



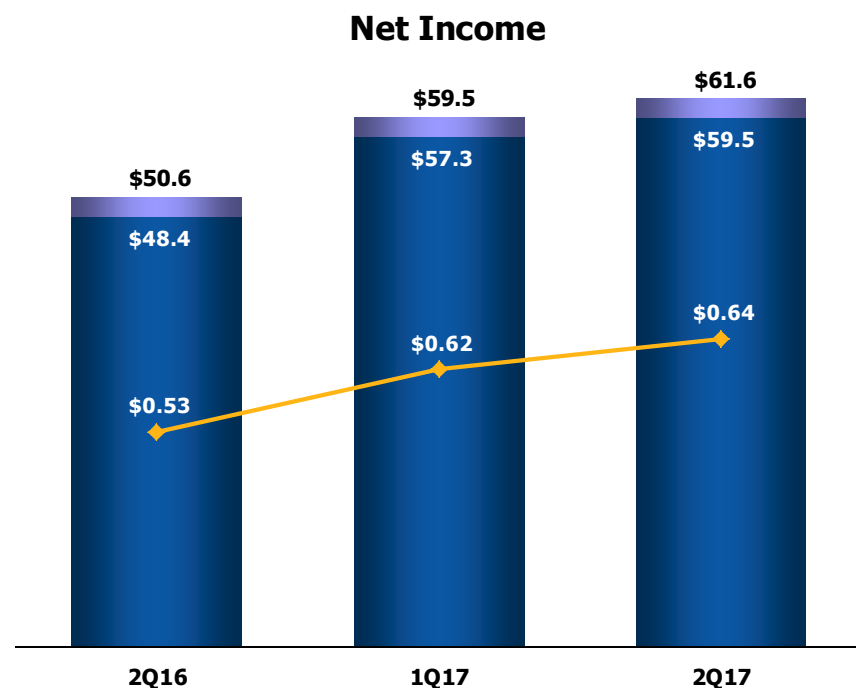
Webster
Financial Corporation

LIVING UP TO YOU™

Second Quarter 2017
Earnings Conference Call
July 21, 2017

WBS 2Q17 Earnings | Highlights

(\$ in millions, except EPS data)



■ Preferred Stock Dividends & Other of \$2.1MM in 2Q17, \$2.2MM in 1Q17 and \$2.2MM in 2Q16

■ Earnings Applicable to Common Shareholders

◆ Diluted earnings per common share

ROACE:

8.31%

9.43%

9.63%

ROATCE:

11.25%

12.47%

12.65%

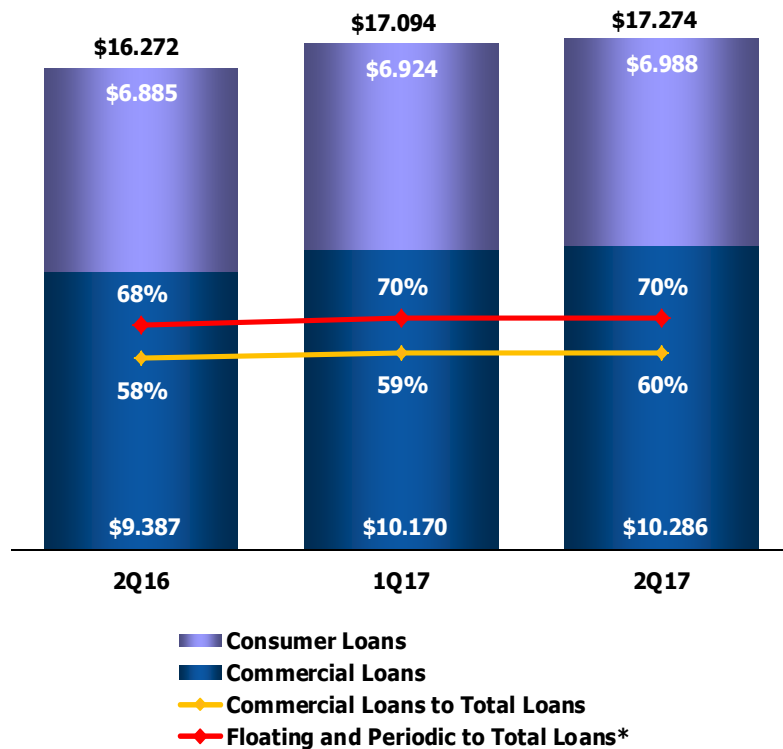
Key Observations:

- ▀ Return on average common shareholders' equity of 9.63%
- ▀ Return on average tangible common equity of 12.65%
- ▀ Continued progress on our growth strategies:
 - ▶ 20 consecutive quarters of double-digit year-over-year average commercial loan growth
 - ▶ HSA Bank year-over-year growth of 19.7% in total footings and account growth of 17.7%
 - ▶ 31 consecutive quarters of year-over-year revenue growth with total revenue of \$262 million (+8.4%)
- ▀ Efficiency ratio of 60.6% vs. 61.5% prior year
- ▀ Continued stable/improved credit performance
- ▀ Strong capital position to support ongoing growth

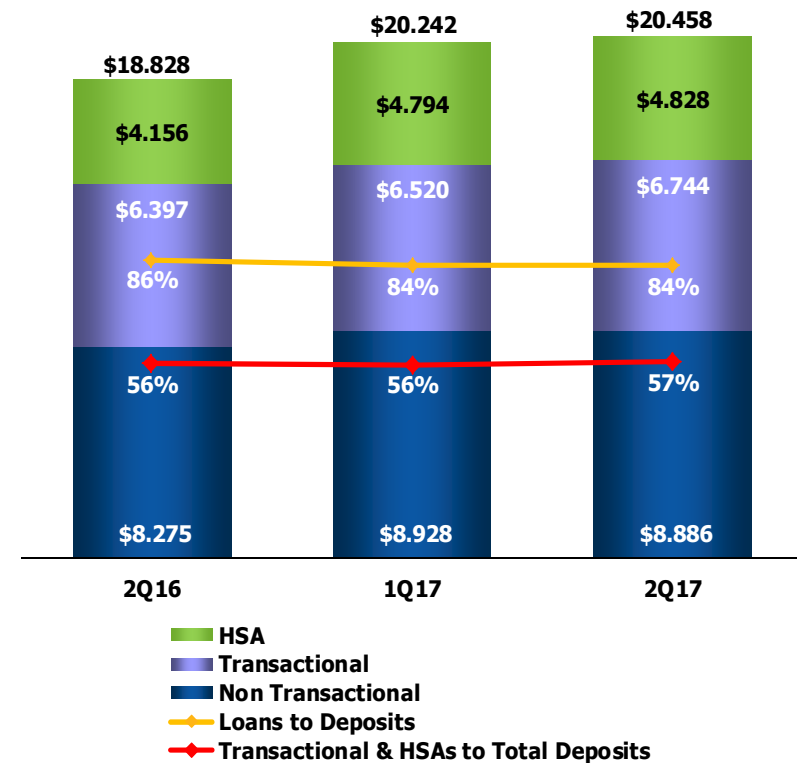
WBS 2Q17 Earnings | Loans & Deposits

(\$ in billions)

Loans: +6.2% YOY



Deposits: +8.7% YOY



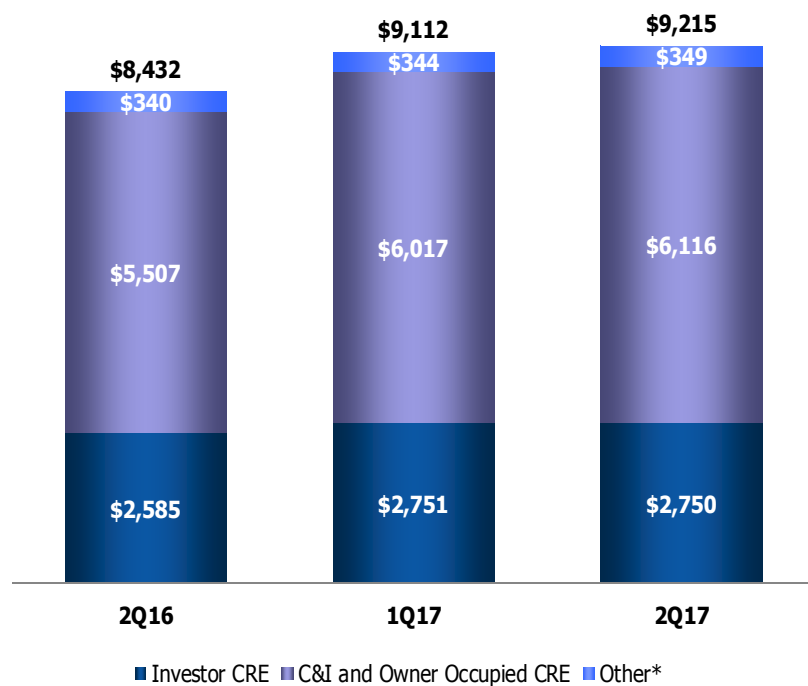
\$1 billion of loan growth over the past year, fully funded by HSA and transactional deposit growth

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

WBS 2Q17 Earnings | Commercial Banking¹

(\$ in millions)

