



Webster
Financial Corporation®

First Quarter 2018
Earnings Conference Call
April 19, 2018

WBS 1Q18 Earnings | Highlights

(\$ in millions, except EPS data)

Significant progress on our key strategic initiatives:

- 34 consecutive quarters of reported year-over-year revenue growth with total revenue of \$283 million (+10.6%)
- Efficiency ratio of 59.8% vs. 62.1% prior year
- Earned in excess of cost of capital, for the fourth consecutive quarter
- HSA Bank year-over-year footings growth of over \$1 billion (+18.4%)

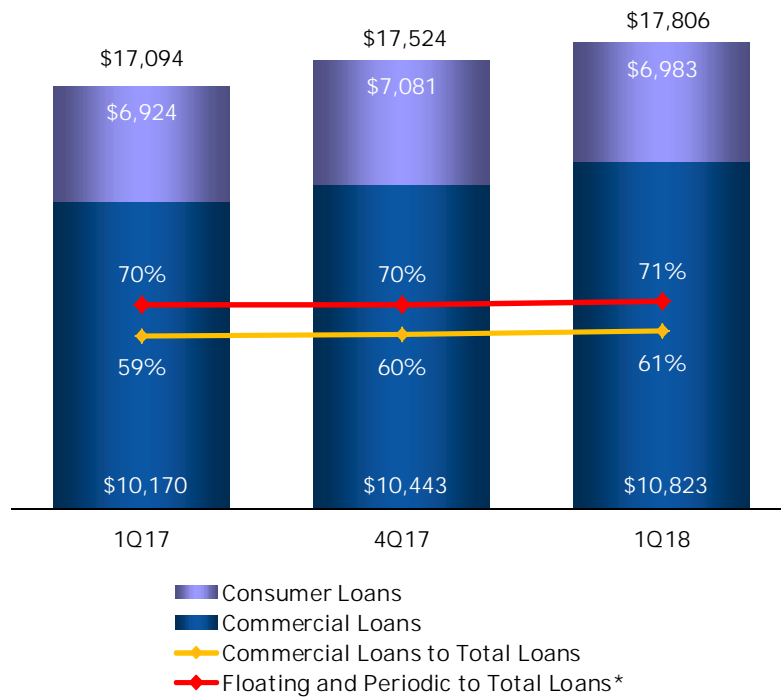
Income Available to Common	EPS	ROA	ROACE	ROATCE ¹
\$78.1	\$0.85	1.20%	12.15%	15.73%

¹ See non-GAAP reconciliation on pages 16 & 17

WBS 1Q18 Earnings | Loans & Deposits

(\$ in millions)

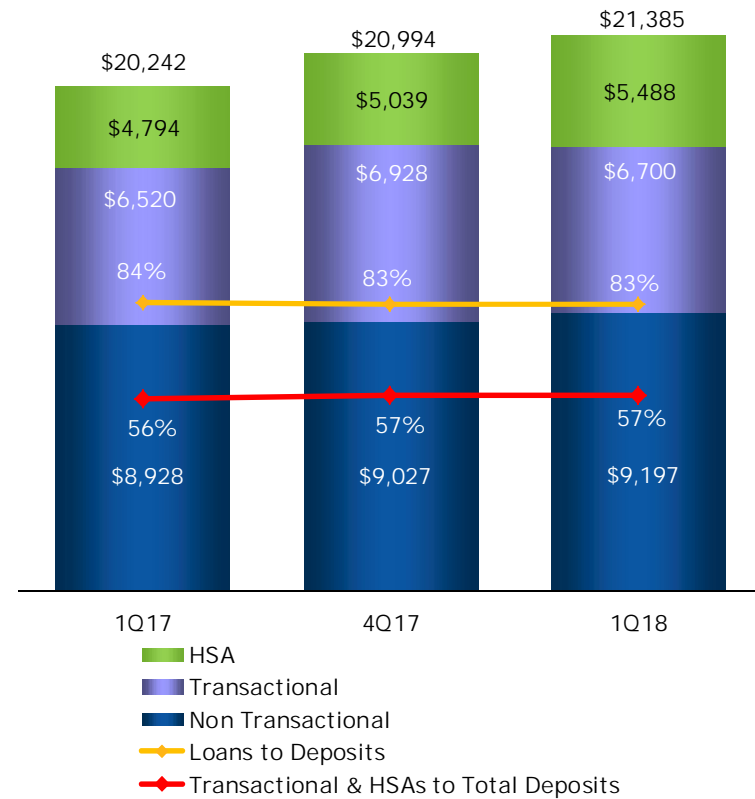
Loans: +4.2% YOY



Loan Portfolio Yield:

3.97% 4.20% 4.37%

Deposits: +5.6% YOY



Deposit Cost:

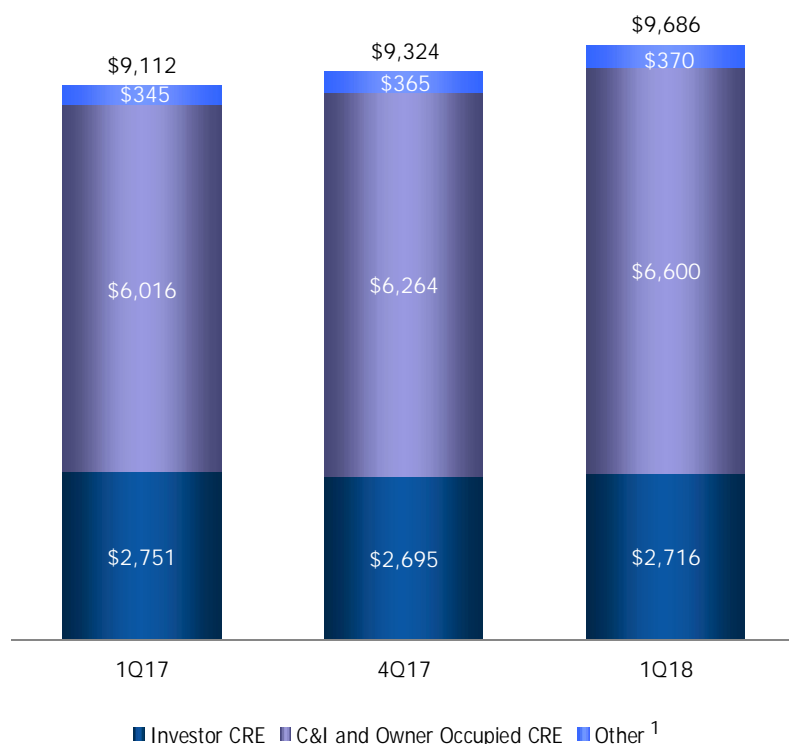
0.27% 0.33% 0.34%

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

WBS 1Q18 Earnings | Commercial Banking*

(\$ in millions)

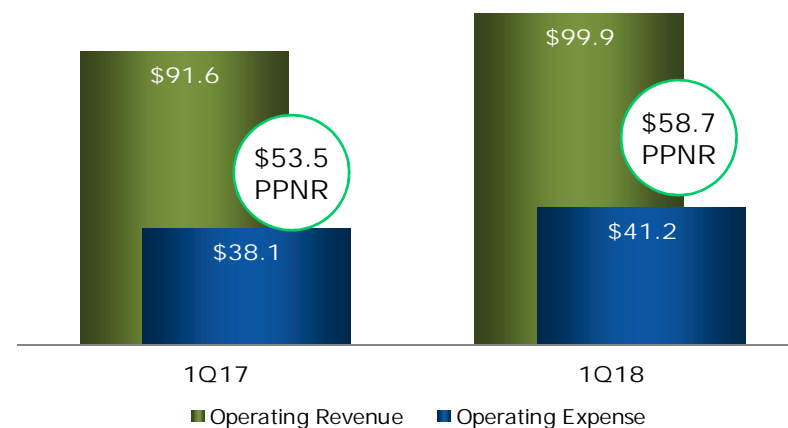
Loans: +6.3% YOY



Loan Portfolio Yield:

3.95% 4.29% 4.55%

PPNR: +9.7% YOY



Key Business Metrics

	1Q18	Increase / (Decrease)	
		4Q17	1Q17
Loan originations	\$ 847	\$ (128)	\$ 132
Loan fundings	\$ 617	\$ 28	\$ 75
Yield on fundings	4.76%	+30 bps	-12 bps
Pipeline	\$ 404	\$ (18)	\$ 62
Deposits	\$ 4,041	\$ (82)	\$ 123
Non-interest income / Total revenue	15.32%	-82 bps	+68 bps
AUM / AUA	\$ 2,015	\$ (24)	\$ 160

