Webster
Financial
Corporation

Annual Report 2023

WebsterBank®

A Letter from the Chairman and Chief Executive Officer

Dear Stockholders,

While the banking industry faced many distinct challenges in 2023, Webster once again demonstrated our resilience. Despite liquidity crises at several regional banks and an uncertain economic outlook, we enhanced our operating position and executed at a high level. Our performance was empowered by the commitment of our colleagues, our unique and diverse funding capabilities, and the strength of our customer relationships.

Throughout the year we sharpened our focus, adding funding verticals and investing in key businesses to achieve a strategic advantage in the marketplace. We successfully completed the conversion to a common technology platform. We are particularly proud of our deposit growth, which permitted us to prudently grow and support our clients in an unusually competitive funding environment. Our colleagues delivered remarkable results amid tremendous change, and I am very proud of their consistent agility while remaining rooted in our mission and values.

Our operating results improved in a challenging environment. We reported full-year earnings of $868 million, earnings per share of $4.91 and our return on tangible common equity was 17.0%. Our reported EPS was the highest in the company's history. On an adjusted basis, full-year earnings were $1.1 billion, our EPS was $5.99 and our return on tangible common equity was 20.5%.

We ended the year with a tangible book value of $32.39 per share, an increase of 11.4% versus prior year and a record in our 88-year history.

Deposits grew by 12.4% and we increased our net interest margin on a full-year basis.

Our efficiency ratio of 42% compares favorably to peers and is reflective of our expense discipline and synergies realized as a result of our merger.

Over $125 million of capital was returned to our stockholders through share repurchases, and another $278 million was returned through common dividends. Our industry-leading profitability supports our organic growth and allows us to continue to invest in our business and return capital to our stockholders. A disciplined approach to allocating capital has served us well and will enable us to further grow in key segments, thus maximizing overall value.

"Our colleagues delivered remarkable results amid tremendous change, and I am very proud of their consistent agility while remaining rooted in our mission and values."

We continue to invest in our risk infrastructure and capabilities in support of the company's growth. We have a comprehensive and robust risk management framework that has evolved with our size and regulatory expectations. Our risk culture remains strong with all colleagues empowered to identify and mitigate risks as they emerge, ensuring that the company's risk profile is aligned with our risk appetite.

Last year, we achieved several meaningful strategic accomplishments. We closed the acquisition of interLINK, a cash sweep program between broker/dealers, clearing firms and banks. Our interLINK platform utilizes highly scalable technology providing core funding to Webster. As of year-end, interLINK increased Webster's core deposits by $5.7 billion, providing additional liquidity with minimal operating cost.

We also announced the acquisition of Ametros, the market-leading administrator of claimants' funds from medical settlements. Ametros provides Webster with another fast-growing, long-duration, low-cost source of deposits as well as fee income.

We converted to a common technology platform, expanding our product and operating capabilities, deepening existing client relationships, and improving our capability to develop new ones. Going forward, we will build upon this unified and enhanced platform to streamline our account opening process and enhance our online and mobile channels for our business and consumer products, thus elevating our clients' digital experience.

Our multi-year Community Investment Strategy continues to empower people and strengthen communities by expanding access to capital. We introduced "Webster You're Home," our Special Purpose Credit Program, which broadens homeownership opportunities in low- to moderate-income (LMI) communities and helps to build generational wealth. In addition, we launched our Minority and Women-Owned Business Enterprise (MWBE) program, supporting the growth and development of MWBE small businesses across our footprint.

"Our multi-year Community Investment Strategy continues to empower people and strengthen communities by expanding access to capital."

We increased the presence of our signature Webster Finance Lab initiative, helping nonprofit partners create opportunities for LMI youth to gain the skills needed for economic empowerment and financial success. In addition, we continued to refine our Corporate Responsibility program, including metrics and auditable controls consistent with industry and regulatory expectations. I encourage you to read our latest Corporate Responsibility Report for more information on our actions and performance.

Our colleagues delivered on these strategic priorities all while executing on their day-to-day responsibilities of operating the bank. The demonstration of integrity, dedication and grit by our talented Webster team reinforced our already strong reputation in the marketplace.

Our ability to be a great company is possible because of our colleagues' exceptional and sustained efforts. We strive to provide an enriching and rewarding workplace for everyone at Webster. Our latest engagement survey indicated the majority of our 4,200 colleagues view our greatest strengths as "our sense of purpose" and "inclusion." This feedback makes us a stronger organization and allows us to support our colleagues' success in serving our clients and customers.

I would like to express my appreciation to our Board of Directors for their continued trust and confidence. I also want to thank former Executive Chairman Jack Kopnisky for his counsel and partnership, which has been invaluable during the past two years. Jack's contributions to the industry have been significant and we appreciate his leadership in helping build our company.

We are excited about Webster's advantageous position and the momentum we are carrying into 2024. On behalf of the Board of Directors and our executive management team, we thank our stockholders for their ongoing support of our vision to become the best regional commercial bank in the country.

Sincerely,

John R. Ciulla

John R. Ciulla
Chairman and Chief Executive Officer

Board of Directors

John R. Ciulla
Chairman and Chief Executive Officer

William L. Atwell
Former President
Cigna International

John P. Cahill
Chancellor
Archdiocese of New York

E. Carol Hayles
Former Executive Vice President
and Chief Financial Officer
CIT Group, Inc.

Linda H. Ianieri
Former Partner
PricewaterhouseCoopers, LLP

Mona Aboelnaga Kanaan
Managing Partner
K6 Investments, LLC

James J. Landy
Former Chair of the Board of Directors
Hudson Valley Holding Corp.

Maureen B. Mitchell
Senior Advisor
The Boston Consulting Group

Laurence C. Morse
Managing Partner
Fairview Capital Partners, Inc.

Karen R. Osar
Former Executive Vice President
and Chief Financial Officer
Chemtura Corporation

Richard O’Toole
Lead Independent Director
Executive Vice President
The Related Companies

Mark Pettie
President
Blackthorne Associates, LLC

Lauren C. States
Former Vice President, Strategy
and Transformation
IBM Software Group

William E. Whiston
Senior Advisor and Former Chief Financial Officer
Archdiocese of New York

Executive Management Committee

John R. Ciulla
Chairman and Chief Executive Officer

Kristy Berner
General Counsel and Corporate Secretary

Daniel H. Bley
Chief Risk Officer

Javier L. Evans
Chief Human Resources Officer

James M. Griffin
Head of Consumer Banking

Benjamin L. Krynick
Head of Bank Operations

Glenn I. MacInnes
Chief Financial Officer

Luis Massiani
President and Chief Operating Officer

Christopher J. Motl
President, Commercial Banking

Vikram Nafde
Chief Information Officer

Jason A. Soto
Chief Credit Officer

Marissa M. Weidner
Chief Corporate Responsibility Officer

Charles L. Wilkins
Head of HSA Bank,
a division of Webster Bank

Elzbieta Cieslik
Chief Audit Officer

Financial Highlights

For the years ending December 31: *(In thousands, except per share and ratio data)*	**2023**	**2022**	**2021**
CONSOLIDATED BALANCE SHEETS			
Total assets	$74,945,249	71,277,521	34,915,599
Loans and leases	50,726,052	49,764,426	22,271,729
Allowance for credit losses on loans and leases	635,737	594,741	301,187
Investment securities	16,034,317	14,457,394	10,432,979
Deposits	60,784,284	54,054,340	29,847,029
Total equity	8,689,996	8,056,186	3,438,325
STATEMENTS OF INCOME			
Net interest income	2,337,269	2,034,286	901,089
Provision (benefit) for credit losses	150,747	280,619	(54,500)
Non-interest income	314,337	440,783	323,372
Non-interest expense	1,416,355	1,396,473	745,100
Income before income tax expense	1,084,504	797,977	533,861
Income tax expense	216,664	153,694	124,997
Net income	867,840	644,283	408,864
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$851,190	628,364	400,989
PER COMMON SHARE DATA			
Net income - diluted	$4.91	3.72	4.42
Dividends declared	1.60	1.60	1.60
Tangible book value per common share	32.39	29.07	30.22
Book value per common share	48.87	44.67	36.36
Weighted-average common shares - diluted	171,883	167,547	90,206
KEY PERFORMANCE RATIOS			
Return on average assets	1.18%	0.99	1.19
Return on average common stockholders' equity	10.59	8.44	12.56
Net interest margin	3.52	3.49	2.84
Non-interest income as a percentage of total revenue	11.85	17.81	26.41
Tangible common equity	7.73	7.38	7.97
Average stockholders' equity to average assets	11.28	11.92	9.75
KEY PERFORMANCE RATIOS			
ACL on loans and leases/total loans and leases	1.25	1.20	1.35
Net charge-offs/average loans and leases	0.21	0.15	0.02
Non-performing loans and leases/total loans and leases	0.41	0.41	0.49
Non-performing assets/total loans and leases plus OREO	0.43	0.41	0.51
ACL on loans and leases/non-performing loans and leases	303.39	291.84	274.36

Stockholder Information

Corporate Headquarters

Webster Financial Corporation and Webster Bank, N.A.
200 Elm Street
Stamford, CT 06902
800.325.2424
WebsterBank.com

Transfer Agent and Registrar

Regular Mail
Broadridge Corporate Issuer Solutions, Inc.
PO Box 1342
Brentwood, NY 11717
855.222.4926 (Toll Free) | 720.864.4321 (Toll)
shareholder@broadridge.com
http://shareholder.broadridge.com/webster

Registered/Overnight Mail
Broadridge Corporate Issuer Solutions, Inc.
Attn: IWS
1155 Long Island Avenue
Edgewood, NY 11717

Dividend Reinvestment and Stock Purchase Plan

Stockholders wishing to receive a prospectus for the Dividend Reinvestment and Stock Purchase Plan are invited to write to Broadridge Corporate Issuer Solutions, Inc. at one of the addresses listed above.

Stock Listing Information

Webster's common stock is traded on the New York Stock Exchange under the symbol "WBS."

Investor Relations Contact

Emlen Harmon
Director of Investor Relations
203.578.2202
eharmon@websterbank.com

Corporate Profile

Webster Financial Corporation is the holding company for Webster Bank, National Association and its HSA Bank division, and is regulated by the Federal Reserve Board of Governors. Webster serves consumers, businesses, not-for-profit organizations and governmental entities in Connecticut, Massachusetts, Rhode Island and metro New York City, with a distribution network of 198 banking centers and 349 ATMs at year end, as well as a full range of online and mobile banking services. In addition, Webster offers commercial real estate, asset-based lending and equipment finance services regionally, and health savings accounts nationally through HSA Bank.

Webster Bank is a member of the FDIC and is regulated by the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau. At year end, Webster Bank's financial intermediation activities were organized broadly around three distinct lines of business: Commercial Banking, Consumer Banking and HSA Bank.

Reports

A copy of our Annual Report on Form 10-K for the fiscal year ending December 31, 2023, as well as our quarterly reports, news releases and other information, may be obtained free of charge by accessing our Investor Relations website (https://investors.websterbank.com). For a printed copy, please contact: Emlen Harmon, Director of Investor Relations, 200 Elm Street, Stamford, CT 06902. The certifications of Webster's chief executive officer and chief financial officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, are included as exhibits to our Annual Report on Form 10-K for the fiscal year ending December 31, 2023.

Annual Meeting

The Annual Meeting of stockholders of Webster Financial Corporation will be held on April 24, 2024 at 3:00 p.m. E.T.

The Annual Meeting will be held virtually via the Internet to allow us to facilitate participation for more stockholders regardless of their geographic location and provide us with another opportunity to reduce our environmental impact.

Webster Information

For more information on Webster products and services, call 800.325.2424 or visit us at WebsterBank.com.

Corporate Responsibility Highlights 2023

The Office of Corporate Responsibility (OCR) was established in 2022, building on Webster's long-standing record of corporate responsibility and community engagement. OCR manages all community-facing activities, including Community Reinvestment Act (CRA) and Fair and Responsible Banking; Community Investment, Engagement and Philanthropy; Government Relations and Public Affairs; Supplier Diversity; and Environmental, Social and Governance efforts.

Community Investment Strategy

Our multiyear strategy creates greater opportunity and value for clients and communities, with a focus on these pillars:

Special Purpose Credit Program

In 2023, Webster announced the launch of "Webster You're Home," our first Special Purpose Credit Program (SPCP) aimed at expanding homeownership opportunities in historically underserved areas. Designed to support low- to moderate-income (LMI) first-time homebuyers, the program provides an alternative to traditional loan programs and terms in our core footprint states of Connecticut, Massachusetts, New York and Rhode Island.

Supplier Diversity Program

Our Supplier Diversity Program seeks to identify capable diverse suppliers and provide them with the opportunity to compete in a fair and equitable environment. We welcome all suppliers who have the capabilities to provide Webster with goods and services.

Community Service Hours

Webster colleagues shared 16,962 hours of their time and expertise in 2023, helping to build vibrant and healthy communities through a variety of partnerships. Webster provides all colleagues with 16 hours of paid time to volunteer at the organizations of their choice.

Webster Finance Labs

We continued the expansion of our signature Finance Lab initiative in 2023, opening our first Connecticut Finance Lab in Bridgeport and announcing new Finance Labs for Hartford, CT, Waterbury, CT and Taunton, MA. Our Finance Labs help nonprofit partners in LMI communities create opportunities for students to gain the skills needed for economic empowerment and financial success.

Community Access to Capital and Credit

Our Minority and Women-owned Business Enterprise (MWBE) team supports the growth and development of MWBE small businesses and organizations focused on community and economic development in underserved areas. Our Community Liaison Officers provide support and financial education to LMI and minority borrowers. They also work to increase residential lending opportunities to meet local credit needs across the footprint.

Business Resource Groups

Webster's eight Business Resource Groups (BRGs) provided innovative programming, community outreach and partnerships in 2023. All colleagues are welcome to join the BRGs: African and Caribbean Heritage Connection, Allies for Disabilities and Accessibility, Amigos Connected, Military Veterans Community Network, Multi-Generations, Pan Asian Collective, Webster PRIDE and Webster Women's Network.

To learn more about OCR, visit https://public.websteronline.com/about/corporate-responsibility

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, 2023

or

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

For the transition period from ____ to ____

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.)**

200 Elm Street, Stamford, Connecticut 06902

(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	Trading Symbols	Name of each exchange on which registered
Common Stock, par value $0.01 per share	WBS	New York Stock Exchange
Depositary Shares, each representing 1/1000th interest in a share of 5.25% Series F Non-Cumulative Perpetual Preferred Stock	WBS-PrF	New York Stock Exchange
Depositary Shares, each representing 1/40th interest in a share of 6.50% Series G Non-Cumulative Perpetual Preferred Stock	WBS-PrG	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. ☐ Yes ☒ 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. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐						

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of voting common stock held by non-affiliates, computed by reference using the closing price on June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $6.5 billion.

The number of shares of common stock, par value $0.01 per share, outstanding as of February 23, 2024 was 171,753,097.

Documents Incorporated by Reference

Part III: Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on April 24, 2024 (the "Proxy Statement").

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KEY TO ACRONYMS AND TERMS

ACL	Allowance for credit losses
Agency CMBS	Agency commercial mortgage-backed securities
Agency CMO	Agency collateralized mortgage obligations
Agency MBS	Agency mortgage-backed securities
ALCO	Asset Liability Committee
Ametros	Ametros Financial Corporation
AOCI (AOCL)	Accumulated other comprehensive income (loss), net of tax
ASC	Accounting Standards Codification
ASU or the Update	Accounting Standards Update
Basel III Capital Rules	Capital rules under a global regulatory framework developed by the Basel Committee on Banking Supervision
Bend	Bend Financial, Inc.
BHC Act	Bank Holding Company Act of 1956, as amended
CARES Act	The Coronavirus Aid, Relief, and Economic Security Act
CECL	Current expected credit loss model, defined in ASC 326 “Financial Instruments – Credit Losses”
CET1	Common Equity Tier 1 Capital, defined by the Basel III Capital Rules
CET1 Risk-Based Capital	Ratio of CET1 capital to total risk-weighted assets, defined by the Basel III Capital Rules
CFPB	Consumer Financial Protection Bureau
CLO	Collateralized loan obligation securities
CMBS	Non-agency commercial mortgage-backed securities
COVID-19	Coronavirus
CRA	Community Reinvestment Act of 1977
DEIB	Diversity, equity, inclusion and belonging
DTA / DTL	Deferred tax asset / deferred tax liability
EAD	Exposure at default
ESG	Environmental, Social, and Governance
ERMC	Enterprise Risk Management Committee
FASB	Financial Accounting Standards Board
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FDIF	Federal Deposit Insurance Fund
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation
FRA	Federal Reserve Act
FRB	Federal Reserve Bank
FTE	Fully tax-equivalent
FTP	Funds Transfer Pricing, a matched maturity funding concept
GAAP	U.S. Generally Accepted Accounting Principles
Holding Company	Webster Financial Corporation
HSA	Health savings account
HSA Bank	HSA Bank, a division of Webster Bank, National Association
interLINK	Interlink Insured Sweep LLC
IRA	Inflation Reduction Act of 2022
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LIHTC	Low income housing tax-credit
Moody's	Moody's Investor Services
NAV	Net asset value
NYSE	New York Stock Exchange
OCC	Office of the Comptroller of the Currency
OCI (OCL)	Other comprehensive income (loss)
OFAC	Office of Foreign Assets Control of the U.S. Department of the Treasury
OPEB	Other post-employment medical and life insurance benefits
OREO	Other real estate owned
PCD	Purchased credit deteriorated
PD	Probability of default

PPNR	Pre-tax, pre-provision net revenue
ROU	Right-of-use
S&P	Standard and Poor's Rating Services
SALT	State and local tax
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental executive retirement plan
SOFR	Secured Overnight Financing Rate
Sterling	Sterling Bancorp, collectively with its consolidated subsidiaries
TDR	Troubled debt restructuring, defined in ASC 310-40 “Receivables-Troubled Debt Restructurings by Creditors”
Tier 1 Leverage Capital	Ratio of Tier 1 capital to average tangible assets, defined by the Basel III Capital Rules
Tier 1 Risk-Based Capital	Ratio of Tier 1 capital to total risk-weighted assets, defined by the Basel III Capital Rules
Total Risk-Based Capital	Ratio of total capital to total risk-weighted assets, defined by the Basel III Capital Rules
USA PATRIOT Act	Uniting and Strengthening America by Providing Appropriate Tools Requirement to Intercept and Obstruct Terrorism Act of 2001
UTB	Unrecognized tax benefit
VIE / VOE	Variable interest entity / voting interest entity, defined in ASC 810-10 “Consolidation-Overall”
Webster Bank or the Bank	Webster Bank, National Association, a wholly-owned subsidiary of Webster Financial Corporation
Webster or the Company	Webster Financial Corporation, collectively with its consolidated subsidiaries

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. Forward-looking statements can be identified by words such as “believes,” “anticipates,” “expects,” “intends,” “targeted,” “continue,” “remain,” “will,” “should,” “may,” “plans,” “estimates,” and similar references to future periods. However, these words are not the exclusive means of identifying such forward-looking statements.

Examples of forward-looking statements include, but are not limited to:

- projections of revenues, expenses, income or loss, earnings or loss per share, and other financial items;
- statements of plans, objectives, and expectations of the Company or its management or Board of Directors;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Forward-looking statements are based on the Company’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. The Company’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 the Company's actual results to differ from those discussed in any forward-looking statements include, but are not limited to:

- our ability to successfully execute our business plan and strategic initiatives, and manage any risks or uncertainties;
- continued regulatory changes or other mitigation efforts taken by government agencies in response to turmoil in the banking industry, including due to the bank failures in 2023;
- volatility in Webster's stock price due to investor sentiment, including in light of turmoil in the banking industry;
- local, regional, national, and international economic conditions, and the impact they may have on us or our customers;
- volatility and disruption in national and international financial markets, including as a result of geopolitical conflict;
- unforeseen events, such as pandemics or natural disasters, and any governmental or societal responses thereto;
- changes in laws and regulations, or existing laws and regulations that we become subject to, including those concerning banking, taxes, dividends, securities, insurance, and healthcare administration, with which we and our subsidiaries must comply;
- adverse conditions in the securities markets that could lead to impairment in the value of our securities portfolio;
- inflation, monetary fluctuations, and changes in interest rates, including the impact of such changes on economic conditions, customer behavior, funding costs, and our loans and leases and securities portfolios;
- possible changes in governmental monetary and fiscal policies, including, but not limited to, Federal Reserve policies in connection with continued inflationary pressures and the ability of the U.S. Congress to increase the U.S. statutory debt limit, as needed, and pass a budget funding the federal government;
- the impact of any U.S. federal government shutdown;
- the timely development and acceptance of new products and services, and the perceived value of those products and services by customers;
- changes in deposit flows, consumer spending, borrowings, and savings habits;
- our ability to implement new technologies and maintain secure and reliable information and technology systems;
- the effects of any cybersecurity threats or fraudulent activity, including those that involve our third-party vendors and service providers;
- performance by our counterparties and third-party vendors;
- our ability to increase market share and control expenses;
- changes in the competitive environment among banks, financial holding companies, and other traditional and non-traditional financial services providers;
- our ability to maintain adequate sources of funding and liquidity;
- changes in the mix of loan geographies, sectors, or types and the level of non-performing assets and charge-offs;
- changes in estimates of future reserve requirements based upon periodic review thereof under relevant regulatory and accounting requirements;
- the effect of changes in accounting policies and practices applicable to us, including impacts of recently adopted accounting guidance;
- legal and regulatory developments, including the resolution of legal proceedings or regulatory or other governmental inquiries, and the results of regulatory examinations or reviews;
- our ability to appropriately address any environmental, social, governmental, and sustainability concerns that may arise from our business activities; and
- our ability to assess and monitor the effect of artificial intelligence on our business and operations.

Any forward-looking statement in this Annual Report on Form 10-K speaks only as of the date on which it is made. Factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as may be required by law.

PART I

ITEM 1. BUSINESS

General

Webster Financial Corporation is a bank holding company and financial holding company under the BHC Act, incorporated under the laws of Delaware in 1986, and headquartered in Stamford, Connecticut. Webster Bank, and its HSA Bank Division, is a leading commercial bank in the Northeast that provides a wide range of digital and traditional financial solutions across three differentiated lines of business: Commercial Banking, HSA Bank, and Consumer Banking. While its core footprint spans the northeastern U.S. from New York to Massachusetts, certain businesses operate in extended geographies. HSA Bank is one of the largest providers of employee benefits solutions in the U.S.

Available Information

The Company files reports with the SEC, and makes available, free of charge, within the investor relations section of its internet website (http://investors.websterbank.com), its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. The SEC website (http://www.sec.gov) makes reports, proxy and information statements, and other information filed electronically with the SEC available to the public free of charge. Information contained on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

Mergers and Acquisitions

On January 31, 2022, the Company completed its merger with Sterling. Pursuant to the merger agreement, Sterling Bancorp merged with and into the Holding Company, with the Holding Company continuing as the surviving corporation. Following the merger, on February 1, 2022, Sterling National Bank, a wholly-owned subsidiary of Sterling Bancorp, merged with and into the Bank, with the Bank continuing as the surviving bank. Sterling was a full-service regional bank headquartered in Pearl River, New York, that primarily served the Greater New York metropolitan area. The merger expanded the Company's geographic footprint and combined two complementary organizations to create one of the largest commercial banks in the northeastern U.S.

On February 18, 2022, the Bank acquired Bend, a cloud-based platform solution provider for HSAs. The acquisition accelerated the Company's efforts underway to deliver enhanced user experiences at HSA Bank.

On January 11, 2023, the Bank acquired interLINK, a technology-enabled deposit management platform that administers over $9 billion of deposits from FDIC-insured cash sweep programs between banks and broker/dealers and clearing firms. The acquisition provided the Company with access to a unique source of core deposit funding and scalable liquidity and added another technology-enabled channel to its already differentiated, omnichannel deposit gathering capabilities.

On January 24, 2024, the Bank acquired Ametros, a custodian and administrator of medical funds from insurance claims settlements that helps individuals manage their ongoing medical care through its CareGuard service and proprietary technology platform. The Company believes that the acquisition will provide a fast-growing source of low-cost and long-duration deposits, new sources of non-interest income, and enhance its employee benefit and healthcare financial services expertise.

Additional information regarding the Company's mergers and acquisitions can be found in Part II under the section captioned "Recent Developments" contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and within Note 2: Mergers and Acquisitions in the Notes to Consolidated Financial Statements contained in Item 8. Financial Statements and Supplementary Data.

Subsidiaries and Reportable Segments

The Holding Company's principal consolidated subsidiary is the Bank. As of December 31, 2023, the Bank's significant wholly-owned subsidiaries included: Webster Servicing LLC, Webster Public Finance Corporation, Sterling National Funding Corporation, Webster Mortgage Investment Corporation, Sterling Business Credit LLC, Webster Wealth Advisors, Inc., Webster Licensing, LLC, Bend Financial, Inc., Interlink Insured Sweep LLC, Webster Investment Services, Inc., Webster Preferred Capital Corporation, and Webster Community Development Corporation.

As of December 31, 2023, the Company's operations are organized into three reportable segments that represent its primary businesses: Commercial Banking, HSA Bank, and Consumer Banking.

Commercial Banking serves businesses with more than $2 million of revenue through its Commercial Real Estate and Equipment Finance, Middle Market, Business Banking, Asset-Based Lending and Commercial Services, Public Sector Finance, Mortgage Warehouse, Sponsor and Specialty Finance, Verticals and Support, Private Banking, and Treasury Management business units.

- Commercial Real Estate offers financing alternatives for the purpose of acquiring, developing, constructing, improving, or refinancing commercial real estate, in which loans are typically secured by institutional-quality real estate, including apartments, anchored retail, industrial, office, and student and affordable housing properties, and where the income generated from the secured property is the primary repayment source.
- Equipment Finance offers small to mid-ticket equipment leasing solutions for critical equipment, new or used, across the manufacturing, construction and transportation, and environmental sectors.
- Middle Market offers a broad range of financial services to a diversified group of companies delivering competitive products and solutions that meet their specific middle market needs.
- Business Banking offers credit, deposit, and cash flow management products to businesses and professional service firms.
- Asset-Based Lending, which is a top U.S. asset-based lender, offers asset-based loans and revolving credit facilities by financing core working capital with advance rates against inventory, accounts receivable, equipment, or other property owned by the borrower.
- Commercial Services offers accounts receivable factoring and trade financing, and payroll funding and business process outsourcing to temporary staffing agencies nationwide, including full back-office, technology, and tax accounting services.
- Public Sector Finance offers financing solutions exclusively to state, municipal, and local government entities.
- Mortgage Warehouse offers warehouse financing facilities consisting of temporary lines of credit, and which are secured by 1-4 family residential mortgages, to independent mortgage origination companies.
- Sponsor and Specialty Finance offers senior debt capital to companies across the U.S. that are backed by private equity sponsors and/or privately owned in one of our specialty industries: technology and infrastructure, healthcare, environmental services, business and information services, lender finance, and fund banking.
- Verticals and Support offers credit, deposit, and cash flow management to businesses and professional service firms in the legal, not-for-profit, and property management sectors, as well as to local and state governments.
- Private Banking offers an array of wealth management solutions to business owners and operators, including trust, asset management, financial planning, insurance, retirement, and investment products.
- Treasury Management offers derivative, treasury, accounts payable, accounts receivable, and trade products and services, through a dedicated team of treasury professionals and local commercial bankers, to help its business and institutional customers enhance liquidity, improve operations, and reduce risk.

HSA Bank, serviced through Webster Servicing LLC, offers a comprehensive consumer-directed employee benefit and healthcare solution that includes HSAs, health reimbursement arrangements, flexible spending accounts, and commuter benefits. HSAs are used in conjunction with high deductible health plans in order to facilitate tax advantages for account holders with respect to health care spending and savings. HSAs are distributed nationwide through employers for and to individual consumers, as well as through national and regional insurance carriers, benefit consultants, and financial advisors. HSA deposits provide long-duration, low-cost funding that is used to minimize the Bank's use of wholesale funding in support of its loan growth. Non-interest revenue is generated predominantly through service fees and interchange income.

Consumer Banking operates a distribution network, primarily throughout southern New England and the New York metro and suburban markets, that comprises 198 banking centers and 349 ATMs, a customer care center, and a full range of web and mobile-based banking services. Consumer Banking's business units consist of Consumer Lending and Small Business Banking.

- Consumer Lending offers consumer deposit and fee-based services, residential mortgages, home equity lines, secured and unsecured loans, and credit card products.
- Small Business Banking offers credit, deposit, and cash flow management products targeted to businesses and professional service firms with annual revenues of up to $2 million.

Additional information regarding the Company's reportable segments can be found in Part II under the section captioned "Segment Reporting" contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and within Note 21: Segment Reporting in the Notes to Consolidated Financial Statements contained in Item 8. Financial Statements and Supplementary Data.

Human Capital Resources

At December 31, 2023, the Company had 4,131 full-time employees and 130 part-time employees, comprised of 61% female and 39% male employees. The average full-time and part-time employee tenure at the Company is approximately 9.0 years.

Diversity, Equity, Inclusion and Belonging

The Company believes DEIB is critical to its growth and success as a leading commercial bank. The Company's commitment to DEIB starts with the senior leadership team, who works to ensure that DEIB is integrated into the way the Company does business. Meeting the increasingly diverse needs of clients is a key to the Company's long-term success, and having a workforce with diverse backgrounds and experiences better helps the clients and communities that the Company serves to achieve their financial goals.

The Company has established a DEIB Council, which serves as a platform where senior leaders and representatives of various internal business resource groups meet quarterly to shape the strategy and actions of the Company's DEIB efforts. The DEIB Council is comprised of 39 employee members across the organization and is co-chaired by the Chief Executive Officer and Executive Vice President of Business Banking. The DEIB Council makes recommendations on ways to integrate DEIB in the areas of education and awareness, talent development, employee engagement, and client and community service, and reports quarterly to the Company's Corporate Responsibility Committee. The Company's Senior Managing Director of DEIB is responsible for strengthening DEIB efforts with employees, clients, and community partners, and promoting a diverse workforce in an open, inclusive environment.

In 2022, the Company developed diversity scorecards to measure the recruitment, retention, and promotion of underrepresented groups, reinforcing that DEIB is a driver of performance. Notable progress was made in 2023 in the areas of diversity turnover, diversity tenure, and DEIB learning and development training hours, with all three indicators exceeding 2023 goals. Areas of focus for 2024 through 2026 include the percentage of Senior Managing Directors and above who are women and/or persons of color, new hire diversity, and the diversity promotion rate.

Compensation and Benefits

The Company's compensation program is designed to attract, retain, and reward performance and align incentives with the achievement of strategic goals and both short- and long-term operating objectives. The Company has an Incentive Compensation Oversight Committee that reviews and approves all business-line incentives and sales plans each year, which ensures consistent governance and behavior. The Company's Rewards and Recognition Program drives a culture of appreciation, recognizes leadership, and provides employees with meaningful monetary awards, as well as non-monetary recognition.

Competitive benefits packages that reflect the needs of the Company's workforce are offered to employees, which include medical, dental, and vision plans, prescription benefits, life insurance and disability benefits, HSAs, wellness incentives, health coaching, and telemedicine, as well as paid parental leave, paid time off and paid holidays, matching 401(k) retirement savings plans, Employee Stock Purchase Plan, Employee Assistance Program, back-up child and elder care, Student Loan Repayment Program, pet insurance, and other wellness programs. Benefit plans are continually reviewed and evolved as necessary to remain competitive and meet the needs of the Company's workforce.

Learning and Development

The Company is focused on investing in its current and future talent by actively supporting the success, growth, and career progression of its employees. Employees have access to more than 490 courses offered through Webster Bank University, the Company's internal learning resource that offers on-demand webinars, e-learning, and in-person learning programs. The Company also provides unlimited access to self-directed e-learning courses taught by industry experts with curated learning paths that are designed specifically for their professional interests through the Company's LinkedIn partnership.

The Company is committed to building and strengthening its workforce for the future with professional and career development programs that go well beyond the immediate skills needed for a current role. In 2023, the Company offered 65 different professional development courses, of which nine were instructor-led programs offered multiple times throughout the year, and and 49 leadership skill development programs. More than 1,500 employees took advantage of and participated in these programs collectively.

The Company makes significant investments in formal development programs to build its talent pipeline. In 2023, the Company's internship program hosted 25 individuals, who worked in eight lines of business across the bank. In addition, the Company's Rotational Program offers early-career, high potential college graduates rotating assignments throughout the bank over either an eighteen month or a two-year period, with tracks in Commercial Banking, Finance, HSA Bank, Audit, and Consumer Bank. After completing the program, all 13 Rotational Analysts were hired in 2023.

In 2023, the Company launched The RISE Emerging Talent Program with 21 high-potential individual contributors who are likely to move into a management role or a role with more responsibility. This hybrid program gives participants a chance to learn with peers from across the Bank with three days in the classroom and the balance through virtual instructor led training.

Competition

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

The Company 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 and hours, mobile banking, and other automated services. Competition for deposits comes from other commercial banks, savings banks, credit unions, non-bank health savings account trustees, money market mutual funds, financial technology companies, and other non-bank financial services companies. The primary factors in competing for commercial and consumer loans are interest rates, loan origination fees, ease and convenience of loan origination channels, the quality and range of lending services, personalized service, and the ability to close within each customer's desired time frame. Competition for the origination of loans comes primarily from commercial banks, non-bank lenders, savings institutions, mortgage banking firms, mortgage brokers, online lenders, and insurance companies. Other factors that affect competition include the general and local economic conditions, current interest rate levels, and volatility in the lending markets.

Supervision and Regulation

The Holding Company and its bank and non-bank subsidiaries are subject to extensive regulation under federal and state laws. The regulatory framework applicable to bank holding companies and their depository institutions is intended to protect depositors, the FDIF, consumers, and the U.S. banking system as a whole.

Set forth in the paragraphs below is a summary of the significant elements of the laws and regulations applicable to the Holding Company and its bank and non-bank 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. Banking statutes, regulations, and policies are continually under review by Congress, state legislatures, and federal and state regulatory agencies. Changes in the statutes, regulations, or regulatory policies applicable to the Holding Company and its bank and non-bank subsidiaries, including how they are implemented or interpreted, could have a material effect on the results of the Company.

Regulatory Agencies

The Holding Company is a separate and distinct legal entity from the Bank and its other subsidiaries. As a registered bank holding company and a financial holding company, Webster Financial Corporation is subject to regulation under the BHC Act and to inspection, examination, and supervision by its primary federal regulator, the Board of Governors of the Federal Reserve System. As a publicly-traded company, Webster is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both of which are administered by the SEC. As a publicly-traded company with securities listed on the NYSE, Webster is subject to the rules of the NYSE.

The Bank is organized as a national banking association under the National Bank Act, as amended, and is subject to the supervision of and regular examination by the OCC, its primary federal regulator, as well as by the FDIC, its deposit insurer. As a national banking association, the Bank derives its lending, investment, and other bank activity powers from the National Bank Act, as amended, and the regulations of the OCC promulgated thereunder. In addition, the CFPB supervises the Bank to ensure compliance with federal consumer financial protection laws.

The Holding Company’s non-bank subsidiaries are also subject to regulation by the Board of Governors of the Federal Reserve System and other applicable federal and state agencies.

Bank Holding Company Activities

In general, the BHC Act limits the business of bank holding companies to banking, managing, or controlling banks and other activities that the Board of Governors of the Federal Reserve System has determined to be closely related to banking. Bank holding companies that qualify and elect to become financial holding companies, such as Webster Financial Corporation, may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either financial in nature or incidental to such financial activity (as determined by the Board of Governors of the Federal Reserve System in consultation with the Secretary of the Treasury), or 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 (as solely determined by the Board of Governors of the Federal Reserve System). Activities that are financial in nature include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting, and merchant banking. If a financial holding company or its bank ceases to be well capitalized or well managed, the Board of Governors of the Federal Reserve System may impose corrective capital and managerial requirements and activity restrictions.

Mergers and Acquisitions

Under the BHC Act, prior approval from the Board of Governors of the Federal Reserve System is required in order for any bank holding company to acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank, acquire all or substantially all of the assets of a bank, or merge or consolidate with any other bank holding company. Generally, the Holding Company is not required to obtain prior approval from the Board of Governors of the Federal Reserve System to acquire a non-bank that engages in activities that are financial in nature or incidental to activities that are financial in nature, as long as the Holding Company meets the capital, managerial, and CRA requirements to qualify as a financial holding company. However, the Holding Company is required to receive prior approval from the Board of Governors of the Federal Reserve System for an acquisition in which the total consolidated assets to be acquired exceeds $10 billion.

Pursuant to Section 18(c) of the FDIA, more commonly known as the Bank Merger Act, and for national banks relying on certain other sources of merger authority, prior written approval from a bank's primary federal regulator is required before any insured depository institution may consummate a merger transaction, which includes a merger, consolidation, assumption of deposit liabilities, and certain asset transfers between or among two or more institutions. Prior written approval of a bank's primary federal regulator is also required for merger transactions between or among affiliated institutions, as well as for merger transactions between or among non-affiliated institutions. Transactions that do not involve a transfer of deposit liabilities typically do not require prior approval under the Bank Merger Act unless the transaction involves the acquisition of all or substantially all of an institution's assets. When evaluating and acting on proposed merger transactions, regulators consider the extent of existing competition between and among the merging institutions, other depository institutions, and other providers of similar or equivalent services in the relevant product and geographic markets, the convenience and needs of the community to be served, capital adequacy and earnings prospects, and the effectiveness the merger institutions in combating money-laundering activities, among other factors.

Further, the Change in Bank Control Act of 1978 generally prohibits any person, acting directly or indirectly or in concert with other persons, from acquiring control of a covered institution without providing at least 60 days prior written notice to the FDIC or upon receipt of written notice that the FDIC does not disapprove of the acquisition.