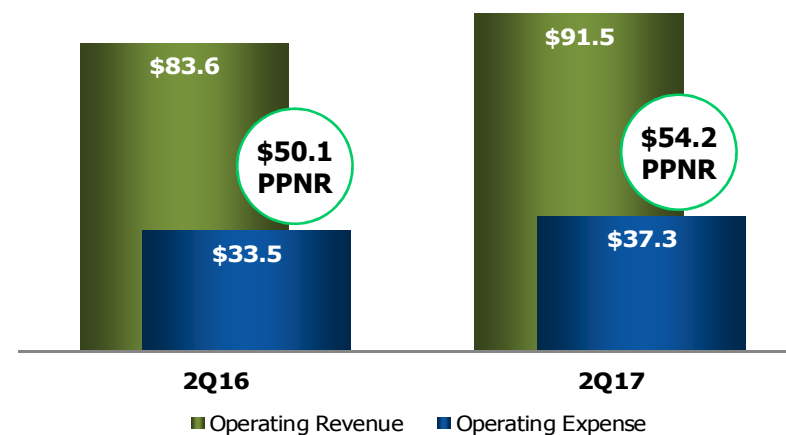
Loans: +9.3% YOY



Portfolio yield:

3.59% **3.95%** **4.04%**

PPNR: +8.1% YOY



Key Business Metrics

	2Q17	Increase / (Decrease)	
		1Q17	2Q16
Loan originations	\$ 894	\$ 179	\$ 29
Loan fundings	\$ 535	\$ (7)	\$ (78)
Yield on fundings	4.54%	-34 bps	+74 bps
Pipeline	\$ 259	\$ (83)	\$ (201)
Deposits	\$ 3,826	\$ (91)	\$ 353
Non-interest income / Total revenue	13.69%	-95 bps	-395 bps
AUM / AUA	\$ 1,900	\$ 45	\$ 90

¹ As of 2Q17, due to segment realignment, Private Banking results are now reflected in Commercial Banking

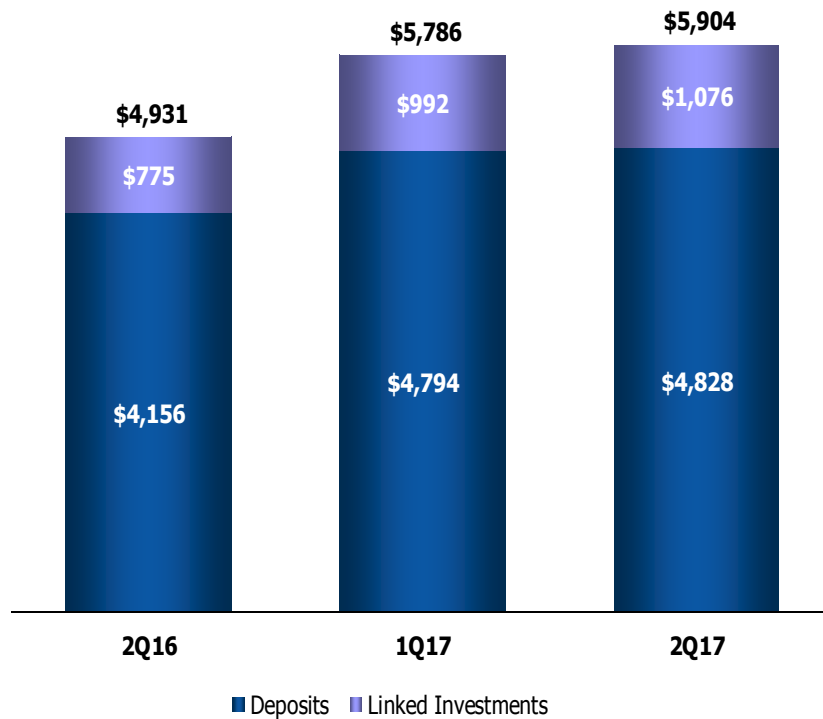
* Private Banking consumer loans

AUM =Assets Under Management AUA =Assets Under Administration

WBS 2Q17 Earnings | HSA Bank

(\$ in millions)

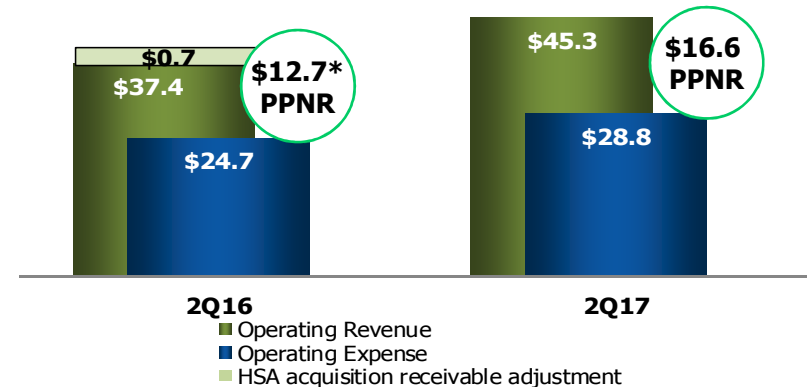
Total Footings: +19.7% YOY
Total Deposits: +16.2% YOY
Total Accounts: +17.7% YOY