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

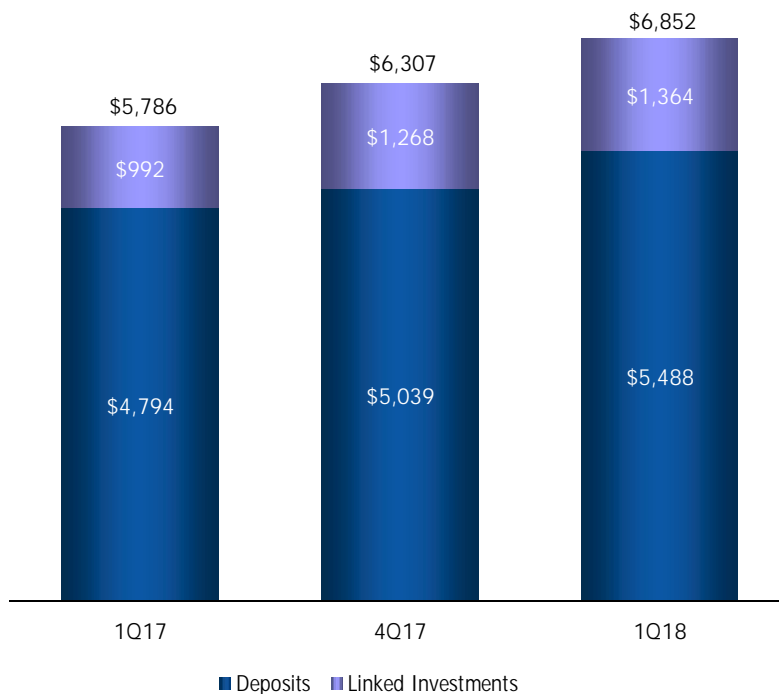
¹ Private Banking consumer loans

AUM =Assets Under Management AUA =Assets Under Administration

WBS 1Q18 Earnings | HSA Bank

(\$ in millions)

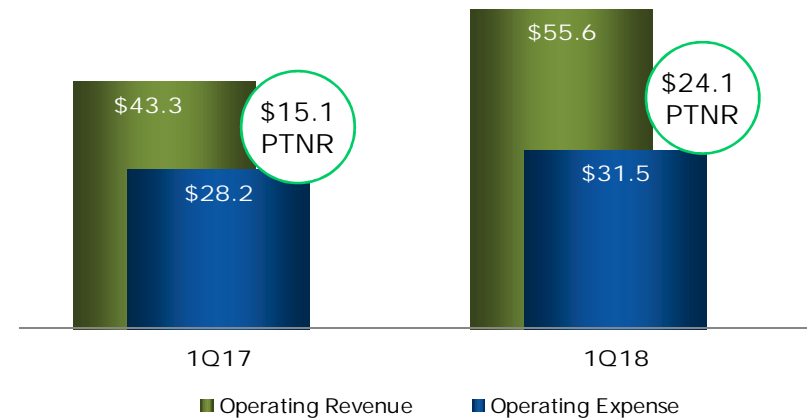
Total Footings: +18.4% YOY
Total Deposits: +14.5% YOY
Total Accounts: +11.8% YOY



Deposit Cost:

0.20% 0.20% 0.20%

PTNR: +59.6% YOY



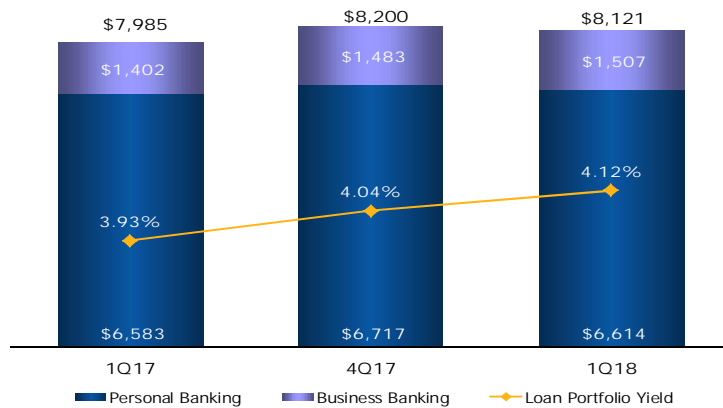
Key Business Metrics

End of period	1Q18	Increase / (Decrease)	
		4Q17	1Q17
Accounts ('000)	2,643	182	279
Percent of unfunded accounts	5.20%	-154 bps	-61 bps
Footings per account	\$ 2,593	\$ 30	\$ 145
Investments as % of total footings	19.91%	-20 bps	+276 bps
New accounts ('000)	335	213	(36)
PTNR/avg. account	\$ 37.00	\$ 6.75	\$ 9.99

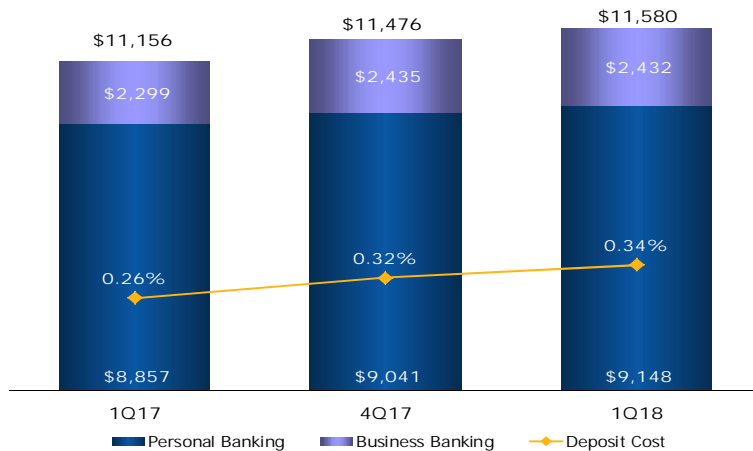
WBS 1Q18 Earnings | Community Banking

(\$ in millions)