Capital Adequacy

The Board of Governors of the Federal Reserve System, the OCC, and the FDIC have adopted the regulatory capital standards in accordance with Basel III, as developed by the Basel Committee on Banking Supervision. The Basel III Capital Rules strengthened international capital adequacy standards by increasing institutions' minimum capital requirements and holdings of high-quality liquid assets and decreasing bank leverage.

Under the Basel III Capital Rules, the Company's assets, exposures, and certain off-balance sheet commitments and obligations are subject to risk weights used to determine risk-weighted assets. Risk weights can range from 0% for U.S. government securities to 1,250% for certain tranches of complex securitization or equity exposures. Risk-weighted assets serve as the base against which regulatory capital is measured, and are used to calculate the Holding Company's and the Bank's minimum capital ratios of CET1 Risk-Based Capital, Tier 1 Risk-Based Capital, Total Risk-Based Capital, and Tier 1 Leverage Capital, as defined in the regulations, which the Company is required to maintain. CET1 capital consists of common stockholders' equity less deductions for goodwill and other intangible assets, and certain deferred tax adjustments. At the time of initial adoption of the Basel III Capital Rules, the Company had elected to opt-out of the requirement to include certain components of AOCI in CET1 capital. Tier 1 capital consists of CET1 capital plus preferred stock. Total capital consists of Tier 1 capital and Tier 2 capital, as defined in the regulations. Tier 2 capital includes qualifying subordinated debt and the permissible portion of the ACL.

The following table summarizes the ratio thresholds applicable to the Company pursuant to the Basel III Capital Rules as of December 31, 2023:

	Adequately Capitalized	Well Capitalized
CET1 Risk-Based Capital	4.5 %	6.5 %
Tier 1 Risk-Based Capital	6.0	8.0
Total Risk-Based Capital	8.0	10.0
Tier 1 Leverage Capital	4.0	5.0

In addition, the Basel III Capital Rules mandate that most deductions from or adjustments to regulatory capital be made to CET1 capital, not to the other components. For instance, the deduction of mortgage servicing assets, certain DTAs, and capital investments in unconsolidated financial institutions is required to the extent that any one such category exceeds 10% of CET1 capital or exceeds 15% of CET1 capital in the aggregate.

The Basel III Capital Rules also include a capital conservation buffer comprised entirely of CET1 capital, which is considered in addition to the 4.5% CET1 capital ratio and is equal to 2.5% of risk-weighted assets for both the Holding Company and the Bank. This buffer is designed to absorb losses during periods of economic stress, and is generally required in order to avoid limitations on capital distributions and certain discretionary bonus payments to executive officers.

On August 26, 2020, in response to the COVID-19 pandemic, the federal banking agencies issued a final rule that provided banking organizations that had implemented CECL during 2020, the option to delay an estimate of CECL's effect on regulatory capital for two years ending on January 1, 2022, followed by a three-year transition period ending on December 31, 2024. The Company elected to utilize the 2020 capital transition relief and delayed the regulatory capital impact of adopting CECL. Both the Holding Company's and the Bank's ratios remain in excess of being well-capitalized, even without the benefit of the delayed CECL adoption impact. Additional information regarding the delayed CECL adoption impact on regulatory capital can be found in Part II under the section captioned "Liquidity and Capital Resources" contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and within Note 13: Regulatory Matters in the Notes to Consolidated Financial Statements contained in Item 8. Financial Statements and Supplementary Data.

Prompt Corrective Action

Pursuant to Section 38 of the FDIA, the federal banking agencies are required to take prompt corrective action if an insured depository institution fails to meet certain capital adequacy standards. The following table summarizes the prompt corrective action categories:

	Well Capitalized	Adequately Capitalized	Under Capitalized	Significantly Under Capitalized
CET1 Risk-Based Capital	6.5 %	4.5 %	< 4.5%	< 3.0%
Tier 1 Risk-Based Capital	8.0	6.0	< 6.0	< 4.0
Total Risk-Based Capital	10.0	8.0	< 8.0	< 6.0
Tier 1 Leverage Capital	5.0	4.0	< 4.0	< 3.0

Each of the Bank's capital ratios exceeded those required for an insured depository institution to be considered well capitalized at December 31, 2023.

In addition, an insured depository institution with a ratio of tangible equity less than or equal to 2% is considered to be critically under capitalized. If an insured depository institution has been determined, after notice and opportunity for a hearing, to be in an unsafe or unsound condition, or if it receives a less-than-satisfactory rating for asset quality, management, earnings, or liquidity in its most recent examination, the appropriate federal banking agency may downgrade a well capitalized, adequately capitalized, or under capitalized insured depository institution to the next lower capital category.

All insured depository institutions, regardless of their capital category, are prohibited from making capital distributions or paying management fees if such distributions or payments would result in the insured depository institution becoming under capitalized, unless it is shown that the capital distribution would improve financial condition, or the management fee is being paid to a person or entity without a controlling interest in the insured depository institution. Restrictions are placed on certain brokered deposit activity and on deposit rates offered as the capital category declines below well capitalized. Further, if an insured depository institution receives notice that it is under capitalized, significantly under capitalized, or critically under capitalized, the insured depository institution generally must file a written capital restoration plan with the appropriate federal banking agency within 45 days of receipt, and the bank holding company must guarantee the performance of that plan.

Enhanced Prudential Standards

The Board of Governors of the Federal Reserve System established enhanced prudential standards for larger bank holding companies based on size and certain risk-based indicators. On October 10, 2019, the Federal Reserve Board, along with other federal bank regulatory agencies, tailored these prudential standards allowing bank holding companies with total consolidated assets of $250 billion or less to be exempt from certain enhanced capital and liquidity prudential standards, including company-run stress testing, capital planning, liquidity coverage ratio, and resolution planning requirements, among others. Although the Holding Company's total consolidated assets are beneath the $250 billion threshold, the Company performs certain stress tests internally and incorporates the economic models and information developed through its stress testing program into its risk management and capital planning activities, which continue to be subject to the regular supervisory processes of the Federal Reserve System and the OCC.

In addition, publicly-traded bank holding companies with $50 billion or more in total consolidated assets are required to maintain a risk committee that is responsible for the oversight of enterprise risk management practices and that meets other statutory requirements. The Company maintains a standing Risk Committee of the Board of Directors that oversees its risk management program.

Volcker Rule

The Volcker Rule prohibits banking entities, such as the Holding Company and the Bank, from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures, and options on these investments for their own account, and imposes limits on investments in, and other relationships with hedge funds or private equity funds. Banking entities with significant trading operations (those with between $1 and $20 billion in average trading assets and liabilities) are subject to a simplified Volcker Rule compliance program. The Company has incorporated Volcker Rule compliance by reference to the statutory requirements in existing policies, procedures, and compliance programs where relevant and as appropriate for its activities, size, scope, and complexity. The Volcker Rule does not have a material impact on the Company.

On June 25, 2020, the Federal Reserve System, Commodity Futures Trading Commission, FDIC, OCC, and SEC issued a final rule that modified the Volcker Rule's prohibition on banking entities investing in or sponsoring hedge funds or private equity funds, known as covered funds. The final rule, which became effective on October 1, 2020, modified three areas of the Volcker Rule by streamlining the covered funds portion of the rule, addressing the extraterritorial treatment of certain foreign funds, and permitting banking entities to offer financial services and engage in other activities that do not raise concerns that the Volcker Rule was intended to address. The Federal Reserve System had granted the Company an extension until July 21, 2022 to bring its holdings into compliance with the Volcker Rule. The Company dissolved its remaining holdings in illiquid covered funds during 2021, and believes its holdings to be fully compliant with the Volcker Rule as of December 31, 2023.

Federal Reserve System

Federal Reserve System regulations require depository institutions to maintain reserves against its transaction accounts and non-personal time deposits for the purposes of implementing monetary policy. The reserve requirement must be satisfied in the form of vault cash and, if vault cash is insufficient, by maintaining a balance in an account at a FRB. The FRA authorizes different ranges of reserve requirement ratios depending on the amount of transaction account balances held at each depository institution. Effective March 26, 2020, in response to the COVID-19 pandemic, the reserve requirement ratios on all net transaction accounts were reduced to zero percent, thereby eliminating reserve requirements for all depository institutions.

Further, as a national bank and a member of the Federal Reserve System, Webster Bank is required to subscribe to the capital stock of its district FRB in an amount equal to 6% of its capital and surplus, of which 50% is paid. The remaining 50% is subject to call by the Board of Governors of the Federal Reserve System. At December 31, 2023, the Bank held an FRB of New York stock investment of $227.9 million.

Federal Home Loan Bank System

The FHLB System provides a central credit facility for its member institutions. The Bank, as a member of the FHLB, is required to purchase and hold shares of FHLB capital stock for its membership and other activities in an amount equal to 0.05% of total assets as of December 31, 2022, up to a maximum of $5 million, plus an amount that varies from 3.0% to 4.0% depending on the maturities of its FHLB advances, of which there were $2.4 billion outstanding at December 31, 2023. The Bank was in compliance with these requirements at December 31, 2023, and held a FHLB stock investment of $99.0 million.

Source of Strength Doctrine

Bank holding companies are required to serve as a source of financial strength to their subsidiary banks and commit resources to support each of their subsidiary banks. This support may be required at times when the Holding Company is not in a financial position to provide such resources without adversely affecting its ability to meet other obligations. The Federal Reserve System may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices if it fails to commit resources to such a subsidiary bank, or if it undertakes actions that the Federal Reserve System believes might jeopardize the bank holding company's ability to commit resources to such subsidiary bank. Capital loans by banking holding companies to its subsidiary banks would be subordinate in right of payment to deposits and certain other debts of the subsidiary bank. In the event of bankruptcy, any commitment by a bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank would be assumed by the bankruptcy trustee and entitled to a priority of payment.

In addition, under the National Bank Act, if the Bank's capital stock is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon the Holding Company. If the assessment is not paid within three months after receiving notice thereof, the OCC could order a sale of the Bank stock held to cover any deficiency.

Safety and Soundness Standards

The federal banking agencies have adopted the rules and regulations under the Interagency Guidelines Establishing Standards for Safety and Soundness, which are applicable to all insured depository institutions. These guidelines prescribe standards relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees, and benefits, asset quality, earnings, and stock valuation, as determined to be appropriate.

The OCC also has guidelines establishing heightened standards for large national banks, which establish minimum standards for the design and implementation of a risk governance framework. A large bank is defined as a bank with more than $50 billion in average total consolidated assets from its four most recently filed quarterly Call Reports. Upon becoming a covered bank, the bank should have a risk governance framework in compliance with the guidelines within 18 months from the as of date of the most recently filed Call Report used to calculate the average. The framework of a parent holding company may be used when the risks are substantially similar. With the filing of its Call Report for the quarter ended December 31, 2022, the Bank became a covered bank, and will have 18 months to comply with these heightened OCC guidelines. The Company took steps in 2023 to ensure that its risk governance framework meets the OCC heightened standards, and expects to meet the required guidelines within the mandatory timeframe.

If a federal banking agency determines that an institution fails to meet any of the established standards, the agency may require the institution to submit an acceptable plan to achieve compliance with the standard. In the event that an institution fails to submit an acceptable plan within the time allowed, or fails, in any material respect, to implement an accepted plan, the agency must require the institution to correct the deficiency and may take other supervisory and enforcement actions until the deficiency is corrected.

In more serious instances, enforcement actions may include the issuance of directives to increase capital, the issuance of formal and informal agreements, the imposition of civil monetary penalties, the issuance of a cease and desist order that can be judicially enforced, the issuance of removal and prohibition orders against officers, directors, and other institution affiliated parties, the termination of the insured depository institution's deposit insurance, the appointment of a conservator or receiver for the insured depository institution, and injunctions or restraining orders based upon a judicial determination that the FDIC, as receiver, would be harmed if such equitable relief was not granted.

Resolution Planning

There is currently a moratorium for insured depository institutions with more than $50 billion in assets but less than $100 billion in assets submitting to the FDIC periodic plans for resolution in the event of an insured depository institution's failure. On August 29, 2023, the FDIC proposed amendments to the resolution planning requirements for insured depository institutions with $50 billion or more in total assets. At December 31, 2023, the Company has approximately $75 billion in consolidated assets. The amendments would require insured depository institutions with between $50 billion and $100 billion in assets to submit information filings on a two-year cycle with an interim update of key information. While the Company would have time to prepare and submit a resolution plan, preparing and submitting such plan may increase related compliance costs.

Dividends

The Holding Company is dependent upon dividends from the Bank to provide funds for its cash requirements, including the payment of dividends to stockholders. Dividends paid by the Bank are subject to federal and state regulatory limitations. Express approval by the OCC is required if the effect of dividends declared would cause the regulatory capital of the Bank to fall below specified minimum levels or would exceed the net income for that year combined with the undistributed net income for the preceding two years. During the year ended December 31, 2023, the Bank declared and paid $600.0 million in dividends to the Holding Company and had $788.7 million of undistributed net income available for the declaration and payment of dividends at December 31, 2023.

In addition, federal banking regulators have the authority to prohibit the Company from engaging in unsafe or unsound practices in conducting its business. The declaration and payment of dividends, depending on the financial condition of the Bank, could be deemed an unsafe or unsound practice, especially if its capital base is depleted to an inadequate level. The ability of the Bank to pay dividends in the future is currently, and could be further, influenced by bank regulatory policies and capital requirements.

Transactions with Affiliates and Insiders

Transactions between insured depository institutions and their affiliates are governed by Sections 23A and 23B of the FRA and Federal Reserve Regulation W. In a bank holding company context, at a minimum, the parent holding company of a national bank, and any companies that are controlled by such parent holding company, are considered affiliates of the bank. Generally, sections 23A and 23B of the FRA are intended to protect insured depository institutions from losses arising from transactions with non-insured affiliates by (i) limiting the extent to which an institution or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates in the aggregate, and (ii) requiring that all such transactions be on terms substantially the same, or at least favorable, to the institution or subsidiary as those provided to a non-affiliate. The term covered transaction includes the making of loans, purchase of assets, the issuance of a guarantee, and similar types of transactions. Certain covered transactions must be collateralized according to a schedule set forth in the statue.

In addition, Section 22(h) of the FRA and Federal Reserve Regulation O restricts loans to directors, executive officers, and principal stockholders or insiders. Pursuant to Section 22(h), loans to directors, executive officers, and principal stockholders 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 institution's employees and does not give preference to the insider over the employees. Further, 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 prior approval from the Company's Board of Directors. Section 22(g) of the FRA places additional limitations on loans to executive officers.

Consumer Protection and Consumer Financial Protection Bureau Supervision

The CFPB is responsible for implementing, enforcing, and examining compliance with federal consumer financial protection laws. As an insured depository institution with more than $10 billion in total assets, the Bank is subject to supervision by the CFPB. There are a number of federal laws, which the Company is subject to, that are designed to protect borrowers and promote lending, including, but not limited to, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Procedures Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Practices Act, and the Consumer Financial Protection Act of 2010.

Identity Theft

Certain regulated entities are required to establish programs to address risks of identity theft. In accordance with these rules, financial institutions and creditors are required to develop and implement a written identity theft prevention program designed to detect, prevent, and mitigate identity theft in connection with certain existing accounts or the opening of new accounts. The Company has an Identity Theft Prevention Program in place, which is approved by the Board of Directors, satisfying its compliance with these requirements.

Financial Privacy and Data Security

The Company is subject to federal and certain state laws and regulations containing consumer privacy and data protection provisions addressing the treatment of nonpublic personal information about consumers by financial institutions. Subject to certain exceptions, financial institutions are prohibited from disclosing nonpublic personal information about a consumer to nonaffiliated third parties, unless the institution satisfies various notice and opt-out requirements, and the consumer has not elected to opt out of the disclosure. Regardless as to whether a financial institution shares nonpublic personal information, the institution must provide notice of its privacy policies and practices to its consumers, and must follow redisclosure and reuse limitations on any nonpublic personal information it receives from a nonaffiliated financial institution.

The federal banking regulatory agencies have adopted guidelines for establishing information security standards and programs to protect such information, with an increased focus on risk management and processes related to information technology, and the use of third-parties. The expectation from the federal banking regulatory agencies is that financial institutions have established lines of defense to ensure that their risk management processes address the risks posed by compromised customer credentials, and that the financial institution has sufficient business continuity planning processes to ensure rapid recovery, resumption, and maintenance of operations after a cyber-attack.

Financial institutions are required to notify customers of security breaches that result in unauthorized access to their nonpublic personal information and its primary regulator of certain types of computer security incidents that result in harm to the confidentiality, integrity, or availability of an information system or the information that the system processes, stores, or transmits, as soon as possible and no later than 36 hours after the banking organization determines that a notification incident has occurred.

Community Reinvestment Act and Fair Lending Laws

The Bank has a responsibility under the 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 or services that it believes are best suited to its particular community. In connection with its examination, the OCC assesses the 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. The Bank's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities, as well as the activities of the Company. Further, the 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 received a CRA rating of Outstanding in its most recent examination.

Federal Deposit Insurance

The standard deposit insurance coverage limit is $250,000 per depositor, per FDIC-insured bank, for each account ownership category. The FDIF is funded mainly through quarterly assessments on insured depository institutions, such as the Bank, and provides insurance coverage for certain deposits up to this maximum amount.

The Bank's assessment is calculated in accordance with the FDIC's standardized risk-based methodology by multiplying its assessment rate by its assessment base, which are determined and paid each quarter. The assessment base equals the Bank's average consolidated total assets less average tangible equity during the assessment period. As a large bank, or generally one with $10 billion or more in assets, the Bank is assigned an individual rate based on a scorecard, which combines CAMELS (capital adequacy, asset quality, management, earnings, liquidity, and sensitivity) component ratings, financial measures used to measure a bank's ability to withstand asset-related and funding-related stress, and a measure of loss severity that estimates the relative magnitude of potential losses to the FDIC in the event of the bank's failure, to produce a score that is then converted to an assessment rate.

Assessment rates are subject to adjustment by the FDIC. For instance, assessment rates could (i) decrease for the issuance of long-term unsecured debt, including senior unsecured debt and subordinated debt, (ii) increase for holdings of long-term unsecured or subordinated debt issued by other banks, or (iii) increase for significant holdings of brokered deposits for large banks that are not well rated or not well capitalized. On October 18, 2022, the FDIC increased the initial deposit base deposit insurance assessment rate schedules uniformly by 2 basis points for all insured depository institutions, beginning in the first quarterly assessment period of 2023. The increase in assessment rate schedules is intended to increase the likelihood that the reserve ratio of the FDIF reaches the statutory minimum of 1.35% by the statutory deadline of September 30, 2028.

On November 29, 2023, the FDIC published a final rule implementing a special assessment for certain banks to recover losses incurred by protecting uninsured depositors of Silicon Valley Bank and Signature Bank upon their failure in March 2023. The final rule levies a special assessment to certain banks at a quarterly rate of 3.36 basis points based on their uninsured deposits balance reported as of December 31, 2022. The special assessment is to be collected for an anticipated total of eight quarterly assessment periods beginning with the first quarter of 2024, which has a payment date of June 28, 2024. The FDIC retains the right to cease collection early, extend the special assessment collection period, and impose a final shortfall special assessment if actual losses exceed the amounts collected.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound, or that the institution has engaged in unsafe and unsound practices, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC. The Company’s management is not aware of any practice, violation, or condition that might lead to the termination of its deposit insurance.

Depositor Preference

In the event of the liquidation or other resolution of an insured depository institution, including the Bank, 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, claims of insured and uninsured depositors, along with claims of the FDIC, would have priority in payment ahead of unsecured, non-deposit creditors, including the Holding Company, with respect to any extensions of credit they have made to such insured depository institution.

Anti-Money Laundering

A major focus of U.S. federal governmental policy as it relates to financial institutions is aimed at combating money laundering and terrorist financing. The failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with the relevant laws and regulations, could have serious legal and reputational consequences for the financial institution, including causing the applicable bank regulatory authorities to not approve merger or acquisition transactions or to prohibit such transactions even if prior approval is not required.

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 agencies 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 federal 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.

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 under the Bank Merger Act. The Company 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. The Company also complies with the sanctions administered by the OFAC of the U.S. Department of the Treasury, which is responsible for administering economic sanctions that affect transactions with designated foreign countries, nations, and others. The OFAC publishes lists of persons, organizations, and countries suspected of aiding, harboring, or engaging in terrorist acts, known as Specially Designated Nationals and Block Persons. Blocked assets (i.e., property and bank deposits) cannot be paid out, withdrawn, set off, or transferred in any manner without a license from the OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Debit Card Interchange Fees

The Board of Governors of the Federal Reserve System requires that the amount of any interchange transaction fee that a debit card issuer may receive or charge with respect to an electronic debit transaction shall be reasonable and proportional to the cost incurred by the debit card issuer with respect to the transaction, and imposes requirements regarding routing and exclusivity of electronic debit transactions and the usability of debit cards across networks. Interchange fees for certain electronic debit transactions are capped at 21 cents plus 0.05% of the transaction value for issuers with over $10 billion in consolidated assets, such as the Bank. The regulation also allows covered debit card issuers to receive 1 cent per transaction for fraud-prevention costs, provided that the debit card issuer meets the fraud-prevention standards established by the FRB. HSA Bank's interchange revenue is not subject to these rules.

Risk Management Framework

The Company defines risk as the potential that events, expected or unexpected, may have an adverse effect on its earnings, capital, or franchise/enterprise value. The Company maintains a structured risk management framework that provides an integrated, forward-looking approach to identifying, prioritizing, and managing all risk categories across the organization: Information, Reputational, Operational, Credit, Compliance, Financial, and Strategic.

The Chief Executive Officer and Executive management set the tone at the top and reinforce risk culture through strategy setting, formulating objectives, approving resource allocations, and establishing and maintaining effective systems of internal control. A strong risk culture is the foundation of effective risk management because it influences the decisions of management and employees when weighing risks and benefits. The Chief Executive Officer and Executive management also encourage and support risk self-identification and timely escalation throughout the organization.

The Company has adopted the Three Line Model, in which the First Line manages risks, ensures compliance, performs control activities, and works in coordination with the Second Line, who in turn provides additional expertise, support, and tools, and challenges risk management to enhance efficiency and effectiveness of the control environment. The Third Line provides an independent and objective assurance to management and the Board of Directors and assesses whether the First and Second Line functions are operating effectively. Detailed roles and responsibilities for each line are outlined below.

Front Line Units, also referred to as First Line functions, represent process owners that engage in activities designed to generate revenue and reduce expenses, provide operational and technology services, and provide operational support and servicing in the delivery of products or services. Since Front Line Unit activities inherently create risk, the Front Line Units are responsible for assessing and managing that risk.

Independent Risk Management, also referred to as the Second Line Function, is responsible for identifying, measuring, monitoring, or controlling risks independently from the Front Line Units and providing effective challenge to the Front Line Units. Independent Risk Management includes Enterprise Risk that reports to the Chief Risk Officer, Credit Risk Management that reports to the Chief Credit Officer, and the SOX Program Office that reports to the Chief Accounting Officer. The SOX Program Office maintains sufficient autonomy from the Front Line Units to be considered independent.

Internal Audit, also referred to as the Third Line Function, independently assesses the Company’s risk management processes and controls using methodology developed from professional auditing standards and regulatory guidance. Internal Audit undertakes these responsibilities through periodic reviews of the Company’s business activities, operations, and systems, and through special or retrospective reviews that may be specifically requested by the Audit Committee or management. Internal Audit is led by the Chief Audit Executive who reports to the Audit Committee.

Risk identification at the Company is a continuous process and occurs at the transaction, portfolio, and enterprise levels. Approaches used to identify risk include process and data analysis, key risk indicators, and risk assessments. Identified risks are assessed based on qualitative and quantitative factors to understand the likelihood that such events will occur and the degree to which they will impact the Company’s ability to achieve its strategic and business objectives if they occur. Risk assessments evaluate inherent risk (likelihood and impact) and existing controls (control environment) to arrive at residual risk.

The Company has established and maintains a Risk Appetite Statement which provides guidance to management regarding the nature and level of residual risk that it is willing to take in pursuit of its objectives. The appetite balances a qualitative risk appetite statement, which is approved annually by the Board of Directors, with quantitative metrics in the form of board-level and management-level scorecards comprising key risk indicators with established risk tolerance levels. Tolerance levels are periodically reviewed by the respective oversight committees to ensure the alignment of risk appetite with the Company's risk profile.

The Company has established operating and oversight structures including policies, processes, and control/oversight systems that support risk-related decision-making designed to ensure appropriate authority, accountability, independence, and clarity of roles and responsibilities. The Board of Directors oversees the Company's approach to risk management and delegates its authority to the Risk Committee to provide oversight and effective challenge. Along with assisting the Board of Directors in fulfilling its oversight responsibilities, the Risk Committee is responsible for reviewing information regarding the Company's policies, procedures, and practices relating to risk. The Chief Risk Officer has the primary responsibility for the design and implementation of the Company's risk management framework.

The ERMC, which is chaired by the Chief Risk Officer, is the management committee responsible for overseeing the Company's risk management process, including monitoring the severity, direction, and trend of current and emerging risks relative to business strategies and market conditions, assessing the quality of risk programs to manage and mitigate risks, and ensuring implementation of the Company's risk appetite and strategy. To support the ERMC in its oversight responsibilities, it has seven subcommittees: (i) Information Risk Committee, (ii) Operational Risk Management Committee, (iii) Litigation Risk Management Committee (iv) Credit Risk Management Committee, (v) Regulatory Compliance Committee, (vi) Bank Secrecy Act and Fraud Oversight Committee, and (vii) Asset Liability Committee.

Information Risk

Information risk encompasses Information Technology and Information Security risks. Informational Technology risk is defined as the risk that systems handing information and process flows may not meet quality and efficiency standards in line with industry, customer, and regulatory expectations, or may fail causing outages, or that new systems may not be implemented in a timely manner. Information Security risk is defined as the risk of unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording, or destruction of electronic or physical data.

The increased use of technology to store and process information, particularly the ability to conduct financial transactions on mobile devices and cloud technologies, exposes the Company to moderate risk of potential operational disruption or information security incidents, whether caused by deliberate or accidental acts. The Company is committed to preventing, detecting, and responding timely to incidents that may impact the confidentiality, integrity, and availability of information assets through its information security and technology risk programs, which are managed under the direction of the Chief Information Security Officer and Senior Managing Director of Information Risk Management. The Information Risk Committee provides primary oversight to Information Risk.

Reputational Risk

Reputational risk is defined as the potential that negative publicity regarding the Company's conduct, business practices, or associations, whether true or not, will adversely affect its revenues, operations, and customer base, or require costly litigation or other defensive measures. Reputational risk may also impair the Company's competitiveness by affecting its ability to establish new relationships or continue servicing existing customers. Reputational risk is inherent in all Company's activities, especially when dealing with stakeholders such as customers, counterparties, investors, regulators, colleagues, and communities.

In addition, reputational risk arises when the Company associates its brand with solutions and services offered through outsourced arrangements, negative publicity regarding matters such as unethical or deceptive business practices, violations of laws or regulations, high profile litigation, poor financial performance, poor execution, or inferior customer service.

Reputational risk is managed through strong corporate governance, risk culture, and a Code of Ethics. Setting the tone at the top, the Board of Directors and executive leadership actively support risk awareness by mandating accurate and timely management information and communication. The Company's ethical standards are reinforced through recruiting, training, and performance management. The Company also maintains strong fair and responsible banking practices, which permeate interactions with clients, vendors, and counterparties. The ERMC provides primary oversight to Reputational risk.

Operational Risk

Operational risk is defined as the risk of loss, whether direct or indirect, due to the inadequacy or failure of processes and systems, human error, or from external events. Operational risk encompasses the following risks: Fraud, Third Parties, Human Capital, Business Operations, Model, Legal, and Physical Security.

The Company mitigates Operational risk through the establishment of an Operational Risk Management Program, which provides for a set of tools to identify, assess, monitor, and report operational risk activities. The program enables the lines of business and corporate functions to establish accountability for performance and execution, and allows for timely and effective management of identified risks, control failures, or other related gap/deficiencies that are reinforced through incentive structures. The Company seeks to control operational risk within an acceptable range, which is determined by the types of businesses in which it engages, and the volume of activity within those lines of business. Control of operational losses depends on identifying the types of transactions and operational risks faced at the enterprise and business level, and ensuring effective internal control processes are in place to mitigate these risks. The Operational Risk Management Committee provides primary oversight to Operational risk as a whole. The Litigation Risk Committee provides primary oversight to Legal risk.

Credit Risk

Credit risk is defined as the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Company. Credit risk arises in the Company's lending operations, and in its funding and investment activities where counterparties have repayment or other obligations to the Company. Credit risk can also arise from other solutions or services that involve customer obligations for the transfer of funds.

The overall focus of Credit risk management is to balance returns relative to risk while operating within stated risk tolerances. The Company maintains underwriting standards consistent with its desired risk profile and robust credit process. The Company's loan portfolio, which includes both commercial and consumer lending activity, is actively managed to avoid significant concentrations in borrowers, counterparties, industries, and solutions that could create excessive correlated risk.

Diversification of the loan portfolio across commercial and industrial, specialty finance, and real estate lending is important in managing credit risk. Accordingly, management aims to actively measure and management concentrations by portfolio, industry sector and specific sub-sectors, geography, single obligor, and other guidelines. The Company is primarily a relationship lender. In addition, the Company will only assume credit risk when it can effectively manage from an infrastructure or operational perspective, and it has industry, product, and market expertise.

The Credit Risk Management Committee provides primary oversight to Credit risk.

Compliance Risks

Compliance risk is defined as the risk to current or anticipated earnings or capital arising from violations of, or non-compliance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or prudent ethical standards. Compliance risk exposes the Company to fines, civil monetary penalties, payment of damages, and the voiding of contracts. The Company's activities subject to overall compliance, consumer protection, and regulatory risk include deposit account management, lending products and services, privacy protections, investment management, and fiduciary services.

Compliance risk is managed through the execution of a comprehensive Compliance Management Program, which is designed to identify and evaluate risks of non-compliance, assess, test, and monitor the effectiveness of internal controls, and report and escalate significant issues. The Regulatory Compliance Committee provides primary oversight to Compliance risk as a whole. The BSA and Fraud Oversight Committee provides primary oversight to Compliance risks specific to the BSA.

Financial Risk

Financial risk encompasses Treasury and Accounting risk. Treasury risk includes the risk (i) of capital levels falling below supervisory expectations or being incommensurate with the level of risk; (ii) that the value of a security or investment will decrease; (iii) changes in interest rates could contribute to a reduction in earnings and net worth; and (iv) from decreases or changes in funding sources. Accounting risk includes the risks that arise from the inability to (i) comply with GAAP and regulatory laws/guidelines; (ii) ensure a high integrity financial reporting process; and (iii) disclose appropriate information.

The Treasury components of Financial risk are managed through interest rate, liquidity, and capital scenario analysis and stress testing. Accounting risk is managed through internal control over financial reporting. The Company's Treasury and Accounting Risk Programs are respectively managed by the Treasurer and Chief Accounting Officer. The Asset Liability Committee provides primary oversight of Treasury risk. The Disclosure and SOX Committees provide primary oversight of Accounting risk.

Strategic Risk

Strategic risk is defined as the risk to the Company's current or projected financial condition, expected returns and resilience arising from the inability to select and execute strategic choices, suboptimal company positioning, ineffective organizational structures, poor implementation of priorities and initiatives, inadequate risk management infrastructure, or the lack of responsiveness to changes in the financial services ecosystem and operating environment.

The Company seeks to achieve its performance objectives by making management decisions, such as the selection of strategic choices, applying planning assumptions, assessing internal capabilities and the external environment, ensuring capital and resources are dedicated to the right priorities, and ensuring effective execution by periodically reviewing specific plans. Strategic risk underscores the need for balance between risk and return, evaluating opportunity against the risk of loss of value.

The long-range strategic planning process ensures that strategic choices and initiatives are viewed with the overarching goal of allocating capital and resources to support strategies that create value for customers and stockholders and sustainably grow economic profit over time. The impact of a strategic plan on the Company's risk appetite and risk profile is evaluated as part of the strategic planning process. The long-range strategic planning process is managed by the Corporate Strategy Officer. The ERMC and Risk Committee provide primary oversight to Strategic risk.

Additional information regarding risks and uncertainties, and relevant risk factors that could impact the Company's business, results of operations, or financial condition can be found in Part I - Item 1A. Risk Factors and throughout Part II of this report.

ITEM 1A. RISK FACTORS

Investment in Webster stock involves risks and uncertainties, some of which are inherent in the financial services industry and others of which are more specific to our business. The discussion in the paragraphs below addresses the material risks and uncertainties, of which we are currently aware, that could adversely affect our business, results of operations, or financial condition. Before making an investment decision, you should carefully consider the risks and uncertainties together with all of the other information included or incorporated by reference in this report. If any of these events or circumstances actually occurs, our business, results of operations, or financial condition could be significantly impacted.

Information Risk

A failure or breach of our information systems, or those of our third-party vendors and 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, and cause losses.

As a financial institution, we depend on our ability to process, record, and monitor a large number of customer transactions. Accordingly, our operational systems and technology infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Our business, financial, accounting, data processing, or other operating systems and facilities, including mobile banking and other recently developed technologies, may stop operating properly or become disabled or compromised as a result of a number of factors that may be 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, all of which may contribute to a cybersecurity threat.

Although we have business continuity plans and information security and technology processes and controls in place, we are at risk of cybersecurity threats due to disruptions or failures in the operational systems or technology infrastructures that support our businesses and customers, or cyber-attacks or security breaches of the networks, systems, or devices on which information assets are stored or are used by customers to access our products and services. Any of these incidents could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement, or other compensation costs, which could have a material adverse effect on our business strategy, results of operations, or financial condition.

Additionally, 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 risk and information security risk, including breakdowns or failures of their own systems, capacity constraints, and cyber-attacks, each of which could pose a cybersecurity risk.

In recent years, information security risks for financial institutions have risen due to the increased sophistication and activities of organized crime, hackers, terrorists, hostile foreign governments, activists, and other external parties. There have been instances involving financial services and consumer-based companies reporting unauthorized access to, and disclosure of, customer information or the destruction or theft of corporate data. There have also been highly publicized cases where hackers have requested ransom-payments in exchange for allowing access to systems and/or not disclosing customer information.

Our inherent risk and exposure to information security matters remains heightened, and as a result, the continued development and enhancement of our controls, processes, and practices designed to protect operational systems, computers, software, data, and networks from attack, damage, or unauthorized access remains a high priority for us. While we have purchased network and privacy liability insurance coverage, which includes digital asset loss, business interruption loss, network security liability, privacy liability, network extortion, and data breach coverage, such insurance may not cover any and all actual losses. As cybersecurity threats and related regulations 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.

Reputational Risk

Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our ESG practices may impose additional costs on us or expose us to new or additional risks.

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their ESG practices and disclosure. Investor advocacy groups, investment funds, and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Increased ESG-related compliance costs for us as well as among our third-party suppliers, vendors, and various other parties within our supply chain could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and the price of our stock.

We are subject to financial and reputational risks from potential liability arising from lawsuits.

The nature of our business ordinarily results in certain legal proceedings and claims. Whether claims or legal actions are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect how the market perceives us, the products and services we offer, as well as customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which could have a material adverse effect on our financial condition and results of operations.

We assess our liabilities and contingencies in connection with outstanding legal proceedings and certain threatened claims and assessments using the latest and most reliable information. For matters identified where it is probable that we will incur a loss and we can reasonably estimate the amount, we will establish an accrual for the loss. Once established, the accrual is then adjusted, as needed, to reflect any relevant developments. However, the actual cost of an outstanding legal proceeding or threatened claim and assessment may be substantially higher than the amount accrued by management.

Operational Risk

We rely on third parties to perform significant operational services for us.

Third parties perform significant operational services on our behalf. For instance, we depend on our vendor-provided core banking processing systems to process a large number of increasingly complex transactions on a daily basis. Accordingly, we are exposed to the risk that vendors and third-party service providers might not perform in accordance with their contracts or service agreements, whether due to changes in their organizational structure, strategic focus, support for existing products, technology, services, financial condition, or for any other reason. Their failure to perform could be disruptive to our operations, which could have a materially adverse impact on our business, results of operations, and financial condition. Although we require third-party service providers to have business continuity and disaster recovery plans that are aligned with our plans, such plans may not operate successfully or in a timely manner so as to prevent any such material adverse impact.

Our business may be adversely affected by fraud.

As a financial institution, we are inherently exposed to risk in the form of theft and other fraudulent activities by employees, customers, or other third parties targeting Webster or Webster’s customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering, and other dishonest acts. Although we devote substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the increasing sophistication of possible perpetrators, we may experience financial losses or reputational harm as a result of fraud.

Our internal controls may be ineffective, circumvented, or fail.

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 our controls and procedures, failure to implement any necessary improvement of 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.

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

A significant portion of our loan portfolio is secured by real property. In the normal course of business, we may foreclose on and take title of properties securing certain loans, and there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be held liable for remediation costs, including significant investigation and clean-up costs and for personal injury or property damage. In addition, environmental contamination could materially reduce the affected property’s value or limit our ability to use or sell the affected property. Although we have policies and procedures to perform environmental reviews prior to lending against or initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. Further, if we are the owner or former owner of a contaminated site, we may be subject to common law claims based on damages and costs incurred by others due to environmental contamination emanating from the property. These remediation costs and liabilities could have a material adverse effect on our financial condition and results of operations.

Climate change manifesting as physical or transition risks could adversely affect our operations, businesses, and customers.

There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include discrete events, such as flooding and wildfires, and longer-term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations, those of our customers, or third parties on which we rely, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility. In addition, transitioning to a low-carbon economy may entail extensive policy, legal, technological, and market initiatives. Transition risks, including changes in consumer preferences and additional regulatory requirements or taxes, could increase our expenses and undermine our strategies. Our reputation and client relationships may be damaged as a result of our practices related to climate change, including our direct or indirect involvement in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to conduct or change our activities in response to managing climate risk. Further, our ability to attract and retain employees may also be harmed if our response to climate change is perceived as ineffective or insufficient. We have developed and continue to enhance processes to assess and monitor the Bank's exposure to climate risk. However, because the timing and impact of climate change have limited predictability, our risk management strategies may not be effective in mitigating climate risk exposure.

