WEBSTER FINANCIAL CORP
Form 10-K
February 27, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended December 31, 2014
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)
Registrant's telephone number, including area code: (203) 578-2202

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

Title of each class	Name of exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange
Depository Shares, Each Representing 1/1000th Interest in a Share of 6.40% Series E Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Warrants (Expiring November 21, 2018)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. þ Yes ¨ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes þ No
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. þ Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). þ Yes ¨ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting

company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule
12b-2). ¨ Yes þ No
The aggregate market value of common stock held by non-affiliates of Webster Financial Corporation was approximately $2.8 billion, based on the closing sale price of the common stock on the New York Stock Exchange on June 30, 2014, the last trading day of the registrant's most recently completed second quarter.
The number of shares of common stock, par value $.01 per share, outstanding as of January 30, 2015 was 90,523,288.
Documents Incorporated by Reference
Part III: Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 2015.

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PART 1
ITEM 1. BUSINESS
Forward-Looking Statements
This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For a discussion of forward-looking statements, see the section captioned "Forward-Looking Statements" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."
Company Overview
Webster Financial Corporation (collectively, with its consolidated subsidiaries, "Webster," the "Company," our company, we or us), is a bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended, headquartered in Waterbury, Connecticut and incorporated under the laws of Delaware in 1986. At December 31, 2014, Webster Financial Corporation's principal asset was all of the outstanding capital stock of Webster Bank, National Association ("Webster Bank"). Webster had assets of $22.5 billion and shareholders' equity of $2.3 billion at December 31, 2014. Webster's common stock is traded on the New York Stock Exchange under the symbol "WBS."
Webster, through Webster Bank and non-banking financial services subsidiaries, delivers financial services to individuals, families, and businesses primarily from New York, N.Y. to Boston, Mass. Webster Bank provides commercial, small business, and consumer banking, mortgage lending, financial planning, and trust and investment services through 164 banking centers, 314 ATMs, telephone banking, mobile banking, and online banking through www.websterbank.com. Webster Bank also offers equipment financing, commercial real estate lending, and asset-based lending across the Northeast and offers, through its HSA Bank division, health savings account trustee and administrative services on a nationwide basis.
The core of our company's value proposition is the service delivery model that comes to life through our brand promise, "Living Up to You," which encapsulates how our bankers build meaningful relationships with our customers through a deeper understanding of their lives beyond the bank. This value proposition is delivered by our bankers who are knowledgeable, are deeply committed to the communities that we serve, know their markets well, and make decisions at the local level. The Company operates with a local market orientation as a community-focused, values-guided regional bank. Operating objectives include acquiring and developing high value customer relationships through sales specialists, universal bankers, marketing, and cross-sale efforts to fuel organic growth and expand contiguously.
The Commercial Bank, which includes middle market, commercial real estate, equipment financing, asset-based lending, and treasury and payment solutions generated $2.9 billion in loan originations during the year ended December 31, 2014, an 18.4% increase from the prior year. For 2014, the Commercial Bank grew loans and transaction account balances by 16.5% and 34.0% respectively. The solid year-over-year growth reflects a number of strategic initiatives leveraging a relationship-based community model. Specifically, Webster deploys local decision making through Regional Presidents and capitalizes on the expertise of its Relationship Managers to offer a compelling value proposition to customers and prospects. Webster has successfully deployed this model throughout the footprint. The expansion into Metro New York in 2013 has been highly successful, attracting and developing critical market-facing talent and generating new profitable relationships. The Treasury and Payment Solutions group complements the relationship-based banking offered by the Commercial Bank by combining the cash management services with automated capabilities designed to effectively meet customers' cash management needs.
During 2014, the Company strategically reconfigured its approach to community banking with the goal of focusing primarily on customer preferences and what matters most to them. This process has brought together our consumer banking and business banking services and products, including deposits, investments, lending, and cash management services, under the umbrella of Community Banking. This strategic transformation incorporates comprehensive changes including increased focus on mass affluent consumers and businesses, banking center network optimization, and a build-out of an integrated omni-channel delivery focused on improving the customer experience. Strategic investments in the distribution infrastructure in response to meeting customers' changing preferences have lowered our service delivery costs while improving the customer experience as evidenced by receiving 'Best Online Banking in

New England' recognition from J.D. Power. The Company upgraded its mobile and online banking capabilities during 2014 and upgraded functionalities and service standards for our ATM machines. We believe that the shift to an electronic infrastructure provides customers with more convenience while giving banking center personnel greater opportunity to build broader, deeper relationships with customers across all lines of business. Driven by the investments in these channels, deposit taking through electronic, self-service channels increased by 14%, while transactions processed in banking centers decreased by 7% year over year.

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In 2014, Business Banking recorded year-over-year loan growth of 8.7% to $1.2 billion. Business transaction deposit balances also had year-over-year growth of 5.2% to $1.4 billion, or 73.9% of total business banking deposits. Personal Banking transaction deposit balances grew by 3.9% to $2.24 billion. Investment Assets under administration grew by 8.7% to $2.8 billion. A newly rolled out incentive plan for the banking center network drove increases in sales productivity by 11%, while increasing service productivity by 5% year over year. The relationship sales model resulted in increased point-of-sale and 90-day new customer cross-sale rates, and increased the number of products and services sold and provided across mass affluent households - a critical element of increasing profitability of the business. A focus on non-deposit related fees, such as cash management, interest rate derivative products, and credit cards, drove a 7% increase in Business Banking non-interest income year over year. This will continue to be a key area of ongoing focus.

The Private Bank continued its momentum while completing the strategic transformation of its business model. During 2014, Private Bank loans grew 15.6% and deposits increased by 2.6%, while assets under management declined by 16.5% as the result of asset outflows as a result of our model transformation. The Private Bank also completed its recruiting of experienced senior leadership talent in the areas of investment management, fiduciary services, and relationship management; successfully implemented a global portfolio management offering tailored to the changing needs of its client base; and launched a new initiative to streamline the approval and processing of loans to high net worth customers.

HSA Bank experienced a 19% increase in deposit balances and a 26.2% increase in accounts from the prior year. This growth was primarily driven by increased penetration into larger employer groups and direct relationships with health insurance carriers. Increased focus of these distribution channels resulted in a 25% increase in large employer groups (500+ employees) for 2014. In support of this focus, HSA Bank completed a platform upgrade in 2014 and added new products, such as health reimbursement accounts, flexible spending accounts, and commuter benefits, and capabilities such as mobile banking, bill pay and multi-purse cards. Branding and positioning were refreshed to reflect new capabilities, and resources were added to focus on the new products for insurance carriers and large employers. This work was instrumental in the successful bid to acquire the HSA portfolio of JPMorgan Chase Bank, N.A., which was announced on September 23, 2014 and closed on January 13, 2015. The acquisition adds approximately 785,000 accounts and $1.3 billion in deposits, further solidifying HSA Bank's position as a national leader in the financial health accounts space and significantly grows penetration with health insurance carriers and large employers. In 2015, HSA Bank will focus on the integration and conversion of the newly acquired portfolio and continued advancement of initiatives to optimize distribution channels and drive future revenue growth.

Segments

Webster's operations are managed along three reportable segments that represent its core businesses: Commercial Banking, Community Banking, and Other. Community Banking consists of the Personal Banking and Business Banking operating segments. Other consists of HSA Bank and the Private Banking operating segments. These segments reflect how executive management responsibilities are assigned by the chief operating decision maker for each of the core businesses, the products and services provided, and the type of customer served, and reflect how discrete financial information is currently evaluated. A description of each of the Company's segments is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and financial results for each of the Company's segments are included in Note 20 - Segment Reporting in the Notes to Consolidated Financial Statements included elsewhere within this report.

Competition

Webster is subject to strong competition from banks and other financial institutions, including savings and loan associations, finance companies, credit unions, consumer finance companies, and insurance companies. Certain of these competitors are larger financial institutions with substantially greater resources, lending limits, larger branch systems, and a wider array of commercial banking services than Webster. Competition could intensify in the future as a result of industry consolidation, the increasing availability of products and services from non-banks, greater technological developments in the industry, and continued bank regulatory reforms.

Webster faces substantial competition for deposits and loans throughout its market areas. The primary factors in competing for deposits are interest rates, personalized services, the quality and range of financial services,

convenience of office locations, automated services, and office hours. Competition for deposits comes primarily from other commercial banks, savings institutions, credit unions, mutual funds, and other investment alternatives. The primary factors in competing for commercial and business loans are interest rates, loan origination fees, the quality and range of lending services, and personalized service. Competition for origination of mortgage loans comes primarily from savings institutions, mortgage banking firms, mortgage brokers, other commercial banks, and insurance companies. Factors which affect competition include the general and local economic conditions, current interest rate levels, and volatility in the mortgage markets.

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Supervision and Regulation

Webster, Webster Bank, and certain of its non-banking subsidiaries are subject to extensive regulation under federal and state laws. The regulatory framework applicable to bank holding companies and their subsidiary banks is intended to protect depositors, federal deposit insurance funds, consumers, and the banking system as a whole, and not necessarily investors in bank holding companies such as Webster.

Set forth below is a description of the significant elements of the laws and regulations applicable to Webster and its subsidiaries. The description that follows is qualified in its entirety by reference to the full text of the statutes, regulations, and policies that are described. Also, such statutes, regulations, and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies. A change in statutes, regulations, or regulatory policies applicable to Webster and its subsidiaries could have a material effect on the results of the Company.

Regulatory Agencies

Webster is a legal entity separate and distinct from Webster Bank and its other subsidiaries. As a bank holding company and a financial holding company, Webster is regulated under the Bank Holding Company Act of 1956, as amended (“BHC Act”), and is subject to inspection, examination, and supervision by the Federal Reserve Board ("FRB"). Webster is also under the jurisdiction of the United States Securities and Exchange Commission ("SEC") and is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. Webster's common stock is listed on the New York Stock Exchange (“NYSE”) under the trading symbol “WBS” and is subject to the rules of the NYSE for listed companies.

Webster Bank is organized as a national banking association under the National Bank Act. It is subject to broad regulation and examination by the Office of the Comptroller of the Currency (“OCC”) as its primary supervisory agency, as well as by the Federal Deposit Insurance Corporation (“FDIC”). As noted below, on July 21, 2011, supervision of compliance with federal consumer financial protection laws for Webster and Webster Bank was transferred to the Bureau of Consumer Financial Protection (“CFPB”). Webster and Webster Bank may also be subject to increased scrutiny and enforcement efforts by state attorneys general in regard to state consumer protection laws.

Webster Bank's deposits are insured by the FDIC, subject to FDIC guidelines.

The Company's non-bank subsidiary is also subject to regulation by the FRB and other federal and state agencies. Other non-bank subsidiaries are subject to both federal and state laws and regulations.

Bank Holding Company Regulation

In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks, and other activities that the FRB has determined to be so closely related to banking as to be a proper incident thereto. Bank holding companies that are financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity that is either (i) financial in nature or incidental to such financial activity (as determined by the FRB in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity, and that does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the FRB). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting, and making merchant banking investments.

If a bank holding company seeks to engage in the broader range of activities that are permitted under the BHC Act for financial holding companies, (i) all of its depository institution subsidiaries, and the holding company must be “well capitalized” and “well managed,” as defined in the FRB's Regulation Y, and (ii) it must file a declaration with the FRB that it elects to be a “financial holding company.”

In order for a financial holding company to commence any activity that is financial in nature, incidental thereto, or complementary to a financial activity, or to acquire a company engaged in any such activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least “satisfactory” in its most recent examination under the Community Reinvestment Act ("CRA"). See the section captioned “Community Reinvestment Act and Fair Lending Laws” included elsewhere in this item.

The BHC Act generally limits acquisitions by bank holding companies that are not qualified as financial holding companies to commercial banks and companies engaged in activities that the FRB has determined to be so closely

related to banking as to be a proper incident thereto. Financial holding companies like Webster are also permitted to acquire control of non-depository institution companies engaged in activities that are financial in nature and in activities that are incidental and complementary to financial activities without prior FRB approval. However, the BHC Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), requires prior written approval from the Federal Reserve or prior written notice to the Federal Reserve before a financial holding company may acquire control of a company with consolidated assets of $10 billion or more.

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The BHC Act, the Bank Merger Act, and other federal and state statutes regulate acquisitions of commercial banks. The BHC Act requires the prior approval of the FRB for the direct or indirect acquisition of 5% or more of the voting shares of a commercial bank or its parent holding company. Under the Bank Merger Act, the prior approval of the OCC is required for a national bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing applications seeking approval of merger and acquisition transactions, the federal banking agencies will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the applicant's performance record under the CRA (see the section captioned "Community Reinvestment Act and Fair Lending Laws" included elsewhere in this item), and the effectiveness of the subject organizations in combating money laundering activities.

Regulatory Reforms

The past four years have resulted in a significant increase in regulation and regulatory oversight for U.S. financial services firms, primarily resulting from the Dodd-Frank Act. The Dodd-Frank Act is extensive, complicated, and comprehensive legislation that impacts practically all aspects of a banking organization and represents a significant overhaul of many aspects of the regulation of the financial services industry. The Dodd-Frank Act implements numerous and far-reaching changes that affect financial companies, including BHCs and banks such as Webster and Webster Bank, by, among other things:

- applying the same leverage and risk-based capital requirements that apply to insured depository institutions to most BHCs, savings and loan holding companies, and systemically important nonbank financial companies;
- centralizing responsibility for consumer financial protection by creating an independent agency, the CFPB, with responsibility for implementing, enforcing, and examining compliance with federal consumer financial laws;
- requiring any interchange transaction fee charged for a debit transaction be "reasonable" and proportional to the cost incurred by the issuer for the transaction, with new regulations that establish such fee standards, eliminate exclusivity arrangements between issuers and networks for debit card transactions, and limit restrictions on merchant discounting for use of certain payment forms and minimum or maximum amount thresholds as a condition for acceptance of credit cards;
- providing for the implementation of certain corporate governance provisions for all public companies concerning executive compensation;
- increasing the FDIC's deposit insurance limits permanently to $250,000 per depositor, per insured bank, for each account ownership category and changing the assessment base as well as increasing the reserve ratio for the Deposit Insurance Fund ("DIF") to ensure the future strength of the DIF; and
- reforming regulation of credit rating agencies.

Many of the provisions of the Dodd-Frank Act are subject to further rulemaking, guidance, and interpretation by the applicable federal banking agencies. Webster will continue to evaluate the impact of any new regulations so promulgated, including changes in regulatory costs and fees, modifications to consumer products or disclosures required by the CFPB, and the requirements of the enhanced supervision provisions, among others. Certain provisions of the Dodd-Frank Act applicable to Webster are discussed herein.

In July 2013, the FRB, the OCC, and the FDIC approved final rules (the "New Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee on Banking Supervision's (the "Basel Committee") December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to BHCs and their depository institution subsidiaries, including Webster and the Bank, as compared to the current U.S. general risk-based capital rules. The New Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel Committee's 1988 "Basel I" capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the New Capital Rules implement certain provisions of the Dodd-Frank Act, including the

requirements of Section 939A to remove references to credit ratings from the federal banking agencies' rules.
In October 2012, the FDIC, the OCC, and the FRB issued separate but similar Dodd-Frank Act-mandated final rules requiring covered banks and bank holding companies with $10 billion to $50 billion in total consolidated assets to conduct an annual company-run stress test. The Company and Webster Bank submitted stress test results to the Federal Reserve and OCC in March of 2014 as required by regulation. The Company and Webster Bank are not required to publicly disclose its results for the March 2014 submission. The Company and Webster Bank will submit their second year of stress test results by March 31, 2015. In addition, the Company and Webster Bank will publicly release their results of the Severely Adverse Scenario stress test between June 15, 2015 and June 30, 2015, as required by regulation.

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In February 2014, the FRB adopted a final rule on enhanced prudential requirements required by the Dodd-Frank Act. Although most of the enhanced prudential requirements only apply to bank holding companies with more than $50 billion in assets, the final rule, as directed by the Dodd-Frank Act, contains certain requirements that apply to bank holding companies with more than $10 billion in assets, including an annual company-run stress test requirement and a requirement to use a risk committee of the Company's board of directors for enterprise-wide risk management practices. Webster meets these requirements.

In June 2011, the FRB approved a final debit card interchange rule pursuant to the Dodd-Frank Act that would cap an issuer's base fee at 21 cents per transaction and allow an additional amount equal to 5 basis points of the transaction's value. The FRB separately issued a final rule in July 2012 that also allows a fraud-prevention adjustment of 1 cent per transaction conditioned upon an issuer developing, implementing, and updating reasonably designed fraud-prevention policies and procedures.

In April 2013, the SEC and the Commodity Futures Trading Commission (together, the “Commissions”) jointly issued final rules and guidelines to require certain regulated entities to establish programs to address risks of identity theft. The rules and guidelines implement provisions of the Dodd-Frank Act. These provisions amended Section 615(e) of the Fair Credit Reporting Act and directed the Commissions to adopt rules requiring entities that are subject to the Commissions’ jurisdiction to address identity theft in two ways. First, the rules require financial institutions and creditors to develop and implement a written identity theft prevention program that is designed to detect, prevent, and mitigate identity theft in connection with certain existing accounts or the opening of new accounts. The rules include guidelines to assist entities in the formulation and maintenance of programs that would satisfy the requirements of the rules. Second, the rules establish special requirements for any credit and debit card issuers that are subject to the Commissions’ jurisdiction, to assess the validity of notifications of changes of address under certain circumstances. Webster implemented an ID Theft Prevention Program, approved on April 25, 2013 by its Board of Directors, to address these requirements.

In December 2013, the federal banking agencies jointly adopted final rules implementing Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule. The Volcker Rule restricts the ability of banking entities, such as Webster, to engage in proprietary trading or to own, sponsor, or have certain relationships with hedge funds or private equity funds, defined as Covered Funds. The final rule definition of Covered Funds includes certain investments such as collateralized loan obligation (“CLO”) and collateralized debt obligation (“CDO”) securities. Compliance is generally required by July 21, 2017.

Title VII of the Dodd-Frank Act imposes a new set of requirements related to over-the-counter derivatives. Key provisions of Title VII of the Dodd-Frank Act are being implemented through Commodity Futures Trading Commission ("CFTC") rulemakings with respect to previously unregulated derivatives, including interest rate swaps. Among other things, the CFTC’s rules focus on swap dealers, major swap participants and commercial entities that enter into OTC derivatives transactions to hedge or mitigate risk. Under these new rules and CFTC guidance, end users are subject to a wide range of requirements including capital, margining, clearing, documentation, reporting, eligibility and business conduct requirements.

The Company has adopted and complies with all aspects of the Title VII regulation that impact derivative activities including interest rate risk hedges and its customer loan hedge program.