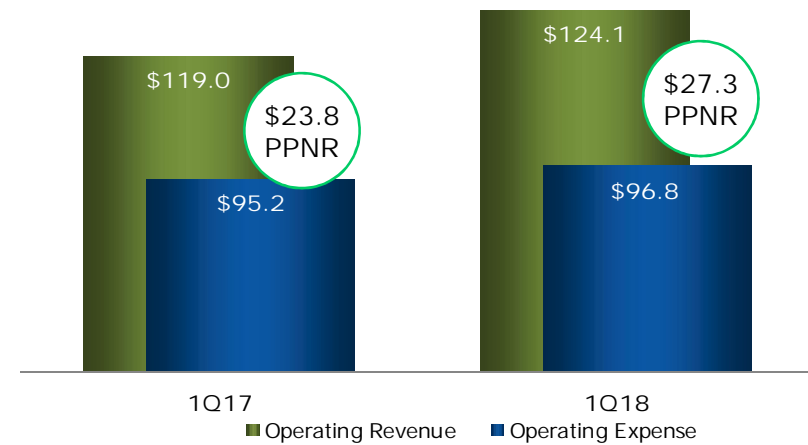
Loans: +1.7% YOY



Deposits: +3.8% YOY



PPNR: +14.7% YOY



Key Business Metrics

	1Q18	4Q17	1Q17	Increase / (Decrease)
Loan originations - Mortgage & Consumer	\$ 220	\$ (81)	\$ (155)	
Loan originations - Business Banking	\$ 87	\$ (3)	\$ (3)	
Yield on fundings	4.62%	+27 bps	+55 bps	
Transaction deposits / Total deposits	38.18%	-62 bps	-59 bps	
Digitally active households / Total households	47.62%	+149 bps	+182 bps	
Self-service transactions / Total transactions	70.95%	+75 bps	+95 bps	
Assets Under Administration	\$ 3,386	\$ 10	\$ 308	

WBS 1Q18 Earnings | Average Balance Sheet

(\$ in millions)

	Increase / (Decrease)		
	1Q18	4Q17	1Q17
Securities	\$ 7,159	\$ 63	\$ 88
Commercial loans	\$ 10,710	\$ 307	\$ 611
Consumer loans	<u>7,045</u>	<u>(55)</u>	<u>103</u>
Total loans	\$ 17,755	\$ 254	\$ 714
Deposits	\$ 21,392	\$ 437	\$ 1,374
Borrowings	\$ 2,413	\$ (236)	\$ (855)
Common equity	\$ 2,577	\$ 33	\$ 140

(At end of period)

Key Ratios:

Loans / total deposits	83.3%	-20 bps	-120 bps
Transactional & HSAs / total deposits	57.0%	0 bps	+110 bps
Common Equity Tier 1	10.99%	-15 bps	+26 bps
Tangible common equity ¹	7.65%	-2 bps	+31 bps
Tangible book value per common share ¹	\$ 21.78	\$ 0.18	\$ 1.52

Key Observations:

Maintaining size of portfolio; duration extended to 4.8 years due to rise in rates

C&I +\$215 million, CRE +\$92 million LQ

LQ decline driven by home equity and other

Growth of 1.4% LQ, 4.2% YOY

+2.1% LQ, +6.9% YOY including +\$691 million HSA

Deposit and equity growth in excess of loan growth used to pay down borrowings

Growth reflects solid earnings

Ratio continues well below industry averages

HSA deposits are 25.7% of total deposits vs. 23.7% prior year

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

Tangible common equity exceeds \$2 billion

Increased for the 12th consecutive quarter

¹ See non-GAAP reconciliation on pages 16 & 17

WBS 1Q18 Earnings | Income Statement

(\$ in millions)