Credit Risk

Our allowance for credit losses on loans and leases may be insufficient.

We maintain an ACL on loans and leases, which is a reserve established through a provision for credit losses charged to expense, that represents management’s best estimate of expected credit losses over the life of the loan or lease within our existing portfolio. The determination of the appropriate level of ACL on loans and leases inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and trends using existing qualitative and quantitative information and reasonable supportable forecasts of future economic conditions, all of which may undergo frequent and material changes. Changes in economic conditions affecting borrowers, the softening of macroeconomic variables that we are more susceptible to, along with new information regarding existing loans, identification of additional problems loans, and other factors, both within and outside our control, may indicate the need for an increase in the ACL on loans and leases.

Bank regulatory agencies also periodically review our ACL and may require an increase in the provision for credit losses or the recognition of additional loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the ACL, we may need, depending on an analysis of the adequacy of the ACL, additional provisions to increase the ACL. An increase in the ACL would result in a decrease in net income, and could have a material adverse effect on our financial condition, results of operations, and regulatory capital position.

The soundness of other financial institutions could adversely affect our business.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions 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 in general, have led, and may further lead to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions could expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be impacted if the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the financial instrument’s exposure due to us. Any such losses could materially or adversely affect our business, financial condition, or results of operations.

We are subject to the risk of default by our counterparties and clients, particularly with respect to certain types of commercial loans.

Many of our routine transactions expose us to credit risk in the event of default of our counterparties or clients. Our credit risk may be exacerbated when the collateral held cannot be realized or is liquidated at prices insufficient to cover the full amount of the loan or derivative exposure to us. In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of counterparties and clients, including financial statements, credit reports, and other information. We may also rely on representations of those counterparties, clients, or other third parties, such as independent auditors, as to the accuracy and completeness of that information. The inaccuracy of that information or those representations affects our ability to evaluate the default risk of a counterparty or client accurately and could cause us to enter into unfavorable transactions, which could have a material adverse effect on our financial condition and results of operations.

In addition, we consider our commercial real estate loans and commercial and industrial loans to be higher risk categories in our loan portfolio because these loans are particularly sensitive to economic conditions. Commercial real estate loans generally have large balances and can be significantly affected by adverse economic conditions that are outside of the borrower's control because payments on such loans typically depend on the successful operation and management of the businesses that hold the loans. In the case of commercial and industrial loans, related collateral often consists of accounts receivable, inventory, and equipment. This type of collateral typically does not yield substantial recovery in the event of foreclosure and may rapidly deteriorate, disappear, or be misdirected in advance of foreclosure. In addition, many of our commercial real estate and commercial and industrial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship may expose us to significantly greater risk of loss. The risks associated with these types of loans could have a significant negative affect on our earnings in any quarter. In 2023, higher interest rates and inflation affected the profitability of new commercial real estate developments, the feasibility of some projects, and the volume of commercial real estate investments. The commercial real estate market has experienced increased property vacancies and declining rent growth.

We are subject to commercial lending concentration risks.

At December 31, 2023, approximately 75% of our loan and lease portfolio consisted of commercial non-mortgage, commercial real estate, and multi-family loans, and a large portion of the borrowers or properties associated with these loans are geographically concentrated in New York City and proximate areas. We continue to monitor risks associated with office space, anchor tenants, and the general economic and physical risks (such as severe weather, public health, and personal safety risks), affecting commercial properties and borrowers in the Greater New York City area. Additional information regarding our commercial lending business can be found in Part II under the section captioned "Loans and Leases" contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Compliance Risk

We are subject to extensive government regulation and supervision, which may interfere with our ability to conduct our business operations.

We are subject to extensive federal and applicable state regulation and supervision, primarily through Webster Bank and certain non-bank subsidiaries. Banking regulations are primarily intended to protect depositors, the FDIF, and the safety and soundness of the U.S banking system as a whole, not stockholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy, and growth, among other things. Congress and federal regulatory agencies continuously review banking laws, regulations, and policies for possible changes, and proposed changes are to be expected if there is a change in the office of the President of the U.S. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation thereof, could affect us in substantial and unpredictable ways. For example, such changes could subject us to additional costs, limit the types of financial services and products we may offer, and restrict what we are able to charge for certain banking services. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil penalties, and 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 these types of violations, there can be no assurance that such violations will not occur.

We face risks related to the adoption of future legislation and potential changes in federal regulatory agency leadership, policies, and priorities.

As a result of the bank failures in 2023, it is expected that the banking sector will be subject to more extensive legal and regulatory requirements within the next few years. In addition, changes in key personnel at the regulatory agencies, including the federal banking regulators, may result in differing interpretations of existing rules and guidelines, including more stringent enforcement and more severe penalties than previously. Disagreements between, or in, the U.S. Congress on the federal budget and debt ceiling may lead to total or partial government shutdowns, which can create economic instability and negatively affect our business and financial performance. New federal or state laws and regulations regarding lending and funding practices and liquidity standards could negatively impact the Bank's business operations, increase the cost of compliance, and adversely affect profitability. The failure of banks to follow existing laws and regulations contributes to bank failures, which also adversely affects the banking industry and can lead to special FDIC assessments, such as what we will be paying in 2024.

Changes in federal, state, or local tax laws may negatively impact our financial performance.

We are subject to changes in tax laws that could increase our effective tax rates or cause an increase or decrease in our income tax liabilities. These law changes may be retroactive to previous periods and as a result, could negatively impact our current and future financial performance.

We are subject to examinations and challenges by taxing authorities.

We are subject to federal and applicable state and local income tax regulations. Income tax regulations are often complex and require interpretation. In the normal course of business, we are routinely subject to examinations and challenges from federal and applicable state and local taxing authorities regarding the amount of taxes due in connection with investments we have made and the businesses in which we have engaged. Recently, federal and state and local taxing authorities have been increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to compliance, sales and use, franchise, gross receipts, payroll, property, and income tax issues such as tax base, apportionment, and tax credit planning. The challenges made by taxing authorities may result in adjustments to the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in our favor, they could have a material adverse effect on our financial condition and results of operations.

Health care reform could adversely affect our HSA Bank division.

The enactment of future health care reform affecting HSAs at the federal or state level may affect our HSA Bank division as a bank custodian of HSAs. We cannot predict if any such reforms will occur, ultimately become law, or if enacted, what the terms or regulations promulgated pursuant to such laws will be. Any health care reform enacted may be phased in over a number of years, but could, with respect to the operations of HSA Bank, reduce revenues, increase costs, and require us to revise the ways in which we conduct business or put us at risk for loss of business. In addition, our results of operations, financial position, and cash flows could be materially adversely affected by such changes.

Financial Risk

Difficult conditions or volatility in the U.S. economy and financial markets may have a materially adverse effect on our business, financial condition, and results of operations.

As a financial services company, our business and overall financial performance is highly dependent upon the U.S. economy and strength of its financial markets. Difficult economic and market conditions could adversely affect our business, results of operations, and financial condition.

The risks associated with our business become more acute in periods of a slowing economy or slow growth. In particular, we could face some of the following risks in connection with a downturn in the U.S. economic and market environment:

- loss of confidence in the financial services industry and the debt and equity markets by investors, placing pressure on our common share price;
- decreased consumer and business confidence levels may decrease credit usage and investment or increase in delinquencies and default rates;
- decreased household or corporate incomes, which could reduce demand for our products and services;
- decreased value of collateral securing loans to borrowers, causing a decrease in the asset quality of our loan and lease portfolio and/or an increase in charge-offs;
- decreased confidence in the creditworthiness of the U.S. government and agency securities that we hold;
- increased concern over and scrutiny of capital and liquidity levels;
- increased competition or consolidation in the financial services industry; and
- increased limitations on or potential additional regulation of financial service companies.

The U.S. economy and financial markets have experienced volatility in recent years and may continue to do so in the foreseeable future. Robust demand, labor shortages and supply chain constraints has led to persistent inflationary pressures throughout the economy. In response to these inflationary pressures, the FRB has raised benchmark interest rates in recent months and may continue to raise interest rates in response to economic conditions, particularly a continued high rate of inflation. Amidst these uncertainties, financial markets have continued to experience volatility. If financial markets remain volatile or if the aforementioned conditions result in further economic stress or recession, the performance of various segments of our business, including the value of our investment securities portfolio, could be significantly impacted.

Inflation rose sharply throughout 2022, and continued to rise through the third quarter of 2023, at levels not seen for over 40 years. Prolonged periods of inflation may further impact our profitability by negatively impacting our fixed costs and expenses, including increasing funding costs and expense related to talent acquisition and retention. If significant inflation continues, our business could be negatively affected by, among other things, increased default rates leading to credit losses which could decrease our appetite for new credit extensions. In addition, a prolonged period of inflation could cause an increase in wages and other costs to the Company. These inflationary pressures could result in missed earnings and budgetary projections causing our stock price to suffer. We continue to closely monitor the pace of inflation and the impacts of inflation on the larger market, including labor and supply chain impacts.

Our profitability depends significantly on local economic conditions in the states in which we conduct business.

The success of our business also depends on the general economic conditions of the significant markets in which we operate, particularly Connecticut, Massachusetts, Rhode Island, New York, and New Jersey. Difficult economic conditions or adverse changes in such local markets, whether caused by inflation, recession, unemployment, changes in housing or securities markets, or other factors, could reduce demand for our loans and deposits, increase problem loans and charge-offs, cause a decline in the value of collateral securing loans, and otherwise negatively affect our performance and financial condition.

Changes in interest rates and spreads may have a materially adverse effect on our business, financial condition, and results of operations.

Our financial condition and results of operations are significantly affected by changes in market interest rates. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions, the competitive environment within our markets, consumer preferences for specific loan and deposit products, and policies of various governmental and regulatory agencies, in particular the FRB. Changes in monetary policy, including changes in interest rates, could influence the amount of interest we receive on loans and securities, the amount of interest we pay on deposits and borrowings, our ability to originate loans and obtain deposits, and the fair market value of our financial assets and liabilities.

Increased interest rates may decrease demand for interest-rate based products and services, including loans and deposits, and make it more difficult for borrowers to meet obligations under variable-rate or adjustable-rate loans and other debt instruments. Decreased interest rates often increase prepayments on loans and securities as borrowers refinance their loans to reduce borrowing costs. Under these circumstances, we are further subject to reinvestment risk to the extent that we cannot reinvest the cash received from such prepayments with interest rates comparable to pre-existing loans and securities.

In a rising interest rate environment, which has occurred recently, competition for cost-effective deposits increases, making it more costly for the Bank to fund loan growth. Rapid and unexpected volatility in interest rates creates additional uncertainty and potential for adverse financial effects. There can be no assurance that the Bank will not be materially adversely affected by future changes in interest rates.

To a large degree, our consolidated earnings are dependent on net interest income, which is the difference between the interest income earned from our interest-earning assets and the interest expense paid on our interest-bearing liabilities. If the rates paid on interest-bearing liabilities increase at a faster rate than the yields received on interest-earning assets, our net interest income, and therefore earnings, could be adversely affected. Conversely, earnings could also be adversely affected if the yields received on interest-earning assets fall more quickly than the rates paid on interest-bearing liabilities.

Although management believes that it has designed and implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our financial condition and results of operations, interest rates are affected by many factors outside of our control and any unexpected or prolonged period of interest rate changes could have a material adverse effect on our financial condition and results of operations. Further, our interest rate modeling techniques and assumption may not fully predict or capture the impact of actual interest rate changes on net interest income.

Changes in our financial condition or in the general banking industry, or changes in interest rates, could result in a loss of depositor confidence.

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The Bank uses its liquidity to extend credit and to repay liabilities as they become due or as demanded by customers. Our primary source of liquidity is our large supply of interest-bearing and non-interest bearing deposits. The continued availability of this supply of deposits depends on customer willingness to maintain deposit balances with banks in general and us in particular, as well as the continued inflow of deposits for new and existing customers. The availability of deposits can also be impacted by regulatory changes (e.g., changes in FDIC insurance, liquidity requirements, healthcare reform etc.), changes in financial condition of the Bank, other banks, or the banking industry in general, changes in the interest rates our competitors pay on their deposits, and other events which can impact the perceived safety or economic benefits of bank deposits. While we make significant efforts to consider and plan for hypothetical disruptions in our deposit funding, market-related, geopolitical, or other events could impact the liquidity derived from deposits.

Unrealized losses in our available-for-sale securities portfolio could negatively impact our business.

As market interest rates have increased, we have experienced significant unrealized losses on our available-for-sale securities portfolio. Unrealized losses related to available-for-sale securities are reflected in (AOCL) in our Consolidated Balance Sheets and reduce the level of our tangible common equity. Such unrealized losses do not affect our regulatory capital ratios. We actively monitor our available-for-sale securities portfolio and believe that it is not more likely than not that the Company will be required to sell securities before the recovery of the amortized cost basis. Nonetheless, our access to liquidity sources, financial condition, and results of operations, could be affected by unrealized losses if securities must be sold at a loss. Additionally, significant unrealized losses could negatively impact market and/or customer perceptions of the Company, which could lead to a loss of depositor confidence and result in an increase in withdrawals, particularly among those with uninsured deposits.

The proportion of our deposit account balances that exceed the FDIC insurance limits may expose the Bank to enhanced liquidity risk in times of financial distress.

In its assessment of the failures of Silicon Valley Bank and Signature Bank in the first quarter of 2023, the FDIC concluded that a significant contributing factor to the failures of these institutions was the proportion of deposits held by each institution that exceeded FDIC insurance limits. The FDIC similarly concluded that an overreliance on uninsured deposits contributed to the subsequent failure of First Republic Bank in the second quarter of 2023.

In response to the failures of Silicon Valley Bank, Signature Bank, and First Republic Bank, many large depositors across the industry withdrew deposits in excess of the applicable deposit insurance limits and deposited these funds in other financial institutions. If a significant portion of our deposits were to be withdrawn within a short period of time such that additional sources of funding would be required to meet withdrawal demands, the Company may be unable to obtain funding at favorable terms, which may have an adverse effect on our net interest margin. Additionally, obtaining adequate funding to meet our deposit obligations may be more challenging during periods of elevated prevailing interest rates, such as the present period. Further, interest rates paid for borrowings generally exceed interest rates paid on deposits. Our ability to attract and retain depositors during a time of actual or perceived distress of instability in the marketplace may be limited.

Higher mortgage rates and low inventory adversely impact our ability to originate or refinance residential mortgage loans.

The residential mortgage lending business is sensitive to changes in interest rates, especially long-term interest rates. Lower interest rates generally increase the volume of mortgage originations and refinancing, while higher interest rates generally cause that volume to decrease. Therefore, our residential mortgage performance is typically correlated to fluctuations in interest rates. The 10-year Treasury rate averaged 3.96% during 2023, which is 251 basis points higher than average rates experienced during 2021. The sustained higher rates experienced throughout 2023 and 2022 have negatively impacted the mortgage market, including our loan origination volume and refinancing activity. Adverse market conditions, including increased volatility, changes in interest rates and mortgage spreads, and reduced market demand could result in greater risk in retaining mortgage loans. A reduction in our residential mortgage origination and refinancing volume could have a materially adverse effect on our financial condition and results of operations.

We may be subject to more stringent capital and liquidity requirements, which could limit our business activities.

The Holding Company and the Bank are subject to capital and liquidity requirements and standards. Regulators have and may implement changes to these standards. If we fail to meet the minimum capital adequacy and liquidity guidelines and other requirements, our business activities, including lending and our ability to expand, either organically or through acquisitions, could be limited. It could also result in us being required to take steps to increase our regulatory capital that may be dilutive to stockholders or limit our ability to pay dividends, or sell or refrain from acquiring assets.

Our stock price can be volatile.

Stock price volatility may make it more difficult for stockholders to resell their common stock when they want and at prices that they find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in results of operations;
- recommendations or projections 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 and healthcare industries;
- perceptions in the marketplace regarding us and/or our competitors;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving us or our competitors;
- changes in dividends and capital returns;
- issuance of additional shares of Webster common stock;
- changes in government regulations; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts, including any military conflict between Russia and Ukraine, or actions between Israel and its neighbors.

General market fluctuations, including real or anticipated changes in the strength of the economy, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes, credit loss trends, among other factors, could also cause our stock price to decrease regardless of operating results.

The Holding Company may not pay dividends to stockholders if it is not able to receive dividends from its subsidiary, Webster Bank.

The Holding Company is a separate and distinct legal entity from the Bank and its non-banking subsidiaries. A substantial portion of the Holding Company's revenues comes from dividends paid by the Bank. These dividends are the principal source of funds to pay dividends to common and preferred stockholders. Whether the Bank is able to pay dividends depends on its ability to generate sufficient net income and meet certain regulatory requirements, and the amount of such dividends may then be limited by federal and state laws. In the event the Bank is unable to pay the Holding Company dividends, we may not be able to pay dividends to our common and preferred stockholders.

Changes in our accounting policies or in accounting standards could materially impact how we report our financial results.

Our accounting policies and methods are fundamental to understanding how we record and report our results of operations and financial condition. Accordingly, we exercise judgment in selecting and applying these accounting policies and methods so they comply with GAAP. The FASB, SEC, and other regulatory bodies that establish accounting standards periodically change the financial accounting and reporting standards, or the interpretation of those standards, that govern the preparation of our financial statements. These changes are beyond our control, can be hard to predict, and could materially impact how we report our results of operations and financial condition. We could be required to apply a new or revised standard retrospectively, which may result in us having to restate our prior period financial statements by material amounts.

The preparation of our consolidated financial statements requires the use of estimates that may vary from actual results.

The preparation of the Company's Consolidated Financial Statements, and the accompanying Notes thereto, in conformity with GAAP requires management to make difficult, subjective, or complex judgments about matters that are uncertain, which include assumptions and estimates of current risks and future trends, all of which may undergo material changes. Materially different amounts could be reported under different conditions or using different assumptions and estimates. Because of the inherent uncertainty of estimates involved in preparing our financial statements, we may be required to significantly adjust the financial statements as actual events unfold, which could have a material adverse effect on our financial condition and results of operations. Material estimates subject to change include, among other items, the allowance for credit losses, the carrying value of goodwill or other intangible assets, the fair value estimates of certain assets and liabilities, and the realization of deferred tax assets and liabilities.

A significant merger or acquisition requires us to make estimates, including the fair values of assets acquired and liabilities assumed.

GAAP requires us to record the assets and liabilities of an acquired business to their fair values at the time of the acquisition. With larger transactions, fair value and other estimations can take up to four quarters to finalize. These estimates, and their revisions, can have a substantial effect on the presentation of our financial condition and operating results after the transaction closes. In addition, the excess of the purchase price over the fair value of the assets acquired, net of liabilities assumed, is recorded as goodwill. If the estimates that we have used at any financial statement date are significantly revised in the future, there could be a material negative impact on our goodwill or other acquisition-related intangibles and our results of operations for the period in which the revisions are made.

If our goodwill were determined to be impaired, it could have a negative impact on our profitability.

GAAP requires that goodwill be tested for impairment at the reporting unit level on at least an annual basis or more frequently upon the occurrence of a triggering event. An impairment loss is to be recognized if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit. A significant decline in our expected future cash flows, a continued period of local and national economic disruption, changes to financial markets, slower growth rates, or other external factors, all of which can be highly unpredictable, may impact fair value calculations and require us to recognize an impairment loss in the future. Such an impairment loss may be significant and have a material adverse effect on our financial condition and results of operations.

Our investments in certain tax-advantaged projects may not generate returns as anticipated or at all, and may have an adverse impact on our results of operations.

We invest in certain tax-advantaged investments that support qualified affordable housing projects and other community development initiatives. Our investments in these projects rely on the ability of the projects to generate a return primarily through the realization of federal and state income tax credits and other tax benefits. We face the risk that tax credits, which remain subject to recapture by taxing authorities based on compliance with relevant requirements at the project level, may not be able to be realized. The risk of not being able to realize the tax credits and other tax benefits associated with a particular project depends on many factors that are outside of our control. A project's failure to realize these tax credits and other tax benefits may have a negative impact on our investment, and as a result, on our financial condition and results of operations.

Strategic Risk

New lines of business or new products and services may subject us to additional risk.

On occasion, we may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where markets are not fully developed. In developing and marketing new lines of business and/or new products and services, 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 feasible. 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 and/or a new product or service. Further, 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 and/or new products or services could have a material adverse effect on our business, results of operations, and financial condition.

We may not be able to attract and retain skilled people, and the loss of key employees or the inability to maintain appropriate staffing may disrupt relationships with customers and adversely impact our business.

Our success depends, in large part, on our ability to attract, develop, compensate, motivate, and retain skilled people, including executives, managers, and other key employees with the skills and know-how necessary to run our business. The failure to attract or retain talented executives, managers, and employees with diverse backgrounds and experiences, or the loss of certain executives, managers, and key employees, could have a material adverse impact on our business. These risks may be heightened when U.S. labor markets, or segments of those markets, are especially competitive.

Competition for the best people in most activities in which we engage can be intense, and we may not be able to hire sufficiently skilled people or retain them. The recent transition towards companies offering remote and hybrid work environments, which is expected to endure, as well as our workplace policies (or perceptions of those policies by current and potential employees), including policies with respect to remote and hybrid work, could impact our ability to attract and retain talent with the necessary skills and experience. In addition, the transition to remote and hybrid work environments may exacerbate the challenges of attracting and retaining skilled employees because job markets may be less constrained by physical geography. The unexpected loss of services of our key personnel could have a material adverse impact on the business because of their skills, knowledge of our markets, years of industry experience, and the difficulty of promptly finding qualified replacement personnel.

Further, our business is primarily relationship-driven, in that many of our key employees have extensive customer relationships. The loss of a key employee with such customer relationships may lead to the loss of business if the customers were to follow that employee to a competitor or otherwise choose to transition to another financial services provider. While we believe that our relationships with key personnel are good, we cannot guarantee that all of our key personnel will remain with our organization.

We operate in a highly competitive industry and market area.

We face substantial competition in all areas of our operations from a variety of different competitors, both within and beyond our financial markets, many of which are larger and may have more financial resources than we do. Such traditional competitors primarily include national, regional, community, and internet banks within the various markets in which we operate, including the HSA market. We also face competition from many other types of financial institutions, including savings and loans, credit unions, non-bank health savings account trustees, finance companies, brokerage firms, insurance companies, online lenders, factoring companies, and other financial intermediaries. Some of these organizations are not subject to the same degree of regulation that is imposed on bank holding companies and federally insured depository institutions, which may give them greater flexibility in accessing funding and providing various services. Moreover, organizations that are larger than we are may be able to achieve greater economies of scale or offer a broader range of products and services, or better pricing on products and services, than what we can offer.

The financial services industry could become even more competitive as a result of legislative and regulatory changes, and continued consolidation. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and has made it possible for non-banks to offer products and services traditionally provided by banks. The financial services industry also faces increasing competitive pressure from the introduction of disruptive new technologies, such as blockchain and digital payments, often by non-traditional competitors and financial technology companies. Among other things, technology and other changes are allowing customers to complete financial transactions that historically have involved banks at one or both ends of the transaction.

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 financial position;
- the ability to expand our market position;
- the scope, relevance, and pricing of products and services offered to meet customer needs and demands, including within the HSA market;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service and products; 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, and in turn, could have a material adverse effect on our financial condition and results of operations.

Failure to keep pace with and adapt to technological change could adversely impact our business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services and the use of artificial intelligence. These new technologies may be superior to, or render obsolete, the technologies currently used in our products and services. Our future success depends, in part, upon our ability to address the needs of our customers by using technology and information to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements because of their larger size and available capital. Developing or acquiring new technologies and incorporating them into our products and services may require significant investment, take considerable time, and ultimately may not be successful. We cannot predict which technological developments or innovations will become widely adopted or how those technologies may be regulated. We also may not be able to effectively market new technology-driven products and services to our customers. Failure to successfully keep pace with and adapt to 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.

The loss of key partnerships could adversely affect our HSA Bank division and deposit administration activities.

Our HSA Bank division, the sweep deposit management program that we acquired with interLINK in January 2023, and the insurance claim settlement funds platform that we acquired in with Ametros in January 2024, all rely on partnerships with either health insurance carriers or other financial services partners to maximize our distribution model. To the extent that we fail to maintain such partnerships, which may be due to mergers and/or acquisitions and may result in changes to their business processes, or our partners choosing to align with competitors or develop their own solutions, our business, financial condition, and results of operations could be adversely affected. In particular, health plan partners who provide high deductible health plan options are a significant source of new and existing HSA holders. If these health plan partners or other partners choose to align with our competitors or develop their own solutions, our business, financial condition, and results of operations could be adversely affected.

There is significant competition for our existing partners, and our failure to retain our existing larger partner relationships upon expiration or the earlier loss of a relationship upon the exercise of a partner's early termination rights, or the expiration or termination of a substantial number of small partner relationships, could have a material adverse effect on our results of operations (including growth rates) and financial condition to the extent that we do not acquire new partners of similar size and profitability or otherwise grow our business. In addition, existing relationships may be renewed with less favorable terms to the Company in response to increased competition for such relationships. The competition for new partners is also significant, and our failure to attract new partners could adversely affect our ability to grow.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy. The Company has processes for assessing, identifying, and managing material risks from cybersecurity threats, and is committed to the prevention, detection, and timely response to cybersecurity threats that may impact the confidentiality, integrity, and availability of its information systems and information assets.

The Company has an Information Security Risk Management Program and a Technology Risk Management Program under its Risk Management Framework for the identification, assessment, measurement, mitigation, monitoring, and internal reporting of risks associated with its information systems, information assets, and third parties, including vendors and service providers. The Information Security Risk Management Program and Technology Risk Management Program align with the Company's Third-Party Risk Management Program in regard to protecting information assets.

The Information Security Risk Management Program and Technology Risk Management Program are managed by the Company's Corporate Information Security team, led by the Chief Information Security Officer. On average, the Corporate Information Security team members have over a decade of cybersecurity experience and hold over 100 industry-leading certifications in cybersecurity. All information security managers have attained a bachelor's degree in a related field of study, with several also having a related master's degree.

"Zero trust principles" drive the Company's information security architecture, and the Company deploys a "defense in-depth" strategy to protect against cybersecurity threats, layering multiple levels of information security and technology controls within business processes for information assets and relationships with third parties based on the National Institute of Standards and Technology Special Publication 800-53 Framework. The Company's information systems and risk management are also subject to regulatory requirements and examination by federal banking regulators.

The identification of control weaknesses and vulnerabilities affecting information assets and/or relationships with third parties allows the Company to mitigate risk from, and respond to, cybersecurity threats. Initial risk assessments are performed upon the acquisition, or as part of the development of, information assets in order to evaluate the inherent risk associated with network and host environments and assess the adequacy of implemented technology operation processes and controls. Risk and control self-assessments are conducted on an annual basis to identify gaps resulting from any process changes that occurred during the year, and to evaluate whether the levels of cybersecurity risk remain within the tolerance set in the Company's Risk Appetite Statement or whether a risk needs to be mitigated.

Due diligence is performed prior to onboarding all third parties with access to the Company's information assets to ensure such parties maintain security controls contractually required by the Company as part of its Third Party Risk Management Program. The Company provides ongoing monitoring, including cybersecurity maturity assessments, of third parties using a risk-based approach to determine the extent and frequency of periodic assessments. Semi-annual cybersecurity maturity assessments are conducted by the Company's Corporate Information Security team on its information systems using industry-standard guidelines and tools, including the Federal Financial Institutions Examination Council Cybersecurity Assessment Tool and the Center for Internet Security Critical Security Controls.

Because cybersecurity threats continue to evolve, thereby increasing inherent risk, the Company's Corporate Information Security team is augmented by contracted external managed security service providers, who collectively work 24/7 to monitor cybersecurity threats through processes such as endpoint and network security, email protection, data loss prevention, vulnerability scanning and mitigation, identity and access management, logging and monitoring, and threat hunting. Independent third parties test the Company's cyber capabilities and audit its cloud security. The Company regularly tests its systems to discover and address any potential vulnerabilities. Senior and Executive management also participate in cybersecurity industry collaboration and information-sharing forums and utilize the information gained to drive protective and detective cybersecurity strategies and tactics.

The Company requires information security education, training at the time of hire, and annually thereafter, by its employees (including contractors and other third parties for training purposes), designed to mitigate accidental information security incidents. Phishing simulation activities are regularly conducted to assess employees' competency at identifying potential threats. Employees are assigned incremental training requirements should they fail to identify simulated phishing emails through the initial training.

The Company's Corporate Information Security team members are also responsible for completing additional mandatory annual training to understand the processes, procedures, and technical requirements for securing information assets across the enterprise. The Company also offers ongoing practice and specialized education for Corporate Information Security team members to stay up to date with emerging trends in cybersecurity threat protection, detection, and response.

The Information Security Management Program sets forth enterprise-wide coordinated responses to identified threats, ensuring timely mitigation and remediation, and facilitating awareness and communication. Tabletop exercises are held regularly at the Senior and Executive management levels, and annually at the Board of Directors level, to validate roles and responsibilities, and response protocols respective to cybersecurity threats.

Employees, contractors, and third parties are required to immediately report any suspected cybersecurity threats to the Corporate Information Security team for triaging. Any threat assessed by the Corporate Information Security team that could impact the safety of customers or personnel, cause damage to, or threaten the confidentiality, integrity, or availability of information assets, or bring about significant business interruption, are escalated for further assessment. In the event that the Chief Information Security Officer, in consultation with the Company's Legal and Compliance teams, determines that a material cybersecurity incident has occurred, a dedicated Crisis Incident Response Team comprised of individuals from various departments across the organization is assigned to coordinate all planned cybersecurity incident-related response activities. The Company will engage third party specialists to assist in any cybersecurity incident investigation, as needed.

Cybersecurity threats that are identified and deemed material are escalated and communicated directly to Senior and Executive Management and the Risk Committee of the Board of Directors. Materiality determinations are made under the Company's Disclosure Controls and Procedures to ensure timely cybersecurity incident disclosure notification in accordance with securities laws and/or regulations.

Material Cybersecurity Threat Risks. The Company has not experienced any material losses relating to cybersecurity threats or incidents for the year ended December 31, 2023. However, it is possible that the Company could suffer such losses in the future. Information regarding risks from material cybersecurity threats can be found under the section captioned "Information Risk" contained in Item 1A. Risk Factors.

Governance. Oversight of information security risk and information technology risk is the operational responsibility of the Information Risk Committee, which is a management committee, with additional oversight from the Enterprise Risk Management Committee, which is also a management committee, and the Risk Committee of the Board of Directors.

Additional information regarding the Company's risk management framework, including management-level and Board-level committee experience and expertise, oversight responsibilities, and information risk governance, can be found under the section captioned "Risk Management Framework" contained in Item 1. Business.

ITEM 2. PROPERTIES

The Company's corporate headquarters is located in Stamford, Connecticut. This leased facility houses the Company's primary executive and administrative functions and serves as the principal banking headquarters of the Bank. Additional corporate functions are housed in owned facilities in Waterbury, Connecticut, and in leased facilities in Southington, Hartford, and New Haven, Connecticut; Providence, Rhode Island; Boston, Massachusetts; Jericho, White Plains, and New York, New York; and Paramus, New Jersey. The Company considers its properties to be suitable and adequate for its current business needs.

Commercial Banking maintains offices across a geographic footprint that ranges from Massachusetts to California. Premises are located in Boston, Massachusetts; Westerly, Rhode Island; Conshohocken, and Radnor, Pennsylvania; Baltimore, and Columbia, Maryland; Atlanta, Georgia; Dallas, Texas; and Laguna Niguel, and Ladera Ranch, California.

HSA Bank is headquartered in Milwaukee, Wisconsin, with an additional leased office in Sheboygan, Wisconsin.

Consumer Banking operates a distribution network that consists of 198 banking centers:

Location	Leased	Owned	Total
Connecticut	61	34	95
Massachusetts	9	9	18
Rhode Island	4	3	7
New York	38	40	78
Total	112	86	198

Additional information regarding the Company's owned facilities and leased locations can be found within Note 6: Premises and Equipment and Note 7: Leasing, respectively, in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings can be found within Note 23: Commitments and Contingencies in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock is traded on the NYSE under the symbol WBS. At February 23, 2024, there were 8,352 holders of record, as determined by Broadridge Corporate Issuer Solutions, Inc., the Company's transfer agent.

Information regarding dividend restrictions can be found under the section captioned "Supervision and Regulation" in Part I - Item 1. Business and within Note 14: Regulatory Capital and Restrictions in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data, which are incorporated herein by reference.

Recent Sales of Unregistered Securities

There were no unregistered securities sold by the Company during the three year period ended December 31, 2023.

Issuer Purchases of Equity Securities

The following table provides information with respect to any purchase of equity securities for the Company's common stock made by or on behalf of the Company 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, 2023:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount Available for Purchase Under the Plans or Programs (3)
October 1, 2023 - October 31, 2023	11,505	$ 38.25	—	$ 293,356,942
November 1, 2023 - November 30, 2023	537	42.21	—	293,356,942
December 1, 2023 - December 31, 2023	1,058	47.78	—	293,356,942
Total	13,100	39.18	—	293,356,942

(1) All 13,100 of the shares purchased during the three months ended December 31, 2023, were acquired outside of the Company's common stock repurchase program at market prices and related to employee share-based compensation plan activity.

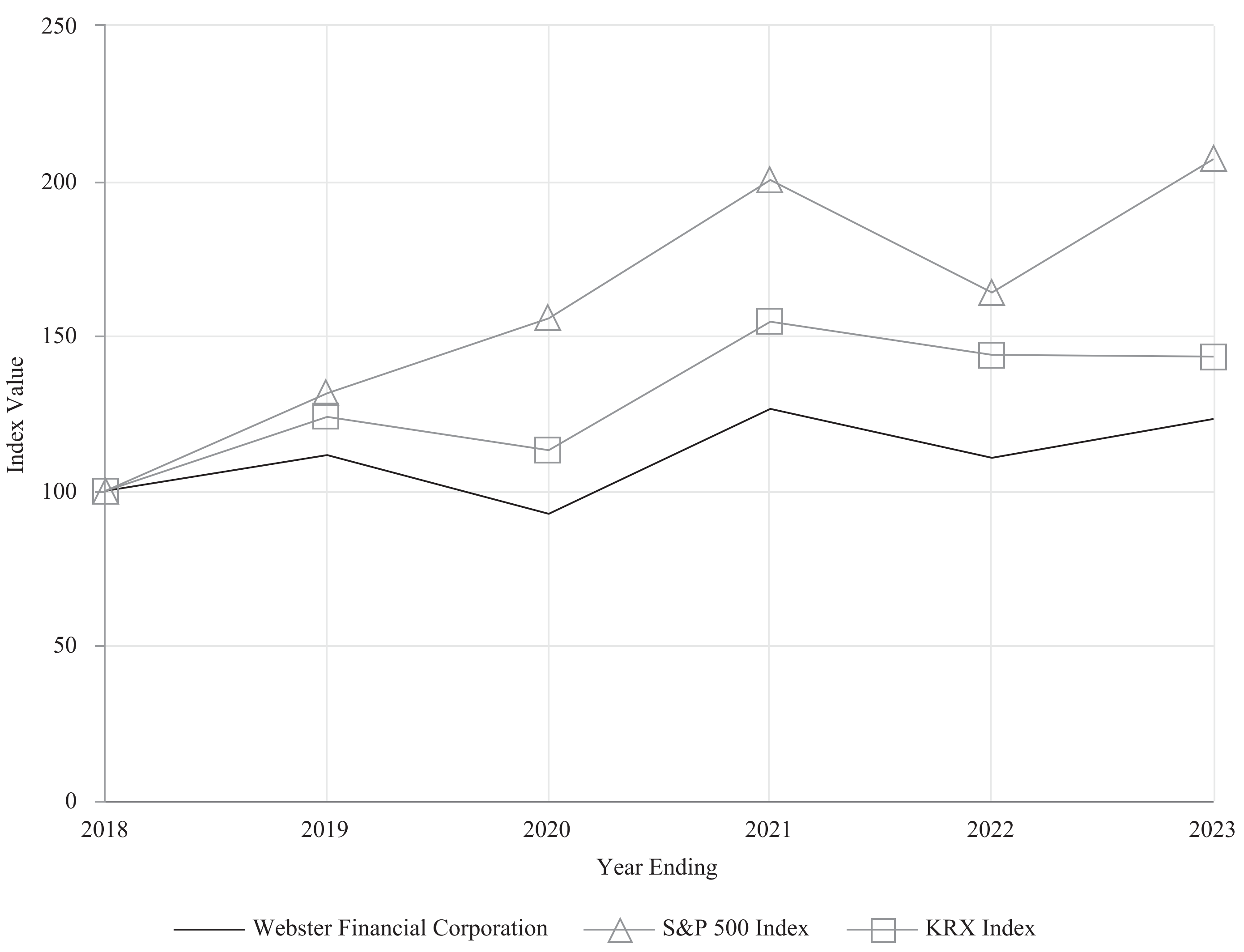
(2) The average price paid per share is calculated on a trade date basis and excludes commissions and other transaction costs.

(3) The Company maintains a common stock repurchase program, which was approved by the Board of Directors on October 24, 2017, that authorizes management to purchase shares of Webster common stock in open market or privately negotiated transactions, through block trades, and pursuant to any adopted predetermined trading plan, subject to the availability and trading price of stock, general market conditions, alternative uses for capital, regulatory considerations, and the Company's financial performance. On April 27, 2022, the Board of Directors increased the Company's authority to repurchase shares of Webster common stock under the repurchase program by $600.0 million in shares. This existing repurchase program will remain in effect until fully utilized or until modified, superseded, or terminated.

