WEBSTER FINANCIAL CORP
Form 424B3
February 05, 2014
Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-178642

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered**	**Maximum offering price per unit**	**Maximum aggregate offering price**	**Amount of registration fee[(1)]**
Debt Securities	$150,000,000	100%	$150,000,000	$19,320

(1) This filing fee is calculated in accordance with Rule 457(r) and relates to the Registration Statement on Form S-3 (File No. 333-178642) filed by the Registrant on December 20, 2011.

PROSPECTUS SUPPLEMENT

(to prospectus dated December 20, 2011)

$150,000,000

WEBSTER FINANCIAL CORPORATION

4.375% Senior Notes due 2024

Webster Financial Corporation is offering and selling 4.375% Senior Notes due 2024. The notes will be issued in denominations of $2,000 and integral multiples of $1,000 in excess thereof, will mature on February 15, 2024 and will bear interest at a fixed rate of 4.375% per year. Interest on the notes will be payable semiannually on February 15 and August 15 of each year, beginning August 15, 2014. We may redeem some or all of the notes at any time before maturity at the redemption prices set forth under the section entitled Description of the notes Optional Redemption.

The notes will be unsecured obligations of ours and will rank equally with all our existing and future unsecured and unsubordinated indebtedness. Because Webster Financial Corporation is a holding company, our cash flows and consequent ability to service our obligations, including our debt securities, are dependent on distributions and other payments of earnings to us by our subsidiaries, and funds raised from borrowings or in the capital markets. Accordingly, our right to receive any assets of our subsidiaries upon their liquidation or reorganization, and the consequent right of the holders of the debt securities to participate in those assets, will be effectively subordinated to the claims of our subsidiaries creditors and preferred equity holders.

Investing in the notes involves risks. You should consider the information under the heading Risk Factors beginning on page S-8 before investing in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The notes are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

	Per Note		Total
Public offering price [1]	99.208%	$	148,812,000
Underwriting discounts and commissions	0.550%	$	825,000
Proceeds, before expenses, to us	98.658%	$	147,987,000

(1) Plus accrued interest, if any, from February 11, 2014

We expect that delivery of the notes will be made to investors on February 11, 2014, which will be the fifth business day following the date of this prospectus supplement (such settlement being referred to as T+5). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade their notes on the initial pricing date of the notes or on the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers who wish to trade their notes on the initial pricing date of the notes or on the next succeeding business day should consult their advisors.

The underwriters expect to deliver the notes against payment on or about February 11, 2014 only in book-entry form through the facilities of The Depository Trust Company against payment therefor in immediately available funds.

Jefferies **Deutsche Bank Securities** **Sandler O Neill + Partners, L.P.**

Prospectus Supplement dated February 4, 2014

Table of Contents

i

Table of Contents

About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the offering. Generally, the term prospectus refers to both parts combined.

We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are offering to sell these notes and seeking offers to buy these notes only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of each document regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of these notes. In case there are any differences or inconsistencies between this prospectus supplement, the accompanying prospectus and the information incorporated by reference, you should rely on the information in the document with the latest date.

All references in this prospectus supplement to Webster Financial, the Company, we, us, our or similar reference mean Webster Financial Corporation and its successors, and include our consolidated subsidiaries where the context so requires.

Where you can find more information

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). You may read and copy any materials we file with the SEC at the Public Reference Room of the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, we file many of our documents electronically with the SEC, and you may access those documents over the Internet. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the SEC s website is www.sec.gov. Documents we have filed with the SEC are also available on our website at www.websterbank.com. Except as expressly stated herein, information contained on our website does not constitute a part of this prospectus and is not incorporated by reference herein.

Incorporation of certain documents by reference

The SEC allows us to incorporate by reference information into this prospectus supplement. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus supplement, except for any information that is superseded by other information that is included in or incorporated by reference into this document.