Deposit Cost:

0.24% **0.20%** **0.20%**

PPNR: +30.2% YOY



Key Business Metrics

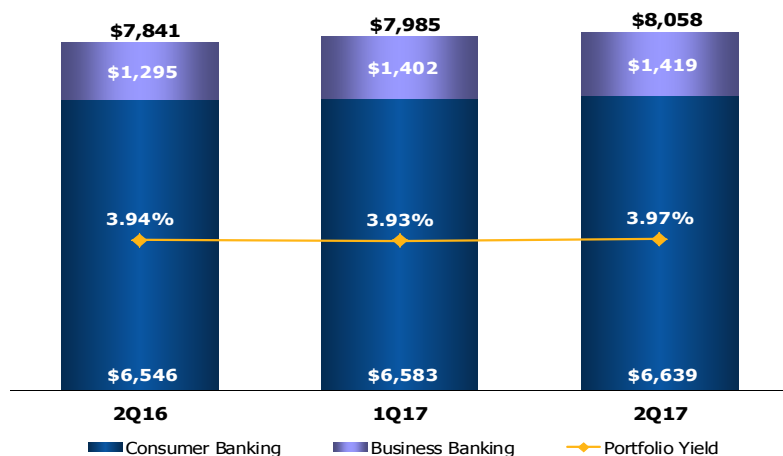
End of period	2Q17	Increase / (Decrease)	
		1Q17	2Q16
Accounts ('000)	2,368	4	356
% < 2 years old	54.51%	-438 bps	-469 bps
% of Unfunded accounts	6.20%	+39 bps	+401 bps
Footings per account	\$ 2,493	\$ 45	\$ 43
Investments as % of total footings	18.23%	+108 bps	+248 bps
New accounts ('000)	100	(271)	(16)
PPNR/avg. account	\$ 28.00	\$ 1.00	\$ 2.27

* 2Q16 PPNR excludes HSA acquisition receivable adjustment. Including adjustment, PPNR was \$13.4MM

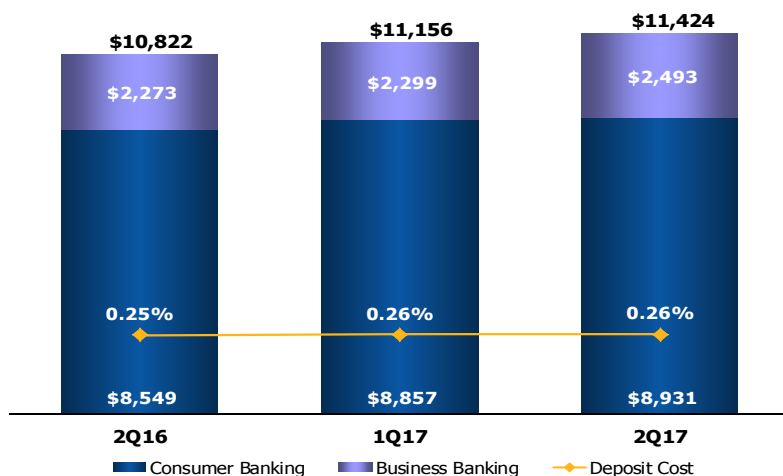
WBS 2Q17 Earnings | *Community Banking**

(\$ in millions)