Performance Graph

The performance graph compares the yearly percentage change in the Company's cumulative total stockholder return on its common stock over the last five years to the cumulative total return of (i) the Standard & Poor’s 500 Index (S&P 500 Index) and (ii) the Keefe, Bruyette & Woods Regional Banking Index (KRX Index), assuming the reinvestment of dividends and an initial investment of $100 on December 31, 2018. The KRX Index is a market-capitalization weighted index comprised of 50 regional banks or thrifts located throughout the United States.

Cumulative total stockholder return is measured by dividing the sum of the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and the difference between the share price at the end and the beginning of the measurement period, by the share price at the beginning of the measurement period. The plotted points represent the cumulative total stockholder return on the last trading day of the year indicated. Historical performance shown on the graph is not necessarily indicative of future performance.



	Period Ending December 31,					
	2018	2019	2020	2021	2022	2023
Webster Financial Corporation	$ 100	$ 112	$ 93	$ 126	$ 111	$ 123
S&P 500 Index	$ 100	$ 131	$ 156	$ 200	$ 164	$ 207
KRX Index	$ 100	$ 124	$ 113	$ 155	$ 144	$ 143

ITEM 6. [RESERVED]

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

The following discussion and analysis provides information that management believes is necessary to understand the Company's financial condition, results of operations, and cash flows for the year ended December 31, 2023, as compared to 2022. This information should be read in conjunction with the Company's Consolidated Financial Statements, and the accompanying Notes thereto, contained in Part II - Item 8. Financial Statements and Supplementary Data, as well as other information set forth throughout this report. For discussion and analysis of the Company's 2022 results, as compared to 2021, refer to Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on March 10, 2023. The Company's financial condition and operating results for the year ended December 31, 2023, are not necessarily indicative of the financial condition or operating results that may be attained in future periods.

Executive Overview

Banking Industry Developments

Throughout 2023, the banking industry experienced significant volatility with multiple high-profile bank failures and concerns related to liquidity, deposit outflows, unrealized losses on securities, the credit quality of commercial real estate portfolios, and eroding consumer confidence in the banking system.

Despite these negative industry developments, the Company's total deposits at December 31, 2023, were $60.8 billion, representing a net $6.8 billion increase as compared to its total deposits at December 31, 2022. The Holding Company's and the Bank's regulatory capital ratios at December 31, 2023, also remained in excess of the well-capitalized minimum as defined by capital adequacy guidelines and the regulatory framework for prompt corrective action.

Additional information regarding regulatory capital ratios can be found in Part I under the section captioned "Supervision and Regulation" contained in Item 1. Business and within Note 14: Regulatory Capital and Restrictions in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Ametros Acquisition

On January 24, 2024, the Bank acquired Ametros, a custodian and administrator of medical funds from insurance claims settlements that helps individuals manage their ongoing medical care through its CareGuard service and proprietary technology platform. The Company believes that the acquisition will provide a fast-growing source of low-cost and long-duration deposits, new sources of non-interest income, and enhance its employee benefit and healthcare financial services expertise.

Additional information regarding the acquisition of Ametros can be found within Note 25: Subsequent Events in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

interLINK Acquisition

On January 11, 2023, the Bank acquired interLINK, a technology-enabled deposit management platform that administers over $9 billion of deposits from FDIC-insured cash sweep programs between banks and broker/dealers and clearing firms. The acquisition expanded the Company's core deposit funding sources and scalable liquidity and added another technology-enabled channel to its already differentiated, omnichannel deposit gathering capabilities. At December 31, 2023, interLINK provided the Company with an additional $5.7 billion of money market deposits.

Additional information regarding the acquisition of interLINK can be found within Note 2: Mergers and Acquisitions in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Sterling Integration Update

On January 31, 2022, the Company completed its merger with Sterling. In July 2023, the Company executed and completed its transition to a unified core operating system ("core conversion"). This involved changing and/or merging the legacy Webster and legacy Sterling platforms and software that had historically been used to process the Bank's daily operating activities, as well as other internal systems and applications. The completion of such core conversion marked a significant milestone in the Company's overall integration process.

During the year ended December 31, 2023, the Company recorded merger-related expenses, primarily as it relates to the merger with Sterling, totaling $162.5 million, which comprised of $40.5 million in Compensation and benefits, $1.4 million in Occupancy, $19.2 million in Technology and equipment, $2.5 million in Marketing, $67.3 million in Professional and outside services, and $31.6 million in Other expense.

Additional information regarding the merger with Sterling can be found within Note 2: Mergers and Acquisitions in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Results of Operations

The following table summarizes selected financial highlights and key performance indicators:

(In thousands, except per share data)	At or for the years ended December 31, 2023	2022	2021
Income and performance ratios:			
Net income	$ 867,840	$ 644,283	$ 408,864
Net income available to common stockholders	851,190	628,364	400,989
Earnings per diluted common share	4.91	3.72	4.42
Return on average assets	1.18 %	0.99 %	1.19 %
Return on average tangible common stockholders' equity (non-GAAP)	16.95	13.34	15.35
Return on average common stockholders' equity	10.59	8.44	12.56
Non-interest income as a percentage of total revenue	11.85	17.81	26.41
Asset quality:			
ACL on loans and leases	$ 635,737	$ 594,741	$ 301,187
Non-performing assets [1]	218,600	206,136	112,590
ACL on loans and leases / total loans and leases	1.25 %	1.20 %	1.35 %
Net charge-offs / average loans and leases	0.21	0.15	0.02
Non-performing loans and leases / total loans and leases [1]	0.41	0.41	0.49
Non-performing assets / total loans and leases plus OREO and repossessed assets [1]	0.43	0.41	0.51
ACL on loans and leases / non-performing loans and leases [1]	303.39	291.84	274.36
Other ratios:			
Tangible common equity (non-GAAP)	7.73 %	7.38 %	7.97 %
Tier 1 risk-based capital	11.62	11.23	12.32
Total risk-based capital	13.72	13.25	13.64
CET1 risk-based capital	11.11	10.71	11.72
Stockholders' equity / total assets	11.60	11.30	9.85
Net interest margin	3.52	3.49	2.84
Efficiency ratio (non-GAAP)	42.15	43.42	56.16
Equity and share related:			
Common equity	$ 8,406,017	$ 7,772,207	$ 3,293,288
Book value per common share	48.87	44.67	36.36
Tangible book value per common share (non-GAAP)	32.39	29.07	30.22
Common stock closing price	50.76	47.34	55.84
Dividends and equivalents declared per common share	1.60	1.60	1.60
Common shares issued and outstanding	172,022	174,008	90,584
Weighted-average common shares outstanding - basic	171,775	167,452	89,983
Weighted-average common shares outstanding - diluted	171,883	167,547	90,206

(1) Non-performing asset balances and related asset quality ratios exclude the impact of net unamortized (discounts)/premiums and net unamortized deferred (fees)/costs on loans and leases.

Non-GAAP Financial Measures

The non-GAAP financial measures identified in the preceding table provide both management and investors with information useful in understanding the Company's financial position, results of operations, the strength of its capital position, and overall business performance. These non-GAAP financial measures are used by management for performance measurement purposes, as well as for internal planning and forecasting, and by securities analysts, investors, and other interested parties to assess peer company operating performance. Management believes that this presentation, together with the accompanying reconciliations, provides investors with a more complete understanding of the factors and trends affecting the Company's business and allows investors to view its performance in a similar manner.

Tangible book value per common share represents stockholders’ equity less preferred stock and goodwill and other intangible assets (tangible common equity) divided by common shares outstanding at the end of the reporting period. The tangible common equity ratio represents tangible common equity divided by total assets less goodwill and other intangible assets (tangible assets). Both of these measures are used by management to evaluate the Company's capital position. The annualized return on average tangible common stockholders' equity is calculated using net income available to common stockholders, adjusted for the annualized tax-effected amortization of intangible assets, as a percentage of average tangible common equity. This measure is used by management to assess the Company's performance against its peer financial institutions. The efficiency ratio, which represents the costs expended to generate a dollar of revenue, is calculated excluding certain non-operational items in order to measure how well the Company is managing its recurring operating expenses.

These non-GAAP financial measures should not be considered a substitute for GAAP basis financial measures. Because non-GAAP financial measures are not standardized, it may not be possible to compare these with other companies that present financial measures having the same or similar names.

The following tables reconcile non-GAAP financial measures to the most comparable financial measures defined by GAAP:

	At December 31,		
(In thousands, except per share data)	2023	2022	2021
Tangible book value per common share:			
Stockholders' equity	$ 8,689,996	$ 8,056,186	$ 3,438,325
Less: Preferred stock	283,979	283,979	145,037
Goodwill and other intangible assets	2,834,600	2,713,446	556,242
Tangible common stockholders' equity	$ 5,571,417	$ 5,058,761	$ 2,737,046
Common shares outstanding	172,022	174,008	90,584
Tangible book value per common share	**$ 32.39**	**$ 29.07**	**$ 30.22**
Book value per common share (GAAP)	**$ 48.87**	**$ 44.67**	**$ 36.36**
Tangible common equity ratio:			
Tangible common stockholders' equity	$ 5,571,417	$ 5,058,761	$ 2,737,046
Total assets	$ 74,945,249	$ 71,277,521	$ 34,915,599
Less: Goodwill and other intangible assets	2,834,600	2,713,446	556,242
Tangible assets	$ 72,110,649	$ 68,564,075	$ 34,359,357
Tangible common equity ratio	**7.73 %**	**7.38 %**	**7.97 %**
Common stockholders' equity to total assets (GAAP)	**11.22 %**	**10.90 %**	**9.43 %**

	For the years ended December 31,		
(In thousands)	2023	2022	2021
Return on average tangible common stockholders' equity:			
Net income	$ 867,840	$ 644,283	$ 408,864
Less: Preferred stock dividends	16,650	15,919	7,875
Add: Intangible assets amortization, tax-affected	28,604	25,233	3,565
Net income adjusted for preferred stock dividends and intangible assets amortization	$ 879,794	$ 653,597	$ 404,554
Average stockholders' equity	$ 8,323,955	$ 7,721,488	$ 3,338,764
Less: Average preferred stock	283,979	272,179	145,037
Average goodwill and other intangible assets	2,848,114	2,548,254	558,462
Average tangible common stockholders' equity	$ 5,191,862	$ 4,901,055	$ 2,635,265
Return on average tangible common stockholders' equity	**16.95 %**	**13.34 %**	**15.35 %**
Return on average common stockholders' equity (GAAP)	**10.59 %**	**8.44 %**	**12.56 %**

(In thousands)	For the years ended December 31, 2023	2022	2021
Efficiency ratio:			
Non-interest expense	$ 1,416,355	$ 1,396,473	$ 745,100
Less: Foreclosed property activity	(1,282)	(906)	(535)
Intangible assets amortization	36,207	31,940	4,513
Operating lease depreciation	5,569	8,193	—
Merger-related expenses	162,517	246,461	37,454
Strategic initiatives charges	—	(3,032)	7,168
Common stock contribution to charitable foundation	—	10,500	—
FDIC special assessment	47,164	—	—
Other expense (1)	—	—	2,526
Non-interest expense	$ 1,166,180	$ 1,103,317	$ 693,974
Net interest income	$ 2,337,269	$ 2,034,286	$ 901,089
Add: Tax-equivalent adjustment	68,939	47,128	9,813
Non-interest income	314,337	440,783	323,372
Other income (2)	18,059	22,887	1,344
Less: Operating lease depreciation	5,569	8,193	—
(Loss) on sale of investment securities	(33,620)	(6,751)	—
Gain on extinguishment of borrowings	—	2,548	—
Income	$ 2,766,655	$ 2,541,094	$ 1,235,618
Efficiency ratio	**42.15 %**	**43.42 %**	**56.16 %**
Non-interest expense as a percentage of total revenue (GAAP)	**53.41 %**	**56.42 %**	**60.85 %**

(1) Other expense (non-GAAP) includes debt prepayments costs in 2021.

(2) Other income (non-GAAP) includes the taxable equivalent of net income generated from LIHTC investments.

Net Interest Income

Net interest income is the Company's primary source of revenue, representing 88.1%, and 82.2% of total revenues for the years ended December 31, 2023, and 2022, respectively. Net interest income is the difference between interest income on interest-earning assets (i.e., loans and leases and investment securities) and interest expense on interest-bearing liabilities (i.e., deposits and borrowings), which are used to fund interest-earning assets and other activities. Net interest margin is calculated as the ratio of FTE net interest income to average interest-earning assets.

Net interest income, net interest margin, yields, and ratios on an FTE basis are considered non-GAAP financial measures, and are used by management to evaluate the comparability of the Company's revenue arising from both taxable and non-taxable sources. FTE adjustments are determined assuming a statutory federal income tax rate of 21%.

Net interest income and net interest margin are influenced by the volume and mix of interest-earning assets and interest-bearing liabilities, changes in interest rate levels, re-pricing frequencies, contractual maturities, prepayment behavior, and the use of interest rate derivative financial instruments. These factors are affected by changes in economic conditions which impacts monetary policies, competition for loans and deposits, as well as the extent of interest lost on non-performing assets.

Given the merger with Sterling on January 31, 2022, net interest income for the year ended December 31, 2022, does not reflect a full year of combined average balances and combined average yields/rates when compared to the year ended December 31, 2023. The timing of the Sterling merger was a contributing factor to the year over year change in the majority of the Company's interest-earning assets and interest-bearing liabilities, in addition to the drivers that are discussed in more detail below.

Net interest income increased $0.3 billion, or 14.9%, from $2.0 billion for the year ended December 31, 2022, to $2.3 billion for the year ended December 31, 2023. On an FTE basis, net interest income also increased $0.3 billion. Net interest margin increased 3 basis points from 3.49% for the year ended December 31, 2022, to 3.52% for the year ended December 31, 2023. These net increases are primarily attributed to higher average loan and lease balances, higher average deposit balances, the impact of the higher interest rate environment, and lower purchase accounting accretion on interest-earning assets that were acquired from Sterling.

Average total interest-earning assets increased $8.3 billion, or 14.0%, from $59.2 billion for the year ended December 31, 2022, to $67.5 billion for the year ended December 31, 2023, primarily due to increases of $6.8 billion, $1.0 billion, $0.3 billion, and $0.1 billion in average loans and leases, average interest-bearing deposits, average total investment securities, and average FHLB and FRB stock, respectively. The average yield on interest-earning assets increased 151 basis points from 3.91% for the year ended December 31, 2022, to 5.42% for the year ended December 31, 2023, primarily due to the higher interest rate environment, partially offset by lower purchase accounting accretion on interest-earning assets that were acquired from Sterling.

Average loans and leases increased $6.8 billion, or 15.7%, from $43.8 billion for the year ended December 31, 2022, to $50.6 billion for the year ended December 31, 2023, primarily due to organic loan growth. At December 31, 2023, and 2022, average loans and leases comprised 75.0% and 73.9% of average total interest-earning assets, respectively. The average yield on loans and leases increased 165 basis points from 4.50% for the year ended December 31, 2022, to 6.15% for the year ended December 31, 2023, primarily due to the higher interest rate environment, partially offset by lower purchase accounting accretion on loans and leases that were acquired from Sterling.

Average interest-bearing deposits held at the FRB increased $1.0 billion, or 162.1%, from $0.6 billion for the year ended December 31, 2022, to $1.6 billion for the year ended December 31, 2023, which was a direct result of the Company's risk management approach to hold higher levels of on-balance sheet liquidity in 2023. At December 31, 2023, and 2022, average interest-bearing deposits comprised 2.32% and 1.01% of average total interest-earning assets, respectively. The average yield on interest-bearing deposits increased 352 basis points from 1.62% for the year ended December 31, 2022, to 5.14% for the year ended December 31, 2023, primarily due to the higher rate environment.

Average total investment securities increased $0.3 billion, or 2.1%, from $14.5 billion for the year ended December 31, 2022, to $14.8 billion for the year ended December 31, 2023, primarily due to a higher volume of purchase activity net of paydowns, partially offset by sales of U.S. Treasury notes and Corporate debt securities. At December 31, 2023, and 2022, average total investment securities comprised 22.0% and 24.6% of average total interest-earning assets, respectively. The average yield on total investment securities increased 75 basis points from 2.31% for the year ended December 31, 2022, to 3.06% for the year ended December 31, 2023, primarily due to the reinvestment of funds received from securities that either had matured or were sold at higher yields.

Average FHLB and FRB stock increased $0.1 billion, or 41.1%, from $0.3 billion for the year ended December 31, 2022, to $0.4 billion for the year ended December 31, 2023, primarily due to the additional FHLB stock investment required as a result of the increase in average FHLB advances. At December 31, 2023, and 2022, average FHLB and FRB stock comprised 0.6% and 0.5% of total average interest-earning assets, respectively. The average yield on FHLB and FRB stock increased 303 basis points from 3.03% for the year ended December 31, 2022, to 6.06% for the year ended December 31, 2023, primarily due to the higher interest rate environment.

Average total interest-bearing liabilities increased $8.1 billion, or 14.4%, from $55.9 billion for the year ended December 31, 2022, to $64.0 billion for the year ended December 31, 2023, primarily due to increases of $6.4 billion and $2.3 billion in average total deposits and average FHLB advances, respectively, partially offset by decreases of $0.4 billion, and $0.3 billion in average federal funds purchased and average securities sold under agreements to repurchase, respectively. The average rate on interest-bearing liabilities increased 157 basis points from 0.45% for the year ended December 31, 2022, to 2.02% for the year ended December 31, 2023, primarily due to the higher interest rate environment.

Average total deposits increased $6.4 billion, or 12.4%, from $51.8 billion for the year ended December 31, 2022, to $58.2 billion for the year ended December 31, 2023, reflecting an increase of $7.7 billion in interest-bearing deposits, partially offset by a decrease of $1.3 billion in non-interest-bearing deposits. The overall increase in deposits was primarily due to the acquisition of interLINK, as well as time deposit and HSA deposit growth, partially offset by decreases in non-interest-bearing and savings deposits. The decreases in non-interest bearing and savings deposits, and the increase in time deposits, were driven by increased market interest rates as customers sought higher yielding deposit products. December 31, 2023, and 2022, average total deposits comprised 91.1% and 92.7% of average total interest-bearing liabilities, respectively. The average rate on deposits increased 148 basis points from 0.27% for the year ended December 31, 2022, to 1.75% for the year ended December 31, 2023, primarily due to the higher interest rate environment and growth in higher costing deposit products. Average higher cost time deposits as a percentage of average total interest-bearing deposits increased from 7.3% for the year ended December 31, 2022, to 14.0% for the year ended December 31, 2023, primarily due to a shift in customer preferences from lower rate checking and savings products into higher rate certificates of deposit products.

Average FHLB advances increased $2.3 billion, or 117.5%, from $2.0 billion for the year ended December 31, 2022, to $4.3 billion for the year ended December 31, 2023, primarily due to short-term funding needs and a direct result of the Company's risk management approach to hold higher levels of on-balance sheet liquidity in 2023. At December 31, 2023, and 2022, average FHLB advances comprised 6.7% and 3.5% of total average interest-bearing liabilities, respectively. The average rate on FHLB advances increased 223 basis points from 2.98% for the year ended December 31, 2022, to 5.21% for the year ended December 31, 2023, primarily due to the higher interest rate environment.

Average federal funds purchased decreased $0.4 billion, or 72.0%, from $0.6 billion for the year ended December 31, 2022, to $0.2 billion for the year ended December 31, 2023, primarily due to the additional liquidity generated from the interLINK deposit sweep program, which allowed for the Company to decrease its federal funds borrowing volume in 2023. At December 31, 2023, and 2022, average federal funds purchased comprised 0.3% and 1.1% of total average interest-bearing liabilities, respectively. The average rate on federal funds purchased increased 212 basis points from 2.58% for the year ended December 31, 2022, to 4.70% for the year ended December 31, 2023, primarily due to the higher interest rate environment.

Average securities sold under agreements to repurchase decreased $0.3 billion, or 54.8%, from $0.5 billion for the year ended December 31, 2022, to $0.2 billion for the year ended December 31, 2023, primarily due to the Company's extinguishment of its two long-term structured repurchase agreements in the third quarter of 2022, and the overall timing of maturities. At December 31, 2023, and 2022, average securities sold under agreements to repurchase comprised 0.3% and 0.8% of total average interest-bearing liabilities, respectively. The average rate on securities sold under agreements to repurchase decreased 20 basis points from 0.78% for the year ended December 31, 2022, to 0.58% for the year ended December 31, 2023, primarily due to the Company's extinguishment of its two long-term structured repurchase agreements in the third quarter of 2022, which were contracted at a higher cost.

The following table summarizes daily average balances, interest, and average yield/rate by major category, and net interest margin on an FTE basis:

	Years ended December 31,								
	2023			2022			2021		
(In thousands)	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**
Assets									
Interest-earning assets:									
Loans and leases [1]	$50,637,569	$3,113,709	6.15 %	$43,751,112	$1,967,761	4.50 %	$21,584,872	$ 765,682	3.55 %
Investment securities: [2]									
Taxable	12,350,012	423,289	3.22	12,067,294	295,158	2.36	8,507,766	155,902	1.88
Non-taxable	2,489,732	54,207	2.18	2,461,428	50,442	2.05	720,977	27,728	3.85
Total investment securities	14,839,744	477,496	3.06	14,528,722	345,600	2.31	9,228,743	183,630	2.03
FHLB and FRB stock	408,673	24,785	6.06	289,595	8,775	3.03	76,015	1,224	1.61
Interest-bearing deposits [3]	1,564,255	80,475	5.14	596,912	9,651	1.62	1,379,081	1,875	0.14
Loans held for sale	28,710	734	2.56	9,842	78	0.80	10,705	246	2.30
Total interest-earning assets	67,478,951	$3,697,199	5.42 %	59,176,183	$2,331,865	3.91 %	32,279,416	$ 952,657	2.97 %
Non-interest-earning assets	6,344,931			5,586,025			1,955,330		
Total assets	$73,823,882			$64,762,208			$34,234,746		
Liabilities and Equity									
Interest-bearing liabilities:									
Deposits:									
Demand deposits	$11,596,949	$ —	— %	$12,912,894	$ —	— %	$ 6,897,464	$ —	— %
Health savings accounts	8,249,332	12,366	0.15	7,826,576	6,315	0.08	7,390,702	5,777	0.08
Interest-bearing checking, money market, and savings	31,874,457	756,521	2.37	28,266,128	115,271	0.41	12,843,843	6,936	0.05
Time deposits	6,531,610	252,531	3.87	2,838,502	16,966	0.60	2,105,809	7,418	0.35
Total deposits	58,252,348	1,021,418	1.75	51,844,100	138,552	0.27	29,237,818	20,131	0.07
Securities sold under agreements to repurchase	210,676	1,231	0.58	466,282	3,614	0.78	527,250	3,027	0.57
Federal funds purchased	167,495	7,871	4.70	598,269	15,444	2.58	16,036	13	0.08
Other borrowings	—	—	—	—	1	—	—	—	—
FHLB advances	4,275,394	222,537	5.21	1,965,577	58,557	2.98	108,216	1,708	1.58
Long-term debt [2]	1,058,621	37,934	3.69	1,031,446	34,283	3.44	565,271	16,876	3.22
Total interest-bearing liabilities	63,964,534	$1,290,991	2.02 %	55,905,674	$ 250,451	0.45 %	30,454,591	$ 41,755	0.14 %
Non-interest-bearing liabilities	1,535,393			1,135,046			441,391		
Total liabilities	65,499,927			57,040,720			30,895,982		
Preferred stock	283,979			272,179			145,037		
Common stockholders' equity	8,039,976			7,449,309			3,193,727		
Total stockholders' equity	8,323,955			7,721,488			3,338,764		
Total liabilities and equity	$73,823,882			$64,762,208			$34,234,746		
Net interest income (FTE)		2,406,208			2,081,414			910,902	
Less: FTE adjustment		(68,939)			(47,128)			(9,813)	
Net interest income		$2,337,269			$2,034,286			$ 901,089	
Net interest margin (FTE)			3.52 %			3.49 %			2.84 %

(1) Non-accrual loans have been included in the computation of average balances.

(2) For the purposes of our average yield/rate and margin computations, unsettled trades on investment securities, unrealized gains (losses) on available-for-sale investment securities, and basis adjustments on long-term debt from de-designated fair value hedges are excluded.

(3) Interest-bearing deposits are a component of cash and cash equivalents on the Consolidated Statements of Cash Flows included in Part II - Item 8. Financial Statements and Supplementary Data.

The following table summarizes the change in net interest income attributable to changes in rate and volume, and reflects net interest income on an FTE basis:

	Years ended December 31,					
	2023 vs. 2022 Increase (decrease) due to			2022 vs. 2021 Increase (decrease) due to		
(In thousands)	Rate [(1)]	Volume	Total	Rate [(1)]	Volume	Total
Change in interest on interest-earning assets:						
Loans and leases	$ 833,430	$ 312,518	$ 1,145,948	$ 580,849	$ 621,230	$ 1,202,079
Investment securities	124,572	7,324	131,896	67,152	94,818	161,970
FHLB and FRB stock	12,402	3,608	16,010	4,113	3,438	7,551
Interest-bearing deposits	55,184	15,640	70,824	8,840	(1,064)	7,776
Loans held for sale	364	292	656	48	(216)	(168)
Total interest income	$ 1,025,952	$ 339,382	$ 1,365,334	$ 661,002	$ 718,206	$ 1,379,208
Change in interest on interest-bearing liabilities:						
Health savings accounts	$ 5,710	$ 341	$ 6,051	$ 197	$ 341	$ 538
Interest-bearing checking, money market, and savings	596,023	45,227	641,250	108,272	63	108,335
Time deposits	178,262	57,303	235,565	11,274	(1,726)	9,548
Securities sold under agreements to repurchase	(402)	(1,981)	(2,383)	937	(350)	587
Federal funds purchased	3,547	(11,120)	(7,573)	14,960	471	15,431
Other borrowings	(1)	—	(1)	1	—	1
FHLB advances	95,168	68,812	163,980	27,530	29,319	56,849
Long-term debt	2,715	936	3,651	2,388	15,019	17,407
Total interest expense	$ 881,022	$ 159,518	$ 1,040,540	$ 165,559	$ 43,137	$ 208,696
Net change in net interest income	$ 144,930	$ 179,864	$ 324,794	$ 495,443	$ 675,069	$ 1,170,512

(1) The change attributable to mix, a combined impact of rate and volume, is included with the change due to rate.

Provision for Credit Losses

The provision for credit losses totaled $150.7 million and $280.6 million for the year ended December 31, 2023, and 2022, respectively. The balance for the year ended December 31, 2022, included the establishment of the initial ACL of $175.1 million for non-PCD loans and leases that were acquired from Sterling in the merger. Excluding this charge, the provision for credit losses increased $45.2 million, primarily due to the impact of the current macroeconomic environment on credit performance and organic loan growth.

Additional information regarding the Company's provision for credit losses and ACL can be found under the sections captioned "Loans and Leases" through "Allowance for Credit Losses on Loans and Leases" contained elsewhere in this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Non-Interest Income

(In thousands)	Years ended December 31, 2023	2022	2021
Deposit service fees	$ 169,318	$ 198,472	$ 162,710
Loan and lease related fees	84,861	102,987	36,658
Wealth and investment services	28,999	40,277	39,586
Mortgage banking activities	1,240	705	6,219
Cash surrender value of life insurance policies	26,228	29,237	14,429
(Loss) on sale of investment securities	(33,620)	(6,751)	—
Other income	37,311	75,856	63,770
Total non-interest income	$ 314,337	$ 440,783	$ 323,372

Total non-interest income decreased $126.5 million, or 28.7%, from $440.8 million for the year ended December 31, 2022, to $314.3 million for the year ended December 31, 2023, primarily due to decreases in Other income, Deposit service fees, Loan and lease related fees, and Wealth and investment services, and an increase in (Loss) on sale of investment securities.

Other income decreased $38.6 million, or 50.8%, from $75.9 million for the year ended December 31, 2022, to $37.3 million for the year ended December 31, 2023, primarily due to lower income generated from customer interest rate derivative activities and direct investments.

Deposit service fees decreased $29.2 million, or 14.7%, from $198.5 million for the year ended December 31, 2022, to $169.3 million for the year ended December 31, 2023, primarily due to lower customer account service fees and cash management and analysis fees, partially offset by higher interchange income.

Loan and lease related fees decreased $18.1 million, or 17.6%, from $103.0 million for the year ended December 31, 2022, to $84.9 million for the year ended December 31, 2023, primarily due to lower loan servicing fee income, syndication fees, and prepayment penalties.

Wealth and investment services decreased $11.3 million, or 28.0%, from $40.3 million for the year ended December 31, 2022, to $29.0 million for the year ended December 31, 2023, primarily due to lower net investment services income in 2023, which is a direct result of the outsourcing of the consumer investment services platform effective as of the fourth quarter of 2022.

During the year ended December 31, 2023, the Company sold $827.0 million of U.S. Treasury notes, Corporate debt securities, and Municipal bonds and notes classified as available-for-sale for proceeds of $789.6 million, which resulted in $37.4 million of gross realized losses. The $33.6 million loss on sale of investment securities included in non-interest income for the year ended December 31, 2023, represents the portion of the total charge that was not attributed to a decline in credit quality. During the year ended December 31, 2022, the Company sold $179.7 million of Municipal bonds and notes classified as available-for-sale for proceeds of $172.9 million, which resulted in $6.8 million of gross realized losses.

Non-Interest Expense

(In thousands)	Years ended December 31, 2023	2022	2021
Compensation and benefits	$ 711,752	$ 723,620	$ 419,989
Occupancy	77,520	113,899	55,346
Technology and equipment	197,928	186,384	112,831
Intangible assets amortization	36,207	31,940	4,513
Marketing	18,622	16,438	12,051
Professional and outside services	107,497	117,530	47,235
Deposit insurance	98,081	26,574	15,794
Other expense	168,748	180,088	77,341
Total non-interest expense	$ 1,416,355	$ 1,396,473	$ 745,100

Total non-interest expense remained relatively flat at approximately $1.4 billion for both the years ended December 31, 2023 and 2022. Although the financial statement caption as a whole did not change significantly, notable fluctuations were experienced in Compensation and benefits, Occupancy, Technology and equipment, Professional and outside services, Deposit insurance, and Other expense.

Compensation and benefits decreased $11.9 million, or 1.6%, from $723.6 million for the year ended December 31, 2022, to $711.7 million for the year ended December 31, 2023, primarily due to a $38.5 million decrease in merger-related expenses, particularly as it relates to severance and retention, the outsourcing of the consumer investment services platform effective as of the fourth quarter of 2022, and decreases in incentive compensation and commissions, partially offset by increases in salaries, group insurance, and other compensation costs.

Occupancy decreased $36.4 million, or 31.9%, from $113.9 million for the year ended December 31, 2022, to $77.5 million for the year ended December 31, 2023, primarily due to the launch of the Company's corporate real estate consolidation plan in the second quarter of 2022, which resulted in a $23.1 million ROU asset impairment charge and a combined $12.3 million in related exit costs and accelerated depreciation on property and equipment for the year ended December 31, 2022. There were no such charges, or similar charges, for the year ended December 31, 2023.

Technology and equipment increased $11.5 million, or 6.2%, from $186.4 million for the year ended December 31, 2022, to $197.9 million for the year ended December 31, 2023, primarily due to an increase in technology service contracts and automated services, partially offset by a $5.5 million decrease in merger-related expenses.

Professional and outside services decreased $10.0 million, or 8.5%, from $117.5 million for the year ended December 31, 2022, to $107.5 million for the year ended December 31, 2023, primarily due to a $5.7 million decrease in merger-related expenses and decreased consulting costs, partially offset by an increase in legal fees.

Deposit insurance increased $71.5 million, or 269.1%, from $26.6 million for the year ended December 31, 2022, to $98.1 million for the year ended December 31, 2023, primarily due to the $47.2 million FDIC special assessment charge recorded in the fourth quarter of 2023, and the impact of the increased initial base deposit insurance assessment rate schedules adopted by the FDIC, which took effect in the first quarter of 2023 for all insured depository institutions.

Other expense decreased $11.4 million, or 6.3%, from $180.1 million for the year ended December 31, 2022, to $168.7 million for the year ended December 31, 2023, primarily due to the $10.5 million common stock contribution to the Webster Bank Charitable Foundation in the third quarter of 2022, as there was no such charge for the year ended December 31, 2023.

Income Taxes

For the years ended December 31, 2023, and 2022, the Company recognized income tax expense of $216.7 million and $153.7 million, respectively, reflecting effective tax rates of 20.0% and 19.3%, respectively.

The $63.0 million increase in income tax expense is primarily due the increase in pre-tax income in 2023, which included lower one-time charges associated with the Sterling merger as compared to 2022. The 0.7% point increase in the effective tax rate primarily reflects the effects of the lower one-time charges and related tax benefits in 2023 associated with the Sterling merger, partially offset by the effects of higher tax-exempt income and lower SALT expense in 2023 as compared to 2022.

At December 31, 2023, and 2022, the Company recorded a valuation allowance on its DTAs of $28.7 million and $29.2 million, respectively. The valuation allowance at December 31, 2023, is primarily related to the portion of SALT net operating loss carryforwards that, in management's judgment, is not more likely than not to be realized. At December 31, 2023, and 2022, the Company's gross DTAs included $64.2 million and $66.9 million, respectively, applicable to SALT net operating loss and credit carryforwards that are available to offset future taxable income, generally through 2032.

The ultimate realization of DTAs is dependent on the generation of future taxable income during the periods in which the net operating loss and credit carryforwards are available. In making its assessment, management considers the Company's forecasted future results of operations, estimates the content and apportionment of its income by legal entity over the near term for SALT purposes, and also applies longer-term growth rate assumptions. Based on its estimates, management believes it is more likely than not that the Company will realize its DTAs, net of the valuation allowance, at December 31, 2023. However, it is possible that some or all of the Company's net operating loss and credit carryforwards could expire unused, or that more net operating loss and credit carryforwards could be utilized than estimated, either as a result of changes in future forecasted levels of taxable income or if future economic or market conditions or interest rates were to vary significantly from the Company's forecasts and, in turn, impact its future results of operations.

Additional information regarding the Company's income taxes, including DTAs, can be found within Note 9: Income Taxes in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Segment Reporting

The Company's operations are organized into three reportable segments that represent its primary businesses: Commercial Banking, HSA Bank, and Consumer Banking. These segments reflect how executive management responsibilities are assigned, how discrete financial information is evaluated, the type of customer served, and how products and services are provided. Segments are evaluated using PPNR. Certain Treasury activities, including the operations of interLINK, along with the amounts required to reconcile profitability metrics to those reported in accordance with GAAP, are included in the Corporate and Reconciling category. Additional information regarding the Company's reportable segments and its segment reporting methodology can be found within Note 21: Segment Reporting in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Given the merger with Sterling on January 31, 2022, operating results for the Commercial Banking and Consumer Banking segments for the year ended December 31, 2022, do not reflect a full year of combined business activities when compared to the year ended December 31, 2023. Similarly, operating results for the HSA Bank segment for the year ended December 31, 2022, do not reflect a full year of business activities associated with Bend given the acquisition on February 18, 2022. The timing of both the Sterling merger and Bend acquisition was a contributing factor to the year over year change in their corresponding segments' PPNR, in addition to the drivers that are discussed in more detail throughout this section.

The following is a description of the Company’s three reportable segments and their primary services at December 31, 2023:

Commercial Banking serves businesses with more than $2 million of revenue through its Commercial Real Estate and Equipment Finance, Middle Market, Business Banking, Asset-Based Lending and Commercial Services, Public Sector Finance, Mortgage Warehouse, Sponsor and Specialty Finance, Verticals and Support, Private Banking, and Treasury Management business units.

HSA Bank offers a comprehensive consumer-directed healthcare solution that includes HSAs, health reimbursement arrangements, flexible spending accounts, and commuter benefits. HSAs are used in conjunction with high deductible health plans in order to facilitate tax advantages for account holders with respect to health care spending and savings, in accordance with applicable laws. HSAs are distributed nationwide directly to employers and individual consumers, as well as through national and regional insurance carriers, benefit consultants, and financial advisors. HSA Bank deposits provide long duration, low-cost funding that is used to minimize the Company’s use of wholesale funding in support of its loan growth. In addition, non-interest revenue is generated predominantly through service fees and interchange income.

Consumer Banking serves individual customers and small businesses with less than $2 million of revenues by offering consumer deposits, residential mortgages, home equity lines, secured and unsecured loans, debit and credit card products, and investment services. Consumer Banking operates a distribution network consisting of 198 banking centers and 349 ATMs, a customer care center, and a full range of web and mobile-based banking services, primarily throughout southern New England and the New York Metro and Suburban markets.

Effective as of the fourth quarter of 2022, the presentation of Consumer Banking's operating results was impacted by the restructuring of a process by which the Company offers brokerage, investment advisory, and certain insurance-related services to customers. The staff providing these services, which had previously been employees of the Bank, are now employees of a third-party service provider. As a result, the Company now recognizes income from this program on a net basis, which thereby reduces gross reported non-interest income and corresponding compensation non-interest expense.

Commercial Banking

Operating Results:

(In thousands)	Years ended December 31, 2023	2022	2021
Net interest income	$ 1,537,031	$ 1,346,384	$ 585,297
Non-interest income	132,660	171,437	83,538
Non-interest expense	439,290	398,100	192,977
Pre-tax, pre-provision net revenue	$ 1,230,401	$ 1,119,721	$ 475,858

Commercial Banking's PPNR increased $110.6 million, or 9.9%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022, due to increases in both net interest income and non-interest income, partially offset by an increase in non-interest expense. The $190.6 million increase in net interest income is primarily due to organic loan growth, the impact of the higher interest rate environment, and lower deposit balances. The $38.8 million decrease in non-interest income is primarily due to lower customer interest rate derivative activities, other loan servicing fees, prepayment penalties, syndication fees, cash management fees, and other miscellaneous income. The $41.2 million increase in non-interest expense is primarily due to an increase in both technology and employee-related costs in order to support balance sheet growth.