This prospectus incorporates by reference the documents listed below that we have previously filed with the SEC (File No. 001-31486). These documents contain important information about us:

.

our Annual Report on Form 10-K for the year ended December 31, 2012, filed on February 28, 2013;

.

our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2013, filed on May 6, 2013, for the quarter ended June 30, 2013, filed on August 1, 2013, and for the quarter ended September 30, 2013, filed on November 5, 2013;

.

our Proxy Statement on Schedule 14A filed on March 15, 2013 (only for those parts incorporated into our Annual Report on Form 10-K for the year ended December 31, 2012); and

.

our Current Reports on Form 8-K filed with the SEC on February 14, 2013, February 27, 2013 (file no. 13647505) (as amended on March 6, 2013), April 24, 2013, April 26, 2013, May 13, 2013, September 26, 2013 and December 20, 2013 (except, with respect to each of the foregoing, for portions of such reports which were deemed to be furnished and not filed).

Table of Contents

We incorporate by reference any additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than those furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K or other information furnished to the SEC) from the date of the registration statement of which this prospectus supplement is part until the termination of the offering of the securities. These documents may include annual, quarterly and current reports, as well as proxy statements. Any material that we later file with the SEC will automatically update and replace the information previously filed with the SEC. These documents are available to you without charge. See Where You Can Find More Information.

You may obtain copies of these documents, other than exhibits, free of charge by contacting Terrence K. Mangan, Senior Vice President, Investor Relations, at our principal executive offices, which are located at 145 Bank Street, Waterbury, Connecticut 06702, or by telephone at (203) 578-2202.

Special note regarding forward-looking statements

This prospectus supplement, the prospectus and the information included or incorporated by reference in them include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often include the words believes, expects, anticipates, estimates, forecasts, intend targets, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, should, would and could. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements, including:

.

local, regional, national and international economic conditions and the impact they may have on us and our customers and our assessment of that impact;

.

volatility and disruption in national and international financial markets;

.

government intervention in the U.S. financial system;

.

changes in the level of non-performing assets and charge-offs;

.

changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

·

adverse conditions in the securities markets that lead to impairment in the value of securities in our investment portfolio;

·

inflation, interest rate, securities market and monetary fluctuations;

·

the timely development and acceptance of new products and services and perceived overall value of these products and services by customers;

·

changes in consumer spending, borrowings and savings habits;

·

technological changes;

·

the ability to increase market share and control expenses;

·

impairment of our goodwill or other intangible assets;

·

changes in the competitive environment among banks, financial holding companies and other financial service providers;

·

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 under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the Basel III update to the Basel Accords;

·

the effect of the Volcker Rule under the Dodd-Frank Act, which will prohibit us from engaging in certain activities, including proprietary trading of securities, derivatives and other financial instruments, when it goes into effect;

·

the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, or the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;

.

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

.

our success at managing the risks involved in the foregoing items.

Table of Contents

Some of these and other factors are discussed in our annual and quarterly reports previously filed with the SEC. Such developments could have an adverse impact on our financial position and our results of operations.

The forward-looking statements are based upon management s beliefs and assumptions and are made as of the date of this prospectus supplement. We undertake no obligation to publicly update or revise any forward-looking statements included or incorporated by reference in this prospectus supplement or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise, except to the extent required by federal securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus supplement or in the incorporated documents might not occur, and you should not put undue reliance on any forward-looking statements.

Table of Contents

Prospectus supplement summary

The following summary contains basic information about us and this offering. Because it is a summary, it does not contain all the information that may be important to you. Before making an investment decision, you should read this entire prospectus supplement and accompanying prospectus carefully, including the section entitled "Risk Factors," and the documents incorporated by reference herein, including the financial statements and the accompanying notes contained in such documents.

About Webster Financial Corporation

Webster Financial Corporation is a bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended, and was incorporated under the laws of Delaware in 1986. On a consolidated basis, at December 31, 2013, we had assets of $20.9 billion and equity of $2.2 billion. Our principal asset at December 31, 2013 was all of the outstanding capital stock of Webster Bank, National Association ("Webster Bank").

Through Webster Bank and various non-banking financial services subsidiaries, we deliver financial services to individuals, families, and businesses throughout southern New England and into Westchester County, New York. We also offer equipment financing, commercial real estate lending, asset-based lending, and health savings accounts on a regional or national basis. We provide business and consumer banking, mortgage, financial planning, trust and investment services through 169 banking offices, 309 ATMs, telephone banking, mobile banking and the Internet. Webster Bank owns the asset based lending firm Webster Business Credit Corporation, the equipment finance firm Webster Capital Finance Corporation, and provides health savings account trustee and administrative services through its HSA Bank division. The address of our website is www.websterbank.com and the address of the website for our HSA Bank division is www.hsabank.com. References to our website and those of our divisions and subsidiaries are not intended to be active links and the information on such websites is not, and you must not consider the information to be, a part of this prospectus supplement except as expressly set forth herein.