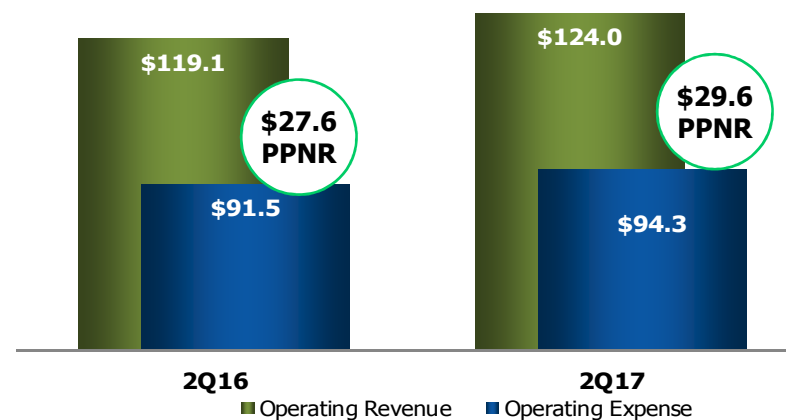
Loans: +2.8% YOY



Deposits: +5.6% YOY



PPNR: +7.2% YOY



Key Business Metrics

	2Q17	Increase / (Decrease)	
		1Q17	2Q16
Loan originations - Mortgage & Consumer	\$ 473	\$ 98	\$ 5
Loan originations - Business Banking	\$ 80	\$ (10)	\$ (10)
Yield on fundings	4.24%	+17 bps	+45 bps
Transaction deposits / Total deposits	39.09%	+32 bps	+44 bps
Digitally active households / Total households	45.60%	-20 bps	+210 bps
Self-service transactions / Total transactions	70.00%	0 bps	+80 bps
Assets Under Administration	\$ 3,159	\$ 81	\$ 346

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

WBS 2Q17 Earnings | Average Balance Sheet

(\$ in millions)

	2Q17	Increase / (Decrease)	
		1Q17	2Q16
Securities	\$ 7,030	\$ (41)	\$ 126
Commercial loans	\$ 10,306	\$ 207	\$ 1,107
Consumer loans	<u>6,960</u>	<u>17</u>	<u>80</u>
Total loans	\$ 17,266	\$ 224	\$ 1,187
Deposits	\$ 20,338	\$ 320	\$ 1,585
Borrowings	\$ 3,068	\$ (200)	\$ (556)
Common equity	\$ 2,475	\$ 38	\$ 137

Highlights:

LQ balances flat; duration of 4.1 years

Growth of 2.1% LQ (+8.2% annualized)

Continued growth in residential with partial offset in other consumer

Average loan growth of 1.3% LQ

LQ growth led by savings, HSA and interest checking

Excess deposits resulted in lower borrowings

2Q17 dividends of \$23.9 million

(At end of period)

Key Ratios:

Loans / total deposits	84.4%	-2 bps	-199 bps
Transactional & HSAs / total deposits	56.6%	+67 bps	+52 bps
Common Equity Tier 1	10.81%	+6 bps	+31 bps
Tangible Common Equity	7.47%	+13 bps	+22 bps
Tangible book value per common share	\$ 20.74	\$ 0.48	\$ 1.33

Multiple deposit sources funding balance sheet growth

HSA's are 24% of total deposits vs. 22% a year ago

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

LQ increase reflects growth in tangible common equity (+10% annualized)

WBS 2Q17 Earnings | *Income Statement*

(\$ in millions)

	2Q17	Increase / (Decrease)	
		1Q17	2Q16
Net interest income	\$ 197.8	\$ 5.1	\$ 20.9
Total non-interest income	<u>64.6</u>	<u>1.5</u>	<u>(0.5)</u>
Total revenue	\$ 262.4	\$ 6.6	\$ 20.4
Less: Gain on securities (including write-downs)	0.0	(0.0)	(0.1)
Total non-interest expense	<u>\$ 164.4</u>	<u>\$ 0.6</u>	<u>\$ 11.6</u>
Pre-provision net revenue	\$ 98.0	\$ 6.0	\$ 8.8
Provision for loan losses	\$ 7.3	\$ (3.2)	\$ (6.7)
Reported pre-tax income	\$ 90.7	\$ 9.3	\$ 15.5
Reported net income	\$ 61.6	\$ 2.1	\$ 11.0
Tax Rate	32.1%	+510 bps	-60 bps
Efficiency Ratio (non-GAAP) ⁽¹⁾	60.65%	-145 bps	-82 bps

Highlights:

LQ increase driven by NIM expansion (5 bps) and average loan growth (+1.3%)

LQ increase reflects higher deposit service fees and mortgage revenue

Maintained discipline while investing for growth

Quarterly record

LQ decline reflects favorable credit trends and modest loan growth

Quarterly record

Prior period reflected additional tax benefits related to equity based compensation