Selected Balance Sheet and Off-Balance Sheet Information:

(In thousands)	At December 31, 2023	2022
Loans and leases	$ 40,934,356	$ 40,115,067
Deposits	18,245,575	19,563,227
Assets under administration / management (off-balance sheet)	2,911,293	2,258,635

Loans and leases increased $0.8 billion, or 2.0%, at December 31, 2023, as compared to at December 31, 2022, primarily due to organic growth in the commercial real estate and commercial non-mortgage categories, partially offset by net principal paydowns in the warehouse lending, equipment finance, and asset-based lending categories. Total portfolio originations for the years ended December 31, 2023, and 2022, were $9.2 billion and $14.7 billion, respectively. The $5.5 billion decrease was primarily due to a decrease in commercial real estate and commercial non-mortgage originations.

Deposits decreased $1.3 billion, or 6.7%, at December 31, 2023, as compared to at December 31, 2022, primarily due to a decrease in non-interest-bearing deposits, as increased interest rates drove customers to seek higher yielding deposit products and other alternatives elsewhere. This decrease was partially offset by the seasonal inflow of municipal deposits.

Commercial Banking held $0.9 billion and $0.6 billion in assets under administration and $2.0 billion and $1.7 billion in assets under management at December 31, 2023, and 2022, respectively. The combined increase of $0.6 billion, or 28.9%, was primarily due to customers shifting their deposits into investment accounts to purchase U.S. Treasury securities with government-backing, and higher valuations in the equity markets during 2023.

HSA Bank

Operating Results:

(In thousands)	Years ended December 31, 2023	2022	2021
Net interest income	$ 302,856	$ 218,149	$ 168,595
Non-interest income	88,113	104,586	102,814
Non-interest expense	168,160	151,329	134,258
Pre-tax net revenue	$ 222,809	$ 171,406	$ 137,151

HSA Bank's pre-tax net revenue increased $51.4 million, or 30.0%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022, due to an increase in net interest income, partially offset by a decrease in non-interest income and an increase in non-interest expense. The $84.7 million increase in net interest income is primarily due to an increase in the net deposit interest rate spread and organic deposit growth. The $16.5 million decrease in non-interest income is primarily due to lower customer fees. The $16.8 million increase in non-interest expense is primarily due to an increase in compensation and benefits, higher service contract expenses related to additional account holders, and costs associated with the ongoing HSA Bank user experience build out.

Selected Balance Sheet and Off-Balance Sheet Information:

(In thousands)	At December 31, 2023	2022
Deposits	$ 8,287,705	$ 7,944,919
Assets under administration, through linked brokerage accounts (off-balance sheet)	4,641,830	3,393,832

Deposits increased $0.3 billion, or 4.3%, at December 31, 2023, as compared to at December 31, 2022, primarily due to an increase in the number of account holders and organic deposit growth. HSA deposits accounted for approximately 13.6% and 14.7% of the Company's total consolidated deposits at December 31, 2023, and 2022, respectively.

Assets under administration, through linked brokerage accounts, increased $1.2 billion, or 36.8%, at December 31, 2023, as compared to at December 31, 2022, primarily due to additional account holders and higher valuations in the equity markets during 2023.

Consumer Banking

Operating Results:

(In thousands)	Years ended December 31, 2023	2022	2021
Net interest income	$ 798,483	$ 720,789	$ 375,318
Non-interest income	107,456	119,691	95,887
Non-interest expense	425,281	426,133	297,217
Pre-tax, pre-provision net revenue	$ 480,658	$ 414,347	$ 173,988

Consumer Banking's PPNR increased $66.3 million, or 16.0%, for the year ended December 31, 2023, as compared to the year ended December 31, 2022, due to an increase in net interest income, partially offset by a decrease in non-interest income and an increase in non-interest expense. The $77.7 million increase in net interest income is primarily due to organic loan and deposit growth, and the impact of the higher interest rate environment. The $12.2 million decrease in non-interest income is primarily due to lower net investment services income driven by the outsourcing of the consumer investment services platform in the fourth quarter of 2022, and lower deposit fees and loan servicing fee income, partially offset by higher miscellaneous fee income. The $0.8 million decrease in non-interest expense is primarily due to lower technology and lower compensation and benefits expenses driven by the outsourcing of the consumer investment services platform effective as of the fourth quarter of 2022, partially offset by increased staffing, marketing, and servicing costs associated with deposit growth initiatives.

Selected Balance Sheet Information:

(In thousands)	At December 31, 2023	2022
Loans	$ 9,781,332	$ 9,624,465
Deposits	24,059,997	23,609,941
Assets under administration (off-balance sheet)	7,876,437	7,872,397

Loans increased $0.2 billion, or 1.6%, at December 31, 2023, as compared to at December 31, 2022, primarily due to growth in residential mortgages and small business commercial loans, partially offset by net principal paydowns in home equity and other consumer loans. Total portfolio originations for the years ended December 31, 2023, and 2022, were $1.3 billion and $2.8 billion, respectively. The $1.5 billion decrease was primarily due to the increase in market rates and low housing inventories, which resulted in lower residential mortgage originations, particularly mortgage refinances.

Deposits increased $0.5 billion, or 1.9%, at December 31, 2023, as compared to at December 31, 2022, primarily due to the impact of the higher interest rate environment, which has attracted consumers to certificates of deposit products, partially offset by lower money market, savings, and demand deposit account balances.

Assets under administration remained flat at $7.9 billion at both December 31, 2023, and 2022, as customer investment activities were offset by higher valuations in the equity markets during 2023.

Financial Condition

Total assets increased $3.6 billion, or 5.1%, from $71.3 billion at December 31, 2022, to $74.9 billion at December 31, 2023. The change in total assets was primarily attributed to the following, which experienced changes greater than $100 million:

- Cash and cash equivalents increased $875.9 million, primarily due to the Company's risk management approach to hold higher levels of on-balance sheet liquidity in 2023;
- Total investment securities, net increased $1.6 billion, reflecting increases of $1.1 billion and $0.5 billion in the available-for-sale and held-to-maturity portfolios, respectively. The increase in total investment securities was primarily due to purchases exceeding paydown activities, primarily across the Agency MBS and Agency CMBS categories, partially offset by $0.8 billion in sales of available-for-sale U.S. Treasury notes, Corporate debt securities, and Municipal bonds and notes;
- FHLB and FRB stock decreased $119.0 million, primarily due to the lower FHLB stock investment required as a result of the decrease in FHLB advances;
- Loans and leases increased $1.0 billion, primarily due to $10.5 billion of originations during the year ended December 31, 2023, particularly across the commercial non-mortgage and commercial real estate categories, partially offset by net principal paydowns and sales of commercial and consumer loans not originated for sale;
- Goodwill and other net intangible assets increased a combined $121.2 million. Goodwill increased $117.4 million, which reflects the $143.2 million recognized in connection with the interLINK acquisition, partially offset by the impact of the Sterling merger measurement period adjustments recorded during the first quarter of 2023. The $3.8 million increase in other net intangible assets is primarily due to the $36.0 million broker dealer relationship and $4.0 million non-competition agreement recognized in connection with the interLINK acquisition, partially offset by amortization charges; and
- Accrued interest receivable and other assets increased $271.9 million. Notable drivers of the change included increases in LIHTC and other alternative investments, and accrued interest receivable, which were partially offset by decreases in miscellaneous receivables and income taxes receivable.

Total liabilities increased $3.1 billion, or 4.8%, from $63.2 billion at December 31, 2022, to $66.3 billion at December 31, 2023. The change in total liabilities was attributed to the following:

- Total deposits increased $6.8 billion, reflecting a $8.9 billion increase in interest-bearing deposits, partially offset by a $2.2 billion decrease in non-interest-bearing deposits. The overall increase in deposits is primarily due to $5.7 billion of sweep money market deposits added at December 31, 2023, as a result of the interLINK acquisition, as well as time deposit and HSA deposit growth, partially offset by decreases in checking and savings account products;
- Securities sold under agreements to repurchase and other borrowings decreased $0.7 billion, primarily due to the additional liquidity generated from the interLINK deposit sweep program, which allowed for a $0.8 billion decrease in federal funds.
- FHLB advances decreased $3.1 billion, primarily due to the additional liquidity generated from the interLINK deposit sweep program, which also allowed for a decrease in FHLB advances;
- Long-term debt decreased $24.3 million, primarily due to the repurchase and retirement of $17.5 million of the 4.375% Senior fixed-rate notes due February 15, 2024; and
- Accrued expenses and other liabilities increased $122.3 million. Notable drivers of the change included increases in unfunded LIHTC commitments and accrued interest payable, as well as the impact of the FDIC special assessment charge recorded in the fourth quarter of 2023, which were partially offset by a decrease in treasury derivative liabilities.

Total stockholders' equity increased $0.6 billion, or 7.9%, from $8.1 billion at December 31, 2022, to $8.7 billion at December 31, 2023. The change in stockholders' equity was attributed to the following:

- The adoption of ASU No. 2022-02, which resulted in a $4.3 million cumulative-effect adjustment to retained earnings;
- Net income recognized of $867.8 million;
- Other comprehensive income, net of tax, of $134.4 million;
- Dividends paid to common and preferred stockholders of $278.3 million and $16.7 million, respectively;
- Stock-based compensation expense of $54.1 million;
- Stock options exercised of $1.7 million; and
- Repurchases of common stock of $108.8 million under the Company's common stock repurchase program and $16.3 million related to employee share-based compensation plans.

Investment Securities

Through its Corporate Treasury function, the Company maintains and invests in debt securities that are primarily used to provide a source of liquidity for operating needs, to generate interest income, and as a means to manage the Company's interest-rate risk. The Company's investment securities are classified into two major categories: available-for-sale and held-to-maturity.

The ALCO manages the Company's investment securities in accordance with regulatory guidelines and corporate policies, which include limitations on aspects such as concentrations in and types of investments, as well as minimum risk ratings per type of security. In addition, the OCC may further establish individual limits on certain types of investments if the concentration in such security presents a safety and soundness concern. At December 31, 2023, and 2022, the Company had total investment securities of $16.0 billion and $14.5 billion, respectively, with an average risk weighting for regulatory purposes of 17.2% and 19.0%, respectively. Although the Bank held the entirety of the Company's investment securities portfolio at both December 31, 2023, and 2022, the Holding Company may also directly hold investments.

The following table summarizes the balances and percentage composition of the Company's investment securities:

	At December 31,			
	2023		2022	
(In thousands)	Amount	%	Amount	%
Available-for-sale:				
U.S. Treasury notes	$ —	— %	$ 717,040	9.1 %
Government agency debentures	264,633	3.0	258,374	3.3
Municipal bonds and notes	1,573,233	17.6	1,633,202	20.7
Agency CMO	48,941	0.5	59,965	0.8
Agency MBS	3,347,098	37.4	2,158,024	27.3
Agency CMBS	2,288,071	25.5	1,406,486	17.8
CMBS	763,749	8.5	896,640	11.4
CLO	—	—	2,107	—
Corporate debt	622,155	6.9	704,412	8.9
Private label MBS	42,808	0.5	44,249	0.6
Other	9,041	0.1	12,198	0.1
Total available-for-sale	$ 8,959,729	100.0 %	$ 7,892,697	100.0 %
Held-to-maturity:				
Agency CMO	$ 23,470	0.3 %	$ 28,358	0.4 %
Agency MBS	2,409,521	34.1	2,626,114	40.0
Agency CMBS	3,625,627	51.2	2,831,949	43.1
Municipal bonds and notes [(1)]	916,104	13.0	928,845	14.2
CMBS	100,075	1.4	149,613	2.3
Total held-to-maturity	$ 7,074,797	100.0 %	$ 6,564,879	100.0 %
Total investment securities	$ 16,034,526		$ 14,457,576	

(1) The balances at both December 31, 2023, and 2022, exclude the $0.2 million ACL recorded on held-to-maturity securities.

Available-for-sale securities increased $1.1 billion, or 13.5%, from $7.9 billion at December 31, 2022, to $9.0 billion at December 31, 2023, primarily due to purchases exceeding paydown activities, particularly across the Agency MBS and Agency CMBS categories, partially offset by sales of $0.8 billion in U.S. Treasury notes, Corporate debt securities, and Municipal bonds and notes. The sale of available-for-sale securities during the year ended December 31, 2023, resulted in $37.4 million of gross realized losses, $3.8 million of which was attributed to a decline in credit quality, and therefore has been included in the Provision for credit losses. The average FTE yield on the available-for-sale portfolio was 3.11% for the year ended December 31, 2023, as compared to 2.29% for the year ended December 31, 2022. The 82 basis point increase is primarily due to higher market rates on securities purchased throughout 2023.

At December 31, 2023, and 2022, gross unrealized losses on available-for-sale securities were $0.8 billion and $0.9 billion, respectively. The $0.1 billion decrease is primarily due to lower long-term market rates. Available-for-sale securities are evaluated for credit losses on a quarterly basis. At both December 31, 2023, and 2022, no ACL was recorded on available-for-sale securities as each of the securities in the Company's portfolio are investment grade and current as to principal and interest, and their price changes are consistent with interest and credit spreads when adjusting for convexity, rating, and industry differences. As of December 31, 2023, based on current market conditions and the Company's targeted balance sheet composition strategy, the Company intends to hold its available-for-sale securities in unrealized loss positions through the anticipated recovery period.

Held-to-maturity securities increased $0.5 billion, or 7.8%, from $6.6 billion at December 31, 2022, to $7.1 billion at December 31, 2023, primarily due to purchases exceeding paydown activities, particularly across the Agency MBS and Agency CMBS categories. The average FTE yield on the held-to-maturity portfolio was 2.99% for the year ended December 31, 2023, as compared to 2.33% for the year ended December 31, 2022. The 66 basis point increase is primarily due to higher market rates on securities purchased throughout 2023.

At both December 31, 2023, and 2022, gross unrealized losses on held-to-maturity securities were $0.8 billion. Held-to-maturity securities are evaluated for credit losses on a quarterly basis under the CECL methodology. At both December 31, 2023, and 2022, the ACL on held-to-maturity securities was $0.2 million.

The following table summarizes the book value of investment securities by the earlier of either contractual maturity or call date, as applicable, along with the respective weighted-average yields:

	At December 31, 2023									
	1 Year or Less		1 - 5 Years		5 - 10 Years		After 10 Years		Total	
(In thousands)	Amount	Weighted-Average Yield [1]	Amount	Weighted-Average Yield [1]	Amount	Weighted-Average Yield [1]	Amount	Weighted-Average Yield [1]	Amount	Weighted-Average Yield [1]
Available-for-sale:										
Government agency debentures	$ —	— %	$ 75,557	2.41 %	$ 7,661	2.20 %	$ 181,415	3.26 %	$ 264,633	2.99 %
Municipal bonds and notes	19,427	1.79	174,479	1.68	691,790	1.56	687,537	1.61	1,573,233	1.60
Agency CMO	—	—	290	4.04	4,567	3.10	44,084	2.86	48,941	2.89
Agency MBS	4	(4.41)	18,388	1.31	137,261	1.77	3,191,445	3.85	3,347,098	3.75
Agency CMBS	8,345	0.85	101,209	1.11	31,895	2.12	2,146,622	4.41	2,288,071	4.22
CMBS	—	—	68,718	6.94	—	—	695,031	6.92	763,749	6.92
Corporate debt	9,182	3.45	172,687	2.88	386,533	3.22	53,753	3.54	622,155	3.16
Private label MBS	—	—	—	—	—	—	42,808	4.01	42,808	4.01
Other	—	—	4,848	3.80	4,193	2.70	—	—	9,041	3.29
Total available-for-sale	$ 36,958	1.99 %	$ 616,176	2.60 %	$1,263,900	2.12 %	$7,042,695	4.08 %	$8,959,729	3.70 %
Held-to-maturity:										
Agency CMO	$ —	— %	$ —	— %	$ —	— %	$ 23,470	2.90 %	$ 23,470	2.90 %
Agency MBS	77	2.81	673	2.14	28,266	2.60	2,380,505	2.49	2,409,521	2.49
Agency CMBS	—	—	—	—	120,928	2.67	3,504,699	3.53	3,625,627	3.50
Municipal bonds and notes	8,045	3.30	59,259	3.23	214,304	2.69	634,496	3.22	916,104	3.10
CMBS	—	—	—	—	—	—	100,075	2.66	100,075	2.66
Total held-to-maturity	$ 8,122	3.29 %	$ 59,932	3.22 %	$ 363,498	2.67 %	$6,643,245	3.11 %	$7,074,797	3.09 %
Total investment securities	$ 45,080	2.22 %	$ 676,108	2.66 %	$1,627,398	2.24 %	$13,685,940	3.61 %	$16,034,526	3.43 %

(1) Weighted-average yields exclude FTE adjustments, and are calculated using the sum of the total book value multiplied by the yield divided by the sum of the total book value for each security, major type, and maturity bucket.

Additional information regarding the Company's investment securities' portfolios can be found within Note 3: Investment Securities in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Loans and Leases

The following table summarizes the amortized cost and percentage composition of the Company's loans and leases:

	At December 31,			
	2023		2022	
(In thousands)	Amount	%	Amount	%
Commercial non-mortgage	$ 16,885,475	33.3 %	$ 16,392,795	32.9 %
Asset-based	1,557,841	3.1	1,821,642	3.7
Commercial real estate	13,569,762	26.7	12,997,163	26.1
Multi-family	7,587,970	15.0	6,621,982	13.3
Equipment financing	1,328,786	2.6	1,628,393	3.3
Warehouse lending	—	—	641,976	1.3
Residential	8,227,923	16.2	7,963,420	16.0
Home equity	1,516,955	3.0	1,633,107	3.3
Other consumer	51,340	0.1	63,948	0.1
Total loans and leases [(1)]	$ 50,726,052	100.0 %	$ 49,764,426	100.0 %

(1) The amortized cost balances at December 31, 2023, and 2022, exclude the ACL recorded on loans and leases of $635.7 million and $594.7 million, respectively.

The following table summarizes loans and leases by contractual maturity, along with the indication of whether interest rates are fixed or variable:

	At December 31, 2023				
(In thousands)	1 Year or Less	1 - 5 Years	5 - 15 Years	After 15 Years	Total
Fixed rate:					
Commercial non-mortgage	$ 179,863	$ 671,268	$ 2,286,452	$ 1,520,997	$ 4,658,580
Asset-based	5,237	82,268	—	—	87,505
Commercial real estate	562,651	1,902,473	1,155,443	109,287	3,729,854
Multi-family	340,938	3,239,735	1,227,315	63,427	4,871,415
Equipment financing	121,617	960,431	246,738	—	1,328,786
Residential	703	45,960	384,135	5,578,347	6,009,145
Home equity	3,128	24,893	173,002	210,931	411,954
Other consumer	19,626	7,708	975	131	28,440
Total fixed rate loans and leases	$ 1,233,763	$ 6,934,736	$ 5,474,060	$ 7,483,120	$ 21,125,679
Variable rate:					
Commercial non-mortgage	$ 4,052,885	$ 7,608,188	$ 493,831	$ 71,991	$ 12,226,895
Asset-based	444,341	1,025,995	—	—	1,470,336
Commercial real estate	2,180,159	4,757,420	2,213,151	689,178	9,839,908
Multi-family	432,243	1,093,364	1,161,328	29,620	2,716,555
Residential	673	19,570	290,941	1,907,594	2,218,778
Home equity	2,656	6,581	130,675	965,089	1,105,001
Other consumer	9,311	11,862	1,727	—	22,900
Total variable rate loans and leases [(2)]	$ 7,122,268	$ 14,522,980	$ 4,291,653	$ 3,663,472	$ 29,600,373
Total loans and leases [(1)]	$ 8,356,031	$ 21,457,716	$ 9,765,713	$ 11,146,592	$ 50,726,052

(1) Amounts due exclude total accrued interest receivable of $270.4 million.

(2) The Company has a back-to-back swap program, whereby it enters into an interest rate swap with a qualified customer and simultaneously enters into an equal and opposite interest-rate swap with a swap counterparty, to hedge interest rate risk. At December 31, 2023, there were 880 customer interest rate swaps arrangements with a total notional amount of $7.0 billion to convert floating-rate loan payments to fixed-rate loan payments.

Portfolio Concentrations

The Company actively monitors and manages concentrations of credit risk pertaining to specific industries and geographies that may exist in its loan and lease portfolio.

At December 31, 2023, and 2022, commercial non-mortgage, commercial real estate, and multi family loans comprised 75.0% and 72.3%, respectively, of the Company's loan and lease portfolio, with a large portion of the borrowers or properties associated with these loans geographically concentrated in New York City and the proximate areas.

The following table summarizes commercial non-mortgage loans by industry, as determined using standardized industry classification codes, which are used by the Company to categorize loans based on the borrower's type of business.

	At December 31,			
	2023		2022	
(In thousands)	Amount	%	Amount	%
Finance	$ 4,109,280	24.4 %	$ 3,780,409	23.1 %
Services	2,928,621	17.3	3,038,338	18.5
Communications	1,166,668	6.9	1,073,233	6.5
Manufacturing	1,163,798	6.9	1,141,943	7.0
Retail & Wholesale	874,547	5.2	1,003,892	6.1
Healthcare	848,867	5.0	751,779	4.6
Real Estate	815,769	4.8	656,002	4.0
Transportation & Public Utilities	547,967	3.3	762,935	4.7
Construction	477,303	2.8	491,365	3.0
Other	3,952,655	23.4	3,692,899	22.5
Total Commercial non-mortgage	$ 16,885,475	100.0 %	$ 16,392,795	100.0 %

As illustrated above, the Company's commercial non-mortgage portfolio is well diversified across industries, and concentrations are generally consistent year over year. Any change in composition is consistent with the Company's portfolio growth strategy.

The following table summarizes commercial real estate and multifamily loans by geography and property type:

	At December 31,			
(In thousands)	2023		2022	
Geography:	Amount	%	Amount	%
New York City	$ 7,482,324	35.4 %	$ 7,043,329	35.9 %
Other New York County	3,321,313	15.7	3,169,801	16.2
Connecticut	1,749,839	8.3	1,558,888	7.9
New Jersey	1,729,139	8.2	1,525,757	7.8
Massachusetts	1,338,936	6.3	1,375,289	7.0
Southeast	2,311,574	10.9	1,991,929	10.1
Other	3,224,607	15.2	2,954,152	15.1
Total Commercial real estate & Multifamily	$ 21,157,732	100.0 %	$ 19,619,145	100.0 %
Property Type:				
Multifamily	$ 7,587,970	35.9 %	$ 6,621,982	33.8 %
Industrial & Warehouse	3,467,859	16.4	3,102,205	15.8
Retail	1,765,512	8.3	1,821,498	9.3
Healthcare & Senior Living	1,576,511	7.5	1,605,075	8.2
Construction	1,442,621	6.8	1,143,153	5.8
Office	1,041,451	4.9	1,322,492	6.7
Hotel	489,379	2.3	498,716	2.5
Other	3,786,429	17.9	3,504,024	17.9
Total Commercial real estate & Multifamily	$ 21,157,732	100.0 %	$ 19,619,145	100.0 %

Given the foundational change in office demand driven by the acceptance of remote work options, the commercial real estate market has experienced an increase in office property vacancies following the COVID-19 pandemic. As such, commercial real estate performance across the United States related to the office sector continues to be an area of uncertainty.

At December 31, 2023, the Company's outstanding balance for commercial real estate office loans was $1.0 billion, or 2.1% of total loans and leases. In addition, at December 31, 2023, the Company has established reserves of $35.7 million against commercial real estate office loans. While the Company does anticipate ongoing change in the office sector, management believes that its reserve levels reflect the expected credit losses in the portfolio.

Credit Policies and Procedures

The Bank has credit policies and procedures in place designed to support its lending activities within an acceptable level of risk, which are reviewed and approved by management and the Board of Directors on a regular basis. To assist with this process, management inspects reports generated by the Company's loan reporting systems related to loan production, loan quality, concentrations of credit, loan delinquencies, non-performing loans, and potential problem loans.

Commercial non-mortgage, asset-based, equipment finance, and warehouse lending loans are underwritten after evaluating and understanding the borrower's ability to operate and service its debt. Assessment of the borrower's management is a critical element of the underwriting process and credit decision. Once it has been determined that the borrower's management possesses sound ethics and a solid business acumen, current and projected cash flows are examined to determine the ability of the borrower to repay obligations, as contracted. Commercial non-mortgage, asset-based, and equipment finance loans are primarily made based on the identified cash flows of the borrower, and secondarily on the underlying collateral provided by the borrower. Warehouse lending loans are primarily made based on the borrower's ability to originate high-quality, first-mortgage residential loans that can be sold into the agency, government, or private jumbo markets, and secondarily on the underlying cash flows of the borrower. However, the cash flows of borrowers may not be as expected, and the collateral securing these loans, as applicable, may fluctuate in value. Most commercial non-mortgage, asset-based, and equipment finance loans are secured by the assets being financed and may incorporate personal guarantees of the principal balance. Warehouse lending loans are generally uncommitted facilities.

Commercial real estate loans, including multi-family, are subject to underwriting standards and processes similar to those for commercial non-mortgage, asset-based, equipment finance, and warehouse lending loans. These loans are primarily viewed as cash flow loans, and secondarily as loans secured by real estate. Repayment of commercial real estate loans is largely dependent on the successful operation of the property securing the loan, the market in which the property is located, and the tenants of the property securing the loan. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location, which reduces the Company's exposure to adverse economic events that may affect a particular market. Management monitors and evaluates commercial real estate loans based on collateral, geography, and risk grade criteria. All transactions are appraised to determine market value. Commercial real estate loans may be adversely affected by conditions in the real estate markets or in the general economy. Management periodically utilizes third-party experts to provide insight and guidance about economic conditions and trends affecting its commercial real estate loan portfolio.

Consumer loans are subject to policies and procedures developed to manage the specific risk characteristics of the portfolio. These policies and procedures, coupled with relatively small individual loan amounts and predominately collateralized loan structures, are spread across many different borrowers, minimizing the level of credit risk. Trend and outlook reports are reviewed by management on a regular basis, and policies and procedures are modified or developed, as needed. Underwriting factors for residential mortgage and home equity loans include the borrower's FICO score, the loan amount relative to property value, and the borrower's debt-to-income level. The Bank originates both qualified mortgage and non-qualified mortgage loans, as defined by applicable CFPB rules.

Allowance for Credit Losses on Loans and Leases

The ACL on loans and leases increased $41.0 million, or 6.9%, from $594.7 million at December 31, 2022, to $635.7 million at December 31, 2023, primarily due to the impact of the current macroeconomic environment on credit performance and organic loan growth, partially offset by net charge-offs.

The following table summarizes the percentage allocation of the ACL across the loans and leases categories:

	At December 31,			
	2023		2022	
(In thousands)	Amount	% [1]	Amount	% [1]
Commercial non-mortgage	$ 211,699	33.3 %	$ 197,950	33.3 %
Asset-based	15,828	2.5	16,094	2.7
Commercial real estate	248,921	39.2	214,771	36.1
Multi-family	80,582	12.7	80,652	13.6
Equipment financing	20,633	3.2	23,081	3.9
Warehouse lending	—	—	577	0.1
Residential	29,739	4.7	26,907	4.5
Home equity	26,154	4.1	32,296	5.4
Other consumer	2,181	0.3	2,413	0.4
Total ACL on loans and leases	$ 635,737	100.0 %	$ 594,741	100.0 %

(1) The ACL allocated to a single loan and lease category does not preclude its availability to absorb losses in other categories.

Methodology

The Company's ACL on loans and leases is considered to be a critical accounting policy. The ACL on loans and leases is a contra-asset account that offsets the amortized cost basis of loans and leases for the credit losses that are expected to occur over the life of the asset. Executive management reviews and advises on the adequacy of the allowance, which is maintained at a level that management deems to be sufficient to cover expected losses within the loan and lease portfolios.

The ACL on loans and leases is determined using the CECL model, whereby an expected lifetime credit loss is recognized at the origination or purchase of an asset, including those acquired through a business combination, which is then reassessed at each reporting date over the contractual life of the asset. The calculation of expected credit losses includes consideration of past events, current conditions, and reasonable and supportable economic forecasts that affect the collectability of the reported amounts. Generally, expected credit losses are determined through a pooled, collective assessment of loans and leases with similar risk characteristics. However, if the risk characteristics of a loan or lease change such that it no longer matches that of the collectively assessed pool, it is removed from the population and individually assessed for credit losses. The total ACL on loans and leases recorded by management represents the aggregated estimated credit loss determined through both the collective and individual assessments.

Collectively Assessed Loans and Leases. Collectively assessed loans and leases are segmented based on product type and credit quality, and expected losses are determined using models that follow a PD, LGD, EAD, or loss rate framework. For portfolios using the PD, LGD, and EAD framework, expected credit losses are calculated as the product of the probability of a loan defaulting, expected loss given the occurrence of a default, and the expected exposure of a loan at default. Summing the product across loans over their lives yields the lifetime expected credit losses for a given portfolio. The Company's PD and LGD calculations are predictive models that measure the current risk profile of the loan pools using forecasts of future macroeconomic conditions, historical loss information, loan-level risk attributes, and credit quality indicators. The calculation of EAD follows an iterative process to determine the expected remaining principal balance of a loan based on historical paydown rates for loans of a similar segment within the same portfolio. The calculation of portfolio exposure in future quarters incorporates expected losses, the loan's amortization schedule, and prepayment rates. Under the loss rate framework, expected credit losses are estimated using a loss rate that is multiplied by the amortized cost of the asset at the balance sheet date. For each loan segment identified, management applies an expected historical loss trend based on third-party loss estimates, and correlates them to observed economic metrics, and reasonable and supportable forecasts of economic conditions.

The Company's models incorporate a single economic forecast scenario and macroeconomic assumptions over a reasonable and supportable forecast period. The development of the reasonable and supportable forecast assumes each macroeconomic variable will revert to long-term expectations, with reversion characteristics unique to specific economic indicators and forecasts. Reversion towards long-term expectations generally begins two to three years from the forecast start date and is complete within three to five years. Certain models use output reversion and revert to mean historical portfolio loss rates on a straight-line basis in the third year of the forecast. Other models incorporate a reasonable and supportable forecast of various macroeconomic variables over the remaining life of the Company's assets.

The Company incorporates forecasts of macroeconomic variables in the determination of expected credit losses. Macroeconomic variables are selected for each class of financing receivable based on relevant factors, such as asset type and the correlation of the variables to credit losses, among others. Data from the forecast scenario of these macroeconomic variables are used as inputs to the modeled loss calculation.

A portion of the collective ACL is comprised of qualitative adjustments for risk characteristics that are not reflected or captured in the quantitative models, but are likely to impact the measurement of estimated credit losses. Qualitative factors are based on management's judgement of the Company, market, industry, or business specific data including loan trends, portfolio segment composition, and loan rating or credit scores. Qualitative adjustments may be applied in relation to economic forecasts when relevant facts and circumstances are expected to impact credit losses, particularly in times of significant volatility in economic activity.

Individually Assessed Loans and Leases. If the risk characteristics of a loan or lease change such that it no longer matches the risk characteristics of the collectively assessed pool, it is removed from the population and individually assessed for credit losses. Generally, all non-accrual loans and loans with a charge-off are individually assessed. The measurement method used to calculate the expected credit loss on an individually assessed loan or lease is dependent on the type and whether the loan or lease is considered to be collateral dependent. Methods for collateral dependent loans are either based on the fair value of the collateral less estimated cost to sell (when the basis of repayment is the sale of collateral), or the present value of the expected cash flows from the operation of the collateral. For non-collateral dependent loans, either a discounted cash flow method or other loss factor method is used. Any individually assessed loan or lease for which no specific valuation allowance is deemed necessary is either the result of sufficient cash flows or sufficient collateral coverage relative to the amortized cost of the asset.

Additional information regarding the Company's ACL methodology can be found within Note 1: Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Asset Quality Ratios

The Company manages asset quality using risk tolerance levels established through the Company's underwriting standards, servicing, and management of its loan and lease portfolio. Loans and leases for which a heightened risk of loss has been identified are regularly monitored to mitigate further deterioration and preserve asset quality in future periods. Non-performing assets, credit losses, and net charge-offs are considered by management to be key measures of asset quality.

The following table summarizes key asset quality ratios and their underlying components:

	At or for the years ended December 31,		
(In thousands)	2023	2022	2021
Non-performing loans and leases [1]	$ 209,544	$ 203,791	$ 109,778
Total loans and leases	50,726,052	49,764,426	22,271,729
Non-performing loans and leases as a percentage of loans and leases	0.41 %	0.41 %	0.49 %
Non-performing assets [1]	$ 218,600	$ 206,136	$ 112,590
Total loans and leases	$ 50,726,052	$ 49,764,426	$ 22,271,729
Add: OREO and repossessed assets	9,056	2,345	2,812
Total loans and leases plus OREO and repossessed assets	$ 50,735,108	$ 49,766,771	$ 22,274,541
Non-performing assets as a percentage of loans and leases plus OREO and repossessed assets	0.43 %	0.41 %	0.51 %
Non-performing assets [1]	$ 218,600	$ 206,136	$ 112,590
Total assets	74,945,249	71,277,521	34,915,599
Non-performing assets as a percentage of total assets	0.29 %	0.29 %	0.32 %
ACL on loans and leases	$ 635,737	$ 594,741	$ 301,187
Non-performing loans and leases [1]	209,544	203,791	109,778
ACL on loans and leases as a percentage of non-performing loans and leases	303.39 %	291.84 %	274.36 %
ACL on loans and leases	$ 635,737	$ 594,741	$ 301,187
Total loans and leases	50,726,052	49,764,426	22,271,729
ACL on loans and leases as a percentage of loans and leases	1.25 %	1.20 %	1.35 %
ACL on loans and leases	$ 635,737	$ 594,741	$ 301,187
Net charge-offs [2]	108,086	67,288	3,829
Ratio of ACL on loans and leases to net charge-offs	5.88x	8.84x	78.66x

(1) Non-performing asset balances and related asset quality ratios exclude the impact of net unamortized (discounts)/premiums and net unamortized deferred (fees)/costs on loans and leases.

(2) The $40.8 million increase in net charge-offs from December 31, 2022, to December 31, 2023, is primarily due to the impact of the current macroeconomic environment on credit performance and higher commercial portfolio optimization charges in 2023.

The following table summarizes net charge-offs (recoveries) as a percentage of average loans and leases for each category:

	At or for the years ended December 31,								
	2023			2022			2021		
(In thousands)	Net Charge-offs (Recoveries)	Average Balance	%	Net Charge-offs (Recoveries)	Average Balance	%	Net Charge-offs (Recoveries)	Average Balance	%
Commercial non-mortgage	$ 13,531	$ 16,900,423	0.08 %	$ 44,250	$ 13,625,382	0.32 %	$ 2,305	$ 6,829,799	0.03 %
Asset-based	17,088	1,699,064	1.01	4,473	1,746,888	0.26	(1,447)	950,602	(0.15)
Commercial real estate	62,208	13,397,036	0.46	20,471	11,299,259	0.18	4,483	5,324,853	0.08
Multi-family	3,447	7,072,507	0.05	1,298	6,025,702	0.02	—	1,114,977	—
Equipment financing	4,949	1,509,948	0.33	931	1,660,935	0.06	375	614,055	0.06
Warehouse lending	—	316,729	—	—	537,430	—	—	—	—
Residential	3,601	8,126,878	0.04	(1,377)	7,112,890	(0.02)	(1,149)	4,953,100	(0.02)
Home equity	(123)	1,560,707	(0.01)	(4,201)	1,663,198	(0.25)	(4,289)	1,681,921	(0.26)
Other consumer	3,385	54,277	6.24	1,443	79,428	1.82	3,551	115,565	3.07
Total	$ 108,086	$ 50,637,569	0.21 %	$ 67,288	$ 43,751,112	0.15 %	$ 3,829	$ 21,584,872	0.02 %

Liquidity and Capital Resources

The Company manages its cash flow requirements through proactive liquidity measures at both the Holding Company and the Bank. In order to maintain stable, cost-effective funding, and to promote overall balance sheet strength, the liquidity position of the Company is continuously monitored, and adjustments are made to balance sources and uses of funds, as appropriate.

At December 31, 2023, management is not aware of any events that are reasonably likely to have a material adverse effect on the Company’s liquidity position, capital resources, or operating activities. Although regulatory agencies have not issued formal guidance mandating more stringent liquidity and capital requirements, the Company is anticipating a greater focus on the liquidity and capital adequacy of financial institutions in response to the high-profile bank failures that occurred in 2023, and has taken appropriate measures to mitigate the risk that such requirements, if implemented, may have on its business, financial positions, and results of operations.

Cash inflows are provided through a variety of sources, including principal and interest payments on loans and investments, unpledged securities that can be sold or utilized to secure funding, and new deposits. The Company is committed to maintaining a strong base of core deposits, which consist of demand, interest-bearing checking, savings, health savings, and money market accounts, to support growth in its loan portfolios. Management actively monitors the interest rate environment and makes adjustments to its deposit strategy in response to evolving market conditions, bank funding needs, and client relationship dynamics.

Holding Company Liquidity. The primary source of liquidity at the Holding Company is dividends from the Bank. To a lesser extent, investment income, net proceeds from investment sales, borrowings, and public offerings may provide additional liquidity. The Holding Company generally uses its funds for principal and interest payments on senior notes, subordinated notes, and junior subordinated debt, dividend payments to preferred and common stockholders, repurchases of its common stock, and purchases of investment securities, as applicable.

During the year ended December 31, 2023, the Bank paid $600.0 million in dividends to the Holding Company. At December 31, 2023, there was $788.7 million of retained earnings available for the payment of dividends by the Bank to the Holding Company. On January 24, 2024, the Bank was approved to pay the Holding Company $175.0 million in dividends for the first quarter of 2024.