It is difficult to predict at this time the specific impact certain provisions and yet to be finalized rules and regulations will have on the Company, including any regulations promulgated by the CFPB. Financial reform legislation and rules could have adverse implications on the financial industry, the competitive environment, and our ability to conduct business. Management will apply resources to ensure compliance with all applicable provisions of the regulatory reform, including the Dodd-Frank Act and any implementing rules, which may increase our costs of operations and adversely impact our earnings.

Dividends

The principal source of Webster's liquidity is dividends from Webster Bank. The prior approval of the OCC is required if the total of all dividends declared by a national bank in any calendar year would exceed the sum of the bank's net income for that year and its undistributed net income for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits national banks from paying dividends that would be greater than the

bank's undivided profits after deducting statutory bad debt in excess of the bank's allowance for loan and lease losses. At December 31, 2014, there was $270.2 million of undistributed net income available for the payment of dividends by Webster Bank to the Company. Webster Bank paid the Company $100.0 million in dividends during the year ended December 31, 2014.

In addition, Webster and Webster Bank are subject to other regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine, under certain circumstances relating to the financial condition of a bank holding company or a bank, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. The appropriate banking agency authorities have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

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Federal Reserve System

FRB regulations require depository institutions to maintain reserves against their transaction accounts, primarily interest-bearing and regular checking accounts. Webster Bank's required reserves can be in the form of vault cash and, if vault cash does not fully satisfy the required reserves, in the form of a balance maintained with the Federal Reserve Bank of Boston. FRB regulations currently require that reserves be maintained against aggregate transaction accounts except for transaction accounts which are exempt up to $14.5 million. Transaction accounts greater than $14.5 million up to $103.6 million have a reserve requirement of 3%. A 10% reserve ratio will be assessed on transaction accounts in excess of $103.6 million. The FRB generally makes annual adjustments to the tiered reserves. Webster Bank is in compliance with these requirements.

As a member of the Federal Reserve System, the Bank is required to hold capital stock of the Federal Reserve Bank of Boston. The required shares may be adjusted up or down based on changes to Webster Bank's common stock and paid-in surplus. Webster Bank was in compliance with these requirements, with a total investment in Federal Reserve Bank of Boston stock of $50.7 million at December 31, 2014. The FRB paid an annual dividend of 6% in 2014.

Federal Home Loan Bank System

The Federal Home Loan Bank System provides a central credit facility for member institutions. Webster Bank is a member of the Federal Home Loan Bank of Boston (“FHLB”). The Bank is required to purchase and hold shares of capital stock in the FHLB in an amount equal to 0.35% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, up to a maximum of $25.0 million. The Bank is also required to hold shares of capital stock in the FHLB in amounts that vary from 3.0% to 4.5% of its advances, depending on the maturities of those advances. At December 31, 2014, the Bank had approximately $2.9 billion in FHLB advances. Webster Bank was in compliance with these requirements, with a total investment in FHLB stock of $142.6 million at December 31, 2014. On October 29, 2014, the FHLB declared a quarterly cash dividend equal to an annual yield of 1.49%.

Source of Strength Doctrine

FRB policy, now codified under the Dodd-Frank Act, requires bank holding companies to act as a source of financial strength to their subsidiary banks. As a result, Webster is expected to commit resources to support Webster Bank, including at times when Webster may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. The Federal bankruptcy code provides that, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

In addition, under the National Bank Act, if the capital stock of Webster Bank is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon Webster. If the assessment is not paid within three months, the OCC could order a sale of the Webster Bank stock held by Webster to make good the deficiency.

Capital Adequacy and Prompt Corrective Action

The New Capital Rules: (i) introduce a new capital measure called “Common Equity Tier 1” (“CET1”) and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and “Additional Tier 1 capital” instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations.

Under the New Capital Rules, for most banking organizations, including Webster, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock, and the most common forms of Tier 2 capital are subordinated notes and a portion of the allocation for loan and lease losses, in each case, subject to the New Capital Rules’ specific requirements.

Pursuant to the New Capital Rules, the minimum capital ratios effective January 1, 2015 are as follows:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;

- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (called "leverage ratio").

The New Capital Rules also introduce a new "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity, and other capital instrument repurchases and compensation based on the amount of the shortfall.

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Thus, when fully phased-in on January 1, 2019, the capital standards applicable to Webster will include an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing assets, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

In addition, under the current general risk-based capital rules, the effects of accumulated other comprehensive income or loss items included in shareholders' equity (for example, mark-to-market of securities held in the available-for-sale portfolio) under U.S. generally accepted accounting principles are reversed for the purposes of determining regulatory capital ratios. Pursuant to the New Capital Rules, the effects of certain of these items are not excluded; however, non-advanced approaches banking organizations, including the Company, may make a one-time permanent election to continue to exclude these items. The Company will make the one-time permanent election to continue to exclude these items concurrently with the first filing of certain of Webster's periodic regulatory reports in 2015. This election will not affect Webster's ability to meet all capital adequacy requirements to which it is subject.

The New Capital Rules also preclude certain hybrid securities, such as trust preferred securities, from inclusion in bank holding companies' Tier 1 capital, subject to phase-out in the case of bank holding companies, such as Webster, that had $15 billion or more in total consolidated assets as of December 31, 2009. As of December 31, 2014, the Company has $75.0 million of trust preferred securities included in the Tier 1 capital of Webster for regulatory reporting purposes pursuant to the Federal Reserve's capital adequacy guidelines. The New Capital Rules require the Company to phase out trust preferred securities from Tier 1 capital, beginning January 1, 2015. Excluding trust preferred securities from the Tier 1 capital will not affect Webster's ability to meet all capital adequacy requirements to which it is subject.

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased in over a 4-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

With respect to the Bank, the New Capital Rules revise the "prompt corrective action" ("PCA") regulations adopted pursuant to Section 38 of the Federal Deposit Insurance Act ("FDIA"), by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically under capitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The New Capital Rules do not change the total risk-based capital requirement for any PCA category.

The New Capital Rules prescribe a new standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes.

Management believes Webster will be in compliance with the targeted capital ratios upon implementation of the revised requirements, as finalized.

Transactions with Affiliates & Insiders

Under federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act ("FRA"). In a holding company context, at a minimum, the parent holding company of a bank, and any companies which are controlled by such parent holding company, are affiliates of the bank. Generally, sections 23A and 23B are intended to protect insured depository institutions from losses arising from transactions with

non-insured affiliates by limiting the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the bank in the aggregate, and requiring that such transactions be on terms consistent with safe and sound banking practices.

Further, Section 22(h) of the FRA restricts loans to directors, executive officers, and principal stockholders (“insiders”). Under Section 22(h), loans to insiders and their related interests may not exceed, together with all other outstanding loans to such persons and affiliated entities, the institution's total capital and surplus. Loans to insiders above specified amounts must receive the prior approval of the board of directors. Further, under Section 22(h), loans to directors, executive officers, and principal stockholders

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must be made on terms substantially the same as offered in comparable transactions to other persons, except that such insiders may receive preferential loans made under a benefit or compensation program that is widely available to the bank's employees and does not give preference to the insider over the employees. Section 22(g) of the FRA places additional limitations on loans to executive officers.

Consumer Protection and Financial Privacy Laws

The Company is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which constitutes part of the Dodd-Frank Act and establishes the CFPB, as described above.

On January 10, 2013, the CFPB issued a final rule implementing the ability-to-repay and qualified mortgage (QM) provisions of the Truth in Lending Act, as amended by the Dodd-Frank Act (the “QM Rule”). The ability-to-repay provision requires creditors to make reasonable, good faith determinations that borrowers are able to repay their mortgages before extending the credit based on a number of factors and consideration of financial information about the borrower from reasonably reliable third-party documents. Under the Dodd-Frank Act and the QM Rule, loans meeting the definition of “qualified mortgage” are entitled to a presumption that the lender satisfied the ability-to-repay requirements. The presumption is a conclusive presumption/safe harbor for prime loans meeting the QM requirements and a rebuttable presumption for higher-priced/subprime loans meeting the QM requirements. The definition of a “qualified mortgage” incorporates the statutory requirements, such as not allowing negative amortization or terms longer than 30 years. The QM Rule also adds an explicit maximum 43% debt-to-income ratio for borrowers if the loan is to meet the QM definition, though some mortgages that meet GSE, FHA, and VA underwriting guidelines may, for a period not to exceed seven years, meet the QM definition without being subject to the 43% debt-to-income limits. The QM Rule became effective on January 10, 2014.

In addition, federal law and certain state laws currently contain client privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose non-public information about consumers to affiliated companies and non-affiliated third parties. These rules require disclosure of privacy policies to clients and, in some circumstances, allow consumers to prevent disclosure of certain personal information to affiliates or non-affiliated third parties by means of "opt out" or "opt in" authorizations. Pursuant to the Gramm-Leach-Bliley Act ("GLBA") and certain state laws, companies are required to notify clients of security breaches resulting in unauthorized access to their personal information.

Depositor Preference

The FDIA provides that, in the event of the “liquidation or other resolution” of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Deposit Insurance

Substantially all of the deposits of Webster Bank are insured up to applicable limits by the DIF of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level and supervisory rating (“CAMELS rating”). The risk matrix utilizes four risk categories distinguished by capital levels and supervisory ratings.

In February 2011, the FDIC issued rules to implement changes to the deposit insurance assessment base and risk-based assessments mandated by the Dodd-Frank Act. The base for insurance assessments changed from domestic deposits to consolidated average assets less average tangible equity. Assessment rates are calculated using formulas that take into account the risk of the institution being assessed. The rule was effective April 1, 2011. On September 28, 2011, the FDIC issued notification to insured depository institutions that the transition guidance for reporting certain leveraged and subprime loans on the Call Report had been extended from October 1, 2011 to April 1, 2012. On

October 9, 2012, the FDIC finalized the definitions of "higher-risk" consumer and C&I loans and securities used under Large Bank Pricing of deposit insurance assessments adopted February 25, 2011 for banks with $10 billion or more of assets. The final rule, among other things, renames leveraged loans “higher-risk C&I loans and securities”; renames subprime consumer loans “higher-risk consumer loans”; clarifies when an asset must be identified as higher risk; and clarifies the way securitizations are identified as higher risk.

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The Bank's FDIC deposit insurance assessment expense totaled $22.7 million, $21.1 million, and $22.7 million for the years ended December 31, 2014, 2013, and 2012, respectively. FDIC insurance expense includes deposit insurance assessments and Financing Corporation ("FICO") assessments related to outstanding FICO bonds. FICO is a mixed-ownership government corporation established by the Competitive Equality Banking Act of 1987 whose sole purpose was to function as a financing vehicle for the now defunct Federal Savings & Loan Insurance Corporation. Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. Webster's management is not aware of any practice, condition, or violation that might lead to the termination of its deposit insurance.

Incentive Compensation

The Dodd-Frank Act requires publicly traded companies to give stockholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on so-called "golden parachute" payments in connection with approvals of mergers and acquisitions. At its 2011 Annual Meeting of Shareholders, Webster's shareholders voted on a non-binding, advisory basis to hold a non-binding, advisory vote on the compensation of named executive officers of Webster annually. As a result of the vote, the Board of Directors determined to hold the vote annually.

Community Reinvestment Act and Fair Lending Laws

Webster Bank has a responsibility under the Community Reinvestment Act of 1977 ("CRA") to help meet the credit needs of its communities, including low and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. In connection with its examination, the OCC assesses Webster Bank's record of compliance with the CRA. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit discrimination in lending practices on the basis of characteristics specified in those statutes. Webster Bank's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities and the activities of Webster. Webster Bank's failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions against it by the OCC, as well as other federal regulatory agencies, including the CFPB and the Department of Justice. The Bank's latest OCC CRA rating was "satisfactory."

USA PATRIOT Act

Under Title III of the USA PATRIOT Act, all financial institutions are required to take certain measures to identify their customers, prevent money laundering, monitor customer transactions, and report suspicious activity to U.S. law enforcement agencies. Financial institutions also are required to respond to requests for information from federal banking regulatory authorities and law enforcement agencies. Information sharing among financial institutions for the above purposes is encouraged by an exemption granted to complying financial institutions from the privacy provisions of the GLBA and other privacy laws. Financial institutions that hold correspondent accounts for foreign banks or provide private banking services to foreign individuals are required to take measures to avoid dealing with certain foreign individuals or entities, including foreign banks with profiles that raise money laundering concerns, and are prohibited from dealing with foreign "shell banks" and persons from jurisdictions of particular concern. The primary federal banking regulators and the Secretary of the Treasury have adopted regulations to implement several of these provisions. All financial institutions also are required to establish internal anti-money laundering programs. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act. Webster has in place a Bank Secrecy Act and USA PATRIOT Act compliance program and engages in very few transactions of any kind with foreign financial institutions or foreign persons.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals, and others. These are typically known as the "OFAC" rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC"). The OFAC-administered sanctions targeting countries take many different forms. Generally, they contain one or more of the following elements: i) restrictions on trade with or

investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (property and bank deposits) cannot be paid out, withdrawn, set off, or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

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Other Legislative Initiatives

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and/or depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of the Company. A change in statutes, regulations, or regulatory policies applicable to Webster or any of its subsidiaries could have a material effect on the business of the Company.

Risk Management Framework

Webster applies an integrated, forward-looking Enterprise Risk Management ("ERM") approach to identifying, assessing and managing risks across the Company. The ERM framework enables the aggregation of risk across the enterprise and ensures the Company has the tools, programs and processes in place to support informed decision making, anticipate risks before they materialize and maintain Webster's risk profile consistent with its risk strategy and appetite. Webster's risk appetite framework consists of a risk appetite statement supported by board and business-level scorecards for monitoring Webster's risk positions relative to its established risk appetite.

Key components of the ERM framework include a culture that promotes proactive risk management by all Webster bankers, a risk appetite framework consisting of a risk appetite statement and board and business-level scorecards for monitoring Webster's risk positions relative to its established risk appetite, and three lines of defense to manage and oversee risk. Bankers in each line of business serve as the first line of defense and have responsibility for identifying, managing and owning the risks in their businesses. Risk and other corporate support functions (e.g., Human Resource and Legal departments) serve as the second line of defense and are responsible for providing guidance, oversight and appropriate challenge to the first line of defense. Internal Audit and Credit Risk Review, both of which are independent of management, serve as the third line of defense.

The Risk Committee of the Board of Directors (“Risk Committee”), comprised of independent directors, oversees all Webster's risk-related matters and provides input and guidance to the Board of Directors and the Executive team, as appropriate. Webster's Enterprise Risk Management Committee (“ERMC”), which reports directly to the Risk Committee, is chaired by the Chief Risk Officer ("CRO") and is comprised of members of Webster's Executive Management Committee and Senior Risk Officers.

The CRO is responsible for establishing and maintaining the Company's ERM framework and overseeing credit risk, operational risk, compliance risk, and loan workout/recovery programs. The Corporate Treasurer, who reports to the Chief Financial Officer ("CFO"), is responsible for overseeing market, liquidity, and capital risk management activities.

Credit Risk

Webster manages and controls credit risk in its loan and investment portfolios through established underwriting practices, adherence to standards, and utilization of various portfolio and transaction monitoring tools and processes. Credit policies and underwriting guidelines provide limits on exposure and establish various other standards as deemed necessary and prudent. Additional approval requirements and reporting are implemented to ensure proper risk identification, decision rationale, risk ratings, and disclosure of policy exceptions.

Credit Risk Management policies and transaction approvals are managed under the supervision of the Chief Credit Officer (“CCO”) who reports to the CRO. The CCO and team of credit executives are independent of the loan production and Treasury areas. The credit risk function oversees the underwriting, approval and portfolio management process, establishes and ensures adherence to credit policies, and manages the collections and problem asset resolution activities.

As part of Credit Risk Management governance, Webster established a Credit Risk Management Committee ("CRMC") that meets regularly to review key credit risk topics, issues, and policies. The CRMC reviews Webster's credit risk scorecard, which covers key risk indicators and limits established as part of the Company's risk appetite

framework. The CRMC is chaired by the CCO and includes senior managers responsible for lending as well as senior managers from the Credit Risk Management function. Important findings regarding credit quality and trends within the loan and investment portfolios are regularly reported by the CCO to the ERMC and Risk Committee.

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In addition to the Credit Risk Management team, there is an independent Credit Risk Review function that assesses risk ratings and credit underwriting process for all areas of the organization that incur credit risk. The head of Credit Risk Review reports directly to the Risk Committee and administratively to the CRO. Credit Risk Review findings are reported to the CRMC, ERMC and Risk Committee. Corrective measures are monitored and tested to ensure risk issues are mitigated or resolved.

Market Risk

Market risk refers to the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, commodity prices, and other relevant market rates and prices, such as equity prices. The risk of loss is assessed from the perspective of adverse changes in fair values, cash flows, and future earnings. Due to the nature of its operations, Webster is primarily exposed to interest rate risk. Webster's interest rate sensitivity is monitored on an ongoing basis by its Asset and Liability Committee (“ALCO”). ALCO's primary goal is to manage interest rate risk to maximize earnings and net economic value in changing interest rate and business environments within risk appetite limits approved by the Board of Directors. ALCO is chaired by Webster's Corporate Treasurer and members include the CEO, CFO and CRO. ALCO activities and findings are regularly reported to the ERMC, Risk Committee and Board of Directors.

Liquidity Risk

Liquidity risk refers to the ability of Webster Bank to meet a demand for funds by converting assets into cash or cash equivalents and by increasing liabilities at acceptable costs. Liquidity management involves maintaining the ability to meet day-to-day and longer-term cash flow requirements of customers, whether they are depositors wishing to withdraw funds or borrowers requiring funds to meet their credit needs. Liquidity sources include the amount of unencumbered or “free” investment portfolio securities the Company owns.

The Company requires funds for dividends to shareholders, payment of debt obligations, repurchase of shares, potential acquisitions, and for general corporate purposes. Its sources of funds include dividends from Webster Bank, income from investment securities, the issuance of equity, and debt in the capital markets.

Both Webster Bank and the Company maintain a level of liquidity necessary to achieve their business objectives under both normal and stressed conditions. Liquidity risk is monitored and managed by ALCO and reviewed regularly with the ERMC, Risk Committee and Board of Directors.

Capital Risk

Webster aims to maintain adequate capital in both normal and stressed environments to support its business objectives and risk appetite. ALCO monitors regulatory and tangible capital levels according to regulatory requirements and management targets and recommends capital conservation, generation, and/or deployment strategies. ALCO also has responsibility for the annual capital plan, target setting, contingency planning and stress testing, which are all reviewed and approved by the Risk Committee and Board of Directors at least annually.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, such as fraud, cyber-attacks, or natural disasters.