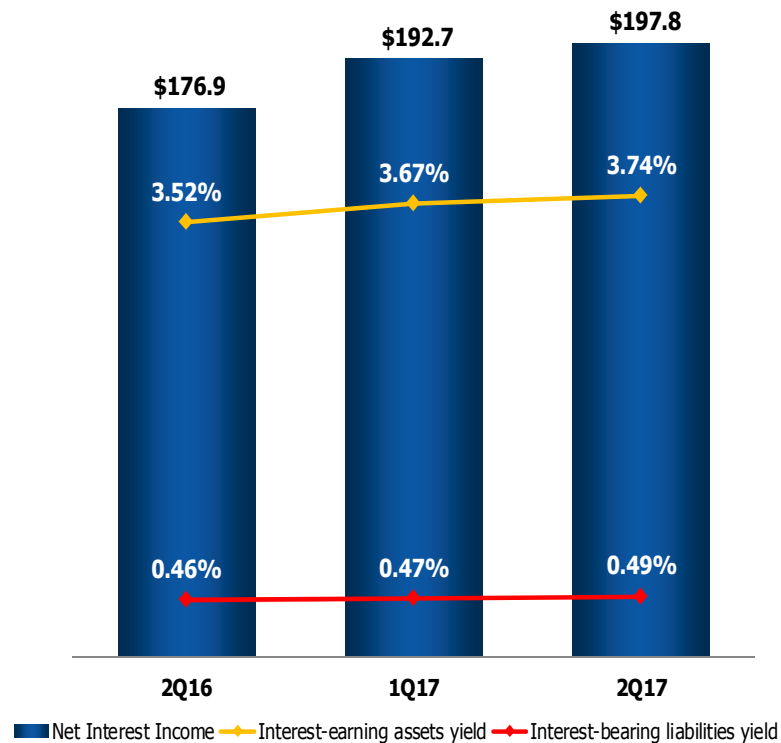
LQ improvement reflects revenue growth and flat expenses

¹ See reconciliation on page 15

WBS 2Q17 Earnings | *Net Interest Income*

(\$ in millions)

+11.8% YOY



NIM:

3.08%

3.22%

3.27%

Linked Quarter Drivers:

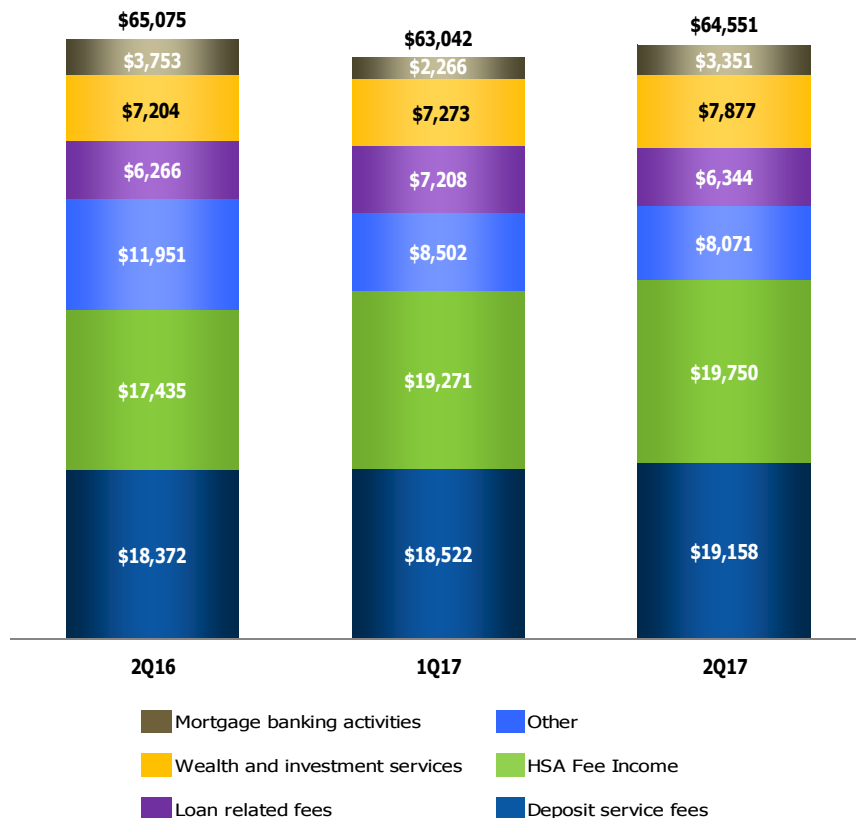
- ▀ NII: +\$5.1 million (non FTE)
 - \$6.6 million increase in interest on loans (yield up 7 bps to 4.04%)
 - \$0.6 million increase in interest on securities (yield up 6 bps to 3.06%)
 - Borrowing cost increased, as a result of short-term pay-downs, by \$1.4 million (yield up 19 bps to 1.85%)
 - \$1.2 million increase in interest on deposits (yield up 2 bps to 0.29%)

- ▀ NIM: +5 bps
 - +6 bps from loans
 - +2 bps from securities
 - -2 bps from borrowings
 - -1 bps from deposits

WBS 2Q17 Earnings | *Non-interest Income*

(\$ in thousands)

Diverse Sources



Key Observations:

- ▮ \$1.5 million increase linked-quarter
 - ▶ Increase in mortgage banking of \$1.1 million
 - ▶ Increase in wealth and investment of \$0.6 million due to higher production
 - ▶ Increase in HSA fee income of \$0.5 million driven by account growth
 - ▶ Decrease in loan related fees of \$0.9 million due to Q1 strength in syndication fees