There are certain restrictions on the Bank's payment of dividends to the Holding Company, which can be found within the section captioned "Supervision and Regulation" in Part I - Item 1. Business, and within Note 14: Regulatory Capital and Restrictions in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

The quarterly cash dividend to common stockholders remained at $0.40 per common share throughout 2023. On January 24, 2024, it was announced that the Holding Company's Board of Directors had declared a quarterly cash dividend of $0.40 per share on Webster common stock. For Series F Preferred Stock and Series G Preferred Stock, quarterly cash dividends of $328.125 per share and $16.25 per share were declared, respectively. The Company continues to monitor economic forecasts, anticipated earnings, and its capital position in the determination of its dividend payments.

The Holding Company maintains a common stock repurchase program, which was approved by the Board of Directors, that authorizes management to purchase shares of its common stock in open market or privately negotiated transactions, through block trades, and pursuant to any adopted predetermined trading plan, subject to certain conditions. During the year ended December 31, 2023, the Holding Company repurchased 2,667,149 shares under the repurchase program at a weighted-average price of $40.49 per share, totaling $108.0 million. At December 31, 2023, the Holding Company's remaining purchase authority was $293.4 million. In addition, the Company will periodically acquire common shares outside of the repurchase program related to employee stock compensation plan activity. During the year ended December 31, 2023, the Company repurchased 315,729 shares at a weighted-average price of $51.48 per share, totaling $16.3 million, for this purpose.

The IRA imposed a 1% excise tax on the value of net stock repurchased by certain publicly traded corporations, including the Company, after December 31, 2022. At December 31, 2023, the Company has recorded a $0.8 million liability for such excise tax owed, with an offset to Treasury stock on the Consolidated Balance Sheet.

Webster Bank Liquidity. The Bank's primary source of funding is its core deposits. Including time deposits, the Bank had a loan to total deposit ratio of 83.5% and 92.1% at December 31, 2023, and 2022, respectively.

The Bank is required by OCC regulations to maintain a sufficient level of liquidity to ensure safe and sound operations. The adequacy of liquidity, as assessed by the OCC, depends on factors such as overall asset and liability structure, market conditions, competition, and the nature of the institution’s deposit and loan customers. At December 31, 2023, the Bank exceeded all regulatory liquidity requirements. The Company has designed a detailed contingency plan in order to respond to any liquidity concerns in a prompt and comprehensive manner, including early detection of potential problems and corrective action to address liquidity stress scenarios.

Capital Requirements. The Holding Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that could have a direct material effect on the Company's Consolidated Financial Statements. Under capital adequacy guidelines and/or the the regulatory framework for prompt corrective action (applies to the Bank only), both the Holding Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated pursuant to regulatory directives. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by Basel III to ensure capital adequacy require the Holding Company and the Bank to maintain minimum ratios of CET1 Risk-Based Capital, Tier 1 Risk-Based Capital, Total Risk-Based Capital, and Tier 1 Leverage Capital, as defined in the regulations. At December 31, 2023, both the Holding Company and the Bank were classified as well-capitalized. Management believes that no events or changes have occurred subsequent to year-end that would change this designation.

In accordance with regulatory capital rules, the Company elected an option to delay the estimated impact of the adoption of CECL on its regulatory capital over a two-year deferral period, which ended on January 1, 2022, and subsequent three-year transition period ending on December 31, 2024. During the three-year transition period, capital ratios will phase out the aggregate amount of the regulatory capital benefit provided from the delayed CECL adoption in the initial two years. For 2022, 2023, and 2024, the Company is allowed 75%, 50%, and 25%, respectively, of the regulatory capital benefit as of December 31, 2021, with full absorption occurring in 2025. At December 31, 2023, the regulatory capital benefit allowed from the delayed CECL adoption resulted in a 6, 6, and 4 basis point increase to the Holding Company's and the Bank's CET1 Risk-Based Capital, Tier 1 Risk-Based Capital, and Tier 1 Leverage Capital, respectively, and a 1 basis point decrease to Total Risk-Based Capital. Both the Holding Company's and the Bank's regulatory ratios remain in excess of being well-capitalized, even without the regulatory capital benefit of the delayed CECL adoption impact.

Additional information regarding the required regulatory capital levels and ratios applicable to the Holding Company and the Bank can be found within Note 14: Regulatory Capital and Restrictions in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Sources and Uses of Funds

Sources of Funds. Deposits are the primary source of cash flows for the Bank's lending activities and general operational needs. Loan and securities repayments, proceeds from sales of loans and securities held for sale, and maturities also provide cash flows. While scheduled loan and securities repayments are a relatively stable source of funds, prepayments and other deposit inflows are influenced by economic conditions and prevailing interest rates, the timing of which are inherently uncertain. Additional sources of funds are provided by both short-term and long-term borrowings, and to a lesser extent, dividends received as part of the Bank's membership with the FHLB and FRB.

Deposits. The Bank offers a wide variety of checking and savings deposit products designed to meet the transactional and investment needs of both its consumer and business customers. The Bank's deposit services include, but are not limited to, ATM and debit card use, direct deposit, ACH payments, mobile banking, internet-based banking, banking by mail, account transfers, and overdraft protection, among others. The Bank manages the flow of funds in its deposit accounts and interest rates consistent with FDIC regulations. The Bank's Consumer and Digital Pricing Committee and its Commercial and Institutional Liability and Loan Pricing Committee both meet regularly to determine pricing and marketing initiatives.

With the acquisition of interLINK during the first quarter of 2023, the Bank received $5.7 billion of money market deposits at December 31, 2023, which added a unique source of core deposit funding and scalable liquidity to the Company's already differentiated, omnichannel deposit gathering capabilities.

Total deposits were $60.8 billion and $54.0 billion at December 31, 2023, and 2022, respectively. The $6.8 billion increase was primarily due to the interLINK money market deposits, as well as time deposit and HSA deposit growth, partially offset by decreases in non-interest-bearing and savings deposits. Throughout 2023, customer preferences have shifted from checking and savings account products to certificates of deposit and money market products, which are currently more attractive in the higher interest rate environment.

The following table summarizes daily average balances of deposits by type and the weighted-average rates paid thereon:

	Years ended December 31,					
	2023		2022		2021	
(In thousands)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest-bearing:						
Demand	$ 11,596,949	— %	$ 12,912,894	— %	$ 6,897,464	— %
Interest-bearing:						
Checking	8,845,284	1.48	8,842,792	0.34	3,929,941	0.04
Health savings accounts	8,249,332	0.15	7,826,576	0.08	7,390,702	0.08
Money market	15,769,533	3.61	10,797,645	0.66	3,526,373	0.11
Savings	7,259,640	0.78	8,625,691	0.16	5,387,529	0.02
Time deposits	6,531,610	3.87	2,838,502	0.60	2,105,809	0.35
Total interest-bearing	46,655,399	2.19	38,931,206	0.36	22,340,354	0.09
Total average deposits	$ 58,252,348	1.75 %	$ 51,844,100	0.27 %	$ 29,237,818	0.07 %

Uninsured deposits represent the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit or similar state deposit insurance regime and amounts in any other uninsured investment or deposit accounts that are classified as deposits and not subject to any federal or state deposit insurance regimes. The Company calculates its uninsured deposit balances based on the methodologies and assumptions used for regulatory reporting requirements, which includes an estimated portion and affiliate deposits. At December 31, 2023, and 2022, total uninsured deposits as per regulatory reporting requirements and reported on Schedule RC-O of the Bank's Call Report were $21.0 billion and $22.5 billion, respectively.

The following table summarizes additional uninsured deposits information after certain exclusions:

(In thousands)	At December 31, 2023
Uninsured deposits, per regulatory reporting requirements	$ 20,956,950
Less: Affiliate deposits	(4,414,203)
Collateralized deposits	(2,737,575)
Uninsured deposits, after exclusions	$ 13,805,172
Immediately available liquidity [1]	$ 20,426,445
Uninsured deposits coverage	148.0 %

(1) Reflects $12.5 billion and $6.6 billion of additional borrowing capacity from the FHLB and the FRB, respectively, and $1.3 billion of interest-bearing deposits held at the FRB.

Uninsured deposits, after adjusting for affiliate deposits and collateralized deposits, represented 22.7% of total deposits at December 31, 2023. Management believes that this presentation provides a more accurate view of deposits at risk given that affiliate deposits are not customer facing, and therefore are eliminated upon consolidation, and collateralized deposits are secured by other means. As of the date of this Annual Report on Form 10-K, the Company's uninsured deposits as a percentage of total deposits, adjusted for affiliate deposits and collateralized deposits, is consistent with the percentage reported at December 31, 2023.

The following table summarizes the portion of U.S. time deposits in excess of the FDIC insurance limit and time deposits otherwise uninsured by contractual maturity:

(In thousands)	At December 31, 2023
Portion of U.S. time deposits in excess of insurance limit	$ 463,387
Time deposits otherwise uninsured with a maturity of:	
3 months or less	$ 172,427
Over 3 months through 6 months	178,642
Over 6 months through 12 months	105,791
Over 12 months	6,527

Additional information regarding period-end deposit balances and rates can be found within Note 10: Deposits in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Borrowings. The Bank's primary borrowing sources include securities sold under agreements to repurchase, federal funds purchased, FHLB advances, and long-term debt. Total borrowed funds were $3.9 billion and $7.7 billion at December 31, 2023, and 2022, respectively, and represented 5.2% and 10.8% of total assets, respectively. The $3.8 billion decrease is primarily due to decreases of $3.1 billion and $0.8 billion in FHLB advances and federal funds purchased, respectively, partially offset by an increase of $0.1 billion in securities sold under agreements to repurchase.

The Bank had additional borrowing capacity from the FHLB of $12.5 billion and $4.3 billion at December 31, 2023, and 2022, respectively. The Bank also had additional borrowing capacity from the FRB of $6.6 billion and $1.2 billion at December 31, 2023, and 2022, respectively. Unencumbered investment securities of $1.2 billion at December 31, 2023, could have been used for collateral on borrowings or to increase borrowing capacity by either $0.8 billion with the FHLB or $1.0 billion with the FRB.

Securities sold under agreements to repurchase are generally a form of short-term funding for the Bank in which it sells securities to counterparties with an agreement to buy them back in the future at a fixed price. Securities sold under agreements to repurchase totaled $0.4 billion and $0.3 billion at December 31, 2023, and 2022, respectively. The $0.1 billion increase is primarily due to short-term funding needs.

The Bank may also purchase term and overnight federal funds to meet its short-term liquidity needs. Federal funds purchased totaled $0.1 billion and $0.9 billion at December 31, 2023, and 2022, respectively. The $0.8 billion decrease is primarily due to the additional liquidity generated from the interLINK deposit sweep program, which allowed for the Company to reduce its federal funds purchase volume in 2023.

FHLB advances are not only utilized as a source of funding, but also for interest rate risk management purposes. FHLB advances totaled $2.4 billion and $5.5 billion at December 31, 2023, and 2022, respectively. The $3.1 billion decrease is also primarily due to the additional liquidity generated from the interLINK deposit sweep program, which allowed for the Company to reduce its FHLB advances in 2023.

Long-term debt consists of senior fixed-rate notes maturing in 2024 and 2029, subordinated fixed-to-floating-rate notes maturing in 2029 and 2030, and floating-rate junior subordinated notes maturing in 2033. Long-term debt remained relatively flat on a comparative basis, totaling approximately $1.1 billion at both December 31, 2023, and 2022.

The following table summarizes daily average balances of borrowings by type and the weighted-average rates paid thereon:

	Years ended December 31,					
	2023		2022		2021	
(In thousands)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Securities sold under agreements to repurchase	$ 210,676	0.58 %	$ 466,282	0.78 %	$ 527,250	0.57 %
Federal funds purchased	167,495	4.70	598,269	2.58	16,036	0.08
FHLB advances	4,275,394	5.21	1,965,577	2.98	108,216	1.58
Long-term debt	1,058,621	3.69	1,031,446	3.44	565,271	3.22
Total average borrowings	$ 5,712,186	4.74 %	$ 4,061,574	2.78 %	$ 1,216,773	1.84 %

Additional information regarding period-end borrowings balances and rates can be found within Note 11: Borrowings in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Federal Home Loan Bank and Federal Reserve Bank Stock. The Bank is a member of the FHLB System, which consists of eleven district FHLBs, each of which is subject to the supervision and regulation of the Federal Housing Finance Agency. An activity-based capital stock investment in the FHLB is required in order for the Bank to maintain its membership and access to advances and other extensions of credit for sources of funds and liquidity purposes. The FHLB capital stock investment is restricted as there is no market for it, and it can only be redeemed by the FHLB. The Bank held FHLB capital stock of $99.0 million and $221.4 million at December 31, 2023, and 2022, respectively. During the year ended December 31, 2023, the Bank received $15.6 million in dividends from the FHLB. The most recent FHLB quarterly cash dividend was paid on November 2, 2023, in an amount equal to an annual yield of 8.31%.

The Bank is also required to hold FRB stock equal to 6% of its capital and surplus, of which 50% is paid. The remaining 50% is subject to call when deemed necessary by the Federal Reserve System. Similar to FHLB stock, the FRB capital stock investment is restricted as there is no market for it, and it can only be redeemed by the FRB. The Bank held FRB capital stock of $227.9 million and $224.5 million at December 31, 2023, and 2022, respectively. During the year ended December 31, 2023, the Bank received $9.2 million in dividends from the FRB. The most recent FRB semi-annual cash dividend was paid on December 29, 2023, in an amount equal to an annual yield of 4.30%.

Uses of Funds. The Company enters into various contractual obligations in the normal course of business that require future cash payments and that could impact its short-term and long-term liquidity and capital resource needs. The following table summarizes significant fixed and determinable contractual obligations at December 31, 2023. The actual timing and amounts of future cash payments may differ from the amounts presented. Based on the Company's current liquidity position, it is expected that our sources of funds will be sufficient to fulfill these obligations when they come due.

	Payments Due by Period [1]						
(In thousands)	2024	2025	2026	2027	2028	Thereafter	Total
Senior notes	$ 132,550	$ —	$ —	$ —	$ —	$ 300,000	$ 432,550
Subordinated notes	—	—	—	—	—	499,000	499,000
Junior subordinated debt	—	—	—	—	—	77,320	77,320
FHLB advances	2,350,000	—	—	235	228	9,555	2,360,018
Securities sold under agreements to repurchase	358,387	—	—	—	—	—	358,387
Federal funds purchased	100,000	—	—	—	—	—	100,000
Time deposits	8,217,683	138,769	53,807	32,865	21,335	—	8,464,459
Operating lease liabilities	38,575	39,449	35,665	31,128	26,999	81,918	253,734
Contingent consideration	12,500	4,826	—	—	—	—	17,326
Royalty liabilities	9,482	1,560	—	—	—	—	11,042
Purchase obligations [2]	79,644	34,294	17,485	12,583	4,333	14,287	162,626
Total contractual obligations	$11,298,821	$ 218,898	$ 106,957	$ 76,811	$ 52,895	$ 982,080	$12,736,462

(1) Interest payments on borrowings have been excluded.

(2) Purchase obligations represent agreements to purchase goods or services of $1.0 million or more that are enforceable and legally binding and specify all significant terms.

In addition, in the normal course of business, the Company offers financial instruments with off-balance sheet risk to meet the financing needs of its customers. These transactions include commitments to extend credit and commercial and standby letters of credit, which involve, to a varying degree, elements of credit risk. Since many of these commitments are expected to expire unused or be only partially funded, the total commitment amount of $12.6 billion at December 31, 2023, does not necessarily reflect future cash payments.

The Company also enters into commitments to invest in venture capital and private equity funds and tax credit structures to assist the Bank in meeting its responsibilities under the CRA. The total unfunded commitment for these alternative investments was $0.7 billion at December 31, 2023. However, the timing of capital calls cannot be reasonably estimated, and depending on the nature of the contract, the entirety of the capital committed by the Company may not be called.

Pension obligations are funded by the Company, as needed, to provide for participant benefit payments as it relates to the Company's frozen, non-contributory, qualified defined benefit pension plan. Decisions to contribute to the defined benefit pension plan are made based upon pension funding requirements under the Pension Protection Act, the maximum amount deductible under the Internal Revenue Code, the actual performance of plan assets, and trends in the regulatory environment. The Company was not required to contribute to the defined benefit pension plan in 2023, nor does it currently anticipate that it will be required to contribute in 2024. The Company's non-qualified supplemental executive retirement plans and other post-employment benefit plans are unfunded. Expected future net benefit payments related to the Company's defined benefit pension and other postretirement benefit plans include $14.0 million in less than one year, $28.7 million in one to three years, $29.4 million in three to five years, and $73.2 million after five years.

At December 31, 2023, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of $13.8 million and $3.8 million of accrued interest and penalties, respectively. The ultimate timing and amount of any related future cash settlements cannot be predicted with reasonable certainty.

On November 29, 2023, the FDIC published a final rule implementing a special assessment for certain banks to recover losses incurred by protecting uninsured depositors of Silicon Valley Bank and Signature Bank upon their failure in March 2023. The final rule levies a special assessment to certain banks at a quarterly rate of 3.36 basis points based on their uninsured deposits balance reported as of December 31, 2022. The special assessment is to be collected for an anticipated total of eight quarterly assessment periods beginning with the first quarter of 2024, which has a payment date of June 28, 2024. Based on the final rule, the Company estimates that its special assessment charge is approximately $47.2 million. However, the FDIC retains the right to cease collection early, extend the special assessment collection period, and impose a final shortfall special assessment if actual losses exceed the amounts collected.

On February 23, 2024, the Company received notification from the FDIC that the estimated loss attributable to the protection of uninsured depositors at Silicon Valley Bank and Signature Bank is $20.4 billion, an increase of approximately $4.1 billion from the estimate of $16.3 billion described in the final rule. The FDIC plans to provide institutions subject to the special assessment with an updated estimate of each institution's quarterly and total special assessment expense with its first quarter 2024 special assessment invoice, to be released in June 2024. The Company will continue to evaluate new information as it becomes available.

Additional information regarding credit-related financial instruments and the FDIC special assessment, alternative investments, defined benefit pension and other postretirement benefit plans, and income taxes can be found within Note 23: Commitments and Contingencies, Note 15: Variable Interest Entities, Note 19: Retirement Benefit Plans, and Note 9: Income Taxes, respectively, in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

Asset/Liability Management and Market Risk

An effective asset/liability management process must balance the risks and rewards from both short-term and long-term interest rate risk when determining the Company's strategy and action. To facilitate this process, interest rate sensitivity is monitored on an ongoing basis by the Company's ALCO, whose primary goal is to manage interest rate risk and maximize net income and net economic value over time in changing interest rate environments. Limits for earnings at risk are set for parallel ramps in interest rates over a twelve-month period of up and down 100, 200, and 300 basis points, and for interest rate curve twist shocks of up and down 50 and 100 basis points. Limits for net economic value, referred to as equity at risk, are set for parallel shocks in interest rates of up and down 100, 200, and 300 basis points. The ALCO also regularly reviews earnings at risk scenarios for non-parallel changes in interest rates, as well as longer-term earnings at risk for up to four years in the future.

Management measures interest rate risk using simulation analysis and asset/liability modeling software to calculate the Company's earnings at risk and equity at risk. Key assumptions relate to the behavior of interest rates and spreads, prepayment speeds, and the run-off of deposits. From these simulations, interest rate risk is quantified, and appropriate strategies are formulated and implemented.

Earnings at risk is defined as the change in net interest income due to changes in interest rates. Essentially, interest rates are assumed to change up or down in a parallel fashion, and the net interest income results in each scenario are compared to a flat rate base scenario. The flat rate base scenario holds the end of period yield curve constant over a twelve-month forecast horizon. The earnings at risk simulation analysis incorporates assumptions about balance sheet changes (i.e., product mix, growth, and loan and deposit pricing). Overall, it is a measure of short-term interest rate risk.

At December 31, 2023, and 2022, the flat rate base scenario assumed a federal funds rate of 5.50% and 4.50%, respectively. The federal funds rate target range was 5.25-5.50% at December 31, 2023, and 4.25-4.50% at December 31, 2022. Since interest rates rose sharply throughout 2022, and continued to rise into the third quarter of 2023, management has incorporated the up and down 300 basis point rate scenarios back into its assessment of interest rate risk.

Equity at risk is defined as the change in the net economic value of financial assets and financial liabilities due to changes in interest rates compared to a base net economic value. Equity at risk analyzes sensitivity in the present value of cash flows over the expected life of existing financial assets, financial liabilities, and off-balance sheet financial instruments. It is a measure of the long-term interest rate risk to future earnings' streams embedded in the current balance sheet.

Asset sensitivity is defined as earnings or net economic value increasing when interest rates rise and decreasing when interest rates fall, as compared to a base scenario. In other words, financial assets are more sensitive to changing interest rates than liabilities, and therefore, re-price faster. Likewise, liability sensitivity is defined as earnings or net economic value decreasing when interest rates rise and increasing when interest rates fall, as compared to a base scenario.

Key assumptions underlying the present value of cash flows include the behavior of interest rates and spreads, asset prepayment speeds, and attrition rates on deposits. Cash flow projections from the model are compared to market expectations for similar collateral types and adjusted based on experience with the Bank's own portfolio. The model's valuation results are compared to observable market prices for similar instruments whenever possible. The behavior of deposit and loan customers is studied using historical time series analysis to model future customer behavior under varying interest rate environments.

The equity at risk simulation process uses multiple interest rate paths generated by an arbitrage-free trinomial lattice term structure model. The base case rate scenario, against which all others are compared, currently uses the month-end SOFR/swap yield curve as a starting point to derive forward rates for future months. Using interest rate swap option volatilities as inputs, the model creates multiple rate paths for this scenario with forward rates as the mean. In shock scenarios, the starting yield curve is shocked up or down in a parallel fashion. Future rate paths are then constructed in a similar manner to the base case scenario.

Cash flows for all financial instruments are generated using product specific prepayment models and account specific system data for properties such as maturity date, amortization type, coupon rate, repricing frequency, and repricing date. The asset/liability simulation software is enhanced with a mortgage prepayment model and a collateralized mortgage obligation database. Financial instruments with explicit options (i.e., caps, floors, puts, and calls) and implicit options (i.e., prepayment and early withdrawal abilities) require such modeling approach to quantify value and risk more accurately.

On the asset side, risk is impacted the most by residential mortgage loans and mortgage-backed securities, which can typically prepay at any time without penalty and may have embedded caps and floors. In the loan portfolio, floors are a benefit to interest income in low interest rate environments. Floating-rate loans at floors pay a higher interest rate than a loan at a fully indexed rate without a floor, as with a floor, there is a limit on how low the interest rate can fall. As market rates rise, however, the interest rate paid on these loans does not rise until the fully indexed rate rises through the contractual floor.

On the liability side, there is a large concentration of customers with indeterminate maturity deposits who have options to add or withdraw funds from their accounts at any time. Implicit floors on deposits, based on historical data, are modeled. The Bank also has the option to change the interest rate paid on these deposits at any time.

Four main tools are used for managing interest rate risk:

- the size, duration, and credit risk of the investment portfolio;
- the size and duration of the wholesale funding portfolio;
- interest rate contracts; and
- the pricing and structure of loans and deposits.

The ALCO meets frequently to make decisions on the investment and funding portfolios based on the economic outlook, its interest rate expectations, the risk position, and other factors. The ALCO delegates pricing and product design responsibilities to individuals and sub-committees, but continuously monitors and influences their actions on a regular basis.

Various interest rate contracts, including futures, options, swaps, caps, and floors, can be used to manage interest rate risk. These contracts involve, to varying degrees, levels of credit and interest rate risk. The notional amount of the derivative instrument, or the amount from which interest and other payments are derived, is not exchanged, and therefore, should not be used as a measure of credit risk.

In addition, certain derivative instruments are used by the Bank to manage the risk of loss associated with its mortgage banking activities. Generally, prior to closing and funds disbursement, an interest-rate lock commitment is extended to the borrower. During this time, the Bank is subject to the risk that market interest rates may change, which could impact pricing on loan sales. In an effort to mitigate this risk, the Bank establishes forward delivery sales commitments, thereby setting the sales price.

The Company will also hold futures, options, and forward foreign currency exchange contracts to minimize the price volatility of certain financial assets and financial liabilities. Changes in the market value of these derivative positions are recognized in earnings. Additional information regarding derivatives can be found within Note 17: Derivative Financial Instruments in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

The following table summarizes the estimated impact that gradual parallel changes in interest rates of up and down 100, 200, and 300 basis points might have on the Company's net interest income over a twelve-month period starting at December 31, 2023, and 2022, as compared to actual net interest income and assuming no changes in interest rates:

	-300bp	-200bp	-100bp	+100bp	+200bp	+300bp
December 31, 2023	(7.2)%	(4.5)%	(2.0)%	1.7%	3.3%	5.4%
December 31, 2022	n/a	(6.9)%	(3.3)%	3.2%	6.5%	n/a

Asset sensitivity in terms of net interest income decreased at December 31, 2023, as compared to at December 31, 2022, primarily due to changes in the overall balance sheet composition, which included the addition of $5.7 billion in price-sensitive deposits from interLINK, an increase in interest paid on deposits, and the implementation of incremental asset sensitivity measures, such as hedges and the investment of fixed-rate debt securities to extend duration. Loans at floors were $0.3 billion and $0.4 billion at December 31, 2023, and 2022, respectively. While loans with floors, which are considered "in the money", have the impact of reducing overall asset sensitivity, as interest rates continue to rise, these loans will move through their floors and reprice accordingly.

The following table summarizes the estimated impact that yield curve twists or immediate non-parallel changes in interest rates of up and down 50 and 100 basis points might have on the Company's net interest income for the subsequent twelve-month period starting at December 31, 2023, and 2022:

	Short End of the Yield Curve				Long End of the Yield Curve			
	-100bp	-50bp	+50bp	+100bp	-100bp	-50bp	+50bp	+100bp
December 31, 2023	(1.8)%	(0.8)%	0.4%	0.7%	(2.3)%	(1.1)%	1.1%	2.2%
December 31, 2022	(4.2)%	(2.0)%	1.7%	3.3%	(2.4)%	(1.2)%	1.3%	2.6%

These non-parallel scenarios are modeled with the short end of the yield curve moving up or down 50 and 100 basis points, while the long end of the yield curve remains unchanged, and vice versa. The short end of the yield curve is defined as terms less than eighteen months, and the long end of the yield curve is defined as terms greater than eighteen months. The results reflect the annualized impact of immediate interest rate changes.

Sensitivity to the both the short end and long end of the yield curve for net interest income decreased at December 31, 2023, as compared to December 31, 2022, primarily due to changes in the overall balance sheet composition.

The following table summarizes the estimated economic value of financial assets, financial liabilities, and off-balance sheet financial instruments and the corresponding estimated change in economic value if interest rates were to instantaneously increase or decrease by 100 basis points at December 31, 2023, and 2022:

(In thousands)	Book Value	Estimated Economic Value	Estimated Economic Value Change -100bp	Estimated Economic Value Change +100bp
At December 31, 2023				
Assets	$ 74,945,249	$ 70,356,779	$ 1,297,870	$ (1,350,496)
Liabilities	66,255,253	61,722,480	1,960,088	(1,786,228)
Net	$ 8,689,996	$ 8,634,299	$ (662,218)	$ 435,732
Net change as % base net economic value			(7.7)%	5.0 %
At December 31, 2022				
Assets	$ 71,277,521	$ 67,920,989	$ 1,161,794	$ (1,247,083)
Liabilities	63,221,335	55,951,495	1,959,399	(1,716,697)
Net	$ 8,056,186	$ 11,969,494	$ (797,605)	$ 469,614
Net change as % base net economic value			(6.7)%	3.9 %

Changes in economic value can best be described through duration, which is a measure of the price sensitivity of financial instruments due to changes in interest rates. For fixed-rate financial instruments, it can be thought of as the weighted-average expected time to receive future cash flows, whereas for floating-rate financial instruments, it can be thought of as the weighted-average expected time until the next rate reset. Overall, the longer the duration, the greater the price sensitivity due to changes in interest rates. Generally, increases in interest rates reduce the economic value of fixed-rate financial assets as future discounted cash flows are worth less at higher interest rates. In a rising interest rate environment, the economic value of financial liabilities decreases for the same reason. A reduction in the economic value of financial liabilities is a benefit to the Company. Floating-rate financial instruments may have durations as short as one day, and therefore, may have very little price sensitivity due to changes in interest rates.

Duration gap represents the difference between the duration of financial assets and financial liabilities. A duration gap at or near zero would imply that the balance sheet is matched, and therefore, would exhibit no change in estimated economic value for changes in interest rates. At December 31, 2023, and 2022, the Company's duration gap was negative 1.1 years and negative 1.4 years, respectively. A negative duration gap implies that the duration of financial liabilities is longer than the duration of financial assets, and therefore, liabilities have more price sensitivity than assets and will reset their interest rates at a slower pace. Consequently, the Company's net estimated economic value would generally be expected to increase when interest rates rise, as the benefit of the decreased value of financial liabilities would more than offset the decreased value of financial assets. The opposite would generally be expected to occur when interest rates fall. Earnings would also generally be expected to increase when interest rates rise, and decrease when interest rates fall over the long term, absent the effects of any new business booked in the future.

These earnings and net economic value estimates are subject to factors that could cause actual results to differ, and also assume that management does not take any additional action to mitigate any positive or negative effects from changing interest rates. Management believes that the Company's interest rate risk position at December 31, 2023, represents a reasonable level of risk given the current interest rate outlook. Management continues to monitor interest rates and other relevant factors given recent market volatility and is prepared to take additional action, as necessary.

Critical Accounting Estimates

The preparation of the Company's Consolidated Financial Statements, and accompanying notes thereto, in accordance with GAAP and practices generally applicable to the financial services industry, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities. While management's estimates are made based on historical experience, current available information, and other factors that are deemed to be relevant, actual results could significantly differ from those estimates.

Accounting estimates are necessary in the application of certain accounting policies and can be susceptible to significant change in the near term. Critical accounting estimates are those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had, or are reasonably likely to have, a material impact on the Company's financial condition or results of operations. Management has identified that the Company's most critical accounting estimates are those related to the ACL on loans and leases and business combinations accounting policies. These accounting policies and their underlying estimates are discussed directly with the Audit Committee of the Board of Directors.

Allowance for Credit Losses on Loans and Leases

The ACL on loans and leases is a reserve established through a provision for credit losses charged to expense, which represents management's best estimate of expected lifetime credit losses within the Company's loan and lease portfolios at the balance sheet date. The calculation of expected credit losses is determined using predictive methods and models that follow a PD, LGD, EAD, or loss rate framework, and include consideration of past events, current conditions, macroeconomic variables (i.e., unemployment, gross domestic product, property values, and interest rate spreads), and reasonable and supportable economic forecasts that affect the collectability of the reported amounts. Changes to the ACL on loans and leases, and therefore, to the related provision for credit losses, can materially affect financial results.

The determination of the appropriate level of ACL on loans and leases inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and trends using existing qualitative and quantitative information, and reasonable and supportable forecasts of future economic conditions, all of which may undergo frequent and material changes. Changes in economic conditions affecting borrowers and macroeconomic variables that the Company is more susceptible to, unforeseen events such as natural disasters and pandemics, along with new information regarding existing loans, identification of additional problem loans, the fair value of underlying collateral, and other factors, both within and outside the Company's control, may indicate the need for an increase or decrease in the ACL on loans and leases.

It is difficult to estimate the sensitivity of how potential changes in any one economic factor or input might affect the overall reserve because a wide variety of factors and inputs are considered in estimating the ACL and changes in those factors and inputs considered may not occur at the same rate and may not be consistent across all product types. Further, changes in factors and inputs may also be directionally inconsistent, such that improvement in one factor may offset deterioration in others.

Executive management reviews and advises on the adequacy of the ACL on loans and leases on a quarterly basis. Although the overall balance is determined based on specific portfolio segments and individually assessed assets, the entire balance is available to absorb credit losses for any of the loan and lease portfolios.

Additional information regarding the determination of the ACL on loans and leases, including the Company's valuation methodology, can be found in Part II under the section captioned "Allowance for Credit Losses on Loans and Leases" contained elsewhere in this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and within Note 1: Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements contained in Item 8. Financial Statements and Supplementary Data.

Business Combinations

The acquisition method of accounting generally requires that the identifiable assets acquired and liabilities assumed in business combinations are recorded at fair value as of the acquisition date. The determination of fair value often involves the use of internal or third-party valuation techniques, such as discounted cash flow analyses or appraisals. Particularly, the valuation techniques used to estimate the fair value of loans and leases and the core deposit intangible asset acquired in the Sterling merger include estimates related to discount rates, credit risk, and other relevant factors, which are inherently subjective. A description of the valuation methodologies used to estimate the fair values of the significant assets acquired and liabilities assumed from the Sterling merger can be found within Note 2: Mergers and Acquisitions in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding quantitative and qualitative disclosures about market risk can be found in Part II under the section captioned "Asset/Liability Management and Market Risk" contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and within Note 17: Derivative Financial Instruments in the Notes to Consolidated Financial Statements contained in Item 8. Financial Statements and Supplementary Data, which are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Webster Financial Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Webster Financial Corporation and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for credit losses for certain commercial and consumer loans and leases evaluated on a collective basis

As discussed in Notes 1 and 4 to the consolidated financial statements, the Company's total allowance for credit losses as of December 31, 2023 was $635.7 million, a portion of which related to the allowance for credit losses for certain commercial and consumer loans and leases evaluated on a collective basis (the Collective Allowance). The Collective Allowance includes the measure of expected credit losses on a collective (pooled) basis for those loans and leases with similar risk characteristics. The Company's collectively assessed loans and leases are segmented based on product type and credit quality and expected losses are determined using models that follow a probability of default (PD), loss given default (LGD), exposure at default (EAD), or loss rate framework. The expected credit losses are calculated as the product of the Company's estimate of PD, LGD, and individual loan level EAD. The Company's PD and LGD calculations use predictive models that measure the current risk profile of the loan pools using forecasts of future macroeconomic conditions, historical loss information, loan-level risk attributes and credit quality indicators. The Company's models incorporate a single economic forecast scenario and macroeconomic variables over a reasonable and supportable forecast period. The development of the reasonable and supportable forecast assumes each

macroeconomic variable will revert to long-term expectations, with reversion characteristics unique to specific economic indicators and forecasts. Reversion towards long-term expectations generally begins two to three years from the forecast start date and is complete within three to five years. Certain models use output reversion and revert to mean historical portfolio loss rates on a straight-line basis in the third year of the forecast. Other models incorporate a reasonable and supportable forecast of various macroeconomic variables over the remaining life of the Company's assets. A portion of the Collective Allowance is comprised of qualitative adjustments for risk characteristics that are not reflected or captured in the quantitative models but are likely to impact the measurement of expected credit losses.

We identified the assessment of the Collective Allowance as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the Collective Allowance methodology, including the methods and models used to estimate (1) the PD, LGD, EAD, and loss rate and their significant assumptions, including the single economic forecast scenario and macroeconomic variables and (2) qualitative adjustments and their significant assumptions not reflected in the PD, LGD, and loss rate models and EAD method. The assessment also included an evaluation of the conceptual soundness and performance of the PD, LGD, and loss rate models and EAD method. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the Collective Allowance estimate, including controls over the:

- evaluation of the Collective Allowance methodology;
- continued use and appropriateness of changes made to certain PD, LGD, and loss rate models and EAD method;
- identification and determination of the significant assumptions used in the PD, LGD, and loss rate models and EAD method;
- performance monitoring of certain PD, LGD, and loss rate models and EAD method;
- evaluation of qualitative adjustments, including the significant assumptions; and
- analysis of the Collective Allowance results, trends, and ratios.

We evaluated the Company's process to develop the Collective Allowance estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's Collective Allowance methodology for compliance with U.S. generally accepted accounting principles;
- evaluating judgments made by the Company relative to the assessment and performance testing of the PD, LGD, and loss rate models and EAD method by comparing them to relevant Company-specific metrics and trends and the applicable industry practices;
- evaluating the selection of the economic forecast scenario and underlying macroeconomic variables by comparing them to the Company's business environment and relevant industry practices; and
- evaluating the methodology and assumptions used to develop the qualitative factors and the effect of those factors on the Collective Allowance compared with credit trends and identified limitations of the underlying quantitative models.

We also assessed the sufficiency of the audit evidence obtained related to the Collective Allowance estimate by evaluating the cumulative results of the audit procedures and potential bias in the accounting estimate.

We have served as the Company's auditor since 2013.

