

WEBSTER FINANCIAL CORP

Form 10-Q

May 09, 2016

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2016

Commission File Number: 001-31486

WEBSTER FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-1187536

(I.R.S. Employer Identification No.)

145 Bank Street, Waterbury, Connecticut 06702

(Address and zip code of principal executive offices)

(203) 578-2202

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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). Yes No

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 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 No

The number of shares of common stock, par value \$.01 per share, outstanding as of April 29, 2016 was 91,661,145.

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PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2016	December 31, 2015
	(Unaudited)	
(In thousands, except share data)		
Assets:		
Cash and due from banks	\$ 198,174	\$ 199,693
Interest-bearing deposits	27,805	155,907
Securities available-for-sale	3,080,469	2,984,631
Securities held-to-maturity (fair value of \$4,094,506 and \$3,961,534)	4,012,289	3,923,052
Federal Home Loan Bank and Federal Reserve Bank stock	188,347	188,347
Loans held for sale (valued under fair value option \$27,273 and \$0)	30,425	37,091
Loans and leases	15,858,355	15,671,735
Allowance for loan and lease losses	(174,201)	(174,990)
Loans and leases, net	15,684,154	15,496,745
Deferred tax asset, net	81,191	101,578
Premises and equipment, net	134,212	129,426
Goodwill	538,373	538,373
Other intangible assets, net	37,772	39,326
Cash surrender value of life insurance policies	506,746	503,093
Accrued interest receivable and other assets	415,552	345,625
Total assets	\$24,935,509	\$24,642,887
Liabilities and shareholders' equity:		
Deposits:		
Non-interest-bearing	\$3,625,605	\$3,713,063
Interest-bearing	15,098,918	14,239,715
Total deposits	18,724,523	17,952,778
Securities sold under agreements to repurchase and other borrowings	910,149	1,151,400
Federal Home Loan Bank advances	2,363,131	2,664,139
Long-term debt	225,323	225,260
Accrued expenses and other liabilities	274,416	233,739
Total liabilities	22,497,542	22,227,316
Shareholders' equity:		
Preferred stock, \$.01 par value; Authorized - 3,000,000 shares:		
Series E issued and outstanding (5,060 shares)	122,710	122,710
Common stock, \$.01 par value; Authorized - 200,000,000 shares:		
Issued (93,651,601 shares)	937	937
Paid-in capital	1,125,925	1,124,325
Retained earnings	1,342,930	1,317,559
Treasury stock, at cost (2,272,448 and 2,090,409 shares)	(84,138)	(71,854)
Accumulated other comprehensive loss, net of tax	(70,397)	(78,106)
Total shareholders' equity	2,437,967	2,415,571
Total liabilities and shareholders' equity	\$24,935,509	\$24,642,887
See accompanying Notes to Condensed Consolidated Financial Statements.		

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three months ended	
	March 31,	
(In thousands, except per share data)	2016	2015
Interest Income:		
Interest and fees on loans and leases	\$ 149,808	\$ 130,723
Taxable interest and dividends on securities	48,039	47,652
Non-taxable interest on securities	4,215	4,027
Loans held for sale	273	510
Total interest income	202,335	182,912
Interest Expense:		
Deposits	12,299	11,542
Securities sold under agreements to repurchase and other borrowings	4,173	4,387
Federal Home Loan Bank advances	7,247	4,821
Long-term debt	2,464	2,398
Total interest expense	26,183	23,148
Net interest income	176,152	159,764
Provision for loan and lease losses	15,600	9,750
Net interest income after provision for loan and lease losses	160,552	150,014
Non-interest Income:		
Deposit service fees	36,382	32,625
Loan and lease related fees	5,675	5,679
Wealth and investment services	7,195	7,889
Mortgage banking activities	2,629	1,561
Increase in cash surrender value of life insurance policies	3,653	3,152
Gain on sale of investment securities, net	320	43
Impairment loss on securities recognized in earnings	(149)) —
Other income	8,319	6,941
Total non-interest income	64,024	57,890
Non-interest Expense:		
Compensation and benefits	80,309	70,864
Occupancy	14,253	13,596
Technology and equipment	19,235	19,248
Intangible assets amortization	1,554	1,288
Marketing	4,924	4,176
Professional and outside services	2,811	2,453
Deposit insurance	6,786	6,241
Other expense	21,870	16,224
Total non-interest expense	151,742	134,090
Income before income tax expense	72,834	73,814
Income tax expense	24,217	24,092
Net income	48,617	49,722
Preferred stock dividends and other	(2,131)) (2,785)
Earnings applicable to common shareholders	\$46,486	\$46,937
Earnings per common share:		
Basic	\$0.51	\$0.52
Diluted	0.51	0.52

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)	Three months ended March 31,	
	2016	2015
Net income	\$48,617	\$49,722
Other comprehensive income (loss), net of tax:		
Total available-for-sale and transferred securities	7,505	6,967
Total derivative instruments	(952)	(1,770)
Total defined benefit pension and other postretirement benefit plans	1,156	974
Other comprehensive income, net of tax	7,709	6,171
Comprehensive income	\$56,326	\$55,893

See accompanying Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(In thousands, except per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss, Net of Tax	Total Shareholders' Equity
Balance at December 31, 2015	\$122,710	\$ 937	\$1,124,325	\$1,317,559	\$(71,854)	\$(78,106)	\$2,415,571
Net income	—	—	—	48,617	—	—	48,617
Other comprehensive income, net of tax	—	—	—	—	—	7,709	7,709
Dividends and dividend equivalents declared on common stock \$0.23 per share	—	—	32	(21,171)	—	—	(21,139)
Dividends on Series E preferred stock \$400.00 per share	—	—	—	(2,024)	—	—	(2,024)
Stock-based compensation, net of tax impact	—	—	2,138	(51)	2,638	—	4,725
Exercise of stock options	—	—	(407)	—	709	—	302
Shares acquired related to employee share-based compensation plans	—	—	—	—	(4,425)	—	(4,425)
Common stock repurchased	—	—	—	—	(11,206)	—	(11,206)
Common stock warrants repurchased	—	—	(163)	—	—	—	(163)
Balance at March 31, 2016	\$122,710	\$ 937	\$1,125,925	\$1,342,930	\$(84,138)	\$(70,397)	\$2,437,967

(In thousands, except per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss, Net of Tax	Total Shareholders' Equity
Balance at December 31, 2014	\$151,649	\$ 936	\$1,127,534	\$1,202,251	\$(103,294)	\$(56,261)	\$2,322,815
Net income	—	—	—	49,722	—	—	49,722
Other comprehensive income, net of tax	—	—	—	—	—	6,171	6,171
Dividends and dividend equivalents declared on common stock \$0.20 per share	—	—	25	(18,161)	—	—	(18,136)
Dividends on Series A preferred stock \$21.25 per share	—	—	—	(615)	—	—	(615)
Dividends on Series E preferred stock \$400.00 per share	—	—	—	(2,024)	—	—	(2,024)
Stock-based compensation, net of tax impact	—	—	1,471	(357)	2,271	—	3,385
Exercise of stock options	—	—	(133)	—	394	—	261
Shares acquired related to employee share-based	—	—	—	—	(3,379)	—	(3,379)

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compensation plans

Common stock repurchased	—	—	—	—	(2,625)	—	(2,625)
Balance at March 31, 2015	\$151,649	\$ 936	\$1,128,897	\$1,230,816	\$(106,633)	\$(50,090)	\$2,355,575

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)