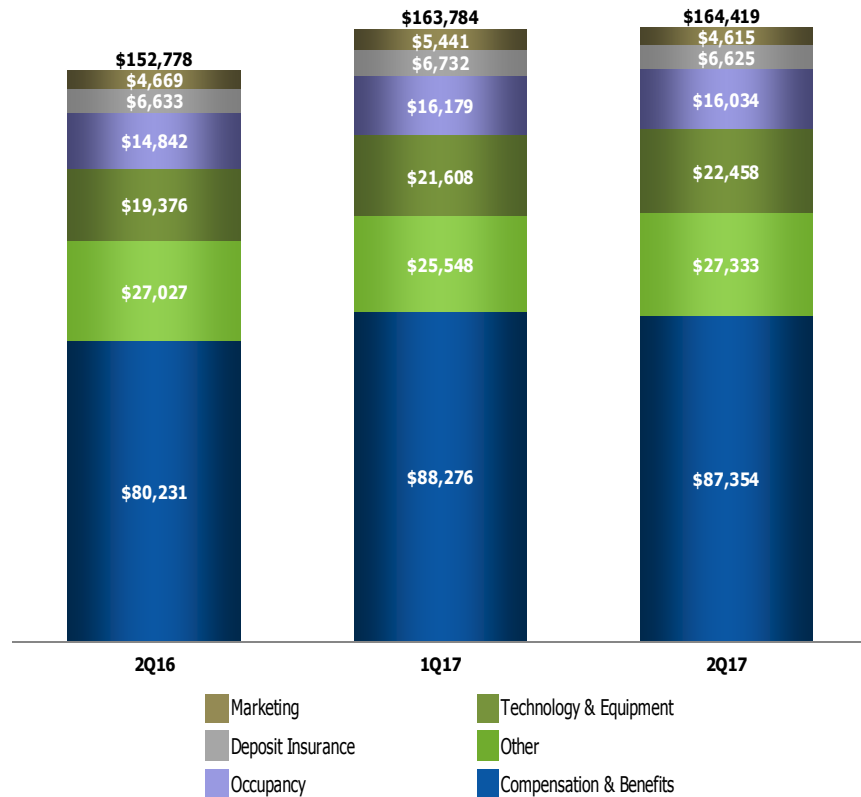
- ▮ \$0.5 million decrease year-over-year
 - ▶ Decrease in other of \$3.9 million primarily due to reduction in client hedging activity partially offset by increase in HSA fee income of \$2.3 million due to account growth

Note: Gains on securities were: 2Q17: \$0.0MM, 1Q17: \$0.0MM, and 2Q16: \$0.1MM

WBS 2Q17 Earnings | *Non-interest Expense*

(\$ in thousands)

Maintaining discipline while investing for growth



Key Observations:

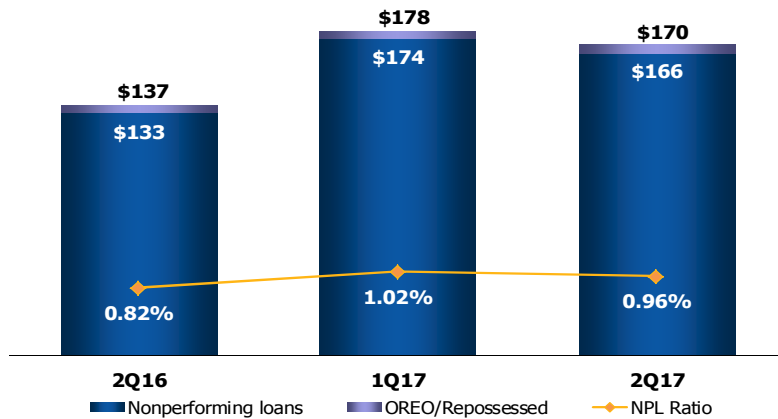
- ▀ \$0.6 million increase linked-quarter
 - \$0.4 million increase excluding banking center optimization costs in each period
 - Efficiency ratio improved to 60.6% from 62.1%

- ▀ \$11.6 million increase year-over-year
 - Increase in HSA Bank from growth and initiatives of \$4.5 million
 - Increase in compensation and benefits excluding HSA Bank of \$5.3 million from annual merit, higher medical, and strategic hires