New York, New York
February 27, 2024

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31, 2023	December 31, 2022
Assets:		
Cash and due from banks	$ 429,323	$ 264,118
Interest-bearing deposits	1,286,472	575,825
Investment securities available-for-sale, at fair value	8,959,729	7,892,697
Investment securities held-to-maturity, net of allowance for credit losses of $209 and $182	7,074,588	6,564,697
Federal Home Loan Bank and Federal Reserve Bank stock	326,882	445,900
Loans held for sale ($2,610 and $1,991 valued under fair value option)	6,541	1,991
Loans and leases	50,726,052	49,764,426
Allowance for credit losses on loan and leases	(635,737)	(594,741)
Loans and leases, net	50,090,315	49,169,685
Deferred tax assets, net	369,212	371,634
Premises and equipment, net	429,561	430,184
Goodwill	2,631,465	2,514,104
Other intangible assets, net	203,135	199,342
Cash surrender value of life insurance policies	1,247,938	1,229,169
Accrued interest receivable and other assets	1,890,088	1,618,175
Total assets	$ 74,945,249	$ 71,277,521
Liabilities and stockholders' equity:		
Deposits:		
Non-interest-bearing	$ 10,732,516	$ 12,974,975
Interest-bearing	50,051,768	41,079,365
Total deposits	60,784,284	54,054,340
Securities sold under agreements to repurchase and other borrowings	458,387	1,151,830
Federal Home Loan Bank advances	2,360,018	5,460,552
Long-term debt	1,048,820	1,073,128
Accrued expenses and other liabilities	1,603,744	1,481,485
Total liabilities	66,255,253	63,221,335
Stockholders’ equity:		
Preferred stock, $0.01 par value: Authorized—3,000,000 shares;		
Series F issued and outstanding—6,000 shares	145,037	145,037
Series G issued and outstanding—135,000 shares	138,942	138,942
Common stock, $0.01 par value: Authorized—400,000,000 shares;		
Issued—182,778,045 shares	1,828	1,828
Paid-in capital	6,179,753	6,173,240
Retained earnings	3,282,530	2,713,861
Treasury stock, at cost—10,756,089 and 8,770,472 shares	(507,523)	(431,762)
Accumulated other comprehensive (loss), net of tax	(550,571)	(684,960)
Total stockholders' equity	8,689,996	8,056,186
Total liabilities and stockholders' equity	$ 74,945,249	$ 71,277,521

See accompanying Notes to Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Years ended December 31, 2023	2022	2021
Interest income:			
Interest and fees on loans and leases	$ 3,071,378	$ 1,946,558	$ 762,713
Taxable interest on investment securities	396,681	269,233	155,902
Non-taxable interest on investment securities	54,207	50,442	20,884
Loans held for sale	734	78	246
Other interest and dividends	105,260	18,426	3,099
Total interest income	3,628,260	2,284,737	942,844
Interest expense:			
Deposits	1,021,418	138,552	20,131
Securities sold under agreements to repurchase and other borrowings	9,102	19,059	3,040
Federal Home Loan Bank advances	222,537	58,557	1,708
Long-term debt	37,934	34,283	16,876
Total interest expense	1,290,991	250,451	41,755
Net interest income	2,337,269	2,034,286	901,089
Provision (benefit) for credit losses	150,747	280,619	(54,500)
Net interest income after provision (benefit) for credit losses	2,186,522	1,753,667	955,589
Non-interest income:			
Deposit service fees	169,318	198,472	162,710
Loan and lease related fees	84,861	102,987	36,658
Wealth and investment services	28,999	40,277	39,586
Mortgage banking activities	1,240	705	6,219
Cash surrender value of life insurance policies	26,228	29,237	14,429
(Loss) on sale of investment securities	(33,620)	(6,751)	—
Other income	37,311	75,856	63,770
Total non-interest income	314,337	440,783	323,372
Non-interest expense:			
Compensation and benefits	711,752	723,620	419,989
Occupancy	77,520	113,899	55,346
Technology and equipment	197,928	186,384	112,831
Intangible assets amortization	36,207	31,940	4,513
Marketing	18,622	16,438	12,051
Professional and outside services	107,497	117,530	47,235
Deposit insurance	98,081	26,574	15,794
Other expense	168,748	180,088	77,341
Total non-interest expense	1,416,355	1,396,473	745,100
Income before income taxes	1,084,504	797,977	533,861
Income tax expense	216,664	153,694	124,997
Net income	867,840	644,283	408,864
Preferred stock dividends	(16,650)	(15,919)	(7,875)
Net income available to common stockholders	$ 851,190	$ 628,364	$ 400,989
Earnings per common share:			
Basic	$ 4.91	$ 3.72	$ 4.43
Diluted	4.91	3.72	4.42

See accompanying Notes to Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Years ended December 31, 2023	2022	2021
Net income	$ 867,840	$ 644,283	$ 408,864
Other comprehensive income (loss), net of tax:			
Investment securities available-for-sale	113,710	(635,696)	(62,888)
Derivative instruments	6,005	(14,944)	(13,848)
Defined benefit pension and postretirement benefit plans	14,674	(11,740)	11,900
Other comprehensive income (loss), net of tax	134,389	(662,380)	(64,836)
Comprehensive income (loss)	$ 1,002,229	$ (18,097)	$ 344,028

See accompanying Notes to Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Stockholders' Equity
Balance at December 31, 2020	$ 145,037	$ 937	$ 1,109,532	$ 2,077,522	$ (140,659)	$ 42,256	$ 3,234,625
Net income	—	—	—	408,864	—	—	408,864
Other comprehensive (loss), net of tax	—	—	—	—	—	(64,836)	(64,836)
Common stock dividends and equivalents—$1.60 per share	—	—	—	(145,223)	—	—	(145,223)
Series F preferred stock dividends—$1,312.50 per share	—	—	—	(7,875)	—	—	(7,875)
Stock-based compensation	—	—	4,235	—	9,427	—	13,662
Exercise of stock options	—	—	(5,173)		8,665	—	3,492
Common shares acquired from stock compensation plan activity	—	—	—	—	(4,384)	—	(4,384)
Balance at December 31, 2021	145,037	937	1,108,594	2,333,288	(126,951)	(22,580)	3,438,325
Net income	—	—	—	644,283	—	—	644,283
Other comprehensive (loss), net of tax	—	—	—	—	—	(662,380)	(662,380)
Common stock dividends and equivalents—$1.60 per share	—	—	—	(247,791)	—	—	(247,791)
Series F preferred stock dividends—$1,312.50 per share	—	—	—	(7,875)	—	—	(7,875)
Series G preferred stock dividends—$65.00 per share	—	—	—	(8,044)	—	—	(8,044)
Issued in business combination	138,942	891	5,040,291	—	—	—	5,180,124
Common stock contribution to charitable foundation	—	—	(1,701)	—	12,201	—	10,500
Stock-based compensation	—	—	26,748	—	27,351	—	54,099
Exercise of stock options	—	—	(692)	—	1,395	—	703
Common shares acquired from stock compensation plan activity	—	—	—	—	(23,655)	—	(23,655)
Common stock repurchase program	—	—	—	—	(322,103)	—	(322,103)
Balance at December 31, 2022	283,979	1,828	6,173,240	2,713,861	(431,762)	(684,960)	8,056,186
Adoption of ASU No. 2022-02	—	—	—	(4,245)	—	—	(4,245)
Net income	—	—	—	867,840	—	—	867,840
Other comprehensive income, net of tax	—	—	—	—	—	134,389	134,389
Common stock dividends and equivalents—$1.60 per share	—	—	—	(278,276)	—	—	(278,276)
Series F preferred stock dividends—$1,312.50 per share	—	—	—	(7,875)	—	—	(7,875)
Series G preferred stock dividends—$65.00 per share	—	—	—	(8,775)	—	—	(8,775)
Stock-based compensation	—	—	8,539	—	45,548	—	54,087
Exercise of stock options	—	—	(2,026)	—	3,749	—	1,723
Common shares acquired from stock compensation plan activity	—	—	—	—	(16,278)	—	(16,278)
Common stock repurchase program	—	—	—	—	(108,780)	—	(108,780)
Balance at December 31, 2023	$ 283,979	$ 1,828	$ 6,179,753	$ 3,282,530	$ (507,523)	$ (550,571)	$ 8,689,996

See accompanying Notes to Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years ended December 31, 2023	2022	2021
Operating Activities:			
Net income	$ 867,840	$ 644,283	$ 408,864
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision (benefit) for credit losses	150,747	280,619	(54,500)
Deferred income tax (benefit)	(53,634)	(69,664)	(4,998)
Stock-based compensation	54,087	54,099	13,662
Common stock contribution to charitable foundation	—	10,500	—
Depreciation and amortization of property and equipment and intangible assets	76,490	81,800	35,913
Net (accretion) and amortization of interest-earning assets and borrowings	(23,267)	(26,215)	133,069
Amortization of low-income housing tax credit investments	71,775	44,208	3,918
Amortization of mortgage servicing rights	1,063	870	5,593
Reduction of right-of-use lease assets	30,616	56,783	22,781
Net (gain) on sale, net of write-downs, of foreclosed properties and repossessed assets	(337)	(1,130)	(744)
Net loss (gain) on sale, net of write-downs, of property and equipment	4,020	8,293	(1,236)
Loss on sale of investment securities	33,620	6,751	—
Originations of loans held for sale	(13,319)	(33,107)	(235,066)
Proceeds from sale of loans held for sale	13,882	36,335	247,634
Net (gain) on mortgage banking activities	(1,126)	(580)	(5,912)
Net (gain) on sale of loans not originated for sale	(860)	(3,322)	(3,862)
(Increase) in cash surrender value of life insurance policies	(26,228)	(29,237)	(14,429)
(Gain) from life insurance policies	(3,566)	(6,311)	(4,402)
Net (increase) decrease in derivative contract assets and liabilities	(73,295)	536,820	173,506
Net (increase) in accrued interest receivable and other assets	(13,774)	(106,740)	(69,263)
Net (decrease) increase in accrued expenses and other liabilities	(116,085)	(149,103)	38,064
Net cash provided by operating activities	978,649	1,335,952	688,592
Investing Activities:			
Purchases of available-for-sale securities	(2,372,249)	(1,099,810)	(1,957,562)
Proceeds from principal payments, maturities, and calls of available-for-sale securities	591,207	754,545	935,621
Proceeds from sale of available-for-sale securities	789,603	172,947	—
Purchases of held-to-maturity securities	(891,761)	(1,150,023)	(1,968,133)
Proceeds from principal payments, maturities, and calls of held-to-maturity securities	390,073	750,752	1,288,140
Net decrease (increase) in Federal Home Loan Bank and Federal Reserve Bank stock	119,018	(223,562)	5,758
Alternative investments (capital calls), net of distributions	(27,430)	(24,887)	(11,361)
Net (increase) in loans	(1,653,257)	(7,501,545)	(773,443)
Proceeds from sale of loans not originated for sale	625,968	679,693	82,187
Proceeds from sale of foreclosed properties and repossessed assets	4,033	2,568	1,998
Proceeds from sale of property and equipment	6,894	300	3,221
Additions to property and equipment	(40,303)	(28,762)	(16,589)
Proceeds from life insurance policies	20,098	21,893	5,074
Net cash paid for acquisition of interLINK	(157,646)	—	—
Net cash paid for acquisition of Bend	—	(54,407)	—
Net cash received in merger with Sterling	—	513,960	—
Net cash (used for) investing activities	(2,595,752)	(7,186,338)	(2,405,089)

See accompanying Notes to Consolidated Financial Statements.

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

(In thousands)	Years ended December 31, 2023	2022	2021
Financing Activities:			
Net increase in deposits	6,721,028	936,001	2,511,163
Net (decrease) increase in Federal Home Loan Bank advances	(3,100,534)	5,449,555	(122,167)
Proceeds from extinguishment of borrowings	—	2,548	—
Net increase (decrease) in securities sold under agreements to repurchase and other borrowings	(693,443)	447,202	(320,459)
Repayment of long-term debt	(16,752)	—	—
Dividends paid to common stockholders	(278,155)	(247,767)	(144,807)
Dividends paid to preferred stockholders	(16,650)	(13,725)	(7,875)
Exercise of stock options	1,723	703	3,492
Common stock repurchase program	(107,984)	(322,103)	—
Common shares acquired related to stock compensation plan activity	(16,278)	(23,655)	(4,384)
Net cash provided by financing activities	2,492,955	6,228,759	1,914,963
Net increase in cash and cash equivalents	875,852	378,373	198,466
Cash and cash equivalents, beginning of period	839,943	461,570	263,104
Cash and cash equivalents, end of period	$ 1,715,795	$ 839,943	$ 461,570
Supplemental disclosure of cash flow information:			
Interest paid	$ 1,248,620	$ 240,851	$ 42,151
Income taxes paid	268,598	193,544	112,587
Non-cash investing and financing activities:			
Transfer of loans and leases to foreclosed properties and repossessed assets	$ 10,485	$ 774	$ 1,757
Transfer of returned finance lease equipment to assets held for sale	5,139	—	—
Transfer of loans to loans held for sale	629,172	652,855	78,316
Deposits assumed	—	313	—
Merger with Sterling: [1]			
Tangible assets acquired	17,607	26,922,010	—
Goodwill and other intangible assets	(25,561)	2,149,865	—
Liabilities assumed	(7,954)	24,405,711	—
Common stock issued	—	5,041,182	—
Preferred stock exchanged	—	138,942	—
Acquisition of Bend: [1]			
Tangible assets acquired	294	15,731	—
Goodwill and other intangible assets	(294)	38,966	—
Liabilities assumed	—	290	—
Acquisition of interLINK:			
Tangible assets acquired	6,417	—	—
Goodwill and other intangible assets	183,216	—	—
Liabilities assumed	15,948	—	—
Contingent consideration	16,039	—	—

(1) The non-cash merger and acquisition activities presented for 2023 reflect adjustments recorded within the one-year measurement period, which were identified as a result of extended information gathering and new information that arose from integration activities during the first quarter of 2023. Additional information regarding these amounts can be found within Note 2: Mergers and Acquisitions and Note 8: Goodwill and Other Intangible Assets.

See accompanying Notes to Consolidated Financial Statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Webster Financial Corporation is a bank holding company and financial holding company under the BHC Act, incorporated under the laws of Delaware in 1986, and headquartered in Stamford, Connecticut. Webster Bank, and its HSA Bank Division, is a leading commercial bank in the Northeast that provides a wide range of digital and traditional financial solutions across three differentiated lines of business: Commercial Banking, HSA Bank, and Consumer Banking. While its core footprint spans the northeastern U.S. from New York to Massachusetts, certain businesses operate in extended geographies. HSA Bank is one of the largest providers of employee benefits solutions in the U.S.

Basis of Presentation

The Consolidated Financial Statements have been prepared in accordance with GAAP, and include the accounts of the Company and all other entities in which the Company has a controlling financial interest. Intercompany transactions and balances have been eliminated in consolidation. Assets under administration or assets under management that the Company holds or manages in a fiduciary or agency capacity for customers are not included on the accompanying Consolidated Balance Sheets. Certain prior period amounts have been reclassified to conform to the current year's presentation. These reclassifications did not have a significant impact on the Company's Consolidated Financial Statements.

Principles of Consolidation

The purpose of Consolidated Financial Statements is to present the results of operations and the financial position of the Company and its subsidiaries as if the consolidated group were a single economic entity. In accordance with the applicable accounting guidance for consolidations, the Consolidated Financial Statements include any VOE in which the Company has a controlling financial interest and any VIE for which the Company is deemed to be the primary beneficiary. The Company generally consolidates its VOEs if the Company, directly or indirectly, owns more than 50% of the outstanding voting shares of the entity, and if the non-controlling stockholders do not hold any substantive participating or controlling rights. The Company evaluates VIEs to understand the purpose and design of the entity, and its involvement in the ongoing activities of the VIE, and will consolidate the VIE if it has (i) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance, and (ii) an obligation to absorb losses of the VIE, or the right to receive benefits from the VIE, that could potentially be significant to the VIE. The Company accounts for unconsolidated partnerships and certain other investments using the equity method of accounting if it has the ability to significantly influence the operating and financial policies of the investee. This is generally presumed to exist when the Company owns between 20% and 50% of a corporation, or when it has greater than 3% to 5% interest in a limited partnership or similarly structured entity. Additional information regarding consolidated and non-consolidated VIEs can be found within Note 15: Variable Interest Entities.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Combinations

Business combinations are accounted for under the acquisition method, in which the identifiable assets acquired and liabilities assumed are generally measured and recognized at fair value as of the acquisition date, with the excess of the purchase price over the fair value of the net assets acquired recognized as goodwill. Items such as acquired ROU lease assets and operating lease liabilities as lessee, employee benefit plans, and income-tax related balances are recognized in accordance with other applicable GAAP, which may result in measurements that differ from fair value. After the adoption of ASU No. 2021-08—Business Combinations (Topic 805)—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, contract assets and contract liabilities from contracts with customers discussed below, may result in measurements that differ from fair value as well.

Business combinations are included in the Consolidated Financial Statements from the respective dates of acquisition. Historical reporting periods reflect only the results of legacy Webster operations. Merger-related costs are expensed in the period incurred and presented within the applicable non-interest expense category. Additional information regarding the Company's mergers and acquisitions can be found within Note 2: Mergers and Acquisitions.

Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash and due from banks and interest-bearing deposits. Cash equivalents have an original maturity of three months or less.

Cash and due from banks includes cash on hand, certain deposits at the FRB, and cash due from banks. Restricted cash related to Federal Reserve System requirements and cash collateral received on derivative positions are also included in Cash and due from banks.

Interest-bearing deposits includes deposits at the FRB in excess of reserve requirements, if any, and federal funds sold to other financial institutions.

Investments in Debt Securities

Debt security transactions are recognized on the trade date, which is the date the order to buy or sell the security is executed. Investments in debt securities are classified as available-for-sale or held-to-maturity at the time of purchase. Any classification change subsequent to the trade date is reviewed for compliance with corporate objectives and accounting policies.

Debt securities classified as available-for-sale are recorded at fair value with unrealized gains and losses recorded as a component of (AOCL). If a debt security is transferred from available-for-sale to held-to-maturity, it is recorded at fair value at the time of transfer and any respective gain or loss would be recorded as a separate component of (AOCL) and amortized as an adjustment to interest income over the remaining life of the security. Debt securities classified as available-for-sale are reviewed for credit losses when the fair value of a security falls below the amortized cost basis and the decline is evaluated to determine if any portion is attributable to credit loss. The decline in fair value attributable to credit loss is recorded directly to earnings, with a corresponding allowance for credit loss, limited to the amount that fair value is less than the amortized cost. If the credit quality subsequently improves, previously recorded allowance amounts may be reversed. An available-for-sale debt security will be placed on non-accrual status if collection of principal and interest in accordance with contractual terms is doubtful. When the Company intends to sell an impaired available-for-sale debt security, or if it is more likely than not that the Company will be required to sell the security prior to recovery of the amortized cost basis, the entire fair value adjustment will immediately be recognized in earnings through non-interest income. The gain or loss on sale is calculated using the carrying value plus any related (AOCL) balance associated with the securities sold.

Debt securities classified as held-to-maturity are those in which the Company has the ability and intent to hold to maturity. Debt securities classified as held-to-maturity are recorded at amortized cost net of unamortized premiums and discounts. Discount accretion income and premium amortization expense are recognized as interest income using the effective interest method, with consideration given to prepayment assumptions on mortgage-backed securities. Premiums are amortized to the earliest call date for debt securities purchased at a premium, with explicit, non-contingent call features and are callable at a fixed price and preset date. Debt securities classified as held-to-maturity are reviewed for credit losses under the CECL model with an allowance recorded on the balance sheet for expected lifetime credit losses. The ACL is calculated on a pooled basis using statistical models which include forecasted scenarios of future economic conditions. Forecasts revert to long-run loss rates implicitly through the economic scenario, generally over three years. If the risk for a particular security no longer matches the collective assessment pool, it is removed and individually assessed for credit deterioration. The non-accrual policy for held-to-maturity debt securities is the same as for available-for-sale debt securities.

A zero credit loss assumption is maintained for U.S. Treasuries and agency-backed securities in both the available-for-sale and held-to-maturity portfolios, as applicable. This assumption is subject to quarterly review to ensure it remains appropriate. Additional information regarding investments in debt securities can be found within Note 3: Investment Securities.

Investments in Equity Securities

The Company's accounting treatment for non-consolidated equity investments differs for those with and without readily determinable fair values. Equity investments with readily determinable fair values are recorded at fair value with changes in fair value recorded in non-interest income. For equity investments without readily determinable fair values, the Company elected the measurement alternative, and therefore carries these investments at cost, less impairment, if any, plus or minus changes in observable prices. Certain equity investments that do not have a readily available fair value may qualify for NAV measurement based on specific requirements. The Company's alternative investments accounted for at NAV consist of investments in non-public entities that generally cannot be redeemed since the Company's investments are distributed as the underlying equity is liquidated. On a quarterly basis, the Company reviews its equity investments without readily determinable fair values for impairment. If the equity investment is considered impaired, an impairment loss equal to the amount by which the carrying value exceeds its fair value is recorded through a charge to earnings. The impairment loss may be reversed in a subsequent period if there are observable transactions for the identical or similar investment of the same issuer at a higher amount than the carrying amount that was established when the impairment was recognized. Impairments, as well as upward or downward adjustments resulting from observable price changes in orderly transactions for identical or similar investments, are included in non-interest income.

Equity investments in entities that finance affordable housing and other community development projects provide a return primarily through the realization of tax benefits. The Company applies the proportional amortization method to account for its investments in qualified affordable housing projects.

Investment in Federal Home Loan Bank and Federal Reserve Bank Stock

The Bank is a member of the FHLB and the Federal Reserve System, and is required to maintain an investment in capital stock of both the FHLB and FRB. Based on redemption provisions, FHLB and FRB stock has no quoted market value and is carried at cost. Membership stock is reviewed for impairment if economic circumstances would warrant review.

Loans Held for Sale

Loans that are classified as held for sale at the time of origination are accounted for under the fair value option. Loans not originated for sale but subsequently transferred to held for sale are valued at the lower of cost or fair value on an individual asset basis. Any cost amount in excess of fair value is recorded as a valuation allowance and recognized as a reduction of other non-interest income. Gains or losses on the sale of loans held for sale are recorded either as part of Mortgage banking activities or Other income on the accompanying Consolidated Statements of Income. Cash flows from the sale of loans that were originated for sale are presented within Operating activities on the accompanying Consolidated Statements of Cash Flows, whereas cash flows from the sale of loans that were originated for investment and then subsequently transferred to held for sale are presented within Investing activities. Additional information regarding mortgage banking activities and loans sold can be found within Note 5: Transfers and Servicing of Financial Assets.

Transfers and Servicing of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is generally considered to have been surrendered when: (i) the transferred assets are legally isolated from the Company or its consolidated affiliates, even in bankruptcy or other receivership, (ii) the transferee has the right to pledge or exchange the assets with no conditions that constrain the transferee and provide more than a trivial benefit to the Company, and (iii) the Company does not maintain the obligation or unilateral ability to reclaim or repurchase the assets.

The Company sells financial assets in the normal course of business, the majority of which are residential mortgage loan sales to government-sponsored enterprises through established programs, as well as commercial loan sales through participation agreements, and other individual or portfolio loan and securities sales. In accordance with the accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. With the exception of servicing, the Company’s continuing involvement with financial assets sold is minimal, and generally is limited to market customary representation and warranty clauses covering certain characteristics of the mortgage loans that were sold, and the Company's origination process. The gain or loss on sale depends on the previous carrying amount of the transferred financial assets, the consideration received, and any other assets obtained or liabilities incurred in exchange for the transferred assets.

When the Company sells financial assets, it may retain servicing rights and/or other interests in the financial assets. Servicing assets and any other interests held by the Company are recorded at fair value upon transfer, and subsequently carried at the lower of cost or fair value. Additional information regarding transfers of financial assets and mortgage servicing assets can be found within Note 5: Transfers and Servicing of Financial Assets.

Loans and Leases

Loans and leases are stated at the principal amount outstanding, net of amounts charged-off, unamortized premiums and discounts, and deferred loan and lease fees or costs, which are recognized as yield adjustments in interest income using the effective interest method. These yield adjustments are amortized over the contractual life of the related loans and leases and are adjusted for prepayments, as applicable. Interest on loans and leases is credited to interest income as earned based on the interest rate applied to principal amounts outstanding. Amounts of cash receipts and cash payments for loans and leases are presented net within Investing activities on the Consolidated Statements of Cash Flows.

Non-accrual Loans

Loans are placed on non-accrual status when full collection of principal and interest in accordance with contractual terms is not expected based on available information, which generally occurs when principal or interest payments become 90 days delinquent unless the loan is well secured and in the process of collection, or sooner if circumstances indicate that the borrower may be unable to meet contractual principal or interest payments. The Company considers a loan to be “well-secured” when it is secured by collateral in the form of liens on or pledges of real or personal property that have a realizable value sufficient to discharge the debt in full, or when it is secured by a contractual guarantee of a financially responsible party. The Company considers a loan “in the process of collection” if collection of the debt is proceeding in due course either through legal action or through collection efforts not involving legal action that are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

When loans and leases are placed on non-accrual status, the accrual of interest income and the amortization or accretion of premiums, discounts, and deferred fees and costs is discontinued, and any previously accrued interest is reversed as a reduction of interest income. For commercial loans and leases, if the Company determines that repayment of non-accrual loans and leases is not expected, any payment received is applied to principal until the unpaid balance has been fully recovered. Any excess is then credited to interest income. For consumer loans, if the Company determines that principal can be repaid, interest payments are taken into income as received on a cash basis.

Loans are generally removed from non-accrual status when they become current as to principal and interest or demonstrate a period of performance under the contractual terms and, in the opinion of management, are fully collectible as to principal and interest. For commercial loans, a sustained period of repayment performance is generally required. Pursuant to regulatory guidance, a loan discharged under Chapter 7 of the U.S. bankruptcy code is removed from non-accrual status when full repayment of the remaining pre-discharged contractual principal and interest is expected, and there have been at least six consecutive months of current payments. Additional information regarding non-accrual loans and leases can be found within Note 4: Loans and Leases.

Allowance for Credit Losses on Loans and Leases

The ACL on loans and leases, which is established through a provision charged to expense, is a contra-asset account that offsets the amortized cost basis of loans and leases for the credit losses that are expected to occur over the life of the asset. Executive management reviews and advises on the adequacy of the allowance, which is maintained at a level that management deems to be sufficient to cover expected credit losses within the loan and lease portfolios. The Company has elected to present accrued interest receivable separately from the amortized cost basis of Loans and leases on the accompanying Consolidated Balance Sheets. An ACL on accrued interest for a loan is not measured as accrued interest income is reversed against interest income for non-accrual loans immediately after their non-accrual classification.

The ACL on loans and leases is determined using the CECL model, whereby an expected lifetime credit loss is recognized at the origination or purchase of an asset, including those acquired through a business combination, which is then reassessed at each reporting date over the contractual life of the asset. The calculation of expected credit losses includes consideration of past events, current conditions, and reasonable and supportable economic forecasts that affect the collectability of the reported amounts. Generally, expected credit losses are determined through a pooled, collective assessment of loans and leases with similar risk characteristics. However, if the risk characteristics of a loan or lease change such that it no longer matches that of the collectively assessed pool, it is removed from the population and individually assessed for credit losses. The total ACL on loans and leases recorded by management represents the aggregated estimated credit loss determined through both the collective and individual assessments.

Collectively Assessed Loans and Leases. Collectively assessed loans and leases are segmented based on product type and credit quality, and expected losses are determined using a PD, LGD, EAD, or loss rate framework. For portfolios using the PD, LGD, and EAD framework, expected credit losses are calculated as the product of the probability of a loan defaulting, expected loss given the occurrence of a default, and the expected exposure of a loan at default. Summing the product across loans over their lives yields the lifetime expected credit losses for a given portfolio. The Company's PD and LGD calculations are predictive models that measure the current risk profile of the loan pools using forecasts of future macroeconomic conditions, historical loss information, loan-level risk attributes, and credit quality indicators. The calculation of EAD follows an iterative process to determine the expected remaining principal balance of a loan based on historical paydown rates for loans of a similar segment within the same portfolio. The calculation of portfolio exposure in future quarters incorporates expected losses, the loan's amortization schedule, and prepayment rates. Under the loss rate framework, expected credit losses are estimated using a loss rate that is multiplied by the amortized cost of the asset at the balance sheet date. For each loan segment identified, management applies an expected historical loss trend based on third-party loss estimates, and correlates them to observed economic metrics, and reasonable and supportable forecasts of economic conditions.

The Company's models incorporate a single economic forecast scenario and macroeconomic assumptions over a reasonable and supportable forecast period. The development of the reasonable and supportable forecast period assumes that each macroeconomic variable will revert to long-term expectations, with reversion characteristics unique to specific economic indicators and forecasts. Reversion towards long-term expectations generally begins two to three years from the forecast start date and is complete within three to five years. Certain models use output reversion and revert to mean historical loss rates on a straight-line basis in the third year of the forecast. Other models incorporate a reasonable and supportable forecast of various macroeconomic variables over the remaining life of the Company's assets. Historical loss rates are based on approximately 10 years of recently available data and are updated annually.

Macroeconomic variables are used as inputs to the loss models and are selected based on the correlation of the variables to credit losses for each class of financing receivable as follows: the commercial models use unemployment, gross domestic product, commercial real estate price indices, and retail sales (for commercial unfunded); the residential model uses the Case-Shiller Home Price Index; the home equity loan and line of credit models use interest rate spreads between U.S. Treasuries and corporate bonds and, in addition, the home equity loan model also uses the Federal Housing Finance Agency Home Price Index; and the personal loan and credit line models use the Case-Shiller Home Price Index and Federal Housing Finance Agency Home Price Index. Forecasted economic scenarios are sourced from a third party. Data from the baseline forecast scenario is used as the input to the modeled loss calculation. Changes in forecasts of macroeconomic variables will impact expectations of lifetime credit losses calculated by the loss models. However, the impact of changes in macroeconomic forecasts may be different for each portfolio and will reflect the credit quality and nature of the underlying assets at that time.

A portion of the collective ACL is comprised of qualitative adjustments for risk characteristics that are not reflected or captured in the quantitative models, but are likely to impact the measurement of estimated credit losses. Qualitative factors are based on management's judgement of the Company, market, industry, or business specific data including loan trends, portfolio segment composition, and loan rating or credit scores. Qualitative adjustments may be applied in relation to economic forecasts when relevant facts and circumstances are expected to impact credit losses, particularly in times of significant volatility in economic activity.

In addition to the above considerations, the ACL calculation includes expectations of prepayments and recoveries. Extensions, renewals, and modifications are not included in the collective assessment.

Individually Assessed Loans and Leases. When loans and leases no longer match the risk characteristics of the collectively assessed pool, they are removed from the collectively assessed population and individually assessed for credit losses. Generally, all non-accrual loans and loans with a charge-off are individually assessed.

Individual assessment for commercial loans that are considered to be collateral dependent is based on the fair value of the collateral less estimated cost to sell, the present value of the expected cash flows from the operation of the collateral, or a scenario weighted approach of both of these methods. If a loan is not collateral dependent, the individual assessment is based on a discounted cash flow approach. For collateral dependent commercial loans and leases, the Company's process requires the Company to determine the fair value of the collateral by obtaining a third-party appraisal or asset valuation, an interim valuation analysis, blue book reference, or other internal methods. Fair value of the collateral for commercial loans is reevaluated quarterly. Whenever the Company has a third-party real estate appraisal performed by independent licensed appraisers, a licensed in-house appraisal officer or qualified individual reviews these appraisals for compliance with the Financial Institutions Reform Recovery and Enforcement Act and the Uniform Standards of Professional Appraisal Practice.

Individual assessments for residential and home equity loans are based on a discounted cash flow approach or the fair value of collateral less the estimated costs to sell. Other consumer loans are individually assessed using a loss factor approach based on historical loss rates. For residential and consumer collateral dependent loans, a third-party appraisal is obtained upon loan default. Fair value of the collateral for residential and consumer collateral dependent loans is reevaluated every six months, by either obtaining a new appraisal or other internal valuation method. Fair value is also reassessed, with any excess amount charged off, for residential and home equity loans that reach 180 days past due per Federal Financial Institutions Examination Council guidelines.

A fair value shortfall relative to the amortized cost balance is reflected as a valuation allowance within the ACL on loans and leases. Subsequent to an appraisal or other fair value estimate, should reliable information come to management's attention that the value has declined further, an additional allowance may be recorded to reflect the particular situation, thereby increasing the ACL on loans and leases. If the credit quality subsequently improves, the allowance is reversed up to a maximum of the previously recorded credit losses. Any individually assessed loan for which no specific valuation allowance is necessary is the result of either sufficient cash flow or sufficient collateral coverage relative to the amortized cost. Additional information regarding the ACL on loans and leases can be found within Note 4: Loans and Leases.

Charge-off of Uncollectible Loans

If all or a portion of a loan is deemed to be no longer collectible upon the occurrence of a loss-confirming event, a charge-off may be recognized. Charge-offs reduce the amortized cost basis of the loan with a corresponding reduction to the ACL. For commercial loans, loss confirming events usually involve the receipt of specific adverse information about the borrower. The Company will generally recognize charge-offs for commercial loans on a case-by-case basis based on the review of the entire credit relationship and financial condition of the borrower. Loss-confirming events for consumer loans, such as bankruptcy or protracted delinquency, are typically based on established thresholds rather than by specific adverse information about the borrower.

PCD Loans and Leases

PCD loans and leases are defined as those that have experienced a more-than-insignificant deterioration in credit quality since origination. The Company considers a variety of factors to evaluate and identify whether acquired loans are PCD, including but not limited to, nonaccrual status, delinquency, whether the borrower is experiencing financial difficulty, partial charge-offs, decreases in FICO scores, risk rating downgrades, and other factors. Upon acquisition, expected credit losses are added to the fair value of individual PCD loans and leases to determine the amortized cost basis. After initial recognition, any changes to the estimate of expected credit losses, favorable or unfavorable, are recorded as a provision for credit loss during the period of change.

PCD accounting is also applied to loans and leases previously charged-off by the acquiree if the Company has contractual rights to the cash flows at the acquisition date. The Company recognizes an additional ACL for amounts previously charged-off by the acquiree with a corresponding increase to the amortized costs basis of the acquired asset. Balances deemed to be uncollectible are immediately charged-off in accordance with the Company's charge-off policies, resulting in the establishment of the initial ACL for PCD loans and leases to be recorded net of these uncollectible balances.

Allowance for Credit Losses on Unfunded Loan Commitments

The ACL on unfunded loan commitments provides for potential exposure inherent with funding the unused portion of legal commitments to lend that are not unconditionally cancellable by the Company. Accounting for unfunded loan commitments follows the CECL model. The calculation of the allowance includes the probability of funding to occur and a corresponding estimate of expected lifetime credit losses on amounts assumed to be funded. Loss calculation factors are consistent with the ACL methodology for funded loans using the PD and LGD applied to the underlying borrower risk and facility grades, a draw down factor applied to utilization rates, relevant forecast information, and management's qualitative factors. The ACL on unfunded credit commitments is included within Accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets. Additional information regarding the ACL on unfunded loan commitments can be found within Note 23: Commitments and Contingencies.

Troubled Debt Restructurings

Prior to the adoption of ASU No. 2022-02—Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, a modified loan was considered a TDR when the following two conditions were met: (i) the borrower was experiencing financial difficulty, and (ii) the modification constituted a concession (i.e., the modified terms of the loan were more attractive to the borrower than standard market terms). The Company's most common types of TDRs included covenant modifications and forbearance.

The Company's policy was to place consumer loan TDRs, except those that were performing prior to TDR classification, on non-accrual status for a minimum period of six months. Commercial loan TDRs were evaluated on a case-by-case basis when determining whether or not to place them on non-accrual status. Loans qualified for return-to-accrual status when the borrower had demonstrated performance with the restructured terms of the loan agreement for a minimum period of six months. TDRs were also to be reported as such for the remaining life of the loan and individually assessed for expected credit losses under the Company's ACL methodology.

Upon adoption of ASU No. 2022-02 on January 1, 2023, the existing measurement and disclosure requirements for TDRs by creditors were eliminated and disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty were enhanced. Additional information regarding modifications to borrowers experiencing financial difficulty can be found under the section captioned "Accounting Standards Adopted During the Current Year" and within Note 4: Loans and Leases.

Foreclosed and Repossessed Assets

Real estate acquired through foreclosure or completion of a deed in lieu of foreclosure and other assets acquired through repossession are recorded at fair value less estimated cost to sell at the date of transfer. Subsequent to the acquisition date, the foreclosed and repossessed assets are carried at the lower of cost or fair value less estimated selling costs and are included within Other assets on the accompanying Consolidated Balance Sheets. Independent appraisals generally are obtained to substantiate fair value and may be subject to adjustment based upon historical experience or specific geographic trends impacting the property. Upon transfer to OREO, the excess of the loan balance over fair value less cost to sell is charged off against the ACL. Subsequent write-downs in value, maintenance costs as incurred, and gains or losses upon sale are charged to Other expense on the accompanying Consolidated Statements of Income.

Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets, as illustrated in the following table. If shorter, leasehold improvements are amortized over the terms of the respective leases.

	Minimum		Maximum	
Building and improvements	5	-	40	years
Leasehold improvements	5	-	20	years
Furniture, fixtures, and equipment	5	-	10	years
Data processing equipment and software	3	-	7	years

Repairs and maintenance costs are expensed as incurred, while significant improvements are capitalized. Property and equipment that is actively marketed for sale is reclassified to assets held for disposition. The cost and accumulated depreciation and amortization of property and equipment that is sold, retired, or otherwise disposed of, is eliminated from accounts and any resulting gain or loss is recorded as Other income or Other expense, respectively, on the accompanying Consolidated Statements of Income. Additional information regarding property and equipment can be found within Note 6: Premises and Equipment.

Operating Leases

As lessee, ROU lease assets and their corresponding lease liabilities are recognized on the lease commencement date. A ROU asset is measured based on the present value of the future minimum lease payments, adjusted for any initial direct costs, incentives, or other payments prior to the lease commencement date. A lease liability represents a legal obligation to make lease payments and is measured based on the present value of the future minimum lease payments, discounted using the rate implicit in the lease or the Company’s incremental borrowing rate. Variable lease payments that are dependent on either an index or rate are initially measured using the index or rate at the commencement date and included in the measurement of the lease liability. Renewal options are not included as part of the ROU asset or lease liability unless the renewal option is deemed reasonably certain to exercise. ROU lease assets and operating lease liabilities are included in Premises and equipment and Accrued expenses and other liabilities, respectively, on the accompanying Consolidated Balance Sheets.

For real estate leases, lease components and non-lease components are accounted for as a single lease component if the non-lease components are fixed and separately if they are variable. For equipment leases, lease components and non-lease components are accounted for separately. Operating lease expense, which is comprised of operating lease costs and variable lease costs, net of sublease income, is amortized on a straight-line basis and reflected as a part of Occupancy expense on the accompanying Consolidated Statements of Income. Additional information regarding the Company's lessee arrangements can be found within Note 7: Leasing.

Goodwill

Goodwill represents the excess purchase price of businesses acquired over the fair value of the identifiable net assets acquired and is assigned to specific reporting units. Goodwill is not subject to amortization but rather is evaluated for impairment annually, or more frequently if events occur or circumstances change indicating it would more likely than not result in a reduction of the fair value of the reporting units below their carrying value, including goodwill.