Our common stock is traded on the New York Stock Exchange under the symbol "WBS." Our principal executive offices are located at 145 Bank Street, Waterbury, Connecticut 06702. Our telephone number is (203) 578-2202.

S-1

Table of Contents

Summary of the Offering

Securities Offered	$150,000,000 aggregate principal amount of 4.375% Senior Notes due February 15, 2024.
Issuer	Webster Financial Corporation.
Maturity Date	February 15, 2024.
Issue Price	99.208% of the principal amount per note plus accrued interest, if any, from the date of issuance.
Interest	We will pay interest on the notes semi-annually on February 15 and August 15 of each year beginning August 15, 2014 at a rate of 4.375% per annum.
Listing	The notes will not be listed on any national securities exchange or included in any automated quotation system. Currently there is no market for the notes.
Ranking	The notes will be unsecured obligations of ours and will rank equally with all our existing and future unsecured and unsubordinated indebtedness. Because we are a holding company, our cash flows and consequent ability to service our obligations, including our debt securities, are dependent on distributions and other payments of earnings to us by our subsidiaries, and funds raised from borrowings or in the capital markets. Accordingly, our right to receive any assets of our subsidiaries upon their liquidation or reorganization, and the consequent right of the holders of the debt securities to participate in those assets, will be effectively subordinated to the claims of our subsidiaries' creditors and preferred equity holders.
Optional Redemption	The notes will be redeemable as a whole or in part, at our option at any time or from time to time prior to January 16, 2024 (thirty days prior to the maturity date of the notes), at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points, plus in each case accrued and unpaid interest to, but excluding, the date of redemption. On or after January 16, 2024 (thirty days prior to the maturity date of the notes) we may redeem the notes, in whole or in part, at any time or from time to time, at our option, at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest to, but excluding, the

date of redemption. See Description of the notes — Optional Redemption.

Certain Covenants	We will issue the notes under an indenture between us and The Bank of New York Mellon. The indenture includes several covenants which will, among other things, restrict our ability and the ability of our subsidiaries to:

.

dispose of voting stock of certain subsidiaries; or

.

incur liens on certain capital stock.

For more details, see the section in this prospectus supplement entitled "Description of the notes" under the heading "Covenants," see "Description of Debt Securities—Description of Senior Debt Securities and Senior Subordinated Debt Securities—Additional Covenants and/or Modifications to the Covenant Described Above" in the accompanying prospectus and also read the indenture.

Table of Contents

Trustee	The Bank of New York Mellon will act as indenture trustee under the indenture pursuant to which the notes will be issued.
Use of Proceeds	We estimate that the net proceeds of this offering will be approximately $147,470,000, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We expect to use the net proceeds from the sale of the notes for general corporate purposes, which may include, without limitation, refinancing, reduction or repayment of debt, investments in Webster Bank as regulatory capital and in our other subsidiaries, financing of possible acquisitions, repurchases of our capital stock, expansion of the business, and investments at the holding company level. For more details, see the section in this prospectus supplement under the heading "Use of Proceeds."
Denomination; Form	The notes will be issued only in fully registered form without coupons, in denominations of $2,000 and integral multiples of $1,000. The notes will be evidenced by one or more global notes deposited with the trustee for the notes, as custodian for The Depository Trust Company, or DTC. Beneficial interests in the global notes will be shown on, and transfers of those beneficial interests can only be made through, records maintained by DTC and its participants. See "Description of the notes—General and Book-Entry, Delivery and Form."
Risk Factors	Investing in the notes involves risks. See "Risk Factors" beginning on page S-8.

Table of Contents

Recent developments

Unaudited Consolidated Financial Results for the Fourth Quarter of 2013

The following narrative and tables contain selected consolidated financial and other data of Webster Financial at the dates and for the periods indicated. You should read this information in conjunction with the consolidated financial statements incorporated by reference in this document. The information at and for the twelve months ended December 31, 2013 is unaudited. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to fairly present the results for the periods included have been made.