	Favorable / (Unfavorable)		
	1Q18	4Q17	1Q17
Net interest income	\$ 214.2	\$ 9.2	\$ 21.5
Total non-interest income	<u>68.7</u>	<u>2.7</u>	<u>5.7</u>
Total revenue	\$ 282.9	\$ 11.9	\$ 27.2
Total non-interest expense	<u>\$ 171.6</u>	<u>\$ (0.5)</u>	<u>\$ (7.8)</u>
Pre-provision net revenue	\$ 111.3	\$ 11.4	\$ 19.4
Provision for loan losses	\$ 11.0	\$ 2.0	\$ (0.5)
Pre-tax income	\$ 100.3	\$ 13.4	\$ 18.9
Income available to common shareholders	\$ 78.1	\$ 10.4	\$ 20.8
Tax rate	20.0%	(43 bps)	698 bps
Efficiency ratio ¹	59.76%	(28 bps)	234 bps

Key Observations:

LQ increase driven by NIM expansion of 11 bps and average loan growth of 1.4%

LQ increase primarily due to HSA deposit fees and interchange

34 consecutive quarters of YOY revenue growth

Prior quarter included \$6.4 million in one time expenses offset by compensation and continued investments

Record level; growth of 21% from a year ago

ALLL / NPLs of 153%, NCO 13 bps annualized

Record level; growth of 23% from a year ago

Record level

YOY decrease reflects new federal tax legislation

YOY improvement driven by significant positive operating leverage

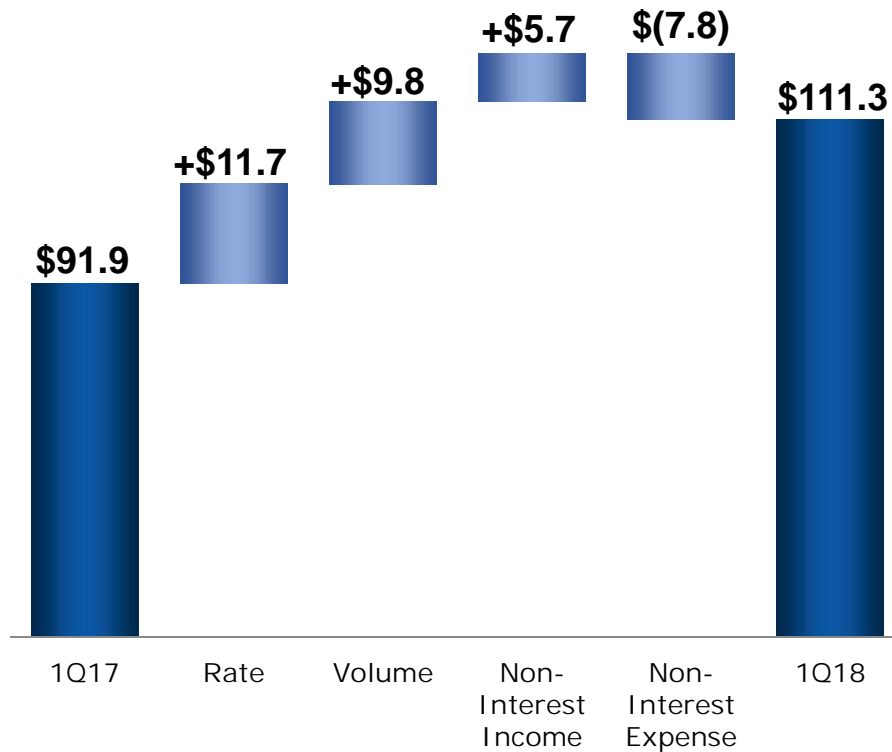
¹ See non-GAAP reconciliation on pages 16 & 17

WBS 1Q18 Earnings | PPNR Performance

(\$ in millions)

