock. The program 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 March 31, 2019, 107,805 shares were acquired outside of the repurchase program related to stock compensation plan activity, at market prices.

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 following is the exhibit index.

Exhibit Number	Exhibit Description	Exhibit Included	Incorporated by Reference		
			Form	Exhibit	Filing Date
3	Certificate of Incorporation and Bylaws.				
3.1	Fourth Amended and Restated Certificate of Incorporation		10-Q	3.1	8/9/2016
3.2	Certificate of Designations establishing the rights of the Company's 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock		8-K	3.1	6/11/2008
3.3	Certificate of Designations establishing the rights of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series B		8-K	3.1	11/24/2008
3.4	Certificate of Designations establishing the rights of the Company's Perpetual Participating Preferred Stock, Series C		8-K	3.1	7/31/2009
3.5	Certificate of Designations establishing the rights of the Company's Non-Voting Perpetual Participating Preferred Stock, Series D		8-K	3.2	7/31/2009
3.6	Certificate of Designations establishing the rights of the Company's 6.40% Series E Non-Cumulative Perpetual Preferred Stock		8-A12B	3.3	12/4/2012
3.7	Certificate of Designations establishing the rights of the Company's 5.25% Series F Non-Cumulative Perpetual Preferred Stock		8-A12B	3.3	12/12/2017
3.8	Bylaws, as amended effective June 9, 2014		8-K	3.1	6/12/2014
4.1	Senior Debt Indenture, dated March 25, 2019 between Webster Financial Corporation and The Bank of New York Mellon, as trustee		8-K	4.1	3/25/2019
4.2	Supplemental Indenture, dated March 25, 2019, between Webster Financial Corporation and The bank of New York Mellon, as trustee		8-K	4.2	3/25/2019
4.3	Form of 4.100% Senior Note due 2029 (included in Exhibit 4.2)		8-K	4.2	3/25/2019
10	**Material Contracts** *(1)*				
10.1	Employee Stock Purchase Plan (amended and restated effected as of April 1, 2019)	*X*			
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Chief Executive Officer.	*X*			
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Chief Financial Officer.	*X*			
32.1	Written statement pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Executive Officer.	*X (2)*			
32.2	Written statement pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Financial Officer.	*X (2)*			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embeded 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*			

(1) Material contracts are management contracts, or compensatory plans, or arrangements in which directors or executive officers are eligible to participate.

(2) Exhibit is furnished herewith and 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.

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: May 7, 2019	By:	/s/ John R. Ciulla
		John R. Ciulla
		President and Chief Executive Officer
		(Principal Executive Officer)
Date: May 7, 2019	By:	/s/ Glenn I. MacInnes
		Glenn I. MacInnes
		Executive Vice President and Chief Financial Officer
		(Principal Financial Officer)
Date: May 7, 2019	By:	/s/ Albert J. Wang
		Albert J. Wang
		Senior Vice President and Chief Accounting Officer
		(Principal Accounting Officer)

Exhibit 10.1

As amended and restated effective April 1, 2019

WEBSTER FINANCIAL CORPORATION
EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the Webster Financial Corporation Employee Stock Purchase Plan, as amended and restated effective April 1, 2019.

1. **PURPOSE**.

The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. **DEFINITIONS**.

(a) "*Board*" or "*Board of Directors*" shall mean the Board of Directors of the Company, or any duly appointed designee acting on behalf of the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" shall mean the Common Stock, par value $.01 per share, of the Company.

(d) "Company" shall mean Webster Financial Corporation, a Delaware corporation.

(e) "Compensation" shall mean all regular straight time gross earnings and commissions. Compensation shall not include payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, income relating to the purchase of shares of Webster Financial Corporation common stock under the Webster Financial Corporation Executive Stock Purchase Plan, and other compensation.

(f) "Continuous Status as an Employee" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(g) "Contributions" shall mean all amounts credited to the account of a participant pursuant to the Plan.

(h) "Designated Subsidiaries" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(i) "Employee" shall mean any person, including an Officer, who is employed by the Company or a Designated Subsidiary, and who is customarily employed for more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries. Individuals classified by the Company or a Designated Subsidiary as a "seasonal", "temporary", or "intern" employee, or any other classification of employee whose customary employment is for not more than five (5) months in any calendar year, shall not be considered an Employee for purposes of the Plan.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(k) "Exercise Date" shall mean the last business day of each Offering Period of the Plan.