The Operational Risk function is responsible for establishing processes and tools to identify, manage, and aggregate operational risk across the organization; providing guidance and advice on operational risk matters; and educating the organization on operational risks. Specific programs and functions have been implemented to manage the risks associated with legal and regulatory requirements, suppliers and other third-parties, information security, business disruption, fraud, models, and new products and services.

Webster's Operational Risk Management Committee ("ORMC"), which consists of Senior Risk Officers and senior managers responsible for operational risk management to periodically review the aforementioned programs, key operational risk trends, concerns, and mitigation best practices. The ORMC is co-chaired by the CRO and Director of Operating Risk Management, who is responsible for overseeing Webster's operational risk management framework.

Internal Audit

Internal Audit provides an independent and objective assessment of the design and execution of internal controls for all major business units and operations throughout Webster, including our management systems, risk governance, and policies and procedures. Internal Audit activities are designed to provide reasonable assurance that resources are

safeguarded; that significant financial, managerial and operating information is complete, accurate and reliable; and that employee actions comply with our policies and applicable laws and regulations.

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Results of Internal Audit reviews are reported to management and the Audit Committee of the Board of Directors. Corrective measures are monitored to ensure risk issues are mitigated or resolved. The General Auditor reports directly to the Audit Committee and administratively to the Chief Executive Officer. The appointment or replacement of the General Auditor is overseen by the Audit Committee.

Additional information on risks and uncertainties and additional factors that could affect the Company's results of operations can be found in Item 1A and elsewhere within this Form 10-K for the year ended December 31, 2014 and in other reports filed by Webster with the SEC.

Subsidiaries of Webster Financial Corporation

Webster’s direct subsidiaries as of December 31, 2014 included Webster Bank, Webster Wealth Advisors, Inc. (formerly, Fleming, Perry & Cox, Inc.), and Webster Licensing, LLC. Webster also owns all of the outstanding common stock of Webster Statutory Trust, an unconsolidated financial vehicle that has issued and may in the future issue trust preferred securities.

Webster Bank's direct subsidiaries include Webster Mortgage Investment Corporation, Webster Business Credit Corporation (“WBCC”), and Webster Capital Finance, Inc. (“WCF”). Webster Bank is the primary source of community banking activity within the consolidated group. Webster Bank provides banking services through 164 banking offices, 314 ATMs, telephone banking, mobile banking, and its Internet website. Residential mortgage origination activity is conducted through Webster Bank. Webster Mortgage Investment Corporation is a passive investment subsidiary whose primary function is to provide servicing on passive investments, such as residential real estate and commercial mortgage real estate loans acquired from Webster Bank. Various commercial lending products are provided through Webster Bank and its subsidiaries to clients within the region from New York, NY to Boston, MA. WBCC provides asset-based lending services. WCF provides equipment financing for end users of equipment. Additionally, Webster Bank has various other subsidiaries that are not significant to the consolidated group.

Employees

At December 31, 2014, Webster had 2,764 employees, including 2,693 full-time and 71 part-time and other employees. None of the employees were represented by a collective bargaining group. Webster maintains a comprehensive employee benefit program providing, among other benefits, group medical and dental insurance, life insurance, disability insurance, and an employee 401(k) retirement savings plan. Management considers relations with its employees to be good. See Note 18 - Pension and Other Postretirement Benefits in the Notes to Consolidated Financial Statements included elsewhere within this report for additional information on certain benefit programs.

Available Information

Webster makes available free of charge on its websites (www.websterbank.com or www.wbst.com) its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments, if any, to those documents filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as soon as practicable after it electronically files such material with, or furnishes it to, the SEC. Information on Webster’s website is not incorporated by reference into this report.

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ITEM 1A. RISK FACTORS

Our financial condition and results of operations are subject to various risks inherent in our business. The material risks and uncertainties that management believes affect us are described below. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could suffer. You should consider all of the following risks together with all of the other information in this Annual Report on Form 10-K.

Changes in interest rates and spreads could have an impact on earnings and results of operations which could have a negative impact on the value of our stock.

Our consolidated earnings and financial condition are dependent to a large degree upon net interest income, which is the difference between interest earned from loans and investments and interest paid on deposits and borrowings. The narrowing of interest rate spreads could adversely affect our earnings and financial condition. We cannot predict with certainty or control changes in interest rates. Regional and local economic conditions and the policies of regulatory authorities, including monetary policies of the Federal Reserve Board, affect interest income and interest expense. While we have ongoing policies and procedures designed to manage the risks associated with changes in market interest rates, changes in interest rates still may have an adverse effect on our profitability. For example, high interest rates could affect the amount of loans that we can originate because higher rates could cause customers to apply for fewer mortgages, or cause depositors to shift funds from accounts that have a comparatively lower cost to accounts with a higher cost, or experience customer attrition due to competitor pricing. If the cost of interest-bearing deposits increases at a rate greater than the yields on interest-earning assets increase, net interest income will be negatively affected. Changes in the asset and liability mix may also affect net interest income. Similarly, lower interest rates cause higher yielding assets to prepay and floating or adjustable rate assets to reset to lower rates. If we are not able to reduce our funding costs sufficiently, due to either competitive factors or the maturity schedule of existing liabilities, then our net interest margin will decline.

The possibility of the economy's return to recessionary conditions and the possibility of further turmoil or volatility in the financial markets would likely have an adverse effect on our business, financial position and results of operations.

We continue to face risks resulting from the aftermath of the severe recession generally and the moderate pace of the current recovery. A slowing or failure of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on us and on others in the financial services industry.

In particular, we may face the following risks in connection with the current economic and market environment:

- investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on our stock price and resulting market valuation;
- economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates;
- our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors;
- we could suffer decreases in customer desire to do business with us, whether as a result of a decreased demand for loans or other financial products and services or decreased deposits or other investments in accounts with us;
- competition in our industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions, or otherwise;
- we face increased regulation of our industry, and compliance with such regulation may increase our costs and limit our ability to pursue business opportunities; and
- we may be required to pay significantly higher FDIC deposit insurance premiums.

We are subject to extensive government regulation and supervision, which may interfere with our ability to conduct our business and may negatively impact our financial results.

We, primarily through Webster Bank and certain non-bank subsidiaries, are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, the Federal Deposit Insurance Fund and the safety and soundness of the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for

possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer, and/or limit the pricing we may charge on certain banking services, among other things. Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) has and will continue to change the current bank

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regulatory structure and affect the lending, investment, trading and operating activities of financial institutions and their holding companies. In addition to the self-implementing provisions of the statute, the Dodd-Frank Act calls for many administrative rulemakings by various federal agencies to implement various parts of the legislation, some of which have yet to be implemented. We cannot be certain when final rules affecting us will be issued through such rulemakings and what the specific content of such rules will be. The financial reform legislation and any implementing rules that are ultimately issued could have adverse implications on the financial industry, the competitive environment, and our ability to conduct business. We will have to apply resources to ensure that we are in compliance with all applicable provisions of the Dodd-Frank Act and any implementing rules, which may increase our costs of operations and adversely impact our earnings. Additionally, revised capital adequacy guidelines and prompt corrective action rules applicable to us became effective January 1, 2015. Compliance with these rules may impose additional costs on us.

Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations. While we have policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. See the section captioned “Supervision and Regulation” in Item 1 of this report for further information.

If all or a significant portion of the unrealized losses in our portfolio of investment securities were determined to be other-than-temporarily impaired, we would recognize a material charge to our earnings and our capital ratios would be adversely impacted.

When the fair value of a security declines, management must assess whether that decline is other-than-temporary. When management reviews whether a decline in fair value is other-than-temporary, it considers numerous factors, many of which involve significant judgment. No assurance can be provided that the amount of the unrealized losses will not increase.

To the extent that any portion of the unrealized losses in our portfolio of investment securities is determined to be other-than-temporarily impaired, we will recognize a charge to our earnings in the quarter during which such determination is made and our capital ratios will be adversely impacted. If any such charge is deemed significant, a rating agency might downgrade our credit rating or put us on a credit watch. A downgrade or a significant reduction in our capital ratios might adversely impact our ability to access the capital markets or might increase our cost of capital. Even if we do not determine that the unrealized losses associated with the investment portfolio require an impairment charge, increases in such unrealized losses adversely impact the tangible common equity ratio, which may adversely impact credit rating agency and investor sentiment. Any such negative perception also may adversely impact our ability to access the capital markets or might increase our cost of capital. See Note 2 - Investment Securities in the Notes to Consolidated Financial Statements included elsewhere within this report for additional information.

Our allowance for loan and lease losses may be insufficient.

Our business is subject to periodic fluctuations based on national and local economic conditions. These fluctuations are not predictable, cannot be controlled and may have a material adverse impact on our operations and financial condition. For example, declines in housing activity including declines in building permits, housing starts and home prices, may make it more difficult for our borrowers to sell their homes or refinance their debt. Sales may also slow, which could strain the resources of real estate developers and builders. We may suffer higher loan and lease losses as a result of these factors and the resulting impact on our borrowers. Recent economic uncertainty continues to affect employment levels and impact the ability of our borrowers to service their debt. Bank regulatory agencies also periodically review our allowance for loan and lease losses and may require an increase in the provision for loan and lease losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan and lease losses, we may need, depending on an analysis of the adequacy of the allowance for loan and lease losses, additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan and lease losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on our financial condition and results of operations.

Changes in local economic conditions could adversely affect our business.

A significant percentage of our mortgage loans are secured by real estate in the State of Connecticut. Our success depends in part upon economic conditions in this and our other geographic markets. Adverse changes in such local markets could reduce our growth in loans and deposits, impair our ability to collect our loans, increase problem loans and charges-offs, and otherwise negatively affect our performance and financial condition.

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Our stock price can be volatile.

Stock price volatility may negatively impact the price at which our common stock may be sold, and may also negatively impact the timing of any sale. Our stock price can fluctuate widely in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly operating results;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- new technology used, or services offered, by competitors;
- perceptions in the marketplace regarding us and/or our competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- additional investments from third parties;
- issuance of additional shares of stock;
- changes in government regulations; or
- geo-political conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes, credit loss trends or currency fluctuations, could also cause our stock price to decrease regardless of our operating results.

We operate in a highly competitive industry and market area. If we fail to compete effectively, our financial condition and results of operations may be materially adversely affected.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources than we do. Such competitors primarily include national, regional, and community banks within the various markets in which we operate. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities, underwriting, insurance (both agency and underwriting) and merchant banking. Regulations also impose restrictions and/or provide regulatory relief on the basis of asset size providing a potential advantage to smaller banking entities. Technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we do, as well as better pricing for those products and services.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets;
- the ability to expand market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

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The unsoundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated if the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect our business, financial condition or results of operations.

If the goodwill that we have recorded in connection with our acquisitions becomes impaired, it could have a negative impact on our profitability.

Applicable accounting standards require that the purchase method of accounting be used for all business combinations. Under purchase accounting, if the purchase price of an acquired company exceeds the fair value of the acquired company's net assets, the excess is carried on the acquirer's balance sheet as goodwill. A significant decline in our expected future cash flows, a continuing period of market disruption, market capitalization to book value deterioration, or slower growth rates may require the Company to record charges in the future related to the impairment of the Company's goodwill. There can be no assurance that future evaluations of goodwill will not result in findings of impairment and related write-downs. If we were to conclude that a future write-down of goodwill is necessary, the Company would record the appropriate charge, which may have a material adverse effect on our financial condition and results of operations. See Note 1 - Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements for further information.

We may not be able to attract and retain skilled people.

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities in which we engage can be intense and we may not be able to hire people or to retain them. Currently, we do not have employment agreements with any of our executive officers. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on the business because we would lose the employees' skills, knowledge of the market, and years of industry experience and may have difficulty promptly finding qualified replacement personnel.

We continually encounter technological change. The failure to understand and adapt to these changes could negatively impact our business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology can increase efficiency and enable financial institutions to better serve customers and to reduce costs. However, some new technologies needed to compete effectively result in incremental operating costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in operations. Many of our competitors, because of their larger size and available capital, have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Our controls and procedures may fail or be circumvented, which may result in a material adverse effect on our business.

Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are

met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

New lines of business or new products and services may subject us to additional risks. A failure to successfully manage these risks may have a material adverse effect on our business.

From time to time, we may implement new lines of business, offer new products and services within existing lines of business or shift our asset mix. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services and/or shifting asset mix, we may invest significant time and resources. Initial timetables for the introduction and development of new

lines of business and/or new products or services may not be achieved and price and profitability targets may not prove attainable. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and financial condition.

A failure or breach of our systems, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses, result in the misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

As a large financial institution, we depend on our ability to process, record, and monitor a large number of customer transactions, and customer, public and regulatory expectations regarding operational and information security have increased over time. Accordingly, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled as a result of a number of factors that may be wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; natural disasters; pandemics; events arising from political or social matters, including terrorist acts; and cyber attacks. Although we have business continuity plans and believe we have robust information security procedures and controls in place, disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices on which customers' personal information is stored and that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, which could materially adversely affect our results of operations or financial condition.

Third parties with whom we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened and as a result the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. As an additional layer of protection, we have purchased network and privacy liability risk insurance coverage which includes digital asset loss, business interruption loss, network security liability, privacy liability, network extortion and data breach coverage. As cyber threats continue to evolve, we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate any information security vulnerabilities.

We may not pay dividends if we are not able to receive dividends from our subsidiary, Webster Bank.

We are a separate and distinct legal entity from our banking and non-banking subsidiaries and depend on the payment of cash dividends from Webster Bank and our existing liquid assets as the principal sources of funds for paying cash dividends on our common stock. Unless we receive dividends from Webster Bank or choose to use our liquid assets, we may not be able to pay dividends. Webster Bank's ability to pay dividends is subject to its ability to earn net income and to meet certain regulatory requirements. See "Supervision and Regulation—Dividends" for a discussion of regulatory and other restrictions on dividend declarations.

We are exposed to risk of environmental liabilities with respect to properties to which we obtain title.

A large portion of our loan portfolio is secured by real estate. In the course of our business, we may foreclose and take title to real estate and could be subject to environmental liabilities with respect to these properties. We may be held liable to a government entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to clean up hazardous

or toxic substances, or chemical releases at a property. The costs associated with investigation and remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect our business, results of operations and prospects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Webster has no unresolved comments from the SEC staff.

ITEM 2. PROPERTIES

The Company's headquarters is located in Waterbury, CT. This facility houses the Company's executive and primary administrative offices, as well as the principal banking headquarters of Webster Bank.

At December 31, 2014, Webster Bank had 164 banking centers, as follows:

	Leased	Owned	Total
Connecticut	79	43	122
Massachusetts	8	13	21
Rhode Island	9	4	13
New York	8	—	8
Total Banking Centers	104	60	164

Lease expiration dates range from 1 to 73 years with renewal options of 1 to 25 years. For additional information regarding leases and rental payments, see Note 21 - Commitments and Contingencies in the Notes to Consolidated Financial Statements included elsewhere within this report.

The following subsidiaries and divisions maintain the following offices: Webster Private Banking is headquartered in Stamford, Connecticut with offices in Hartford, Connecticut; New Haven, Connecticut; Waterbury, Connecticut; Greenwich, Connecticut; Wilton, Connecticut; White Plains, New York; and Providence, Rhode Island. Webster Capital Finance is headquartered in Kensington, Connecticut. Webster Business Credit Corporation is headquartered in New York, New York with offices in Boston, Massachusetts; Radnor, Pennsylvania; New Milford, Connecticut; and Washington D.C. HSA Bank is headquartered in Sheboygan, Wisconsin with an office in Milwaukee, Wisconsin.

ITEM 3. LEGAL PROCEEDINGS

From time to time, Webster and its subsidiaries are subject to certain legal proceedings and claims in the ordinary course of business. Management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not be material to Webster or its consolidated financial position. Webster establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Legal proceedings are subject to inherent uncertainties, and unfavorable rulings could occur that could cause Webster to adjust its litigation reserves or could have, individually or in the aggregate, a material adverse effect on its business, financial condition, or operating results.

ITEM 4. MINE SAFETY DISCLOSURES

None

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Webster's common shares trade on the New York Stock Exchange under the symbol “WBS.”

The following table sets forth, for each quarter of 2014 and 2013, the high and low intra-day sales prices per share of Webster's common stock and the cash dividends declared per share:

2014	High	Low	Cash Dividends Declared
Fourth quarter	$33.32	$26.53	$0.20
Third quarter	32.49	27.77	0.20
Second quarter	31.91	28.21	0.20
First quarter	32.67	28.71	0.15

2013	High	Low	Cash Dividends Declared
Fourth quarter	$31.32	$24.64	$0.15
Third quarter	28.29	24.53	0.15
Second quarter	25.92	22.04	0.15
First quarter	24.67	20.81	0.10

On January 27, 2015, Webster’s Board of Directors declared a quarterly dividend of $0.20 per share.

On January 30, 2015, the closing market price of Webster common stock was $30.53; there were 7,007 shareholders of record as determined by Broadridge, the Company’s transfer agent and registrar; and there were 90,523,288 common shares outstanding.

Dividends

A primary source of liquidity for Webster Financial Corporation is dividend payments from Webster Bank. The Bank paid the Company $100 million in dividends during the year ended December 31, 2014.

The Bank’s ability to make dividend payments to the Company is subject to certain regulatory and other requirements. Under OCC regulations, subject to the Bank meeting applicable regulatory capital requirements before and after payment of dividends, the Bank may declare a dividend, without prior regulatory approval, limited to net income for the current year to date as of the declaration date, plus undistributed net income from the preceding two years. At December 31, 2014, Webster Bank was in compliance with all applicable minimum capital requirements, and there was $270.2 million of undistributed net income available for the payment of dividends by the Bank to the Company. Under the regulations, the OCC may grant specific approval permitting divergence from the requirements and also has the discretion to prohibit any otherwise permitted capital distribution on general safety and soundness grounds. In addition, the payment of dividends is subject to certain other restrictions, none of which is expected to limit any dividend policy that the Board of Directors may in the future decide to adopt.

If the capital of Webster is diminished by depreciation in the value of its property, by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, no dividends may be paid out of net profits until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets has been repaired. See the “Supervision and Regulation” section contained elsewhere within this report for additional information on dividends.

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Exchanges of Registered Securities

Registered securities are exchanged as part of employee and director stock compensation plans.