PPNR: +21.1%

Key Observations



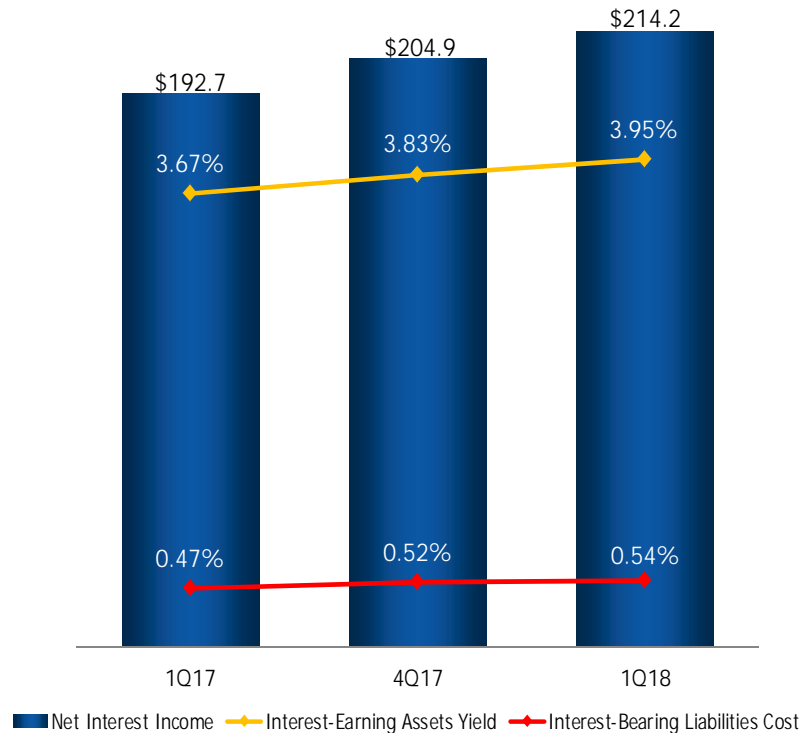
- Loan beta of 55% and deposit beta of 10% driving NIM expansion of 22bps
 - 44% tied to short term LIBOR with 37% tied to 1 month LIBOR and 7% tied to 3 month LIBOR
- Commercial Banking PPNR up 9.7%
 - 5.9% average loan growth coupled with 27bps improvement in deposit spreads driving \$6.4 million growth in net interest income
- HSA Bank PTNR up 59.6%
 - 14.6% growth in average deposits and 40bps improvement in deposit spreads led to \$8.9 million increase in net interest income
- Community Banking PPNR up 14.7%
 - 4.1% growth in average deposits and 17bps improvement in deposit spreads led to \$5.3 million higher net interest income

The above analysis represents the components of the change in net interest income attributable to changes in rate and volume, and reflects the net interest income on a GAAP (Non-FTE) basis.

WBS 1Q18 Earnings | Net Interest Income

(\$ in millions)

+11.2% YOY



NIM:

3.22% 3.33% 3.44%

Linked Quarter Drivers:

- NII: +\$9.2 million (non-FTE)
 - + \$9.9 million due to yield on loans and securities (1 month LIBOR is +32 bps and 10 year swap +42 bps)
 - + \$3.2 million due to loan volume
 - \$(2.4) million due to two fewer days
 - \$(1.2) million due to rate on deposits and mix changes
 - \$(0.3) million due to borrowings and other

- NIM: +11 bps
 - +12 bps due to higher loan yields
 - +2 bps due to repricing of securities and lower securities premium amortization
 - (3) bps due to lower FTE adjustments on securities and loans

WBS 1Q18 Earnings | Non-interest Income

(\$ in thousands)

Diverse Sources

	1Q18	Favorable / (Unfavorable)	
		4Q17	1Q17
Deposit service fees	\$ 18,639	\$ (707)	\$ 117
HSA fee income	22,669	3,683	3,398
Wealth & investment services	7,870	(285)	597
Loan related fees	6,996	446	(212)
Mortgage banking activities	1,144	(755)	(1,122)
Other	11,429	326	2,927
Total	\$ 68,747	\$ 2,708	\$ 5,705

Key Observations:

- ▀ \$2.7 million increase quarter-over-quarter
 - ▶ Increase in HSA fee income of \$3.7 million driven by account fees and interchange
 - ▶ Decrease in mortgage banking activities of \$0.8 million due to lower originations and lower margin
 - ▶ Decrease in deposit service fees of \$0.7 million primarily due to seasonally lower NSF fees

- ▀ \$5.7 million increase year-over-year
 - ▶ Increase in HSA fee income of \$3.4 million driven by account growth
 - ▶ Increase in other of \$2.9 million related to client hedging and break-funding revenue
 - ▶ Decrease in mortgage banking activities of \$1.1 million driven by lower originations

WBS 1Q18 Earnings | Non-interest Expense

(\$ in thousands)

Maintaining discipline while investing for growth

	1Q18	Favorable / (Unfavorable)	
		4Q17	1Q17
Compensation and benefits	\$ 94,765	\$ (548)	\$ (7,266)
Technology and equipment	23,862	(1,044)	(2,254)
Occupancy	15,145	(1,612)	1,034
Deposit insurance	6,717	(769)	15
Marketing	3,552	(232)	1,889
Other	27,574	3,639	(1,249)
Total	\$ 171,615	\$ (566)	\$ (7,831)

Key Observations:

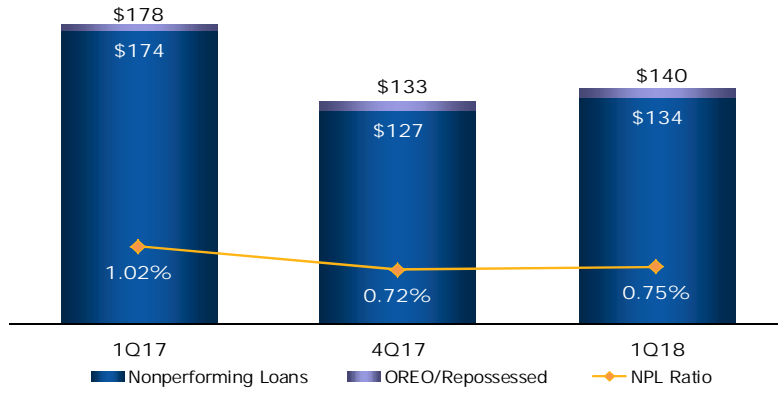
- ▀ \$0.6 million increase linked-quarter
 - ▶ Prior quarter included \$3.8 million preferred stock redemption costs and \$2.6 million for the one time cash bonus paid to employees
 - ▶ \$3.2 million increase in compensation due to seasonal increases in payroll taxes and other benefits
 - ▶ \$1.6 million increase in occupancy due to seasonal expenses
 - ▶ \$1.0 million increase in technology/equipment due to an increase in service contracts to support infrastructure

- ▀ \$7.8 million increase year-over-year
 - ▶ \$7.3 million increase in compensation and benefits related to strategic hires and annual merit
 - ▶ \$2.3 million increase in technology/equipment due to higher depreciation and service contracts to support infrastructure
 - ▶ \$1.9 million decrease in marketing due to lower advertising and promotion

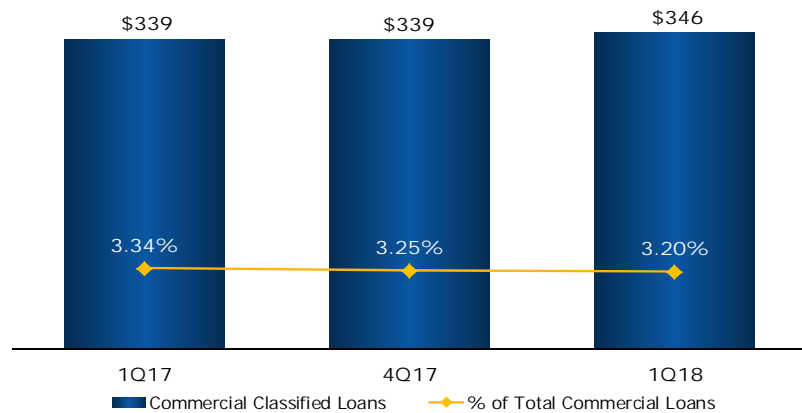
WBS 1Q18 Earnings | Key Asset Quality Metrics

(\$ in millions)

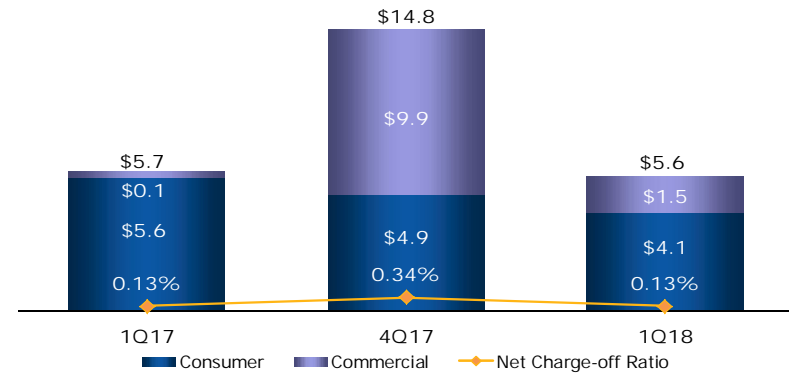
Nonperforming Loans, OREO, NPL Ratio



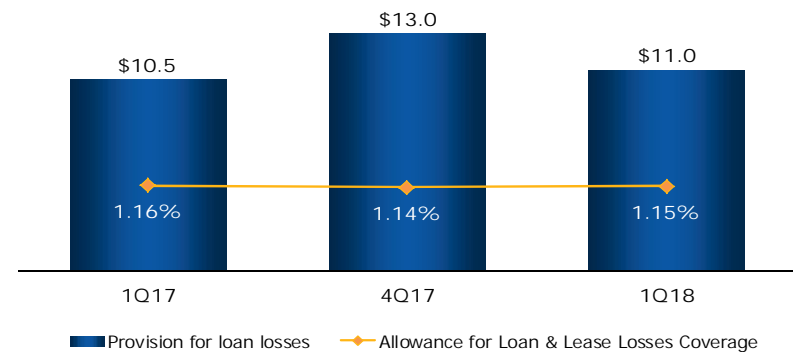
Commercial Classified Loans



Net Charge-offs



Provision for Loan Losses



WBS 1Q18 Earnings | 2018 Outlook Relative to 1Q18

Balance Sheet

Average Loans +1.5% to 2.5%

Average Earning Assets +1% to 2%

Net Interest Margin + 6 to 9 bps

Income Statement

Net Interest Income + \$7 to \$10 million

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

Efficiency Ratio < 60%

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

Tax Rate ~ 22%

Avg. Diluted Share Count Approx. 92.3 million

WBS 1Q18 Earnings | Concluding Comments

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

WBS 1Q18 Earnings | Non-GAAP – QTD

(\$ in thousands)