This information reflects current best estimates and may be revised as a result of further review of the results. During the course of the preparation of the respective financial statements and related notes, additional items that would require material adjustments to be made to the preliminary financial information presented below may be identified. This data should be read in conjunction with the financial statements incorporated by reference in this prospectus supplement. These results may not be indicative of results to be expected for any future period. There can be no assurance that these estimates will be realized, and estimates are subject to risks and uncertainties, many of which are not within our control. See Risk Factors and Special Note Regarding Forward Looking Statements.

On January 17, 2014, Webster Financial announced its unaudited financial results for the quarter ended December 31, 2013.

Total assets were $20.9 billion at December 31, 2013, an increase of $0.8 billion from $20.1 billion at December 31, 2012. Total loans were $12.7 billion at December 31, 2013, an increase of $0.7 billion from $12.0 billion at December 31, 2012. Deposits were $14.9 billion at December 31, 2013, an increase of $0.4 billion from $14.5 billion December 31, 2012. Shareholders equity was $2.2 billion at December 31, 2013, an increase of $0.1 billion from $2.1 billion at December 31, 2012.

Net Income. Net income available to common shareholders was $41.1 million, or $0.45 per diluted share, for the fourth quarter of 2013, compared with $47.9 million, or $0.52 per diluted share, for the fourth quarter of 2012.

Net Interest Income. Net interest income increased to $153.9 million in the fourth quarter of 2013 from $146.3 million in the fourth quarter of 2012. The net interest margin was 3.27% in the fourth quarter of 2013, the same as in the fourth quarter of 2012.

Provision for Loan Losses. The provision for loan losses was $9.0 million for the fourth quarter of 2013, compared to $7.5 million for the fourth quarter of 2012. Net charge-offs for the fourth quarter of 2013 were $14.0 million compared to $16.5 million for the fourth quarter of 2012.

Noninterest income. Total noninterest income for the fourth quarter of 2013 was $44.3 million compared to $52.9 million for the fourth quarter of 2012.

Noninterest expense. Total noninterest expense for the fourth quarter of 2013 was $126.6 million compared to $122.9 million for the fourth quarter of 2012. Total noninterest expense excluding one-time costs increased $3.0 million for the fourth quarter of 2013 compared to the fourth quarter of 2012.

Table of Contents

Selected Consolidated Financial Highlights (unaudited)

(Dollar amounts in thousands)	At or for the Three Months Ended December 31, 2013	December 31, 2012
Income and performance ratios (annualized):		
Return on average assets	0.85%	0.98%
Return on average tangible common shareholders equity	11.14	13.66
Return on average common shareholders equity	8.06	9.74
Noninterest income as a percentage of total revenue	22.34	26.57
Efficiency ratio	59.30	59.68
Asset quality:		
Allowance for loan losses	$ 152,573	$ 177,129
Nonperforming assets	171,607	198,181
Allowance for loan losses / total loans	1.20%	1.47%
Net charge-offs / average loans (annualized)	0.45	0.56
Nonperforming loans / total loans	1.28	1.62
Nonperforming assets / total loans plus OREO	1.35	1.65
Allowance for loan losses / nonperforming loans	93.65	90.93
Other ratios (annualized):		
Tangible equity ratio	8.24%	7.92%
Tangible common equity ratio	7.49	7.15
Tier 1 risk-based capital ratio (a)	13.07	12.47
Total risk-based capital (a)	14.21	13.73
Tier 1 common equity / risk-weighted assets (a)	11.43	10.78
Shareholders' equity / total assets	10.59	10.39
Net interest margin	3.27	3.27

(a) The ratios presented are projected for December 31, 2013 and actual for the remaining periods presented.