Recent Sale of Unregistered Securities

No unregistered securities were sold by Webster during the year ended December 31, 2014.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information with respect to any purchase of equity securities for Webster 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 December 31, 2014:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Maximum Dollar Amount Available for Repurchase Under the Plans or Programs (1)	Total Number of Warrants Purchased (2)	Average Price Paid Per Warrant
October 1-31, 2014	—	$ —	$39,258,677	300	$ 9.90
November 1-30, 2014	1,209	$ 32.08	$39,258,677	—	$ —
December 1-31, 2014	2,166	$ 31.93	$39,258,677	—	$ —
Total	3,375	$ 31.98	$39,258,677	300	$ 9.90

(1) The Company's current stock repurchase program authorized management to repurchase up to a maximum of $100 million of common stock and will remain in effect until fully utilized or until modified, superseded, or terminated. All 3,375 shares repurchased during the three months ended December 31, 2014 were purchased outside of the repurchase program, at market prices, to fund equity compensation plans.

(2) Warrants to purchase the Company's common stock at an exercise price of $18.28 per share, listed on the New York Stock Exchange under the symbol "WBS WS."

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Performance Graph

The performance graph compares Webster's cumulative shareholder return on its common stock over the last five fiscal years to the cumulative total return of the Standard & Poor's 500 Index ("S&P 500 Index") and the Keefe, Bruyette & Woods Regional Banking Index ("KRX"). KRX is used as the industry index because Webster believes it provides a representative comparison and appropriate benchmark against which to measure relative bank stock performance.

Total shareholder return is measured by dividing total dividends (assuming dividend reinvestment) for the measurement period plus share price change for a period by the share price at the beginning of the measurement period. Webster's cumulative shareholder return over a five-year period is based on an initial investment of $100 on December 31, 2009.

Comparison of Five Year Cumulative Total Return Among Webster, S&P 500 Index, KRX

	Period Ending					
Index	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Webster Financial Corporation	$ 100	$ 166	$ 174	$ 178	$ 276	$ 295
S&P 500 Index	$ 100	$ 115	$ 117	$ 136	$ 180	$ 205
KRX	$ 100	$ 120	$ 114	$ 129	$ 190	$ 195

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ITEM 6. SELECTED FINANCIAL DATA

	At or for the years ended December 31,				
(Dollars in thousands, except per share data)	2014	2013	2012	2011	2010
BALANCE SHEETS					
Total assets	$22,533,010	$20,852,999	$20,146,765	$18,714,340	$18,033,881
Loans and leases, net	13,740,761	12,547,203	11,851,567	10,991,917	10,696,532
Investment securities	6,666,828	6,465,652	6,243,689	5,848,491	5,486,229
Goodwill and other intangible assets, net	532,553	535,238	540,157	545,577	551,164
Deposits	15,651,605	14,854,420	14,530,835	13,656,025	13,608,785
Borrowings	4,336,424	3,612,448	3,238,048	2,969,904	2,442,319
Total equity	2,322,681	2,209,188	2,093,530	1,845,774	1,778,879
STATEMENTS OF INCOME					
Interest income	$718,941	$687,640	$693,502	$699,723	$708,647
Interest expense	90,500	90,912	114,594	135,955	171,376
Net interest income	628,441	596,728	578,908	563,768	537,271
Provision for loan and lease losses	37,250	33,500	21,500	22,500	115,000
Other non-interest income	197,754	197,615	189,411	175,018	185,270
Net impairment losses on securities recognized in earnings	(1,145)	(7,277)	—	—	(5,838)
Net unrealized (loss) gain on securities classified as trading	—	—	—	(1,799)	12,045
Net gain on sale of investment securities	5,499	712	3,347	3,823	9,748
Non-interest expense	502,138	498,059	501,804	510,976	538,974
Income from continuing operations before income tax expense	291,161	256,219	248,362	207,334	84,522
Income tax expense	91,409	76,670	74,665	57,951	12,358
Income from continuing operations	199,752	179,549	173,697	149,383	72,164
Income from discontinued operations, net of tax	—	—	—	1,995	94
Less: Net (loss) income attributable to non controlling interests	—	—	—	(1)	3
Preferred stock dividends	(10,556)	(10,803)	(2,460)	(3,286)	(18,086)
Accretion of preferred stock discount and gain on extinguishment	—	—	—	—	(6,830)
Net income available to common shareholders	$189,196	$168,746	$171,237	$148,093	$47,339
Per Share Data					
Weighted-average common shares—diluted	90,620	90,261	91,649	91,688	82,172
Net income per common share from continuing operations—basic	$2.10	$1.90	$1.96	$1.67	$0.60
Net income per common share—basic	2.10	1.90	1.96	1.69	0.60
Net income per common share from continuing operations—diluted	2.08	1.86	1.86	1.59	0.57
Net income per common share—diluted	2.08	1.86	1.86	1.61	0.57
Dividends declared per common share	0.75	0.55	0.35	0.16	0.04
Book value per common share	23.99	22.77	22.75	20.74	19.97
Tangible book value per common share	18.10	16.85	16.42	14.51	13.64
Key Performance Ratios					

Return on average assets (1)	0.93	% 0.89	% 0.90	% 0.84	% 0.40	%
Return on average common shareholders' equity	8.85	8.45	8.97	8.19	3.05	
Return on average tangible common shareholders' equity	11.90	11.77	12.80	12.04	5.11	
Net interest margin	3.21	3.26	3.32	3.47	3.36	
Efficiency ratio	59.30	60.36	62.78	65.13	66.73	
Tangible common equity ratio	7.45	7.49	7.15	7.00	6.80	
Non-interest income as a percentage of total revenue	24.33	24.25	24.98	23.90	27.25	
Average shareholders' equity to average assets	10.67	10.61	10.06	10.16	10.47	
Dividend payout ratio	35.71	28.95	17.86	9.47	6.67	
Asset Quality Ratios						
Allowance for loan and lease losses as a percentage of loans and leases	1.15	% 1.20	% 1.47	% 2.08	% 2.92	%
Net charge-offs as a percentage of average loans and leases	0.23	0.47	0.68	1.00	1.23	
Non-performing loans and leases as a percentage of loans and leases	0.95	1.28	1.62	1.68	2.48	
Non-performing assets as a percentage of loans and leases plus OREO	1.00	1.35	1.65	1.72	2.73	

(1) Calculated based on net income before preferred dividends.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of Webster Financial Corporation and the Notes thereto included elsewhere within this report (collectively, the "Consolidated Financial Statements").

Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). Forward-looking statements can be identified by words such as "believes," "anticipates," "expects," "intends," "targeted," "continue," "remain," "will," "should," "may," "plans," "estimates," and simila 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. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to: (i) local, regional, national and international economic conditions and the impact they may have on us and our customers and our assessment of that impact; (ii) volatility and disruption in national and international financial markets; (iii) government intervention in the U.S. financial system; (iv) changes in the level of non-performing assets and charge-offs; (v) changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements; (vi) adverse conditions in the securities markets that lead to impairment in the value of securities in our investment portfolio; (vii) inflation, interest rate, securities market and monetary fluctuations; (viii) the timely development and acceptance of new products and services and perceived overall value of these products and services by customers; (ix) changes in consumer spending, borrowings and savings habits; (x) technological changes and cyber-security matters; (xi) the ability to increase market share and control expenses; (xii) changes in the competitive environment among banks, financial holding companies and other financial services providers; (xiii) the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which we and our subsidiaries must comply, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the New Capital Rules; (xiv) the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters; (xv) the costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews; and (xvi) our success at managing the risks involved in the foregoing items. Any forward-looking statement made by the Company in this Annual Report on Form 10-K speaks only as of the date on which it pursuant to 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.

Critical Accounting Policies and Accounting Estimates

The Company follows accounting and reporting policies and procedures that conform, in all material respects, to U.S. generally accepted accounting principles and to practices generally applicable to the financial services industry, the most significant of which are described in Note 1 - Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements included elsewhere within this report. The preparation of Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make judgments and accounting estimates that affect the amounts reported for assets, liabilities, revenues and expenses in the Consolidated Financial Statements and accompanying notes, and amounts disclosed as contingent assets and

liabilities. While the Company bases estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

Accounting estimates are necessary in the application of certain accounting policies and procedures that are particularly susceptible to significant change. Critical accounting policies are defined as those that require the most complex or subjective judgment, are reflective of significant uncertainties, and could potentially result in materially different results under different assumptions and conditions. Management has identified the Company's most critical accounting policies and accounting estimates, which have been discussed with the appropriate committees of the Board of Directors, as follows:

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Allowance for Loan and Lease Losses

The allowance for loan and lease losses is a reserve established through a provision for credit losses charged to expense, which represents management's best estimation of probable losses that are inherent within the Company's portfolio of loans and leases as of the balance sheet date. The allowance for loan and lease losses is based on guidance provided in SEC Staff Accounting Bulletin No. 102, "Selected Loan Loss Allowance Methodology and Documentation Issues" and includes amounts calculated in accordance with Accounting Standards Codification ("ASC") Topic 310, "Receivables" and allowance allocation calculated in accordance with ASC Topic 450, "Contingencies."

The level of the allowance for loan and lease losses reflects management's judgment based on continuing evaluation of industry concentrations, specific credit risks, loss experience, current portfolio quality, present economic, political, and regulatory conditions and inherent risks not captured in quantitative modeling and methodologies, as well as trends therein. This allowance balance may be allocated for specific portfolio credits; however, the entire allowance balance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance for loan and lease losses is dependent upon a variety of factors beyond the Company's control, including performance of the Company's loan portfolio, the economy, changes in interest rates, and regulatory authorities altering their loan classification guidance.

Fair Value Measurements

The Company records certain assets and liabilities at fair value in the Consolidated Financial Statements. 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, as defined by applicable accounting guidance.

To increase consistency and comparability in fair value measures, management adheres to the three-level hierarchy established to prioritize the inputs used in valuation techniques, which consists of (i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date, (ii) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and (iii) unobservable data such as the Company's own data or single dealer non-binding pricing quotes. All assets and liabilities recorded at fair value are categorized both on a recurring and nonrecurring basis into the above three levels. At the end of each quarter, management assesses the valuation hierarchy for each asset or liability and, as a result, assets or liabilities may be transferred between hierarchy levels due to changes in availability of observable market inputs used to measure fair value at that measurement date.

When observable market prices are not available, fair value is estimated using modeling techniques such as discounted cash flow analysis. These modeling techniques utilize assumptions that market participants would use in pricing the asset or liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating the instrument's fair value. In addition, changes in legislation or regulatory environment could further impact these assumptions.

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The hierarchy level and valuation methodology for financial instruments measured at fair value on a recurring basis is at December 31, 2014:

Financial Instrument	Hierarchy	Valuation Methodology
Available for sale securities	Level 1	Consists of U.S. Treasury securities and equity securities which have quoted prices.
	Level 2	Consists of Agency CMOs, Agency MBS, Agency CMBS, Non-Agency CMBS, CLOs, corporate debt, single-issuer trust preferred securities, for which quoted market prices are not available. Management employs an independent pricing service that utilizes matrix pricing to calculate fair value. This fair value measurement considers observable data such as dealer quotes, dealer price indications, market spreads, credit information, and the respective terms and conditions for debt instruments. Procedures are in place to monitor assumptions and establish processes to challenge valuations received from pricing services that appear unusual or unexpected.
Derivative instruments	Level 1	Consists of Fed Funds futures contracts which have quoted prices.
	Level 2	Consists of interest rate swaps and mortgage banking derivatives. Management uses readily observable market parameters to value these contracts. Further, for interest rate swaps, Bloomberg models and third-party consultants are utilized.
Investments held in Rabbi Trust	Level 1	Consists primarily of 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 fund.
Alternative investments	Level 3	Webster records investments in private equity funds at cost or fair value based on ownership percentage in the fund. Ownership in investments less than 3% are recorded at cost and are subject to impairment testing. Equity investments that do not have a readily determinable fair value are recorded at cost and subject to impairment testing. Investment ownership in private equity funds greater than 3% are accounted for at fair value using a Net Asset Value (NAV) as a practical expedient to calculate fair value.

Credit-driven OTTI is monitored for pooled trust preferred securities due to the continued inactive market and illiquid nature in the entire capital structure of these CDO securities. An internal cash flow model is used to value these securities on a quarterly basis. The Company employs an internal CDO model for projection of future cash flows and discounting those cash flows to a net present value. Each underlying issuer in the pool is rated internally using the latest financial data on each institution, and future deferrals, defaults and losses are then estimated on the basis of continued stress in the financial markets. Further, all current and projected deferrals are not assumed to cure, and all current and projected defaults are assumed to have no recovery value. The resulting net cash flows are then discounted at current market levels for similar types of products that are actively trading. Management compares the amortized cost to the present value of expected cash flows adjusted for deferrals and defaults using the discount margin at the time of purchase to determine potential OTTI due to credit losses, which would be charged against earnings. Other factors that management considers include an analysis of excess subordination and temporary interest shortfall coverage. Additional interest deferrals, defaults, or ratings changes could result in further OTTI due to credit losses.
On December 10, 2013, Federal banking agencies jointly adopted final regulations to implement Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule. The Volcker Rule restricts the ability of banking entities to engage in proprietary trading or have an ownership interest in Covered Funds. The final rule definition of a Covered Fund includes investments such as certain CLO and CDO securities, in the available-for-sale portfolio, and alternative investments. The company will divest its Covered Fund investments in accordance with the conformance period defined in the Final Rule. As a result, OTTI is immediately triggered since it becomes more likely than not that the company would be required to divest of a security with a current unrealized loss before achieving full recovery of its

cost. Unlike credit-driven OTTI, when only the credit portion of the impairment is charged against earnings, a required divestiture situation results in a full write-down to market value in the current period. Therefore, the Company recognized OTTI of $1.1 million related to the CLO securities for the year ended December 31, 2014. Information regarding the fair value hierarchy levels and Volcker Rule impact are more fully described, along with additional information regarding fair value measurements, in Note 17 - Fair Value Measurements and Note 2 - Investment Securities in the Notes to Consolidated Financial Statements included elsewhere within this report.

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Goodwill Valuation

Goodwill represents the excess purchase price of businesses acquired over the fair value, at acquisition, of the identifiable net assets acquired and is assigned to specific reporting units. Goodwill is evaluated for impairment, at least annually, in accordance with ASC Topic 350, "Intangibles - Goodwill and Other." Quarterly, an assessment of potential triggering events is performed and should events or circumstances be present that, more likely than not, would reduce the fair value of a reporting unit below its carrying value, the Company would then evaluate: periods of market disruption; market capitalization to book value erosion; financial services industry-wide factors; geo-economic factors, and internally developed forecasts to determine if its recorded goodwill may be impaired. Goodwill is evaluated for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Discounted cash flow estimates, which include significant management assumptions relating to revenue growth rates, net interest margins, weighted-average cost of capital, and future economic and market conditions, are used to determine fair value under the two-step quantitative test. In “Step 1,” the fair value of a reporting unit is compared to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired, and it is not necessary to continue to “Step 2” of the impairment process. Otherwise, Step 2 is performed where the implied fair value of goodwill is compared to the carrying value of goodwill in the reporting unit. If a reporting unit's carrying value exceeds fair value, the difference is charged to non-interest expense.

During 2014, Webster performed its annual impairment test under Step 1 as of its elected measurement date of August 31. Subsequently, Webster elected to change prospectively the measurement date for its annual goodwill impairment test from August 31 to November 30 of each fiscal year beginning in 2015. In conjunction with this change, Webster performed a Step 1 impairment test at December 31, 2014. This change is not expected to result in the delay, acceleration, or avoidance of an impairment charge. Webster believes this timing is preferable as it better aligns the goodwill impairment test with the Company's strategic business planning process, which is a key component of the goodwill impairment test.

The valuation of goodwill involves estimates which require significant management judgment. Determining the fair value of a reporting unit involves several management estimates, including developing a discounted cash flow valuation model which utilizes variables such as revenue growth rates, expense trends, discount rates, and terminal values. Based upon an evaluation of key data and market factors, management selects from a range, the specific variables to be incorporated into the valuation model. Projected future cash flows are discounted using estimated rates based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and unsystematic risk and size premium adjustments specific to the reporting unit. The Company utilizes both an income approach and a market approach to arrive at an indicated fair value range for the reporting unit. The comparable company method is used to corroborate the income approach, giving an indication of the fair value of equity of the reporting units, by including small to mid-sized banks based in the Northeast with significant geographic or product line overlap to Webster and its reporting units.

At December 31, 2014, Webster calculated the following multiples for the selected comparable companies, as appropriate for each reporting unit: core deposit premium, equity value-to-tangible book value, equity value-to-revenue and price-to-earnings per share. The selected multiple ranges were based on a range of 90% to 110% of the median multiples, subject to an adjustment factor and a global factor calculated based on the quantitative and qualitative differences between the comparable companies and the reporting units. In this income approach used, the discount rate used for each reporting unit ranged from 8.5% to 11.3%. The long-term growth rate used in determining the terminal value of the reporting unit's cash flows was estimated at 4% and is based on management’s assessment of the minimum expected growth rate of each reporting unit as well as broader economic and regulatory considerations. In estimating the carrying value of each reporting unit, Webster also uses a methodology that is based upon Basel III asset risk weightings and fully allocates book capital to all assets and liabilities of each reporting unit. Capital is allocated to assets based on risk weightings and to funding liabilities based on an assessment of operational risk, collateral needs and residual leverage capital as appropriate.

There was no impairment indicated as a result of the Step 1 test performed as of December 31, 2014. The fair value of the Consumer Deposits, Business Banking, and Other reporting units where goodwill resides exceeded carrying value by 52.4%, 15.8%, and 910.2%, respectively.

With respect to sensitivity analysis related to the Business Banking unit, by which the fair value exceeded the carrying amount by approximately 16%, stressing (i) the discount rate up approximately 100 basis points or (ii) the projection of net income downward by approximately 10%, assuming no changes in any other variable, would result in the Company having to perform additional analysis under step 2.

Calculations around sensitivity are hypothetical and should not be considered to be predictive of future performance. Impacts to implied fair value based on adverse changes in assumptions should not be extrapolated as the relationship of change in assumption to the change in fair value may not be linear.

Income Taxes

In accordance with ASC Topic 740, "Income Taxes," certain aspects of accounting for income taxes require significant management judgment, including assessing the realizability of deferred tax assets and the resolution of uncertain tax positions. Such judgments are subjective and involve estimates and assumptions about matters that are inherently uncertain. Should actual factors and conditions differ materially from those used by management, the actual realization of deferred tax assets and resolution of uncertain tax positions could differ materially from the amounts recorded in the Consolidated Financial Statements.

Deferred tax assets generally represent items that can be used as a tax deduction or credit in future income tax returns and for which a financial statement tax benefit has been recognized. The realization of deferred tax assets depends upon future sources of taxable income and the existence of prior years' taxable income to which carry back refund claims could be made. Valuation allowances are established for those deferred tax assets determined not likely to be realized based on management's judgment.