	1Q18	4Q17	1Q17
Efficiency Ratio			
Non-interest Expense	\$ 171,615	\$ 171,049	\$ 163,784
Equity Related One Time Costs	0	(3,823)	0
Cash Bonus to Employees	0	(2,584)	0
Severance and Facilities Optimization	0	301	(1,123)
Net Foreclosed (Expense) Income	(85)	97	(74)
Amortization of Intangibles	(962)	(977)	(1,055)
Non-interest Expense (net of above)	\$ 170,568	\$ 164,063	\$ 161,532
Net Interest Income Before Provision	\$ 214,168	\$ 204,932	\$ 192,664
FTE Adjustment	2,230	4,444	4,033
Non-interest Income	68,747	66,039	63,042
Other	295	421	391
Total Revenue (net of above)	\$ 285,440	\$ 275,836	\$ 260,130
Efficiency Ratio	59.76%	59.48%	62.10%
Tangible Common Equity Ratio			
Shareholders' equity	\$ 2,716,142	\$ 2,701,958	\$ 2,560,358
Less: Goodwill and other intangible assets	567,023	567,984	570,992
Tangible shareholders' equity	2,149,119	2,133,974	1,989,366
Less: Preferred stock	145,037	145,056	122,710
Tangible common shareholders' equity	\$ 2,004,082	\$ 1,988,918	\$ 1,866,656
Total assets	\$ 26,752,147	\$ 26,487,645	\$ 26,002,916
Less: Goodwill and other intangible assets	567,023	567,984	570,992
Tangible assets	\$ 26,185,124	\$ 25,919,661	\$ 25,431,924
Tangible Common Equity Ratio	7.65%	7.67%	7.34%

WBS 1Q18 Earnings | Non-GAAP – QTD continued

(\$ in thousands)

	1Q18	4Q17	1Q17
Tangible Book Value per Common Share			
Tangible common shareholders' equity	\$ 2,004,082	\$ 1,988,918	\$ 1,866,656
Common Shares Outstanding	92,016	92,101	92,154
Tangible Book Value per Common Share	21.78%	21.59%	20.26%
Return on Average Tangible Common Shareholders' Equity			
Average Shareholders' equity	\$ 2,722,591	\$ 2,675,733	\$ 2,559,354
Less: Average goodwill and other intangible assets	567,547	568,546	571,611
Average preferred stock	145,161	131,707	122,710
Average tangible common shareholders' equity	\$ 2,009,883	\$ 1,975,480	\$ 1,865,033
Net income	\$ 80,225	\$ 69,893	\$ 59,471
Less: Preferred stock dividends	1,947	2,112	2,024
Add: Intangible assets amortization, tax-effected	760	635	686
Income adjusted for preferred stock dividends and intangible assets amortization	79,038	68,416	58,133
Adjusted income, annualized basis	\$ 316,152	\$ 273,664	\$ 232,532
Return on Average Tangible Common Shareholders' Equity	15.73%	13.85%	12.47%

WBS 1Q18 Earnings

Forward-looking Statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “believes,” “anticipates,” “expects,” “intends,” “targeted,” “continue,” “remain,” “will,” “should,” “may,” “plans,” “estimates,” and similar references to future periods; however, such words are not the exclusive means of identifying such statements. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, and other financial items; (ii) statements of plans, objectives, and expectations of Webster or its management or Board of Directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Forward-looking statements are based on Webster’s current expectations and assumptions regarding its business, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Webster’s actual results may differ materially from those contemplated by the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. For more information about factors that could cause actual results to differ from those discussed in the forward-looking statements please refer to the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Any forward-looking statement made by the Company in this presentation speaks only as of the date on which it is made. Factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as may be required by law.

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This presentation contains both financial measures based on accounting principles generally accepted in the United States (“GAAP”) and non-GAAP based financial measures, which are used where management believes them to be helpful in understanding the Company’s results of operations or financial position. Reconciliations of these non-GAAP financial measures, to the most comparable GAAP measures are included in the Company’s earnings release available in the Investor Relations portion of the Company’s website at www.wbst.com. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. For additional information see reconciliation to GAAP financial measures presented in the Company’s Press Release.