Consolidated Balance Sheets (unaudited)

(In thousands)		**December 31, 2013**		**December 31, 2012**
Assets:				
Cash, due from banks, and interest-bearing deposits	$	247,290	$	350,488
Investment securities		6,465,652		6,243,689
Loans held for sale		20,802		107,633
Loans		12,699,776		12,028,696
Allowance for loan losses		(152,573)		(177,129)
Loans, net		12,547,203		11,851,567
Other assets		1,572,052		1,593,388
Total Assets	$	20,852,999	$	20,146,765
Liabilities and Equity:				
Deposits	$	14,854,420	$	14,530,835
Borrowings		3,384,083		2,903,772
Long-term debt		228,365		334,276
Accrued expenses and other liabilities		176,943		284,352
Total liabilities		18,643,811		18,053,235
Preferred stock		151,649		151,649
Common shareholders equity		2,057,539		1,941,881
Webster Financial Corporation shareholders equity		2,209,188		2,093,530
Total Liabilities and Equity	$	20,852,999	$	20,146,765

Table of Contents

Consolidated Statements of Income (unaudited)

		Three Months Ended		
(In thousands, except per share data)		**2013**		**2012**
Net interest income	$	153,884	$	146,272
Provision for loan losses		9,000		7,500
Noninterest income		51,541		52,940
Loss on write-down of investment securities to fair value		(7,277)		-
Noninterest expense		126,639		122,925
Income before income taxes		62,509		68,787
Income tax expense		18,755		20,261
Net income attributable to Webster Financial Corp.		43,754		48,526
Preferred stock dividends		(2,639)		(615)
Net income available to common shareholders	$	41,115	$	47,911
Diluted shares (average)		90,602		91,315
Net income per common share available to common shareholders:				
Basic	$	0.46	$	0.55
Diluted		0.45		0.52

Reconciliations to GAAP Financial Measures

The Company evaluates its business based on certain ratios that utilize tangible equity, a non-GAAP financial measure. Return on average tangible common shareholders' equity measures the Company s net income available to common shareholders, adjusted for the tax-affected amortization of intangible assets, as a percentage of average common shareholders equity less goodwill and intangible assets (excluding mortgage servicing rights). The tangible equity ratio represents total ending shareholders equity less goodwill and intangible assets (excluding mortgage servicing rights) divided by total assets less goodwill and intangible assets (excluding mortgage servicing rights). The tangible common equity ratio represents ending common shareholders equity less goodwill and intangible assets (excluding mortgage servicing rights) divided by total assets less goodwill and intangible assets (excluding mortgage servicing rights).

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.

See the tables below for reconciliations of these non-GAAP financial measures with financial measures defined by GAAP at or for the three months ended December 31, 2013 and December 31, 2012. 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.

Table of Contents

(Dollars in thousands)	At or for the Three Months Ended December 31, 2013	December 31, 2012
Reconciliation of net income available to common shareholders to net income used for computing the return on average tangible common shareholders' equity ratio		
Net income available to common shareholders	$ 41,115	$ 47,911
Amortization of intangibles (tax-affected @ 35%)	775	807
Quarterly net income adjusted for amortization of intangibles	41,890	48,718
Annualized net income used in the return on average tangible common shareholders' equity ratio	$ 167,560	$ 194,872
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity		
Average common shareholders' equity	$ 2,040,435	$ 1,967,312
Average goodwill	(529,887)	(529,887)
Average intangible assets (excluding mortgage servicing rights)	(5,922)	(10,873)
Average tangible common shareholders equity	$ 1,504,626	$ 1,426,552
Reconciliation of period-end shareholders equity to period-end tangible shareholders equity		
Shareholders' equity	$ 2,209,188	$ 2,093,530
Goodwill	(529,887)	(529,887)
Intangible assets (excluding mortgage servicing rights)	(5,351)	(10,270)
Tangible shareholders equity	$ 1,673,950	$ 1,553,373
Reconciliation of period-end common shareholders equity to period-end tangible common shareholders equity		
Shareholders' equity	$ 2,209,188	$ 2,093,530
Preferred stock	(151,649)	(151,649)
Common shareholders' equity	2,057,539	1,941,881
Goodwill	(529,887)	(529,887)
Intangible assets (excluding mortgage servicing rights)	(5,351)	(10,270)
Tangible common shareholders equity	$ 1,522,301	$ 1,401,724
Reconciliation of period-end assets to period-end tangible assets		
Assets	$ 20,852,999	$ 20,146,765
Goodwill	(529,887)	(529,887)
Intangible assets (excluding mortgage servicing rights)	(5,351)	