Tax positions that are uncertain but meet a more likely than not recognition threshold are measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position meets the more likely than not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

Income taxes are more fully described in Note 7 - Income Taxes in the Notes to Consolidated Financial Statements included elsewhere within this report.

Defined Benefit Pension and Postretirement Benefits Plans

The determination of the obligation and expense for the defined benefit pension and postretirement benefits plans is dependent upon certain key assumptions used in calculating such amounts. Key assumptions used in the actuarial valuations include the discount rate, expected long-term rate of return on plan assets, and rates of increase in health care costs. Effective December 31, 2014, the mortality assumptions used in the pension liability assessment was updated to the RP-2014 table with the Mercer MMP-2007 mortality improvement projection scale applied generationally. Market-driven rates may fluctuate unexpectedly, and actual results would differ from the assumptions utilized for actuarial valuations. Significant differences in actual experience or significant changes in the key assumptions may materially affect the future defined benefit pension and postretirement benefits obligations and expense. The Company has a retirement plans committee which evaluates the key assumptions for the benefit plans annually. The discount rates used in the actuarial valuation of the defined benefit pension and postretirement benefits plans were calculated using the CitiGroup yield curve as of each measurement date. Trends in the key assumptions used in the actuarial valuations are more fully described in Note 18 - Pension and Other Postretirement Benefits in the Notes to Consolidated Financial Statements included elsewhere within this report.

Accounting Standards Updates

See Note 1 - Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements included elsewhere within this report for details of recently issued accounting pronouncements and their expected impact on the Company's financial statements.

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Results of Operations

Financial Performance

The Company achieved a record level of net income available to common shareholders of $189.2 million for the year ended December 31, 2014. The Company's operating efficiency continued to improve as evidenced by a decrease of 106 basis points in the efficiency ratio, record high levels of low cost deposits, continued total loan growth, steady improvement in credit quality, and continued strong capital ratios.

Income before income tax expense was $291.2 million for the year ended December 31, 2014, an increase of $34.9 million from $256.2 million for the year ended December 31, 2013.

The primary factors positively impacting income before tax expense include:

- interest income increased $31.3 million;
- impairment losses on securities decreased by $6.1 million;
- net gain on sale of investment securities increased $4.8 million;
- deposit service fees increased $4.5 million;
- loan related fees increased $1.4 million;
- interest expense decreased $0.4 million; and
- wealth and investment service fees increased $0.2 million.

The primary factors negatively impacting income from continuing operations include:

- income from mortgage banking activities decreased $12.3 million;
- non-interest expense increased $4.1 million; and
- provision for loan and lease losses increased $3.8 million.

The impact of the items outlined above, and the effect from income taxes of $91.4 million and $76.7 million, and preferred stock dividends of $10.6 million and $10.8 million for the years ended December 31, 2014 and 2013, respectively, resulted in net income available to common shareholders of $189.2 million for the year ended December 31, 2014 compared to $168.7 million for the year ended December 31, 2013. Diluted net income available to common shareholders was $2.08 and $1.86 per share for the years ended December 31, 2014 and 2013, respectively.

Net interest income increased $31.7 million to $628.4 million for the year ended December 31, 2014. Average total interest-earning assets increased by $1.2 billion, while the average yield decreased by 7 basis points in 2014 compared to 2013. Average total interest-bearing liabilities increased $1.1 billion, while the average cost decreased by 3 basis points in 2014 compared to 2013.

Credit quality improved as evidenced by improvement in asset quality ratios. Net charge-offs as a percentage of average loans and leases decreased to 0.23% for the year ended December 31, 2014 from 0.47% for the year ended December 31, 2013, and non-performing assets as a percentage of loans, leases and other real estate owned decreased to 1.00% at December 31, 2014 from 1.35% at December 31, 2013. The continued improvement in credit quality in 2014 resulted in a reduction in total past due and non-accrual loans at December 31, 2014 compared to December 31, 2013.

On April 21, 2014, the Company increased its quarterly cash dividend to common shareholders to $0.20 per common share from $0.15 per common share.

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Selected financial highlights are presented in the following table:

	At or for the years ended December 31,		
(In thousands, except per share and ratio data)	2014	2013	2012
Statement of Income:			
Net interest income	$628,441	$596,728	$578,908
Provision for loan and lease losses	37,250	33,500	21,500
Total non-interest income	202,108	191,050	192,758
Total non-interest expense	502,138	498,059	501,804
Net income	199,752	179,549	173,697
Net income available to common shareholders	189,196	168,746	171,237
Per Share Data:			
Weighted-average common shares - diluted [1]	90,620	90,261	91,649
Net income available to common shareholders per common share - diluted	$2.08	$1.86	$1.86
Dividends declared per common share	0.75	0.55	0.35
Dividends declared per Series A preferred share	85.00	85.00	85.00
Dividends declared per Series E preferred share	1,600.00	1,648.89	—
Book value per common share	23.99	22.77	22.75
Tangible book value per common share [3]	18.10	16.85	16.42
Selected Ratios:			
Tangible common equity ratio [3]	7.45 %	7.49 %	7.15 %
Tier 1 common equity to risk-weighted assets [3]	11.43	11.43	10.78
Net interest margin	3.21	3.26	3.32
Return on average assets [2]	0.93	0.89	0.90
Return on average common shareholders' equity	8.85	8.45	8.97
Return on average tangible common shareholders' equity [3]	11.90	11.77	12.80
Efficiency ratio [3]	59.30	60.36	62.78

(1) For the years ended December 31, 2014, 2013, and 2012, the effect of the Series A Preferred Stock on the computation of diluted earnings per share was anti-dilutive; therefore, the effect of this security was not included in the determination of diluted average shares.

(2) Based on net income before preferred dividend.

(3) The Company evaluates its business based on certain ratios that utilize tangible equity, a non-GAAP financial measure.

The efficiency ratio, which measures the costs expended to generate a dollar of revenue, is calculated excluding foreclosed property expense, amortization of intangibles, gain or loss on securities, and other non-recurring items. Accordingly, this is also a non-GAAP financial measure.

The Company believes the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Company. Other companies may define or calculate supplemental financial data differently.

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The following table reconciles the non-GAAP financial measures with financial measures defined by GAAP:

	At December 31,		
(Dollars and shares in thousands, except per share data)	2014	2013	2012
Tangible book value per common share (non-GAAP):			
Shareholders' equity (GAAP)	$2,322,681	$2,209,188	$2,093,530
Less: Preferred equity (GAAP)	151,649	151,649	151,649
Goodwill and other intangible assets (GAAP)	532,553	535,238	540,157
Tangible common equity (non-GAAP)	$1,638,479	$1,522,301	$1,401,724
Common shares outstanding	90,512	90,367	85,341
Tangible book value per common share (non-GAAP)	$18.10	$16.85	$16.42
Tangible common equity ratio (non-GAAP):			
Shareholders' equity (GAAP)	$2,322,681	$2,209,188	$2,093,530
Less: Preferred stock (GAAP)	151,649	151,649	151,649
Goodwill and other intangible assets (GAAP)	532,553	535,238	540,157
Tangible common shareholders' equity (non-GAAP)	$1,638,479	$1,522,301	$1,401,724
Total Assets (GAAP)	$22,533,010	$20,852,999	$20,146,765
Less: Goodwill and other intangible assets (GAAP)	532,553	535,238	540,157
Tangible assets (non-GAAP)	$22,000,457	$20,317,761	$19,606,608
Tangible common equity ratio (non-GAAP)	7.45 %	7.49 %	7.15 %
Tier 1 common equity to risk-weighted assets (non-GAAP):			
Shareholders' equity (GAAP)	$2,322,681	$2,209,188	$2,093,530
Less: Preferred equity (GAAP)	151,649	151,649	151,649
Goodwill and other intangible assets (GAAP)	532,553	535,238	540,157
Accumulated other comprehensive loss (GAAP)	(56,261)	(48,549)	(32,266)
Add back: DTL related to goodwill and other intangibles (regulatory)	9,886	10,145	11,380
Tier 1 common equity (regulatory)	$1,704,626	$1,580,995	$1,445,370
Risk-weighted assets (regulatory)	$14,908,139	$13,827,535	$13,409,363
Tier 1 common equity to risk-weighted assets (non-GAAP)	11.43 %	11.43 %	10.78 %

	For the years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Return on average tangible common shareholders' equity (non-GAAP):			
Net income available to common shareholders (GAAP)	$189,196	$168,746	$171,237
Intangible assets amortization, tax-affected at 35% (GAAP)	1,745	3,197	3,523
Net income adjusted for amortization of intangibles (non-GAAP)	$190,941	$171,943	$174,760
Average shareholders' equity (non-GAAP)	$2,289,565	$2,149,713	$1,946,580
Less: Average Preferred stock (non-GAAP)	151,649	151,649	38,335
Average Goodwill and other intangible assets (non-GAAP)	533,549	537,650	542,782
Average tangible common equity (non-GAAP)	$1,604,367	$1,460,414	$1,365,463
Return on average tangible common shareholders' equity (non-GAAP)	11.90 %	11.77 %	12.80 %
Efficiency ratio (non-GAAP):			
Non-interest expense (GAAP)	$502,138	$498,059	$501,804
Less: Foreclosed property expense (GAAP)	1,223	1,338	1,028
Intangible assets amortization (GAAP)	2,685	4,919	5,420

Other expense (non-GAAP)	1,732	4,354	3,762
Non-interest expense (non-GAAP)	$496,498	$487,448	$491,594
Net interest income (GAAP)	$628,441	$596,728	$578,908
Add back: FTE adjustment (non-GAAP)	11,124	13,221	14,751
Non-interest income (GAAP)	202,108	191,050	192,758
Less: Net gain on sale of investment securities (GAAP)	5,499	712	3,347
Impairment loss recognized in earnings (GAAP)	(1,145)	(7,277)	—
Income (non-GAAP)	$837,319	$807,564	$783,070
Efficiency ratio (non-GAAP)	59.30 %	60.36 %	62.78 %

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The following table summarizes the Company's daily average balances, interest, average yields and net interest margin on a fully tax-equivalent basis:

	Years ended December 31,								
	2014			2013			2012		
(Dollars in thousands)	Average Balance	Interest	Average Yields	Average Balance	Interest	Average Yields	Average Balance	Interest	Average Yields
Assets									
Interest-earning assets:									
Loans and leases	$13,275,340	$513,705	3.87 %	$12,235,821	$490,985	4.01 %	$11,525,233	$485,666	4.21 %
Securities [(1)]	6,446,799	210,721	3.28	6,268,889	204,287	3.28	6,100,219	216,513	3.58
Federal Home Loan and Federal Reserve Bank stock	168,036	4,719	2.81	158,233	3,437	2.17	143,074	3,508	2.45
Interest-bearing deposits	24,376	63	0.26	21,800	84	0.39	77,265	141	0.18
Loans held for sale	22,642	857	3.78	63,870	2,068	3.24	73,156	2,425	3.31
Total interest-earning assets	19,937,193	$730,065	3.67 %	18,748,613	$700,861	3.74 %	17,918,947	$708,253	3.96 %
Non-interest-earning assets	1,523,606			1,513,906			1,427,824		
Total assets	$21,460,799			$20,262,519			$19,346,771		
Liabilities and equity									
Interest-bearing liabilities:									
Demand deposits	$3,216,777	$—	— %	$2,939,324	$—	— %	$2,638,025	$—	— %
Savings, checking, & money market deposits	9,863,703	17,800	0.18	9,511,386	18,376	0.19	8,824,581	21,061	0.24
Time deposits	2,280,668	26,362	1.16	2,357,321	28,206	1.20	2,703,414	38,525	1.43
Total deposits	15,361,148	44,162	0.29	14,808,031	46,582	0.31	14,166,020	59,586	0.42
Securities sold under agreements to repurchase and other borrowings	1,353,308	19,388	1.43	1,228,002	20,800	1.69	1,207,623	21,034	1.74
Federal Home Loan Bank advances	2,038,749	16,909	0.83	1,652,471	16,229	0.98	1,389,999	16,943	1.22
Long-term debt	252,368	10,041	3.98	233,850	7,301	3.12	418,896	17,031	4.07
Total borrowings	3,644,425	46,338	1.27	3,114,323	44,330	1.42	3,016,518	55,008	1.82
Total interest-bearing liabilities	19,005,573	$90,500	0.48 %	17,922,354	$90,912	0.51 %	17,182,538	$114,594	0.67 %
Non-interest-bearing liabilities	165,661			190,452			217,653		
Total liabilities	19,171,234			18,112,806			17,400,191		
Preferred stock	151,649			151,649			38,335		
	2,137,916			1,998,064			1,908,245		

Common shareholders' equity			
Webster Financial Corporation shareholders' equity	2,289,565	2,149,713	1,946,580
Total liabilities and equity	$21,460,799	$20,262,519	$19,346,771
Tax-equivalent net interest income	639,565	609,949	593,659
Less: tax equivalent adjustments	(11,124)	(13,221)	(14,751)
Net interest income	$628,441	$596,728	$578,908
Net interest margin	3.21 %	3.26 %	3.32 %

(1) Daily average balances and yields of securities available for sale are based upon amortized cost.

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Net Interest Income

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 75.7% of total revenue for the year ended December 31, 2014. Net interest margin is the ratio of tax-equivalent net interest income to average earning assets for the period. The level of interest rates and the volume and mix of interest-earning assets and interest-bearing liabilities impact net interest income and net interest margin. Net interest income is affected by changes in interest rates, loan and deposit pricing strategies, competitive conditions, the volume and mix of interest-earning assets and interest-bearing liabilities, as well as the level of non-performing assets. Webster manages the risk of changes in interest rates on its net interest income through an Asset/Liability Management Committee ("ALCO") and through related interest rate risk monitoring and management policies. Four main tools are used for managing interest rate risk: (i) the size and duration and credit risk of the investment portfolio, (ii) the size and duration of the wholesale funding portfolio, (iii) off-balance sheet interest rate contracts, and (iv) the pricing and structure of loans and deposits. ALCO meets at least monthly to make decisions on the investment and funding portfolios based on the economic outlook, the Committee's interest rate expectations, the risk position, and other factors. See the "Asset/Liability Management and Market Risk" section for further discussion of Webster's interest rate risk position.

The table below describes the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have impacted interest income and interest expense during the periods indicated. Information is provided in each category with respect to the impact attributable to changes in volume (change in volume multiplied by prior rate), changes attributable to rates (change in rates multiplied by prior volume), and the total net change. The change attributable to the combined impact of volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

The following rate volume table is based upon reported net interest income:

	Years ended December 31, 2014 vs. 2013			Years ended December 31, 2013 vs. 2012		
	Increase (decrease) due to			Increase (decrease) due to		
(In thousands)	Rate	Volume	Total	Rate	Volume	Total
Interest on interest-earning assets:						
Loans and leases	$(17,804)	$40,044	$22,240	$(23,819)	$29,138	$5,319
Loans held for sale	300	(1,511)	(1,211)	(55)	(302)	(357)
Investments [1]	4,409	5,863	10,272	(15,118)	4,294	(10,824)
Total interest income	$(13,095)	$44,396	$31,301	$(38,992)	$33,130	$(5,862)
Interest on interest-bearing liabilities:						
Deposits	$(3,705)	$1,285	$(2,420)	$(15,601)	$2,597	$(13,004)
Borrowings	(4,996)	7,004	2,008	(12,411)	1,733	(10,678)
Total interest expense	$(8,701)	$8,289	$(412)	$(28,012)	$4,330	$(23,682)
Net change in net interest income	$(4,394)	$36,107	$31,713	$(10,980)	$28,800	$17,820

(1) Investments include; Securities, Federal Home Loan and Federal Reserve Bank stock, and Interest-bearing deposits

Net interest income totaled $628.4 million for the year ended December 31, 2014 compared to $596.7 million for the year ended December 31, 2013, an increase of $31.7 million. The increase in net interest income during the year was primarily related to an increase in average interest-earning assets, partially offset by an overall decline in reinvestment spreads on earning assets. Average interest-earning assets during the year ended December 31, 2014 increased $1.2 billion compared to the year ended December 31, 2013. The average yield on interest-earning assets decreased 7 basis points to 3.67% for the year ended December 31, 2014 from 3.74% for the year ended December 31, 2013. The average yield on interest-earning assets is primarily impacted by changes in market interest rates as well as changes in the volume and relative mix of interest-earning assets. The net interest margin decreased 5 basis points to 3.21% during the year ended December 31, 2014 from 3.26% for the year ended December 31, 2013. The decrease in net interest margin is due primarily to reinvestment of interest-earning assets at reduced spreads, partially offset by less

premium amortization on mortgage-backed securities. Market interest rates remained at historically low levels during the periods reported.

Average loans and leases increased $1.0 billion during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The loan and lease portfolio comprised 66.6% of the average interest-earning assets at December 31, 2014 as compared to 65.3% of the average interest-earning assets at December 31, 2013. The loan and lease portfolio yield decreased 14 basis points to 3.87% for the year ended December 31, 2014, compared to the loan and lease portfolio yield of 4.01% for the year ended December 31, 2013. The decrease in the yield on average loans and leases is due to the repayment of higher yielding loans and leases and the addition of lower yielding loans and leases in the current low interest rate environment.

Average investments increased $190.3 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The investments portfolio comprised 33.3% of the average interest-earning assets at December 31, 2014 as compared to 34.4% of the average interest-earnings assets at December 31, 2013. The investments portfolio yield increased 7 basis points to 3.11% for the year ended December 31, 2014 compared to the investments portfolio yield of 3.04% for the year ended December 31, 2013. The yield on average investments increased primarily due to larger Federal Home Loan Bank ("FHLB") holdings, paying an increased dividend rate.

Average total deposits increased $553.1 million during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase is due to a $277.4 million increase in non-interest-bearing deposits and an increase of $275.7 million in interest-bearing deposits. The average cost of deposits decreased 2 basis points to 0.29% for the year ended December 31, 2014 from 0.31% for the year ended December 31, 2013. The decrease in the average cost of deposits is the result of improved pricing on certain deposit products and product mix, as the proportion of higher costing certificates of deposit to total interest-bearing deposits decreased to 18.8% for the year ended December 31, 2014 from 19.9% for the year ended December 31, 2013.

Average total borrowings increased $530.1 million during the year ended December 31, 2014 compared to the year ended December 31, 2013. Borrowings increased as growth in loans and securities exceeded the growth in deposits and operating cash flows. Average securities sold under agreements to repurchase and other borrowings increased $125.3 million, and average FHLB advances increased $386.3 million. The $18.5 million increase in average long-term debt is due to the issuance of $150 million aggregate principal amount of senior notes in February 2014, ahead of a prior issuance that matured in April 2014. The average cost of borrowings decreased 15 basis points to 1.27% for the year ended December 31, 2014 from 1.42% for the year ended December 31, 2013. The decrease in average cost of borrowings is a result of a larger percentage of total borrowings for securities sold under agreements to repurchase and FHLB advances at lower rates.