(l) "Offering Date" shall mean the first business day of each Offering Period of the Plan.

(m) "Offering Period" shall mean a period of three (3) months commencing on January 1, April 1, July 1 and October 1 of each year except as otherwise indicated by the Company.

(n) "Officer" shall mean a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(o) "Plan" shall mean the Webster Financial Corporation Employee Stock Purchase Plan.

(p) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than fifty percent (50%) of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

3. **ELIGIBILITY.**

(a) An Employee shall become eligible to participate in the Plan effective as of the first Offering Date following his or her employment. An Employee must be an Employee prior to the Offering Date of a given Offering Period in order to be eligible to participate in such Offering Period under the Plan, subject to the requirements of Section 5(a) and the limitations imposed by Section 423(b) of the Code. Therefore, an Employee who is hired, or rehired, during an ongoing Offering Period will not be eligible to participate in the Plan until the following Offering Date, subsequent to his or her date of hire, or date of rehire.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan: (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such an Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary; or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) of fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. **OFFERING PERIODS.**

The Plan shall be implemented by a series of Offering Periods of three (3) months duration, with new Offering Periods commencing on or about January 1, April 1, July 1 and October 1 of each year (or at such other time or times as may be determined by the Board of Directors). The Plan shall continue until terminated in accordance with Section 19 hereof. The Board of Directors of the Company shall have the power to change the duration and/or the frequency of Offering Periods with respect to future offerings without shareholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period to be affected.

5. **PARTICIPATION.**

(a) An eligible Employee may become a participant in the Plan by completing and submitting the online enrollment form on the Plan recordkeeper's website (or by completing and submitting such other enrollment form in such manner as the Company shall require). The online enrollment form must be completed and submitted prior to the applicable Offering Date, unless a later time for completing and submitting the enrollment form is set by the Board for all eligible Employees with respect to a given Offering Period. The online enrollment form shall set forth the whole number percentage of the participant's Compensation (which shall be not less than one percent (1%) and not more than ten percent (10%) or such other percentage as may be specified by the Board of Directors and announced at least fifteen (15) days before the first Offering Period to be affected) to be paid as Contributions pursuant to the Plan.

(b) Payroll deductions shall commence on the first payroll following the Offering Date and shall end on the last payroll paid prior to the Exercise Date of the Offering Period to which the online enrollment form is applicable (unless sooner terminated by the participant as provided in Section 10).

(c) By enrolling in the Plan, each participant will be deemed to have authorized the establishment of a brokerage account in his or her name at a securities brokerage firm or other financial institution, if approved by the committee in its discretion

6. **METHOD OF PAYMENT OF CONTRIBUTIONS.**

(a) The participants shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than ten percent (10%) (in whole number increments) of such participant's Compensation on each such payday. All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(b) At any time, a participant may increase or decrease the rate of his or her Contributions, by completing and submitting a new online enrollment form with the Plan's record keeper. However, such change in the rate of a participant's Contributions will not become effective until the Offering Date of the Offering Period immediately following the Offering Period in which the change in rate of Contributions is received by the Plan's record keeper. Notwithstanding anything herein to the contrary, at any time during an Offering Period, a participant may change the rate of his or her Contributions during that Offering Period to zero percent (0%), by completing and submitting appropriate online documentation with the Plan's record keeper. If a participant shall change his or her rate of Contributions to zero percent (0%), the change in rate will be effective as soon as administratively practicable. After a participant's rate of Contributions is changed to zero percent (0%), any subsequent increase in a participant's rate of Contributions will be subject to this subsection (b).

7. **GRANT OF OPTION.**

(a) On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Date a number of shares of the Common Stock determined by dividing such Employee's Contribution accumulated prior to such Exercise Date and retained in the participant's account as of the Exercise Date by the "Applicable Percentage" (as defined in subsection (c)) of the fair market value of a share of the Common Stock on the Exercise Date; provided, however, that the maximum number of shares an Employee may purchase during each Offering Period shall be 1,000 shares (or such other number of shares as the Board of Directors of the Company shall determine, if such change is announced at least fifteen (15) days before the scheduled beginning of the first Offering Period to be affected); and provided further, that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12. The fair market value of a share of the Common Stock shall be determined as provided in Section 7(b).