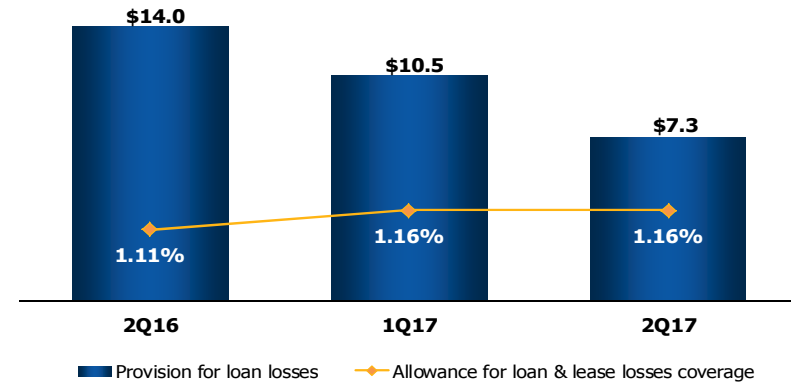
WBS 2Q17 Earnings | Key Asset Quality Metrics

(\$ in millions)

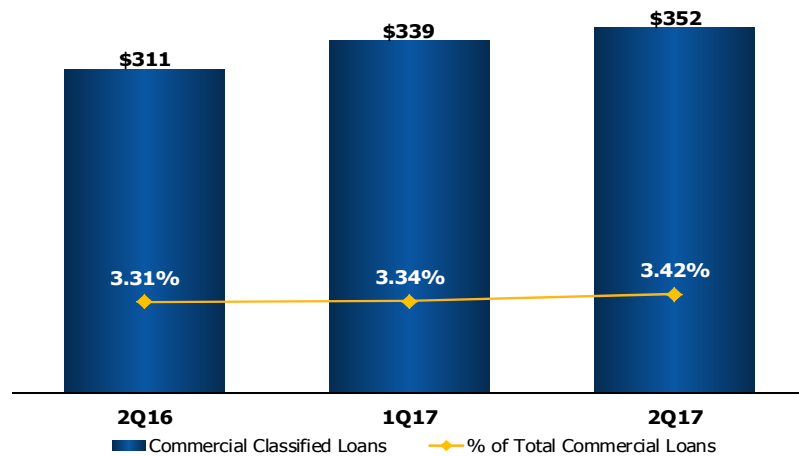
Nonperforming Loans, OREO, NPL Ratio



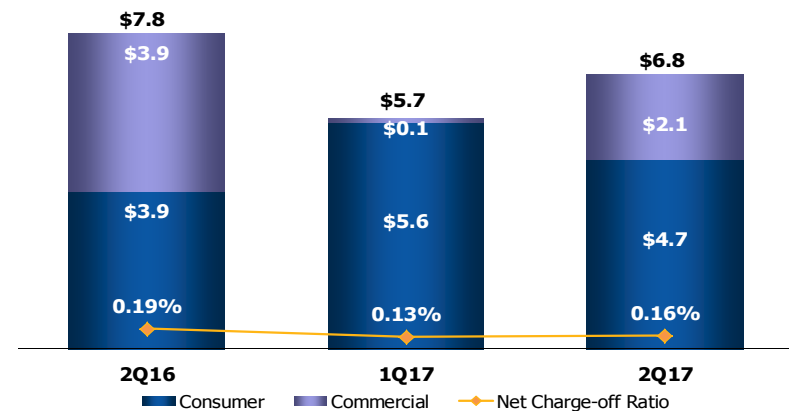
Provision for Loan Losses



Commercial Classified Loan Trend



Net Charge-offs



WBS 2Q17 Earnings | 3Q17 Outlook Relative to 2Q17

Balance Sheet

Average Loans + 1.5% to 2.5%

Average Earning Assets + 1%

Net Interest Margin Flat to + 2 bps

Income Statement

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

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

Efficiency Ratio 60% to 62%

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

Tax Rate Approx. 32%

Diluted Share Count Approx. 92.5 million

WBS 2Q17 Earnings | *Concluding Comments*

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

WBS 2Q17 Earnings | *Efficiency Ratio non-GAAP – QTD*

(\$ in thousands)

	2Q17	1Q17	2Q16
Non-interest Expense	\$ 164,419	\$ 163,784	\$ 152,778
Severance and Facilities Optimization	(1,587)	(1,123)	(260)
Net Foreclosed (Expense) Income	143	(74)	123
Amortization of Intangibles	(1,028)	(1,055)	(1,523)
Non-interest Expense (net of above)	<u>\$ 161,947</u>	<u>\$ 161,532</u>	<u>\$ 151,118</u>
Net Interest Income Before Provision	\$ 197,787	\$ 192,664	\$ 176,905
FTE Adjustment	4,136	4,033	3,282
Non-interest Income	64,551	63,042	65,075
Gain on Securities	0	0	(94)
Other	555	391	655
Total Revenue (net of above)	<u>\$ 267,029</u>	<u>\$ 260,130</u>	<u>\$ 245,823</u>
Efficiency Ratio	60.65%	62.10%	61.47%

WBS 2Q17 Earnings

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