Provision for Loan and Lease Losses

Management performs a quarterly review of the loan and lease portfolio to determine the adequacy of the allowance for loan and lease losses. At December 31, 2014, the allowance for loan and lease losses totaled $159.3 million, or 1.15% of total loans and leases, compared to $152.6 million, or 1.20% of total loans and leases, at December 31, 2013.

Several factors are considered when determining the level of the allowance for loan and lease losses, including loan growth, portfolio composition, portfolio risk profile, credit performance, changes in the levels of non-performing loans and leases and changes in the economic environment. These factors, coupled with net charge-offs during the period, impact the required level of the provision for loan and lease losses. For the year ended December 31, 2014, total net charge-offs were $30.6 million compared to $58.1 million for the year ended December 31, 2013.

The provision for loan and lease losses was $37.3 million for the year ended December 31, 2014 an increase of $3.8 million compared to the year ended December 31, 2013. The increase in provision for loan and lease losses was due primarily to the increase in loan balances, partially offset by improved credit quality.

See the "Loan and Lease Portfolio" through “Allowance for Loan and Lease Losses Methodology” sections for further details.

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Non-Interest Income

Non-interest income comparison of 2014 to 2013:

(Dollars in thousands)	Years ended December 31, 2014	2013	Increase (decrease) Amount	Percent
Non-Interest Income:				
Deposit service fees	$103,431	$98,968	$4,463	4.5 %
Loan related fees	23,212	21,860	1,352	6.2
Wealth and investment services	34,946	34,771	175	0.5
Mortgage banking activities	4,070	16,359	(12,289)	(75.1)
Increase in cash surrender value of life insurance policies	13,178	13,770	(592)	(4.3)
Net gain on sale of investment securities	5,499	712	4,787	672.3
Impairment loss on securities recognized in earnings	(1,145)	(7,277)	6,132	(84.3)
Other income	18,917	11,887	7,030	59.1
Total non-interest income	$202,108	$191,050	$11,058	5.8 %

Total non-interest income was $202.1 million for the year ended December 31, 2014, an increase of $11.1 million from the year ended December 31, 2013. The increase is primarily attributable to an increase in other income, a lower impairment loss on securities, an increased gain on sale of securities, and increased deposit service fees due to account growth primarily at the Company's HSA Bank division, offset by a decrease in mortgage banking activities.

Other income increased $7.0 million, or 59.1%, due to increased commercial customer interest rate derivative activity, a private equity fund distribution, death benefit proceeds from bank owned life insurance policies, and miscellaneous rebate income.

The decrease in impairment loss on securities recognized in earnings of $6.1 million, or 84.3%, is due to the requirement to divest certain CLO and CDO securities that were subject to the Volcker Rule. The required divestiture situation resulted in the full write-down of unrealized market losses of certain CLO and CDO securities to market value in December 2013. The additional impairment loss recognized in 2014 represents the continued write-down of market losses related to the CLO securities as required until the conformance date in July 2017.

Net gain on sale of investment securities increased $4.8 million primarily due to the sale of four non Volcker Rule compliant pooled trust preferred positions during the year.

Deposit service fees increased $4.5 million, or 4.5%, due to volume driven debit card interchange revenue and checking account services charges from the Company's HSA Bank division, cash management fees, and ATM and other account surcharges, offset by a reduction in NSF charges.

The decrease in mortgage banking activities of $12.3 million, or 75.1%, is due to increased residential mortgage loan interest rates resulting in lower refinancing volumes. Originations of loans held for sale were $297 million for the twelve months ended December 31, 2014 compared to $687 million for the twelve months ended December 31, 2013.

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Non-Interest Expense

Non-interest expense comparison of 2014 to 2013:

	Years ended December 31,		Increase (decrease)	
(Dollars in thousands)	2014	2013	Amount	Percent
Non-Interest Expense:				
Compensation and benefits	$270,151	$264,835	$5,316	2.0 %
Occupancy	47,325	48,794	(1,469)	(3.0)
Technology and equipment	61,993	60,326	1,667	2.8
Intangible assets amortization	2,685	4,919	(2,234)	(45.4)
Marketing	15,379	15,502	(123)	(0.8)
Professional and outside services	8,296	9,532	(1,236)	(13.0)
Deposit insurance	22,670	21,114	1,556	7.4
Other expense	73,639	73,037	602	0.8
Total non-interest expense	$502,138	$498,059	$4,079	0.8 %

Total non-interest expense was $502.1 million for the year ended December 31, 2014, an increase of $4.1 million from the year ended December 31, 2013. The increase for the year ended December 31, 2014 is primarily attributable to higher compensation and benefits, technology and equipment expense, and deposit insurance, offset by lower intangible asset amortization, occupancy, and professional and outside services.

Compensation and benefits increased $5.3 million, or 2%, due to additional staffing within the commercial, business banking, HSA Bank, and compliance areas, an increase in incentive related expense, and annual merit increases, offset by lower expenses in pension, stock based compensation, and 401(k) match.

Technology and equipment expense increased $1.7 million, or 2.8%, primarily due to infrastructure investments at the Company's HSA Bank division.

Deposit insurance increased $1.6 million, or 7.4%, due primarily to an increase in overall assets and the addition of high risk weighted assets.

Intangible assets amortization decreased $2.2 million, or 45.4%, due to the completion of core deposit intangibles amortization related a 2004 acquisition.

Occupancy costs decreased $1.5 million, or 3%, due to lower depreciation on buildings and leasehold improvements and lower occupancy related maintenance costs.

Professional and outside services decreased $1.2 million, or 13%, due to lower consulting costs.

Income Taxes

Webster recognized income tax expense of $91.4 million in 2014 and $76.7 million in 2013. The effective tax rates were 31.4% and 29.9%, respectively. The increase in the effective rate principally reflects the effects of the increased pre-tax income in 2014; the $1.7 million benefit recognized in 2013 to correct the immaterial errors in prior periods; decreased benefits from tax-exempt interest income in 2014; and increased state tax expense in 2014, which also included a $2.0 million benefit recognized in the first quarter.

For additional information on Webster's income taxes, including its deferred tax assets and uncertain tax positions, see Note 7 - Income Taxes in the Notes to Consolidated Financial Statements included elsewhere within this report.

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Comparison of 2013 and 2012 Years

Financial Performance

For the year ended December 31, 2013, Webster's income from continuing operations, before income tax expense and preferred stock dividends, was $256.2 million, an increase of $7.8 million from $248.4 million for the year ended December 31, 2012. The primary factors which led to this increase are outlined below:

The factors positively impacting income from continuing operations include:

- interest expense decreased $23.7 million;
- wealth and investment service fees increased $5.3 million;
- loan related fees increased $3.8 million;
- non-interest expense decreased $3.7 million; and
- deposit service fees increased $2.3 million.

The factors negatively impacting income from continuing operations include:

- provision for loan and lease losses increased $12.0 million;
- impairment loss recognized in earnings of $7.3 million in 2013 for investment securities;
- income from mortgage banking activities decreased $6.7 million; and
- interest income decreased $5.9 million.

A discussion of the significant components of income from continuing operations follows,

Net Interest Income

Net interest income totaled $596.7 million for the year ended December 31, 2013 compared to $578.9 million for the year ended December 31, 2012, an increase of $17.8 million. The increase in net interest income during the year ended December 31, 2013 was primarily related to an increase in average interest-earning assets, partially offset by declining reinvestment spreads on earning assets. Average interest-earning assets for the year ended December 31, 2013 increased $829.7 million from the year ended December 31, 2012. The net interest margin decreased 6 basis points to 3.26% during the year ended December 31, 2013 from 3.32% during the year ended December 31, 2012. The decrease in net interest margin is due to a greater decline in the yield of interest-earning assets than the decline in cost of interest-bearing liabilities, primarily due to growth in the average investment portfolio at lower yields and lower yields in the loan portfolio, partially offset by a decline in the cost of deposits and borrowings. The average yield on interest-earning assets decreased 22 basis points to 3.74% during the year ended December 31, 2013 from 3.96% during the year ended December 31, 2012. The average yield on interest-earning assets is primarily impacted by changes in market interest rates as well as changes in the volume and relative mix of interest-earning assets. Market interest rates have remained at historically low levels during the reported periods.

Average loans increased $710.6 million for the year ended December 31, 2013 compared to the year ended December 31, 2012. The loan portfolio yield decreased 20 basis points to 4.01% for the year ended December 31, 2013 and comprised 65.3% of the average interest-earning assets at December 31, 2013, compared to the loan portfolio yield of 4.21% for the year ended December 31, 2012 which comprised 64.3% of the average interest-earning assets at December 31, 2012. The decrease in the yield on the average loan portfolio is due to the repayment of higher yielding loans and the origination of lower yielding loans in a low interest rate environment.

Average securities increased $168.7 million for the year ended December 31, 2013 compared to the year ended December 31, 2012. The yield on investment securities decreased 30 basis points to 3.28% for the year ended December 31, 2013 and comprised 33.4% of average interest-earning assets at December 31, 2013, compared to the yield on investment securities of 3.58% for the year ended December 31, 2012, which comprised 34.0% of the average interest-earning assets at December 31, 2012. The decrease in the yield on securities is due to principal repayments and lower reinvestment rates. The growth in the securities portfolio is part of the Company's strategy to protect earnings in a protracted low rate environment.

Average total deposits increased $642.0 million for the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase is due to a $301.3 million increase in non-interest bearing deposits and a $340.7 million increase in interest-bearing deposits. The average cost of deposits decreased 11 basis points to 0.31% for the year ended December 31, 2013 from 0.42% for the year ended December 31, 2012. The decrease in the average cost of deposits is the result of rate adjustments on certain deposit products and product mix changes as the proportion of

higher costing certificates of deposit to total interest-bearing deposits decreased from 23.5% for the year ended December 31, 2012 to 19.9% for the year ended December 31, 2013.

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Average total borrowings increased $97.8 million for the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase is due to a $262.5 million increase in average FHLB advances, a $20.4 million increase in average securities sold under agreements to repurchase and other borrowings, partially offset by decreases of $185.0 million in average long-term debt. The increase in FHLB advances is due to the replacement of long-term funding with short-term, lower cost. The decrease in average long-term debt is due to the repayment of all the $102.6 million outstanding principal amount of Subordinated Notes on January 15, 2013, and, to a lesser extent, the redemption of $136.1 million of Capital Trust Securities on July 18, 2012.

Provision for Loan and Lease Losses

Management performs a quarterly review of the loan and lease portfolio to determine the adequacy of the allowance for loan and lease losses. At December 31, 2013, the allowance for loan and lease losses totaled $152.6 million, or 1.20% of loans and leases, compared to $177.1 million, or 1.47% of loans and leases, at December 31, 2012.

Several factors are considered when determining the level of the allowance for loan and lease losses, including loan growth, portfolio composition, portfolio risk profile, credit performance, changes in the levels of non-performing loans and leases and changes in the general economic environment. These factors, coupled with net charge-offs during the period, impact the required level of the provision for loan and lease losses. For the year ended December 31, 2013, total net charge-offs were $58.1 million compared to $77.9 million for the year ended December 31, 2012.

The provision for loan and lease losses was $33.5 million for the year ended December 31, 2013 an increase of $12.0 million compared to the year ended December 31, 2012. The increase in the provision includes an increased provision for the commercial real estate portfolio and a reduction in net benefit for the commercial portfolio offset by reduced provisions in the consumer and residential portfolios.

See the "Loans and Leases" through “Allowance for Loan and Lease Losses Methodology” sections for further details.

Non-Interest Income

Total non-interest income was $191.1 million for the year ended December 31, 2013, a decrease of $1.7 million from the year ended December 31, 2012. The decrease for the year ended December 31, 2013 is primarily attributable to an impairment loss recognized in earnings, plus declines in mortgage banking activities and gain on sale of investment securities, partially offset by increases in wealth and investment services, cash surrender value of life insurance policies, loan related fees, and deposit service fees.

Non-interest income comparison of 2013 to 2012:

	Years ended December 31,		Increase (decrease)	
(Dollars in thousands)	2013	2012	Amount	Percent
Non-Interest Income:				
Deposit service fees	$98,968	$96,633	$2,335	2.4 %
Loan related fees	21,860	18,043	3,817	21.2
Wealth and investment services	34,771	29,515	5,256	17.8
Mortgage banking activities	16,359	23,037	(6,678)	(29.0)
Increase in cash surrender value of life insurance policies	13,770	11,254	2,516	22.4
Net gain on sale of investment securities	712	3,347	(2,635)	(78.7)
Impairment loss recognized in earnings	(7,277)	—	(7,277)	(100.0)
Other income	11,887	10,929	958	8.8
Total non-interest income	$191,050	$192,758	$(1,708)	(0.9)%

Deposit Service Fees. Deposit service fees were $99.0 million for the year ended December 31, 2013, an increase of $2.3 million from the comparable period in 2012 due to an increase in check card interchange fees and monthly service charges primarily related to health savings accounts, and cash management fee growth attributable to the cross sell of new products to existing customers as well as new sales to core commercial government and business banking. The increase is slightly offset by a decline in fees from overdraft activities.

Loan Related Fees. Loan related fees were $21.9 million for the year ended December 31, 2013, an increase of $3.8 million from the comparable period in 2012 primarily due to an increase in loan service fee income, origination fee income, and prepayment penalties.

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Wealth and Investment Services. Wealth and investment services income was $34.8 million for the year ended December 31, 2013, an increase of $5.3 million from the comparable period in 2012 primarily due to an increase in income from the Webster Investment Services unit as well as an increase in trust fees from private banking activities. Webster Investment Services income has increased as a result of continued account growth and strong incremental production.
Mortgage Banking Activities. Mortgage banking activities net revenue was $16.4 million for the year ended December 31, 2013, a decrease of $6.7 million from the comparable period in 2012. The decrease is primarily related to a rise in interest rates beginning late in the second quarter of 2013 which contributed to lower volumes of settlements of, and spreads on, loans sold, as well as a lower pipeline of loan applications to be funded. Loans originated for sale were $687.1 million in 2013 compared to $759.1 million in 2012, due in part to an increase in mortgage interest rates.
Increase in Cash Surrender Value of Life Insurance Policies. The increase in cash surrender value of life insurance polices was $13.8 million for the year ended December 31, 2013, an increase of $2.5 million from the comparable period in 2012, due primarily to realizing a full year of earnings on $100 million of additional purchases of life insurance policies in September 2012.
Impairment Loss Recognized in Earnings. The impairment loss recognized in earnings of $7.3 million for the year ended December 31, 2013 represents an other-than-temporary impairment loss on certain CLO and CDO investment securities that are subject to the Volcker Rule.
Other. Other non-interest income was $11.9 million and $10.9 million for the years ended December 31, 2013 and 2012, respectively. The increase of $1.0 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 is primarily due to mark-to-market adjustments on treasury derivatives related to client swap activity and fair value adjustments to the Company's alternative investments having a more favorable impact in 2013 compared to 2012.
Non-Interest Expense
Total non-interest expense was $498.1 million for the year ended December 31, 2013, a decrease of $3.7 million from the year ended December 31, 2012. The decrease for the year ended December 31, 2013 is primarily attributable to reductions in technology and equipment, professional and outside services, deposit insurance, occupancy, and marketing.
Non-interest expense comparison of 2013 to 2012:

	Years ended December 31,		Increase (decrease)	
	2013	2012	Amount	Percent
(Dollars in thousands)				
Non-Interest Expense:				
Compensation and benefits	$264,835	$264,101	$734	0.3 %
Occupancy	48,794	50,131	(1,337)	(2.7)
Technology and equipment	60,326	62,210	(1,884)	(3.0)
Intangible assets amortization	4,919	5,420	(501)	(9.2)
Marketing	15,502	16,827	(1,325)	(7.9)
Professional and outside services	9,532	11,348	(1,816)	(16.0)
Deposit insurance	21,114	22,749	(1,635)	(7.2)
Other expense	73,037	69,018	4,019	5.8
Total non-interest expense	$498,059	$501,804	$(3,745)	(0.7)%

Compensation and Benefits. Compensation and benefits expense was $264.8 million for the year ended December 31, 2013 an increase of $0.7 million from the comparable period in 2012. The increase is attributable to additional expense from deferred compensation programs, largely in connection with Webster's share price increase throughout the year, as well as increases in commission expense driven by higher sales of HSA accounts and an increase in investment services sales. The increase was slightly offset by declines in other incentive related and pension expense.

Occupancy. Occupancy expense was $48.8 million for the year ended December 31, 2013, a decrease of $1.3 million from the comparable period in 2012, due to lower depreciation and occupancy related maintenance costs.

Technology and Equipment. Technology and equipment expense was $60.3 million for the year ended December 31, 2013, a decrease of $1.9 million from the comparable period in 2012. The decrease is primarily due to a reduction in depreciation.

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Marketing. Marketing expense was $15.5 million for the year ended December 31, 2013, a decrease of $1.3 million from the comparable period in 2012, primarily due to utilizing more cost effective marketing channels.
Professional and outside services. Professional and outside service expense was $9.5 million for the year ended December 31, 2013, a decrease of $1.8 million from the comparable period in 2012, primarily due to lower consulting fees.
Deposit Insurance. Deposit insurance was $21.1 million for the year ended December 31, 2013, a decrease of $1.6 million from the comparable period in 2012. The reduction of underperforming assets supported by an increase in Tier 1 capital during 2013, compared to 2012 levels, resulted in a decrease to the FDIC insurance expense.
Other. Other non-interest expense was $73.0 million for the year ended December 31, 2013, an increase of $4.0 million from the comparable period in 2012, primarily attributable to an increase in check card expenses, service contract costs, and lower net gains from the sale of OREO properties. The increase was slightly offset by a decrease in loan workout costs as asset quality improved.

Income Taxes

Webster recognized income tax expense of $76.7 million in 2013 and $74.7 million in 2012. The effective tax rates were 29.9% and 30.1%, respectively. The decrease in the effective rate principally reflects the benefit recognized in the three months ended September 30, 2013 related to the correction of an immaterial error applicable to prior periods, partially offset by increased state tax expense.
As discussed above, in the three months ended September 30, 2013, the Company recognized a $1.7 million benefit to correct an error applicable to income taxes in prior periods. The error related to the November 2008 to December 2010 period when provisions for non deductible executive compensation associated with the U.S. Treasury's Capital Purchase Program were applicable to Webster and unintentionally overstated. The correction of the error had the effect of reducing the Company's effective tax rate by 0.7 percentage points for the twelve months ended December 31, 2013.