(b) The option price per share of the shares offered in a given Offering Period shall be the "Applicable Percentage" (as defined in subsection (c)) of the fair market value of a share of the Common Stock on the Exercise Date. The fair market value of the Common Stock on a given date shall be determined by the Board in its discretion based on the closing price of the Common Stock on the Exercise Date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date on which there was a closing price), as reported by the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market or, in the event the Common Stock is listed on a stock exchange, the fair market value per share shall be the closing price on such exchange on the Exercise Date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date on which there was a closing price), as reported in the *Wall Street Journal*.

(c) For purposes of this Section 7, the "Applicable Percentage" shall be not less than eighty-five percent (85%) and not more than one hundred percent (100%), and shall be established by the Board of Directors at least fifteen (15) days before the scheduled beginning of the first Offering Period to which the Applicable Percentage shall apply.

8. **EXERCISE OF OPTION.**

Unless a participant's Continuous Status as an Employee has terminated prior to the Exercise Date as provided in Section 10(a), his or her option for the purchase of shares will be exercised automatically on the Exercise Date of the Offering Period, and the maximum number of shares subject to the option will be purchased, as of the Exercise Date, at the applicable option price with the accumulated Contributions in his or her account. The shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Exercise Date. During his or her lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. **DELIVERY.**

Fidelity Investments, as agent (the "Agent") will hold in custody all shares of Common Stock purchased pursuant to the Plan until the later of: (a) the expiration of twelve (12) months following the Offering Date on which such shares of Common Stock were purchased (or such other period as may be specified by the Board of Directors and announced at least fifteen (15) days before the scheduled beginning of the first Offering Period to be affected) (the "Custody Period"); or (b) the receipt of appropriate online instructions from the Employee who purchased such shares to have such shares distributed, as described

below. The Agent may hold such shares in stock certificates in nominee names, and may commingle shares held in its custody in a single account or stock certificate, without identification as to individual employees. A participating Employee may, at any time after the expiration of the Custody Period, by online notice, instruct the Agent to have all or part of such shares reissued in the Employee's own name and have the stock certificate delivered to the Employee or his or her agent, including, but not limited to, direct deposit into a book entry account or brokerage account. During the Custody Period, the Employee will not be entitled to sell or otherwise transfer the shares. Any dividends paid on shares held by the Agent for a participating Employee's account will be transmitted to the Employee. This Section 9 of the Plan applies to participants who have a Continuous Status as an Employee, as well as to participants who, subsequent to an Offering Period in which they exercised an option to purchase shares of Common Stock, have terminated employment with the Company.
If the participant's account does not have enough cash to purchase at least one share on the Exercise Date, then such cash amount will remain in the participant's account and be carried forward for use in subsequent purchases.

10. **TERMINATION OF EMPLOYMENT.**

(a) Upon termination of the participant's Continuous Status as an Employee prior to the Exercise Date of an Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 14, and his or her option will be automatically terminated.

(b) Aside from the death of a participant, termination of a participant's Continuous Status during an Offering Period pursuant to (a) above will not have any effect upon his or her eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

11. **ACCOUNT.**

The Contributions of a participant in the Plan shall be credited to an account. The account shall constitute part of the general assets of the Company until such Contributions are used to purchase shares upon the exercise of an option hereunder and any interest earned by the amounts credited to the account will be the property of the Company and will not be credited to the Employee. The Company will use any interest earned on such Contributions to offset costs related to the Plan.

12. **STOCK.**

(a) The maximum number of shares of the Common Stock which shall be made available for sale under the Plan shall be 800,000 shares, subject to adjustment upon changes in capitalization of the Company as provided in Section 18. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) on the Offering Date of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of Contributions, if necessary.

(b) The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the "Street Name" of a Company-approved broker.

(d) Shares to be delivered to a participant under the Plan will consist of shares of Common Stock purchased by the Company in the open market specifically for issuance under the Plan.

13. **ADMINISTRATION.**

The Board, or a committee, named by the Board, shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The composition of the committee shall be in accordance with the requirements to obtain or retain any available exemption from the operation of Section 16(b) of the Exchange Act pursuant to Rule 16b-3 promulgated thereunder.