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Segment Results

Webster's operations are organized into three reportable segments that represent its core businesses – Commercial Banking, Community Banking, and Other. Community Banking includes the Personal Bank and Business Banking operating segments, and Other includes HSA Bank and Private Banking. The factors considered in determining whether individual operating segments could be aggregated include that the operating segments: (i) offer the same products and services, (ii) offer services to the same types of clients, (iii) provide services in the same manner and (iv) operate in the same regulatory environments. These segments reflect how executive management responsibilities are assigned by the chief operating decision maker for each of the core businesses, the products and services provided, and the type of customer served and reflect how discrete financial information is currently evaluated. The Company's Treasury unit and consumer liquidating portfolio are included in the Corporate and Reconciling category along with the amounts required to reconcile profitability metrics to GAAP reported amounts. In light of the acquisition by Webster Bank of JPMorgan Chase Bank, N.A.'s health savings account business on January 13, 2015 (see Note 24 - Subsequent Event for additional information), the Company intends to evaluate its reportable segment structure as of the end of the first quarter of 2015 in order to ensure that the segments remain aligned with the way the business is managed. If the evaluation results in a change in segment reporting, the Company expects that it would conform historical information to the new presentation.

Webster's 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 continually being 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 prepared for each operating segment reflect non-GAAP reporting methodologies. The differences between the full profitability and GAAP measures are reconciled in Corporate and Reconciling.

The following tables present the performance summary of net income (loss) and balance sheet information:

	Years ended December 31,		
(In thousands)	2014	2013	2012
Net income (loss):			
Commercial Banking	$110,080	$91,097	$88,659
Community Banking	74,130	74,147	64,462
Other	18,128	16,875	12,602
Total Reportable Segments	202,338	182,119	165,723
Corporate and Reconciling	(2,586)	(2,570)	7,974
Net income	$199,752	$179,549	$173,697

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	At December 31, 2014					
(In thousands)	Commercial Banking	Community Banking	Other	Segment Totals	Corporate and Reconciling	Consolidated Total
Total assets	$6,550,868	$8,198,115	$425,573	$15,174,556	$ 7,358,454	$22,533,010
Total loans and leases	6,559,020	6,927,302	395,833	13,882,155	17,870	13,900,025
Total deposits	3,203,344	10,103,698	2,036,097	15,343,139	308,466	15,651,605
Total assets under management and administration	—	2,754,775	2,423,944	5,178,719	—	5,178,719

	At December 31, 2013					
(In thousands)	Commercial Banking	Community Banking	Other	Segment Totals	Corporate and Reconciling	Consolidated Total
Total assets	$5,682,129	$7,809,343	$365,863	$13,857,335	$ 6,995,664	$20,852,999
Total loans and leases	5,628,303	6,693,493	343,823	12,665,619	34,157	12,699,776
Total deposits	2,948,072	10,014,509	1,739,345	14,701,926	152,494	14,854,420
Total assets under management and administration	—	2,534,819	2,552,237	5,087,056	—	5,087,056

	At December 31, 2012					
(In thousands)	Commercial Banking	Community Banking	Other	Segment Totals	Corporate and Reconciling	Consolidated Total
Total assets	$5,113,898	$7,708,159	$282,414	$13,104,471	$ 7,042,294	$20,146,765
Total loans and leases	5,037,307	6,668,712	259,835	11,965,854	62,842	12,028,696
Total deposits	2,695,911	10,188,750	1,454,129	14,338,790	192,045	14,530,835
Total assets under management and administration	—	2,314,052	2,326,660	4,640,712	—	4,640,712

The Company uses a matched maturity funding concept, also known as coterminous funds transfer pricing (“FTP”), to allocate interest income and interest expense to each business while also transferring the primary interest rate risk exposures to the Corporate and Reconciling category. 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 expected principal repayment 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 Management Committee.

The provision for loan and lease losses allocated to each segment is based on management’s estimate of the inherent loss content in each of the specific loan and lease portfolios. Provision expense or benefit for certain elements of risk that are not deemed specifically attributable to a business segment, such as environmental factors and the provision for the consumer liquidating portfolio, is shown as other reconciling. For the years ended December 31, 2014, 2013, and 2012, 103.8%, 115.4%, and 83.7%, respectively, of the provision expense is specifically attributable to segments.

Webster allocates a majority of non-interest expense to each segment using a full-absorption costing process. Costs, including corporate overhead, are analyzed, pooled by process, and assigned to the appropriate segment. Income tax expense or benefit is allocated to each segment based on the effective income tax rate for the period shown.

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Commercial Banking

The Commercial Banking segment includes middle market, asset-based lending, commercial real estate, equipment finance, and treasury and payment solutions, which includes government and institutional banking. Webster's Commercial Banking group takes a relationship approach to providing lending, deposit, and cash management services to middle market companies in its franchise territory. Additionally, it serves as a referral source to Private Banking and Community Banking.

Commercial Banking Results:

	Years ended December 31,		
(In thousands)	2014	2013	2012
Net interest income	$238,186	$217,582	$188,666
Provision (benefit) for loan and lease losses	12,629	18,581	(7,498)
Net interest income after provision	225,557	199,001	196,164
Non-interest income	37,270	30,797	29,324
Non-interest expense	102,374	99,801	98,718
Income before income taxes	160,453	129,997	126,770
Income tax expense	50,373	38,900	38,111
Net income	$110,080	$91,097	$88,659
	At December 31,		
(In thousands)	2014	2013	2012
Total assets	$6,550,868	$5,682,129	$5,113,898
Total loans and leases	6,559,020	5,628,303	5,037,307
Total deposits	3,203,344	2,948,072	2,695,911

Net interest income increased $20.6 million in 2014 compared to 2013. The increase is primarily due to greater loan and deposit volumes and lower cost of funds. The provision for loan and lease losses decreased $6.0 million in 2014 compared to 2013. The decline is due in part to Commercial Banking realizing continued improvement in asset quality, including declines in charge-offs and substandard loans, partially offset by loan growth. Management believes the reserve level adequate to cover inherent losses in the Commercial Banking portfolio as of December 31, 2014. Non-interest income increased $6.5 million in 2014 compared to 2013. The increase is due to fees generated from loan related activities and interest rate derivative products. Non-interest expense increased $2.6 million in 2014 compared to 2013. The increase is primarily due to compensation and benefit costs related to strategic new hires.

Net interest income increased $28.9 million in 2013 compared to 2012. The increase is primarily due to greater loan and deposit volumes, greater deferred loan fees, and the continuing lower cost of funds. The provision for loan and lease losses increased $26.1 million in 2013 compared to 2012. The change in provision is due to management's evaluation of the level of inherent losses in this segment's existing book of business and management's belief in the adequacy of the overall reserve levels. Commercial Banking has realized continued improvement in asset quality, including declines in charge-offs and substandard loans, which reduced the overall loan loss coverage. Non-interest income increased $1.5 million in 2013 compared to 2012, primarily due to fees generated from agent led transactions and other loan related fees. Non-interest expense increased $1.1 million in 2013 compared to 2012. The increase relates to the allocation of corporate expenses.

Total loans were $6.6 billion, $5.6 billion, and $5.0 billion at December 31, 2014 , 2013, and 2012, respectively. Loans increased $930.7 million for the year ending December 31, 2014 compared to the year ending December 31, 2013, due to continued growth in new originations. Loans increased $591.0 million for the year ending December 31, 2013 compared to the year ending December 31, 2012, primarily due to new originations. Loan originations in 2014 were $2.9 billion compared to $2.4 billion and $2.3 billion in 2013 and 2012, respectively. The increase of $449.6 million in originations for the year ended December 31, 2014 is due to an expansion of our Commercial Banking activities across all business lines within the segment.

Total deposits were $3.2 billion, $2.9 billion, and $2.7 billion at December 31, 2014, 2013, and 2012 , respectively. Deposits increased $255.3 million for the year ended December 31, 2014 compared to December 31, 2013. Deposits increased $252.2 million for the year ended December 31, 2013 compared to December 31, 2012. The increase in both

years is a result of new business development and operating funds maintained for cash management services.

Community Banking

Community Banking serves consumer and business banking customers primarily throughout southern New England and into Westchester County, New York. This segment is comprised of Personal Banking and Business Banking supported by a distribution network consisting of 164 banking centers and 314 ATMs, a Customer Care Center, telephone banking, and a full range of web and mobile-based banking services.

Personal Banking includes the following consumer products: deposit and fee-based services, residential mortgages, home equity lines/loans, unsecured consumer loans, and credit cards. In addition, Webster Investment Services offers investment and securities-related services, including brokerage and investment advice through a strategic partnership with LPL Financial (“LPL”). Webster has employees who are LPL registered representatives located throughout its branch network, offering customers insurance and investment products, including stocks and bonds, mutual funds, annuities, and managed accounts. Brokerage and online investing services are available for customers.

At December 31, 2014, Webster Investment Services had $2.8 billion of assets under administration in its strategic partnership with LPL compared to $2.5 billion at December 31, 2013 and $2.3 billion at December 31, 2012. These assets are not included in the Consolidated Balance Sheets. LPL, a provider of investment and insurance programs for financial institutions, is a broker dealer registered with the Securities and Exchange Commission, a registered investment advisor under federal and applicable state laws, a member of the Financial Industry Regulatory Authority (“FINRA”), and a member of the Securities Investor Protection Corporation (“SIPC”).

Business Banking offers credit, deposit, and cash flow management products to businesses and professional service firms with annual revenues of up to $20 million. This unit works to build full 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.

Community Banking Results:

	Years ended December 31,		
(In thousands)	2014	2013	2012
Net interest income	$354,781	$347,395	$342,268
Provision for loan and lease losses	25,960	19,973	26,167
Net interest income after provision	328,821	327,422	316,101
Non-interest income	103,543	116,182	116,978
Non-interest expense	324,312	337,795	340,907
Income before income taxes	108,052	105,809	92,172
Income tax expense	33,922	31,662	27,710
Net income	$74,130	$74,147	$64,462

	At December 31,		
(In thousands)	2014	2013	2012
Total assets	$8,198,115	$7,809,343	$7,708,159
Total loans	6,927,302	6,693,493	6,668,712
Total deposits	10,103,698	10,014,509	10,188,750
Total assets under administration	2,754,775	2,534,819	2,314,052

Net income was flat in 2014 compared to 2013. Net interest income grew by $7.4 million driven by increases in loan and deposit balances and wider deposit spreads. The provision for loan and lease losses increased by $6.0 million due to loan growth and an increase in specific reserves on impaired loans, partially offset by improving asset quality and loss rate improvement. Management believes the reserve level is adequate to cover inherent losses in the Community Banking portfolio. Non-interest income decreased $12.6 million in 2014 compared to 2013, primarily due to a $12.3 million decline in gains from the sales of mortgage loans resulting from lower transaction volumes. Other fee revenues were essentially flat, as increases in investment services and debit card revenue were offset by a reduction in NSF charges. Non-interest expense decreased $13.5 million in 2014 compared to 2013. The decrease is reflective of the improvement in costs related to debit card processing, loan workout, variable compensation, and shared services. Compensation was down modestly, as continued reductions in Banking Center staffing were offset by increased selling staff in the form of Universal Bankers, Business Bankers and WIS financial consultants.

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Net income increased by $9.7 million in 2013 compared to 2012. Net interest income increased $5.1 million in 2013 compared to 2012. The increase in net interest income was driven by a lower cost of funds on deposits and a reduction in non-earning assets. The provision for loan and lease losses decreased $6.2 million in 2013 compared to 2012. The change in provision is primarily due to management's evaluation of the level of inherent losses in this segment's existing book of business and management's belief in the adequacy of the overall reserve levels. The consumer loan portfolio charge-offs continue to decline year over year, while the housing market and unemployment continue to improve gradually in the footprint. Non-interest income decreased $0.8 million in 2013 compared to 2012. The decrease in non-interest income was driven by a reduction in the gains on the sales of mortgage loans sold into the secondary market and a decline in deposit related fees partially offset by an increase in fee income from Webster Investment Services. The decreased level of mortgage loan sales was directly linked to a reduction in mortgage refinance activity in the second half of 2013. The increase in investment fees was driven by higher sales activity and an increase in asset values. Non-interest expense decreased $3.1 million in 2013 compared to 2012.The decrease is associated with reduced banking center staff and occupancy expenses that are linked to our strategy to reduce the cost of physical distribution channels while migrating customer transactions to self-service channels such as ATMs and On-line and Mobile Banking.

Total loans were $6.9 billion at December 31, 2014 and $6.7 billion at December 31, 2013 and 2012. Loans increased $233.8 million for the year ended December 31, 2014 compared to December 31, 2013, due to $92.4 million of growth in the Business Banking portfolio, with the remainder driven by growth in residential mortgages, home equity lines, and personal loans. Loans increased $24.8 million for the year ended December 31, 2013 compared to December 31, 2012. The net increase was driven by growth in the Business Banking portfolio that was partially offset by a decrease in consumer loans. Total originations for the year ended 2014 were $1.7 billion. For the years ended 2013 and 2012, total originations were $2.2 billion.

Total deposits were $10.1 billion, $10.0 billion, and $10.2 billion, for the years ended December 31, 2014, 2013, and 2012 , respectively. Deposits increased $89.2 million for the year ended December 31, 2014 compared to December 31, 2013, due to continued growth in both business and consumer transaction deposit balances. Deposits decreased $174.2 million for the year ended December 31, 2013 compared to December 31, 2012 due to a steady reduction in CD balances throughout the year that was augmented by an elevated level of run-off of high-cost maturing CDs during June and July of 2013.

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Other:
Other includes HSA Bank and Private Banking.
HSA Bank, a division of Webster Bank, is a bank custodian of health savings accounts. These accounts are used in conjunction with high deductible health plans and are offered through employers or directly to consumers. Additionally, during the second quarter of 2014, HSA Bank expanded its product suite to include health reimbursement arrangement accounts and flexible spending accounts.
On January 13, 2015, Webster Bank completed its acquisition of JPMorgan Chase Bank, N.A.'s health savings account business, which was announced on September 23, 2014. The acquisition of approximately 785,000 accounts, including approximately $1.3 billion in deposits and $185 million in assets under administration, solidifies the HSA Bank division as a leading administrator and depository of health savings accounts. In light of the acquisition by Webster Bank of JPMorgan Chase Bank, N.A.'s health savings account business on January 13, 2015 the Company intends to evaluate its reportable segment structure as of the end of the first quarter of 2015.
Private Banking provides local full relationship banking that serves high net worth clients, not-for-profit organizations, and business clients for asset management, trust, loan, and deposit products and financial planning services.
Other Results:

	Years ended December 31,		
(In thousands)	2014	2013	2012
Net interest income	$47,699	$40,992	$33,308
Provision (benefit) for loan and lease losses	81	93	(680)
Net interest income after provision	47,618	40,899	33,988
Non-interest income	38,396	32,926	28,680
Non-interest expense	59,591	49,745	44,649
Income before income taxes	26,423	24,080	18,019
Income tax expense	8,295	7,205	5,417
Net income	$18,128	$16,875	$12,602

	At December 31,		
(In thousands)	2014	2013	2012
Total assets	$425,573	$365,863	$282,414
Total loans	395,833	343,823	259,835
Total deposits	2,036,097	1,739,345	1,454,129
Total assets under management and administration	2,423,944	2,552,237	2,326,660

Net interest income of $47.7 million, in 2014, is comprised of $38.8 million related to HSA Bank and $8.9 million related to Private Banking. Non-interest income of $38.4 million, in 2014, is comprised of $28.6 million related to HSA Bank and $9.8 million related to Private Banking. Non-interest expense of $59.6 million, in 2014, is comprised of $40.9 million related to HSA Bank and $18.7 million related to Private Banking.
In 2014, HSA Bank's net interest income, non-interest income, and non-interest expense increased $6.0 million, $6.6 million, and $10.9 million respectively, primarily due to deposit balance and account growth.
Private Banking's net interest income increased $0.7 million in 2014. The increase was due to Private Banking's $52.0 million growth in loan balances for the year ended December 31, 2014. Private Banking's non-interest income decreased $1.1 million in 2014. The decrease was primarily due to the disposition of non-strategic portfolio assets in the third quarter of 2013 and revenue reductions tied to the outflow of assets under management related to a strategic shift in the Private Banking investment model in 2014. Private Banking's non-interest expense decreased $1.1 million in 2014 due to the disposition of non-strategic portfolio assets in the third quarter of 2013 and lower expense associated with staff vacancies in 2014.

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Net interest income increased $7.7 million in 2013 compared to 2012. Of this amount, deposit growth, account growth and pricing initiatives at HSA Bank resulted in an increase of $6.6 million, while higher loan and deposit balances in Private Banking resulted in growth of $1.1 million for the year ended December 31, 2013. Non-interest income increased $4.2 million in 2013. Of this amount $3.7 million is related to HSA Bank primarily driven by account growth and transaction volume, while $0.5 million is related to fees generated from Private Banking investment accounts and balances under management. Non-interest expense increased $5.1 million in 2013. Of this amount, $3.7 million is related to HSA Bank's processing costs due to account growth, while $1.4 million is related to Private Banking and was primarily driven by higher compensation, tied to the hiring of key fiduciary services and investment management personnel along with the full year impact of private bankers added during 2012.

HSA Bank had $2.6 billion, $2.1 billion and $1.6 billion in combined deposits and linked brokerage account balances at December 31, 2014, 2013, and 2012, respectively. Total deposits were $1.8 billion, $1.5 billion and $1.3 billion at December 31, 2014, 2013, and 2012, respectively. Deposits increased $291.5 million for the year ended December 31, 2014 and $263.6 million for the year ended December 31, 2013. HSA Bank had $747.0 million, $571.8 million, and $378.7 million in linked brokerage account balances at December 31, 2014, 2013, and 2012, respectively.

Private Banking had total loans of $397.2 million, $343.7 million, and $259.7 million at December 31, 2014 , 2013, and 2012, respectively. Private Banking loans increased $52.0 million for the year ended December 31, 2014 and $84.0 million for the year ended December 31, 2013 due to continued loan origination activity coupled with lower loan repayments. Loan originations were $103.4 million, $156.2 million, and $85.1 million for the years ended December 31, 2014, 2013, and 2012, respectively. Total deposits were $211.3 million, $206.0 million, and $184.4 million at December 31, 2014 , 2013, and 2012, respectively.

Private Banking had $1.5 billion, $1.8 billion, and $1.7 billion in assets under management at December 31, 2014, 2013, and 2012, respectively, and $214.7 million, $228.4 million, and $284.1 million in assets under administration at December 31, 2014 , 2013, and 2012, respectively. The decrease in assets under management in 2014 from December 31, 2013 resulted from outflows related to personnel departures triggered by a strategic business model shift. December 31, 2012 includes $172.5 million in assets under management and administration tied to a non-strategic business divested in 2013.

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Financial Condition

Webster had total assets of $22.5 billion at December 31, 2014 compared to $20.9 billion at December 31, 2013, an increase of $1.7 billion, or 8.06%, primarily due to the increase in loan balances driven by strong levels of loan originations. In addition, the Company utilized deposit growth to increase its holdings of held-to-maturity securities. Total loans and leases, net of allowance for loan and lease losses of $159.3 million, were $13.7 billion at December 31, 2014, an increase of $1.2 billion compared to $12.5 billion, at December 31, 2013. Total deposits of $15.7 billion at December 31, 2014 increased $797.2 million compared to $14.9 billion at December 31, 2013. Non-interest-bearing deposits increased 15.0%, and interest-bearing deposits increased 2.8% during the the year ended December 31, 2014 due to the Company’s strategic focus to increase transaction accounts and overall pricing discipline. Webster’s loan-to-deposit ratio was 88.8% at December 31, 2014 compared to 85.5% at December 31, 2013.

At December 31, 2014, total shareholders' equity was $2.3 billion compared to $2.2 billion at December 31, 2013, an increase of $113.5 million or, 5.14%. Changes in shareholders' equity for the year ended December 31, 2014 consisted of an increase of $199.8 million for net income and a decrease of $7.7 million for other comprehensive loss, primarily related to pension plan and derivative instrument losses, offset by net unrealized gains on securities available for sale, and $67.7 million of dividends paid to common shareholders and $10.6 million of dividends paid to preferred shareholders. Quarterly cash dividend to common shareholders increased to $0.20 per common share on April 21, 2014 from $0.15 per common share. See the section captioned "Selected Financial Highlights" included elsewhere in this item and Note 14 - Regulatory Matters in the Notes to Consolidated Financial Statements included elsewhere within this report for information on Webster’s regulatory capital levels and ratios.

Investment Securities Portfolio

Webster Bank's investment securities portfolio is managed within regulatory guidelines and corporate policy, which include limitations on aspects such as concentrations in and types of investments as well as minimum risk ratings per type of security. The Office of the Comptroller of the Currency may establish additional individual limits on a certain type of investment if the concentration in such investment presents a safety and soundness concern. The holding company also may hold investment securities directly.

Webster Bank maintains, through the Corporate Treasury Unit of the Company, an investment securities portfolio that is primarily structured to provide a source of liquidity for operating needs, to generate interest income, and as a means to manage interest rate risk. The portfolio is classified into two major categories, available-for-sale and held-to-maturity. The available-for-sale portfolio consists primarily of agency collateralized mortgage obligations ("agency CMOs"), agency mortgage-backed securities ("agency MBS"), non-agency commercial mortgage-backed securities ("non-agency CMBS") and collateralized loan obligations ("CLOs"). The held-to-maturity portfolio consists primarily of agency CMOs, agency MBS, agency commercial mortgage-backed securities ("agency CMBS"), non-agency CMBS, and municipal bonds. The Company's combined carrying value of investment securities totaled $6.7 billion and $6.5 billion at December 31, 2014 and December 31, 2013, respectively. Available-for-sale securities decreased by $313.1 million, primarily due to principal payments and net purchase and sale activity. Held-to-maturity securities increased by $514.2 million, primarily due to the purchases of agency MBS and agency CMBS exceeding the portfolio paydowns and calls. On a tax-equivalent basis, the yield in the securities portfolio was 3.28% for each of the years ended December 31, 2014 and 2013.

For the year ended December 31, 2014, the Company recorded OTTI of $1.1 million on its available-for-sale CLOs which qualify as Covered Fund investments as defined in Section 619 of the Dodd-Frank, commonly known as the Volcker Rule. The final rule definition of Covered Funds includes certain investments such as CLOs and collateralized debt obligation (“CDO”). Compliance is generally required by July 21, 2017. All pooled trust preferred securities, including the securities which did not meet the qualifications for retention under the January 14, 2014 joint regulatory agencies press release, were subsequently sold during the year ended December 31, 2014.

The Company held $2.1 billion in investment securities that are in an unrealized loss position at December 31, 2014. Approximately $0.7 billion of this total has been in an unrealized loss position for less than twelve months, while the remainder, $1.4 billion, has been in an unrealized loss position for twelve months or longer. The total unrealized loss was $33.0 million at December 31, 2014. These investment securities were evaluated by management and were

determined not to be other-than-temporarily impaired. The Company does not have the 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 investments, the Company may be required to record impairment charges for OTTI in future periods.

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A summary of the amortized cost, carrying value, and fair value of Webster's investment securities is presented below:

	At December 31, 2014						
		Recognized in OCI			Not Recognized in OCI		
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:							
U.S. Treasury Bills	$525	$—	$—	$525	$—	$—	$525
Agency CMO	543,417	8,636	(1,065)	550,988	—	—	550,988
Agency MBS	1,030,724	10,462	(12,668)	1,028,518	—	—	1,028,518
Agency CMBS	80,400	—	(134)	80,266	—	—	80,266
Non-agency CMBS	534,631	18,885	(123)	553,393	—	—	553,393
CLO [1]	426,269	482	(1,017)	425,734	—	—	425,734
Pooled trust preferred securities	—	—	—	—	—	—	—
Single issuer trust preferred securities	41,981	—	(3,736)	38,245	—	—	38,245
Corporate debt	106,520	3,781	—	110,301	—	—	110,301
Equity securities-financial institutions	3,500	2,403	—	5,903	—	—	5,903
Total available for sale	$2,767,967	$44,649	$(18,743)	$2,793,873	$—	$—	$2,793,873
Held-to-maturity:							
Agency CMO	$442,129	$—	$—	$442,129	$6,584	$(739)	$447,974
Agency MBS	2,134,319	—	—	2,134,319	57,196	(11,340)	2,180,175
Agency CMBS	578,687	—	—	578,687	1,597	(1,143)	579,141
Municipal bonds and notes	373,211	—	—	373,211	15,138	(55)	388,294
Non-agency CMBS	338,723	—	—	338,723	9,428	(1,015)	347,136
Private Label MBS	5,886	—	—	5,886	100	—	5,986
Total held-to-maturity	$3,872,955	$—	$—	$3,872,955	$90,043	$(14,292)	$3,948,706

	At December 31, 2013						
		Recognized in OCI			Not Recognized in OCI		
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:							
U.S. Treasury Bills	$325	$—	$—	$325	$—	$—	$325
Agency CMO	794,397	14,383	(1,868)	806,912	—	—	806,912
Agency MBS	1,265,276	9,124	(47,698)	1,226,702	—	—	1,226,702
Agency CMBS	71,759	—	(782)	70,977	—	—	70,977
Non-agency CMBS	436,872	28,398	(996)	464,274	—	—	464,274
CLO [1]	357,326	315	—	357,641	—	—	357,641
Pooled trust preferred securities [2]	31,900	—	(3,410)	28,490	—	—	28,490
Single issuer trust preferred securities	41,807	—	(6,872)	34,935	—	—	34,935
Corporate Debt	108,936	4,155	—	113,091	—	—	113,091
	2,314	1,270	—	3,584	—	—	3,584

Equity securities-financial institutions [3]							
Total available for sale	$3,110,912	$57,645	$(61,626)	$3,106,931	$—	$—	$3,106,931
Held-to-maturity:							
Agency CMO	$365,081	$—	$—	$365,081	$10,135	$(1,009)	$374,207
Agency MBS	2,130,685	—	—	2,130,685	43,315	(53,188)	2,120,812
Agency CMBS	115,995	—	—	115,995	44	(818)	115,221
Municipal bonds and notes	448,405	—	—	448,405	11,104	(1,228)	458,281
Non-agency CMBS	290,057	—	—	290,057	8,635	(4,975)	293,717
Private Label MBS	8,498	—	—	8,498	176	—	8,674
Total held-to-maturity	$3,358,721	$—	$—	$3,358,721	$73,409	$(61,218)	$3,370,912

(1) Amortized cost is net of $3.7 million and $2.6 million of OTTI at December 31, 2014 and December 31, 2013, respectively.
(2) Amortized cost is net of $14.0 million of OTTI at December 31, 2013.
(3) Amortized cost is net of $20.4 million of OTTI at December 31, 2013.

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For the year ended December 31, 2014, the Federal Reserve maintained the federal funds rate flat, at, or below 0.25% in response to the economic environment. Credit spreads generally tightened given the prospects for a sustained low interest rate environment. The benchmark 10-year US Treasury rate declined to 2.17% on December 31, 2014 from 3.03% on December 31, 2013. This decline in interest rates was generally positive for longer duration investments in the portfolio. Webster Bank has the ability to use the investment portfolio, 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 16 - Derivative Financial Instruments in the Notes to Consolidated Financial Statements contained elsewhere in this report for additional information concerning derivative financial instruments.

A summary of the composition and maturity of Webster's debt securities at December 31, 2014 follows:

	Within 1 Year		1 - 5 Years		5 - 10 Years		After 10 Years		Total	
(Dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Available for sale:										
U.S. Treasury Bills	$525	0.05 %	$—	— %	$—	— %	$—	— %	$525	0.05 %
Agency CMO	—	—	—	—	7,777	3.00	543,211	2.76	550,988	2.76
Agency MBS	—	—	—	—	—	—	1,028,518	2.73	1,028,518	2.73
Agency CMBS	—	—	—	—	—	—	80,266	2.59	80,266	2.59
Non-agency CMBS	15,008	1.91	20,006	2.00	65,166	1.85	453,213	4.22	553,393	3.78
CLO	—	—	—	—	225,399	2.07	200,335	2.25	425,734	2.16
Pooled trust preferred securities	—	—	—	—	—	—	—	—	—	—
Single issuer trust preferred securities	—	—	—	—	—	—	38,245	1.71	38,245	1.71
Corporate debt securities	—	—	110,301	3.11	—	—	—	—	110,301	3.11
Total available for sale	$15,533	1.85 %	$130,307	2.94 %	$298,342	2.05 %	$2,343,788	2.95 %	$2,787,970	2.85 %
Held-to-maturity:										
Agency CMO	$—	— %	$—	— %	$10,495	2.91 %	$431,634	2.89 %	$442,129	2.89 %
Agency MBS	—	—	40,340	4.24	30,804	4.17	2,063,175	2.99	2,134,319	3.03
Agency CMBS	—	—	—	—	—	—	578,687	2.76	578,687	2.76
Municipal bonds and notes	15	7.25	17,193	6.16	24,210	6.53	331,793	6.51	373,211	6.50
Non-agency CMBS	—	—	—	—	—	—	338,723	3.35	338,723	3.35
Private Label MBS	—	—	5,886	4.61	—	—	—	—	5,886	4.61
Total held-to-maturity	$15	7.25 %	$63,419	4.79 %	$65,509	4.84 %	$3,744,012	3.29 %	$3,872,955	3.40 %
Total debt securities	$15,548	1.85 %	$193,726	3.58 %	$363,851	2.57 %	$6,087,800	3.19 %	$6,660,925	3.17 %

Alternative Investments

Investments in Private Equity Funds - The Company has investments in private equity funds. These investments, which totaled $10.2 million at December 31, 2014 and $10.4 million at December 31, 2013, are included in other assets in the accompanying Consolidated Balance Sheets. The majority of these funds are held at cost based on ownership percentage in the fund, while some are accounted for at fair value using a net asset value. See a further discussion of fair value in Note 17 - Fair Value Measurements. The Company recognized a net gain of $733 thousand and net losses of $392 thousand and $720 thousand for the years ended December 31, 2014, 2013, and 2012, respectively. These amounts are included in other non-interest income in the accompanying Consolidated Statements of Income.

Other Non-Marketable Investments - The Company holds certain non-marketable investments, which include preferred share ownership in other equity ventures. These investments, which totaled $6.8 million at December 31, 2014 and December 31, 2013, are included in other assets in the accompanying Consolidated Balance Sheets. These funds are held at cost and subject to impairment testing. The Company recognized net gains of $110 thousand and $3 thousand for the years ended December 31, 2014 and 2013, respectively, and a net loss of $263 thousand for the year ended December 31, 2012. These amounts are included in other non-interest income in the accompanying Consolidated Statements of Income.
Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule, prohibits investments in private equity funds and non-public funds that qualify as Covered Funds. Conformance with the final rule is required by July 21, 2017 for certain non-compliant Covered Funds. The Company does not expect any material impact to the financial statements related to its compliance with the Volcker Rule on alternative investments.

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Loan and Lease Portfolio

The following table provides the portfolio composition of Webster's loans and leases:

	At December 31,									
	2014		2013		2012		2011		2010	
(Dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Residential	$3,498,675	25.2	$3,353,967	26.5	$3,285,945	27.2	$3,213,814	28.7	$3,140,699	28.5
Consumer:										
Home equity	2,367,402	17.0	2,355,257	18.5	2,448,207	20.4	2,554,879	22.8	2,627,233	23.8
Liquidating - home equity	92,056	0.7	104,902	0.8	121,875	1.0	147,553	1.3	176,576	1.6
Other consumer	75,307	0.5	60,681	0.5	43,672	0.4	37,506	0.3	31,468	0.3
Total consumer	2,534,765	18.2	2,520,840	19.8	2,613,754	21.8	2,739,938	24.4	2,835,277	25.7
Commercial:										
Commercial non-mortgage	3,098,892	22.3	2,734,025	21.5	2,409,816	20.0	1,939,629	17.3	1,653,733	15.0
Asset-based	662,615	4.8	560,666	4.4	505,425	4.2	454,078	4.0	455,290	4.1
Total commercial	3,761,507	27.1	3,294,691	25.9	2,915,241	24.2	2,393,707	21.3	2,109,023	19.1
Commercial real estate:										
Commercial real estate	3,326,906	23.9	2,856,110	22.5	2,644,229	22.0	2,274,110	20.3	2,064,603	18.7
Commercial construction	235,449	1.7	205,397	1.6	142,070	1.2	113,534	0.9	134,528	1.2
Total commercial real estate	3,562,355	25.6	3,061,507	24.1	2,786,299	23.2	2,387,644	21.2	2,199,131	19.9
Equipment financing	532,117	3.8	455,434	3.6	414,783	3.4	469,679	4.2	702,233	6.4
Net unamortized premiums	2,580	—	5,466	—	6,254	0.1	8,132	0.1	10,064	0.1
Net deferred fees	8,026	0.1	7,871	0.1	6,420	0.1	12,490	0.1	21,770	0.3
Total loans and leases	13,900,025	100.0	12,699,776	100.0	12,028,696	100.0	11,225,404	100.0	11,018,197	100.0
Accrued interest receivable	38,397		36,433		35,360		33,540		32,801	
Total recorded investment in loans and leases	$13,938,422		$12,736,209		$12,064,056		$11,258,944		$11,050,998	

Total residential loans were $3.5 billion at December 31, 2014, a net increase of $144.7 million from December 31, 2013, primarily the result of originations of $485.2 million during the year ended December 31, 2014, offset by loan payments.

Total consumer loans were $2.5 billion at December 31, 2014, a net increase of $13.9 million from December 31, 2013.

Total commercial loans were $3.8 billion at December 31, 2014, a net increase of $466.8 million from December 31, 2013. The growth in commercial loans is primarily related to new originations of $1.4 billion in commercial non-mortgage loans for the year ended December 31, 2014. Asset-based loans increased $101.9 million from December 31, 2013, reflective of $349.3 million in originations and line usage during the year ended December 31, 2014.

Total commercial real estate loans were $3.6 billion at December 31, 2014, a net increase of $500.8 million from December 31, 2013 as a result of originations of $1.2 billion during the year ended December 31, 2014, offset by loan payments.

Equipment financing loans and leases were $532.1 million at December 31, 2014, a net increase of $76.7 million from December 31, 2013, primarily the result of $252.3 million in originations during the year ended December 31, 2014, offset by loan payments.

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The following table provides contractual maturity and interest-rate sensitivity information for Webster's loans and leases at December 31, 2014:

(In thousands)	Contractual Maturity			
	One Year Or Less	More Than One To Five Years	More Than Five Years	Total
Residential	$1,176	$49,763	$3,447,736	$3,498,675
Consumer:				
Home equity	1,450	39,405	2,326,547	2,367,402
Liquidating - home equity	—	1,060	90,996	92,056
Other consumer	2,016	55,595	17,696	75,307
Total consumer	3,466	96,060	2,435,239	2,534,765
Commercial:				
Commercial non-mortgage	376,930	2,306,238	415,724	3,098,892
Asset-based	61,957	597,218	3,440	662,615
Total commercial	438,887	2,903,456	419,164	3,761,507
Commercial real estate:				
Commercial real estate	334,183	1,272,846	1,719,877	3,326,906
Commercial construction	56,272	88,382	90,795	235,449
Total commercial real estate	390,455	1,361,228	1,810,672	3,562,355
Equipment financing loans and leases	23,159	435,724	73,234	532,117
Total contractual maturities	$857,143	$4,846,231	$8,186,045	$13,889,419
Net unamortized premiums				2,580
Net deferred fees				8,026
Loans and leases				$13,900,025

(In thousands)	Interest-Rate Sensitivity			
	One Year Or Less	More Than One To Five Years	More Than Five Years	Total
Fixed rate	$169,068	$760,952	$3,495,178	$4,425,198
Variable rate	688,075	4,085,279	4,690,867	9,464,221
Total contractual maturities	$857,143	$4,846,231	$8,186,045	$13,889,419

Asset Quality

Management maintains asset quality within established risk tolerance levels through its underwriting standards, servicing, and management of loans and leases. Non-performing assets, loan and lease delinquency, and credit loss levels are considered to be key measures of asset quality.

The following table provides key asset quality ratios:

	At or for the years ended December 31,				
	2014	2013	2012	2011	2010
Non-performing loans and leases as a percentage of loans and leases	0.95 %	1.28 %	1.62 %	1.68 %	2.48 %
Non-performing assets as a percentage of total assets	0.61	0.82	0.98	1.03	1.67
Non-performing assets as a percentage of loans and leases plus OREO	1.00	1.35	1.65	1.72	2.73
Net charge-offs as a percentage of average loans and leases	0.23	0.47	0.68	1.00	1.23
Allowance for loan and lease losses as a percentage of loans and leases	1.15	1.20	1.47	2.08	2.92

Allowance for loan and lease losses as a percentage of non-performing loans and leases	120.73	93.65	90.93	124.14	117.58
Ratio of allowance for loan and lease losses to net charge-offs	5.21x	2.63x			