14. **DESIGNATION OF BENEFICIARY.**

(a) A participant may file an online designation of a beneficiary who is to receive shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering Period but prior to delivery to him or her of such shares and cash. In addition, a participant may file an online designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Exercise Date of an Offering Period. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by appropriate notice filed online with the Plan's record keeper. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. **TRANSFERABILITY.**

Neither Contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 14) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect.

16. **USE OF FUNDS.**

All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions.

17. **REPORTS.**

Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees promptly following the Exercise Date, which statements will set forth the amount of Contributions, the per share exercise price, the number of shares purchased, and the remaining cash balance, if any.

18. **ADJUSTMENTS UPON CHANGES IN CAPITALIZATION; CORPORATE TRANSACTIONS.**

(a) *Adjustment*. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) *Corporate Transactions*. In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, to shorten the Offering Period then in progress by setting a new Exercise Date (the "New Exercise Date"). If the Board shortens the Offering Period then in progress in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify each participant in writing, at least ten (10) days

prior to the New Exercise Date, that the Exercise Date for his or her option has been changed to the New Exercise Date and that his or her option will be exercised automatically on the New Exercise Date, unless prior to such date he or she terminates Continuous Status as provided in Section 10. For purposes of this paragraph, an option granted under the Plan shall be deemed to be assumed if, following the sale of assets or merger, the option confers the right to purchase, for each share of option stock subject to the option immediately prior to the sale of assets or merger, the consideration (whether stock, cash or other securities or property) received in the sale of assets or merger by holders of Common Stock for each share of Common Stock held on the effective date of the transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if such consideration received in the sale of assets or merger was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Common Stock in the sale of assets or merger.

19. **AMENDMENT OR TERMINATION**.

(a) The Board of Directors of the Company, may at any time terminate or amend the Plan. Except as provided in Section 18, no such termination may affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any participant. In addition, to the extent necessary to comply with Rule 16b-3 under the Exchange Act, or under Section 423 of the Code (or any successor rule or provision or any applicable law or regulation), the Company shall obtain shareholder approval in such a manner and to such a degree as so required.

(b) Without shareholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures which the Board (or its committee) determines in its sole discretion to be advisable and which are consistent with the Plan.

(c) In the event of a termination of the Purchase Plan, the last day of an offering that is in progress will be deemed to be the last trading day before the termination and the outstanding options of participating employees will be deemed to be automatically exercised that day.

20. **NOTICES**.

All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. **CONDITIONS UPON ISSUANCE OF SHARES**.

(a) Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

(c) Each participant agrees, by entering the Plan, to promptly give the Company notice of any disposition of shares purchased under the Plan where such disposition occurs within two (2) years after the date of grant of the Option pursuant to which such shares were purchased.

22. **TERM OF PLAN; EFFECTIVE DATE**.

The Plan shall become effective as of April 1, 2019 upon its adoption by the Board of Directors of the Company on or prior to that date *provided that* within one (1) year of the adoption of the Plan by the Board of Directors of the Company, the Plan is approved by the affirmative vote of holders of the majority of the shares present in person or represented by proxy and entitled to vote at a meeting of the shareholders of the Company at which a quorum representing a majority of all outstanding voting stock was, either in person or by proxy, present and voting on the Plan. The Plan shall continue in effect until June 30, 2029, unless sooner terminated under Section 19.

23. **ADDITIONAL RESTRICTIONS OF RULE 16b-3**.

The terms and conditions of options granted hereunder to, and the purchase of shares by, persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3. This Plan shall be deemed to contain, and such options shall contain, and the shares issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

Dated th 26 day of April, 2019

WEBSTER FINANCIAL CORPORATION

Witness:

/s/ Carole L. Hynes

By: /s/ John R. Ciulla

Name: **John R. Ciulla**

Title: **President and Chief Executive Officer**

EXHIBIT 31.1

CERTIFICATION

I, John R. Ciulla, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Webster Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

/s/ John R. Ciulla

John R. Ciulla

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Glenn I. MacInnes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Webster Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

/s/ Glenn I. MacInnes

Glenn I. MacInnes
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Webster Financial Corporation (the "Company") hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-Q Report of the Company for the quarter ended March 31, 2019 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2019

/s/ John R. Ciulla

John R. Ciulla
President and Chief Executive Officer

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Webster Financial Corporation (the "Company") hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-Q Report of the Company for the quarter ended March 31, 2019 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2019

/s/ Glenn I. MacInnes

Glenn I. MacInnes
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.