Goodwill may be evaluated for impairment by first performing a qualitative assessment. If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill, or, if for any other reason the Company determines to it be appropriate, then a quantitative assessment will be performed. The quantitative assessment process utilizes an income and market approach to arrive at an indicated fair value range for the reporting units. The fair value calculated for each reporting unit is compared to its carrying amount, including goodwill, to ascertain if goodwill impairment exists. If the fair value exceeds the carrying amount, including goodwill for a reporting unit, it is not considered to be impaired. If the fair value is below the carrying amount, including goodwill for a reporting unit, then an impairment charge is recognized for the amount by which the carrying amount exceeds the calculated fair value, up to but not exceeding the amount of goodwill allocated to the reporting unit. The resulting amount is charged to Other expense on the accompanying Consolidated Statements of Income.

The Company completed a quantitative assessment for its reporting units during its most recent annual impairment review. Based on this qualitative assessment, the Company determined that there was no evidence of impairment to the balance of its goodwill. Additional information regarding goodwill can be found within Note 8: Goodwill and Other Intangible Assets.

Other Intangible Assets

Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights, or because it is capable of being sold or exchanged either separately or in combination with a related contract, asset, or liability. Other intangible assets with finite useful lives, such as core deposits and customer relationships, are amortized to non-interest expense over their estimated useful lives and are evaluated for impairment whenever events occur or circumstances change indicating that the carrying amount of the asset may not be recoverable. Additional information regarding other intangible assets can be found within Note 8: Goodwill and Other Intangible Assets.

Cash Surrender Value of Life Insurance

Bank-owned life insurance represents the cash surrender value of life insurance policies on certain current and former employees of Webster and Sterling. Cash surrender value increases and decreases are recorded in non-interest income. Death benefit proceeds in excess of the cash surrender value are recorded in other non-interest income upon the death of the insured.

Securities Sold Under Agreements to Repurchase

These agreements are accounted for as secured financing transactions since the Company maintains effective control over the transferred investment securities and the transfer meets the other criteria for such treatment. Obligations to repurchase the sold investment securities are reflected as a liability on the accompanying Consolidated Balance Sheets. The investment securities sold with agreement to repurchase to wholesale dealers are transferred to a custodial account for the benefit of the dealer or to the bank with whom each transaction is executed. The dealers or banks may sell, loan, or otherwise dispose of such securities to other parties in the normal course of their operations and agree to resell to the Company the same securities at the maturity date of the agreements. The Company also enters into repurchase agreements with Bank customers. The investment securities sold with agreement to repurchase to Bank customers are not transferred, but internally pledged to the repurchase agreement transaction. Additional information regarding securities sold under agreements to repurchase can be found within Note 11: Borrowings.

Revenue From Contracts With Customers

Revenue from contracts with customers comprises non-interest income earned in exchange for services provided to customers and is recognized either when services are completed or as they are rendered. These revenue streams include Deposit service fees, Wealth and investment services, and non-significant portions of Loan and lease related fees and Other income on the accompanying Consolidated Statements of Income. The Company identifies the performance obligations included in its contracts with customers, determines the transaction price, allocates the transaction price to the performance obligations, as applicable, and recognizes revenue when the performance obligations are satisfied. Services provided over a period of time are generally transferred to customers evenly over the term of the contracts, and revenue is recognized evenly over the period the services are provided. Contract assets are included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets. Payment terms vary by services offered, and generally the time between the completion of performance obligations and receipt of payment is not significant. Additional information regarding contracts with customers can be found within Note 22: Revenue from Contracts with Customers.

Share-Based Compensation

The Company maintains a stock compensation plan that provides for the grant of stock options, stock appreciation rights, restricted stock, performance-based stock, and stock units to employees and directors. Share awards are issued from available treasury shares. Stock compensation expense is recognized over the required service vesting period for each award based on the grant date fair value, and is included within Compensation and benefits expense on the accompanying Consolidated Statements of Income. For time-based restricted stock awards and average return on equity performance-based restricted stock awards, fair value is measured using the closing price of Webster common stock at the grant date. For total stockholder return performance-based restricted stock awards, fair value is measured using the Monte Carlo simulation model. Performance-based restricted stock awards ultimately vest in a range from 0% to 150% of the target number of shares under the grant. Compensation expense may be subject to adjustment based on management's assessment of the Company's average return on equity performance relative to the target number of shares condition. Stock option awards use the Black-Scholes Option-Pricing Model to measure fair value at the grant date. Excess tax benefits or tax deficiencies result when tax return deductions differ from recognized compensation cost determined using the grant-date fair value approach for financial statement purposes. Dividends are paid on time-based shares upon grant and are non-forfeitable, while dividends are accrued on performance-based awards and are paid with the vested shares when the performance target is met. Additional information regarding share-based compensation can be found within Note 20: Share-Based Plans.

Income Taxes

Income tax expense (benefit) is comprised of two components, current and deferred. The current component represents income taxes payable or refundable for the current period based on applicable tax laws, while the deferred component represents the tax effects of temporary differences between amounts recognized for financial accounting and tax purposes. DTAs and DTLs reflect the tax effects of such differences that are anticipated to result in taxable or deductible amounts in the future when the temporary differences reverse. DTAs are recognized if it is more likely than not that they will be realized, and may be reduced by a valuation allowance if it is more likely than not that all or some portion will not be realized.

Uncertain tax positions that meet a more likely than not recognition threshold are initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority based on 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 judgment. The Company recognizes interest and penalties on uncertain tax positions and interest on refundable income taxes as a component of Income tax expense and Other income, respectively, on the accompanying Consolidated Statements of Income. Additional information regarding income taxes can be found within Note 9: Income Taxes.

Earnings per Common Share

Earnings per common share is calculated under the two-class method. Basic earnings per common share is computed by dividing earnings applicable to common stockholders by the weighted-average number of common shares outstanding, excluding outstanding participating securities, during the pertinent period. Certain unvested restricted stock awards are considered participating securities as they have non-forfeitable rights to dividends. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of shares resulting from stock compensation and warrants for common stock using the treasury stock method. A reconciliation between the weighted-average common shares used in calculating basic earnings per common share and the weighted-average common shares used in calculating diluted earnings per common share can be found within Note 16: Earnings Per Common Share.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in equity during the period, except those resulting from transactions with stockholders. Comprehensive income (loss) comprises net income and the after-tax effect changes in the following items: net unrealized gain (loss) on available-for-sale securities, net unrealized gain (loss) on derivative instruments, and net actuarial gain (loss) related to defined benefit pension and other postretirement benefit plans. Comprehensive income (loss) is reported on the accompanying Consolidated Statements of Stockholders' Equity and the accompanying Consolidated Statements of Comprehensive Income. Additional information regarding comprehensive income (loss) can be found within Note 13: Accumulated Other Comprehensive (Loss) Income, Net of Tax.

Derivative Instruments and Hedging Activities

Derivatives are recognized at fair value and are included in Accrued interest receivable and other assets and Accrued expenses and other liabilities, as applicable, on the accompanying Consolidated Balance Sheets. The value of exchange-traded contracts is based on quoted market prices, whereas non-exchange traded contracts are valued based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques in which the determination of fair value may require management judgment or estimation. Net cash flows from derivative contract assets and liabilities are presented within Operating activities on the accompanying Consolidated Statements of Cash Flows.

Derivatives Designated in Hedge Relationships. The Company uses derivatives to hedge exposures or to modify interest rate characteristics for certain balance sheet accounts under its interest rate risk management strategy. The Company designates derivatives in qualifying hedge relationships either as fair value or cash flow hedges for accounting purposes. Derivative financial instruments receive hedge accounting treatment if they are qualified and are properly designated as a hedge, and remain highly effective in offsetting changes in the fair value or cash flows attributable to the risk being hedged, both at hedge inception and on an ongoing basis throughout the life of the hedge. Quarterly prospective and retrospective assessments are performed to ensure hedging relationships continue to be highly effective. If a hedge relationship is no longer highly effective, hedge accounting would be discontinued.

The change in fair value on a derivative that is designated and qualifies as a fair value hedge, as well as the offsetting change in fair value on the hedged item attributable to the risk being hedged, is recognized in earnings. The gain or loss on a derivative that is designated and qualifies as a cash flow hedge is initially recorded as a component of (AOCL), and either subsequently reclassified to interest income as hedged interest payments are received or to interest expense as hedged interest payments are made during the same period in which the hedged transaction affects earnings.

Derivatives Not Designated in Hedge Relationships. The Company also enters into derivative transactions that are not designated in hedge relationships. Derivative financial instruments not designated in hedge relationships are recorded at fair value with changes in fair value recognized in Other income on the accompanying Consolidated Statements of Income.

Offsetting Assets and Liabilities. Derivative assets and derivative liabilities with the same counterparty are presented on a net basis in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets when master netting agreements are in place. Cash collateral paid or received for non-exchange cleared transactions are presented net with the associated derivative assets and derivative liabilities. Securities collateral is not offset. Amounts paid to dealers for initial margin are also included in Accrued interest receivable and other assets. Additional information regarding derivatives can be found within Note 17: Derivative Financial Instruments.

Fair Value Measurements

The Company measures many of its assets and liabilities on a fair value basis in accordance with ASC Topic 820, Fair Value Measurement. Fair value is defined as 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. Fair value is used to measure certain assets and liabilities on a recurring basis when fair value is the primary basis of accounting, and on a non-recurring basis when evaluating assets or liabilities for impairment. Additional information regarding the Company's policies and methodologies used to measure fair value can be found within Note 18: Fair Value Measurements.

Employee Retirement Benefit Plans

The Company sponsors defined contribution postretirement benefit plans that are established under Section 401(k) of the Internal Revenue Code. Expenses to maintain the plans, as well as employer contributions, are charged to Compensation and benefits expense on the accompanying Consolidated Statements of Income.

The Bank had offered a qualified noncontributory defined benefit pension plan and a non-qualified SERP to eligible employees and key executives who met certain age and service requirements, both of which were frozen effective December 31, 2007. The Bank also provides for OPEB to certain retired employees. In connection with the merger with Sterling, the Company also assumed the benefit obligations of Sterling's non-qualified SERP and OPEB plans.

Pension contributions are funded in accordance with the requirements of the Employee Retirement Income Security Act. Net periodic benefit cost (income), which is based upon actuarial computations of current and future benefits for eligible employees, are charged to Other expense on the accompanying Consolidated Statements of Income. The funded status of the plans is recorded as an asset when over-funded or a liability when under-funded. Additional information regarding the defined benefit pension and postretirement benefit plans can be found within Note 19: Retirement Benefit Plans.

Accounting Standards Adopted During the Current Year

ASU No. 2022-02—Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the FASB issued ASU No. 2022-02, which eliminates the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. In addition, the Update requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost in the vintage disclosures required by paragraph 326-20-50-6.

Modifications to borrowers experiencing financial difficulty include principal forgiveness, interest rate reductions, payment delays, term extensions, or combinations thereof. Expected losses or recoveries on loans where modifications have been granted to borrowers experiencing financial difficulty have been factored into the ACL on loans and leases. Upon adoption of ASU 2022-02, the Company is no longer required to use a discounted cash flow (or reconcilable) method to measure the ACL resulting from a modification with a borrower experiencing financial difficulty. Accordingly, the Company now applies the same credit loss methodology it uses for similar loans that were not modified.

The Company adopted the Update on January 1, 2023. The Company elected the option to apply the modified retrospective transition method related to the recognition and measurement of TDRs, which resulted in a $5.9 million increase to the Allowance for credit losses on loans and leases and a $1.6 million increase to DTAs, net, with a corresponding $4.3 million cumulative-effect adjustment to retained earnings as of the adoption date. The enhanced disclosure requirements provided for by the Update were adopted on a prospective basis. Reporting periods prior to the adoption of the Update are accounted for and presented in accordance with the applicable GAAP.

Additional information regarding modifications granted to borrowers experiencing financial difficulty can be found within Note 4: Loans and Leases.

ASU No. 2022-01—Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method

In March 2022, the FASB issued ASU No. 2022-01—Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method, which expands the current last-of-layer method of hedge accounting that permits only one hedged layer to allow multiple hedged layers of a single closed portfolio. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method. Additionally, the amendments in this Update: (i) expand the scope of the portfolio layer method to include non-prepayable assets; (ii) specify eligible hedging instruments in a single-layer hedge; (iii) provide additional guidance on the accounting for and disclosure of hedge basis adjustments; and (iv) specify how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio. An entity may also reclassify debt securities classified in the held-to-maturity category at the date of adoption to the available-for-sale category only if the entity applies portfolio layer method hedging to one or more closed portfolios that include those debt securities within a 30-day period.

The Company adopted the Update on January 1, 2023 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements. The Company did not reclassify any debt securities from the held-to-maturity category to the available-for-sale category as permitted upon adoption.

ASU No. 2021-08—Business Combinations (Topic 805)—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

In October 2021, the FASB issued ASU No. 2021-08—Business Combinations (Topic 805)—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The Company adopted the Update on January 1, 2023 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

Relevant Accounting Standards Issued But Not Yet Adopted

ASU No. 2023-09—Income Taxes (Topic 740)—Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09—Income Taxes (Topic 740)—Improvements to Income Tax Disclosures, to provide more transparency about income tax information through improvements to income tax disclosures, primarily related to the rate reconciliation and income taxes paid information. Specifically, the amendments in this Update require disclosure of: (i) a tabular reconciliation, using both percentages and reporting currency amounts, with prescribed categories that are required to be disclosed, and the separate disclosure and disaggregation of prescribed reconciling items with an effect equal to 5% or more of the amount determined by multiplying pretax income from continuing operations by the application statutory rate; (ii) a qualitative description of the states and local jurisdictions that make up the majority (greater than 50%) of the effect of the state and local income taxes; and (iii) amount of income taxes paid, net of refunds received, disaggregated by federal, state, and foreign taxes and by individual jurisdictions that comprise 5% or more of total income taxes paid, net of refunds received. The amendments in this Update also include certain other amendments to improve the effectiveness of income tax disclosures.

The Update is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The Company is currently evaluating this guidance to determine the impact on its income tax disclosures.

ASU No. 2023-07—Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU No. 2023-07—Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Specifically, the amendments in this Update require disclosure of: (i) significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss; (ii) an amount for other segment items by reportable segment and a description of its composition; and (iii) the title and position of the chief operating decision maker and an explanation of how the chief operating decision maker uses each reported measure of segment profit or loss in assessing segment performance and deciding how to allocate resources.

In addition, all annual disclosures about a reportable segment’s profit or loss and assets currently required by Topic 280, will be required in interim periods. Overall, the Update does not change how a public entity identifies its operating segments, aggregates those operating segments, or determines its reportable segments, or applies the quantitative thresholds to determine its reportable segments.

The Update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements, in which, upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating this guidance to determine the impact on its segment reporting disclosures.

ASU No. 2023-02—Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issue Task Force)

In March 2023, the FASB issued ASU No. 2023-02—Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force), which permits reporting entities to elect to account for their tax equity investments, regardless of the program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. A reporting entity may make an accounting policy election to apply the proportional amortization method in accordance with paragraph 323-740-25-4 on a tax-credit-program by tax-credit-program basis rather than electing to apply the proportional amortization method at the reporting entity level or to individual investments.

A reporting entity that applies the proportional amortization method to qualifying tax equity investments must account for the receipt of the investment tax credits using the flow-through method under Topic 740, Income Taxes, even if the entity applies the deferral method for other investment tax credit received. The amendments also remove certain guidance for Qualified Affordable Housing Project Investments, require the application of the delayed equity contribution guidance to all tax equity investments, and require specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method in accordance with Subtopic 323-740.

The Update is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted. The amendments generally must be applied on either a modified retrospective or retrospective basis with a cumulative-effect adjustment to retained earnings reflecting the difference between the previous method used to account for the tax equity investment and the application of the proportional amortization method since the investment was entered into.

The Company will adopt the Update on January 1, 2024. The adoption of this guidance will not have a material impact on the Company's Consolidated Financial Statements and disclosures as its investments in tax credit structures are currently limited to LIHTC investments, which are already being accounted for using the proportional amortization method.

ASU No. 2023-01—Leases (Topic 842): Common Control Arrangements

In March 2023, the FASB issued ASU No. 2023-01—Leases (Topic 842): Common Control Arrangements, which requires that leasehold improvements associated with leases between entities under common control be: (i) amortized by the lessee over the useful lives of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset (the leased asset) through a lease; however, if the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the same common control group, the amortization period may not exceed the amortization period of the common control group; and (ii) accounted for as a transfer between entities under common control through an adjustment to equity, if, and when, the lessee no longer controls the use of the underlying asset. Additionally, those leasehold improvements are subject to the impairment guidance in Topic 360, Property, Plant, and Equipment.

The Update is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted. The amendments either may be applied prospectively to all new and existing leasehold improvements recognized on or after the adoption date with any remaining unamortized balance of existing leasehold improvements amortized over their remaining useful life to the common control group determined at that date; or retrospectively to the beginning of the period in which the entity first applied Topic 842, with any leasehold improvements that otherwise would not have been amortized or impaired recognized through a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the earliest period presented in accordance with Topic 842.

The Company will adopt the Update on January 1, 2024. The adoption of this guidance will not have a material impact on the Company's Consolidated Financial Statements and disclosures as its operating lease arrangements in which it is lessee are currently not between entities under common control.

ASU No. 2022-03—Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restriction

In June 2022, the FASB issued ASU No. 2022-03—Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security, and therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction, and requires the following disclosures for equity securities subject to contractual sale restrictions: (i) the fair value of equity securities subject to contractual sale restrictions reflected on the balance sheet; (ii) the nature and remaining duration of the restriction(s); and (iii) the circumstances that could cause a lapse in the restriction(s).

The Update is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted. For all entities except investment companies, the amendments should be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption.

The Company will adopt the Update on January 1, 2024. The adoption of this guidance will not have a material impact on the Company's Consolidated Financial Statements and disclosures. The Company does not currently consider contractual restrictions on the sale of an equity security in measuring fair value.

Note 2: Mergers and Acquisitions

Merger with Sterling

On January 31, 2022, the Company completed its merger with Sterling pursuant to an Agreement and Plan of Merger dated as of April 18, 2021. Pursuant to the merger agreement, Sterling Bancorp merged with and into the Holding Company, with the Holding Company continuing as the surviving corporation. Following the merger, on February 1, 2022, Sterling National Bank, a wholly-owned subsidiary of Sterling Bancorp, merged with and into the Bank, with the Bank continuing as the surviving bank. Sterling was a full-service regional bank headquartered in Pearl River, New York, that primarily served the Greater New York metropolitan area. The merger expanded the Company's geographic footprint and combined two complementary organizations to create one of the largest commercial banks in the northeastern U.S.

Pursuant to the merger agreement, each share of Sterling common stock issued and outstanding immediately prior to the merger, other than certain shares held by the Company and Sterling, was converted into the right to receive a fixed 0.4630 share of Webster common stock. Furthermore, certain equity awards granted under Sterling's equity compensation plans were converted into a corresponding award with respect to Webster common stock, generally subject to the same terms and conditions, with the number of shares underlying such awards adjusted based on the 0.4630 fixed exchange ratio. Cash was also paid to Sterling common stockholders in lieu of fractional shares, as applicable.

In addition, each share of Sterling 6.50% Series A Non-Cumulative Perpetual Preferred Stock issued and outstanding immediately prior to the merger was converted into the right to receive one share of newly created Webster 6.50% Series G Non-Cumulative Perpetual Preferred Stock, having substantially the same terms.

The following table summarizes the determination of the purchase price consideration:

(In thousands, except share and per share data)		
Webster common stock issued		87,965,239
Price per share of Webster common stock on January 31, 2022	$	56.81
Consideration for outstanding common stock		4,997,305
Consideration for preferred stock exchanged		138,942
Consideration for replacement equity awards (1)		43,877
Cash in lieu of fractional shares		176
Total purchase price consideration	$	5,180,300

(1) The fair value of the replacement equity awards issued by the Company and included in the consideration transferred pertains to services performed prior to the merger effective date. The fair value attributed to services performed after the merger effective date is being recognized over the required service vesting period for each award and recorded as Compensation and benefits expense on the accompanying Consolidated Statements of Income. During the years ended December 31, 2023, and 2022, the Company recognized an increase of $22.8 million and $18.8 million in stock compensation expense related to the replacement equity awards.

The merger was accounted for as a business combination. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their fair values as of the merger effective date. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and are subject to change. Fair value estimates of the assets acquired and liabilities assumed were subject to adjustment during the one-year measurement period following the closing date of the merger if new information was obtained about facts and circumstances that existed as of the merger effective date that, if known, would have affected the measurement of the amounts recognized as of that date.

Measurement period adjustments pertaining to other assets and other liabilities and their deferred tax impact were made during the first quarter of 2023, totaling a net $25.6 million. The Company's valuations of the assets acquired and liabilities assumed in the merger with Sterling were considered final as of March 31, 2023.

The following table summarizes the final allocation of the purchase price to the fair value of the identifiable assets acquired and liabilities assumed from Sterling:

(In thousands)	Unpaid Principal Balance	Fair Value
Purchase price consideration		$ 5,180,300
Assets:		
Cash and due from banks		510,929
Interest-bearing deposits		3,207
Investment securities available-for-sale		4,429,948
Federal Home Loan Bank and Federal Reserve Bank Stock		150,502
Loans held for sale		23,517
Loans and leases:		
Commercial non-mortgage	$ 5,570,782	5,527,657
Asset-based	694,137	683,958
Commercial real estate	6,790,600	6,656,405
Multi-family	4,303,381	4,255,906
Equipment financing	1,350,579	1,314,311
Warehouse lending	647,767	643,754
Residential	1,313,785	1,281,637
Home equity	132,758	122,553
Other consumer	12,559	12,525
Total loans and leases	$ 20,816,348	20,498,706
Deferred tax assets, net		(59,716)
Premises and equipment [(1)]		264,421
Other intangible assets		210,100
Bank-owned life insurance policies		645,510
Accrued interest receivable and other assets		986,729
Total assets acquired		$ 27,663,853
Liabilities:		
Non-interest-bearing deposits		$ 6,620,248
Interest-bearing deposits		16,643,755
Securities sold under agreements to repurchase and other borrowings		27,184
Long-term debt		516,881
Accrued expenses and other liabilities [(1)]		589,689
Total liabilities assumed		$ 24,397,757
Net assets acquired		3,266,096
Goodwill		$ 1,914,204

(1) Includes $100.0 million of ROU lease assets and $106.9 million of operating lease liabilities reported within Premises and equipment and Accrued expenses and other liabilities, respectively, which were measured based upon the estimated present value of the remaining lease payments. In addition, ROU lease assets were adjusted for favorable and unfavorable terms of the lease when compared to market terms, as applicable.

In connection with the merger with Sterling, the Company recorded $1.9 billion of goodwill, which represents the excess of the purchase price over the fair value of the net assets acquired. Information regarding the allocation of goodwill to the Company's reportable segments, as well as the carrying amounts and amortization of the core deposit intangible asset and customer relationship intangible assets, can be found within Note 21: Segment Reporting and Note 8: Goodwill and Other Intangible Assets, respectively.

The following is a description of the valuation methodologies used to estimate the fair values of the significant assets acquired and liabilities assumed:

Cash and due from banks and Interest-bearing deposits. The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities available-for-sale. The fair values for investment securities available-for-sale were based on quoted market prices, where available. If quoted market prices were not available, fair value estimates were based on observable inputs, including quoted market prices for similar instruments. Investment securities held-to-maturity were classified as investment securities available-for-sale based on the Company's intent at closing.

Loans and leases. The fair values for loans and leases were estimated using a discounted cash flow methodology that considered factors including the type of loan or lease and the related collateral, classification status, fixed or variable interest rate, remaining term, amortization status, and current discount rates. In addition, the PD, LGD, and prepayment assumptions that were derived based on loan and lease characteristics, historical loss experience, comparable market data, and current and forecasted economic conditions were used to estimate expected credit losses. Loans and leases generally were valued individually. The discount rates used for loans and leases were based on current market rates for new originations or comparable loans and leases and include adjustments for liquidity. The discount rate did not include credit losses as that was included as a reduction to the estimated cash flows.

Premises and equipment. The fair values for land and buildings were based on appraised values using the cost approach, which estimates the price a buyer would pay if they were to rebuild or reconstruct a similar property on a comparable piece of land.

Intangible assets. A core deposit intangible asset represents the value of relationships with deposit clients. The fair value of the core deposit intangible asset was estimated using a net cost savings method, a form of discounted cash flow methodology that gave appropriate consideration to expected client attrition rates and other applicable adjustments to the projected deposit balance, the interest cost and net maintenance cost associated with the client deposit base, alternative cost of funds, and a discount rate used to discount the future economic benefits of the core deposit intangible asset to present value. The core deposit intangible asset is being amortized on an accelerated basis over 10 years based upon the period over which the estimated economic benefits are estimated to be received. Customer relationship intangible assets for payroll finance, factoring receivables finance, and wealth businesses were estimated using a discounted cash flow methodology that reflects the estimated value of the future net earnings for each relationship with adjustments for attrition. The customer relationship intangible assets are being amortized on an accelerated basis over their estimated useful life of 10 years.

Bank-owned life insurance policies. The cash surrender value of these insurance policies is a reasonable estimate of fair value since it reflects the amount that would be realized by the contract owner upon discontinuance or surrender.

Deposits. The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the merger date. The fair values for time deposits were estimated using a discounted cash flow methodology that applies interest rates currently being offered to the contractual interest rates on such time deposits.

Securities sold under agreements to repurchase and other borrowings. The carrying amount of these liabilities is a reasonable estimate of fair value based on the short-term nature of these liabilities.

Long-term debt. The fair values of long-term debt instruments were estimated based on quoted market prices for the instrument, if available, or for similar instruments, if not available, or by using a discounted cash flow methodology based on current incremental borrowing rates for similar types of instruments.

PCD Loans and Leases

Purchased loans and leases that have experienced more-than-insignificant deterioration in credit quality since origination are considered PCD. For PCD loans and leases, the initial estimate of expected credit losses was recognized as an adjustment to the unpaid principal balance and non-credit discount at acquisition. Subsequent to the merger effective date, the Company recorded an ACL for non-PCD loans and leases of $175.1 million through an increase to the Provision for credit losses. There was no carryover of Sterling's previously recorded ACL on loans and leases.

The following table reconciles the unpaid principal balance to the fair value of PCD loans and leases by portfolio segment:

(In thousands)	Commercial	Consumer	Total
Unpaid principal balance	$ 3,394,963	$ 541,471	$ 3,936,434
ACL at acquisition	(115,464)	(20,852)	(136,316)
Non-credit (discount)	(40,947)	(2,784)	(43,731)
Fair value	$ 3,238,552	$ 517,835	$ 3,756,387

Supplemental Pro Forma Financial Information (Unaudited)

The following table summarizes supplemental pro forma financial information giving effect to the merger as if it had been completed on January 1, 2021:

(In thousands)	Years ended December 31, 2022	2021
Net interest income	$ 1,961,005	$ 1,802,862
Non-interest income	440,783	487,301
Net income	869,639	574,927

The supplemental pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company merged with Sterling on January 1, 2021. The supplemental pro forma financial information includes the impact of (i) accreting and amortizing the discounts and premiums associated with the estimated fair value adjustments to acquired loans and leases, investment securities, deposits, and long-term debt, (ii) the amortization of recognized intangible assets, (iii) the elimination of Sterling's historical accretion and amortization of discounts and premiums and deferred origination fees and costs on loans and leases, (iv) the elimination of Sterling's historical accretion and amortization of discounts and premiums on investment securities, and (v) the related estimated income tax effects. Cost savings and other business synergies related to the merger are not included in the supplemental pro forma financial information.

In addition, the supplemental pro forma financial information was adjusted for merger-related expenses, as follows:

(In thousands)	Years ended December 31, 2022	2021
Compensation and benefits (1)	$ 79,001	$ 13,987
Occupancy (2)	36,586	256
Technology and equipment (3)	24,688	290
Marketing	416	—
Professional and outside services (4)	73,070	22,273
Other expense (5)	32,700	648
Total merger-related expenses	$ 246,461	$ 37,454

(1) Comprised primarily of employee severance and retention costs, and executive restricted stock awards.

(2) Comprised primarily of charges associated with the Company's 2022 corporate real estate consolidation plan.

(3) Comprised primarily of technology contract termination costs.

(4) Comprised primarily of advisory, legal, accounting, and other professional fees.

(5) Comprised primarily of disposals on property and equipment, contract termination costs, and other miscellaneous expenses.

The Company's operating results for the years ended December 31, 2023, and 2022, include the operating results of acquired assets and assumed liabilities of Sterling subsequent to the merger on January 31, 2022. Due to the various conversions of Sterling systems during the years ended December 31, 2023, and 2022, as well as other streamlining and integration of operating activities into those of the Company, historical reporting for the former Sterling operations after January 31, 2022, is impracticable, and thus disclosures of Sterling's revenue and earnings since the merger effective date that are included in the accompanying Consolidated Statements of Income for the reporting period is impracticable.

Bend Acquisition

On February 18, 2022, the Company acquired 100% of the equity interests of Bend, a cloud-based platform solution provider for HSAs, in exchange for cash of $55.3 million. The acquisition accelerated the Company's efforts underway to deliver enhanced user experiences at HSA Bank. The transaction was accounted for as a business combination, and resulted in the addition of $19.6 million in net assets, which primarily comprised $15.9 million of internal use software and a $3.0 million customer relationship intangible asset. The Company's valuations of the assets acquired and liabilities assumed in the Bend acquisition were considered final as of March 31, 2023.

Inland Bank and Trust HSA Portfolio Acquisition

On November 7, 2022, the Company acquired a portfolio of HSAs from Inland Bank and Trust. The transaction was accounted for as an asset acquisition, and the Company received $15.6 million in both cash and deposits on the acquisition date. The Company also paid a 2.00% deposit premium based on the final settlement of deposits, which resulted in the recognition of a $0.3 million core deposit intangible asset. The accounts and associated deposits obtained from this transaction provided stable funding for future loan growth and increased the Company's revenues.

interLINK Acquisition

On January 11, 2023, the Company acquired 100% ownership of interLINK from StoneCastle Partners LLC. interLINK is a technology-enabled deposit management platform that administers over $9 billion of deposits from FDIC-insured cash sweep programs between banks and broker/dealers and clearing firms. The acquisition provided the Company with access to a unique source of core deposit funding and scalable liquidity and added another technology-enabled channel to its already differentiated, omnichannel deposit gathering capabilities.

The total purchase price of the acquisition was $174.6 million, which included cash paid of $158.6 million and $16.0 million of contingent consideration measured at fair value. The contingent consideration is payable in cash upon the achievement of discrete customer and deposit growth events within three years of the acquisition date. Additional information regarding the determination of fair value for contingent consideration liabilities can be found within Note 18: Fair Value Measurements.

The transaction was accounted for as a business combination, and resulted in the addition of $31.4 million in net assets measured at fair value, which primarily comprised $36.0 million of broker dealer relationship intangible assets, $6.0 million of developed technology, a $4.0 million non-competition agreement intangible asset, and $15.9 million of royalty liabilities. The $143.2 million of goodwill recognized is deductible for tax purposes. The Company's valuations of the assets acquired and liabilities assumed in the interLINK acquisition were considered final as of June 30, 2023.

Exit Activities

The following table summarizes the change in Accrued expenses and other liabilities as it relates to severance and contract termination costs, which were primarily incurred in connection with the Sterling merger:

	Years ended December 31,					
	2023			2022		
(In thousands)	Severance	Contract Termination [1]	Total	Severance [2]	Contract Termination	Total
Balance, beginning of period	$ 7,583	$ 30,362	$ 37,945	$ 10,835	$ —	$ 10,835
Additions charged to expense	18,069	14,000	32,069	36,092	34,152	70,244
Cash payments	(14,247)	(30,551)	(44,798)	(35,014)	(3,790)	(38,804)
Other	(1,300)	(6,587)	(7,887)	(4,330)	—	(4,330)
Balance, end of period	$ 10,105	$ 7,224	$ 17,329	$ 7,583	$ 30,362	$ 37,945

(1) Other contract termination includes (i) a reduction of $4.8 million to a previously recorded technology-related contract termination charge recorded in Technology and equipment expense due to a change in the expected use of certain services after core conversion in 2023, and (ii) a reduction of $1.7 million to a previously recorded contract termination charge recorded in Other expense due to a decrease in volume usage in 2023.

(2) Other severance reflects the release of $4.1 million from the Company's severance accrual in 2022, as the Company re-evaluated its strategic priorities as a combined organization in connection with the Sterling merger, which resulted in modifications to the Company's strategic initiatives that were announced in December 2020.

Note 3: Investment Securities

Available-for-Sale

The following table summarizes the amortized cost and fair value of available-for-sale securities by major type:

(In thousands)	At December 31, 2023			
	Amortized Cost [(1)]	Unrealized Gains	Unrealized Losses	Fair Value
Government agency debentures	$ 302,212	$ —	$ (37,579)	$ 264,633
Municipal bonds and notes	1,626,126	8	(52,901)	1,573,233
Agency CMO	52,994	—	(4,053)	48,941
Agency MBS	3,568,140	32,461	(253,503)	3,347,098
Agency CMBS	2,569,438	18,204	(299,571)	2,288,071
CMBS	788,478	—	(24,729)	763,749
Corporate debt	704,569	—	(82,414)	622,155
Private label MBS	46,635	—	(3,827)	42,808
Other	9,830	—	(789)	9,041
Total available-for-sale	$ 9,668,422	$ 50,673	$ (759,366)	$ 8,959,729

(In thousands)	At December 31, 2022			
	Amortized Cost [(1)]	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury notes	$ 755,968	$ —	$ (38,928)	$ 717,040
Government agency debentures	302,018	—	(43,644)	258,374
Municipal bonds and notes	1,719,110	5	(85,913)	1,633,202
Agency CMO	64,984	—	(5,019)	59,965
Agency MBS	2,461,337	26	(303,339)	2,158,024
Agency CMBS	1,664,600	—	(258,114)	1,406,486
CMBS	929,588	—	(32,948)	896,640
CLO	2,108	—	(1)	2,107
Corporate debt	795,999	—	(91,587)	704,412
Private label MBS	48,895	—	(4,646)	44,249
Other	12,548	—	(350)	12,198
Total available-for-sale	$ 8,757,155	$ 31	$ (864,489)	$ 7,892,697

(1) Accrued interest receivable on available-for-sale securities of $42.5 million and $36.9 million at December 31, 2023, and 2022, respectively, is excluded from amortized cost and is included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets.

Unrealized Losses

The following tables summarize the gross unrealized losses and fair value of available-for-sale securities by length of time each major security type has been in a continuous unrealized loss position:

(Dollars in thousands)	At December 31, 2023						
	Less Than 12 Months		12 Months or More		Total		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Holdings	Fair Value	Unrealized Losses
Government agency debentures	$ —	$ —	$ 264,633	$ (37,579)	19	$ 264,633	$ (37,579)
Municipal bonds and notes	18,066	(124)	1,536,656	(52,777)	386	1,554,722	(52,901)
Agency CMO	—	—	48,941	(4,053)	36	48,941	(4,053)
Agency MBS	71,187	(272)	1,945,221	(253,231)	457	2,016,408	(253,503)
Agency CMBS	430,070	(16,137)	1,314,681	(283,434)	145	1,744,751	(299,571)
CMBS	43,844	(856)	719,905	(23,873)	42	763,749	(24,729)
Corporate debt	4,278	(27)	617,877	(82,387)	91	622,155	(82,414)
Private label MBS	—	—	42,808	(3,827)	3	42,808	(3,827)
Other	—	—	9,041	(789)	2	9,041	(789)
Total	$ 567,445	$ (17,416)	$ 6,499,763	$ (741,950)	1,181	$ 7,067,208	$ (759,366)

(Dollars in thousands)	At December 31, 2022						
	Less Than 12 Months		12 Months or More		Total		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Holdings	Fair Value	Unrealized Losses
U.S. Treasury notes	$ 337,563	$ (19,167)	$ 379,477	$ (19,761)	23	$ 717,040	$ (38,928)
Government agency debentures	258,374	(43,644)	—	—	19	258,374	(43,644)
Municipal bonds and notes	1,616,771	(85,913)	—	—	444	1,616,771	(85,913)
Agency CMO	55,693	(4,640)	4,272	(379)	39	59,965	(5,019)
Agency MBS	1,641,544	(206,412)	515,206	(96,927)	460	2,156,750	(303,339)
Agency CMBS	485,333	(68,674)	921,153	(189,440)	132	1,406,486	(258,114)
CMBS	273,150	(8,982)	598,490	(23,966)	52	871,640	(32,948)
CLO	—	—	2,107	(1)	1	2,107	(1)
Corporate debt	692,990	(89,692)	8,421	(1,895)	105	701,411	(91,587)
Private label MBS	44,249	(4,646)	—	—	3	44,249	(4,646)
Other	12,198	(350)	—	—	4	12,198	(350)
Total	$ 5,417,865	$ (532,120)	$ 2,429,126	$ (332,369)	1,282	$ 7,846,991	$ (864,489)

The $105.1 million decrease in gross unrealized losses from December 31, 2022, to December 31, 2023, is primarily due to lower long-term market rates. The Company assesses each available-for-sale security that is in an unrealized loss position to determine whether the decline in fair value below the amortized cost basis is a result from a credit loss or other factors. At both December 31, 2023, and 2022, no ACL was recorded on available-for-sale securities as each of the securities in the Company's portfolio are investment grade, current as to principal and interest, and their price changes are consistent with interest and credit spreads when adjusting for convexity, rating, and industry differences.

As of December 31, 2023, based on current market conditions and the Company's targeted balance sheet composition strategy, the Company intends to hold its available-for-sale securities with unrealized loss positions through the anticipated recovery period. The issuers of these available-for-sale securities have not, to the Company's knowledge, established any cause for default. Market prices are expected to approach par as the securities approach maturity.

Contractual Maturities

The following table summarizes the amortized cost and fair value of available-for-sale securities by contractual maturity:

(In thousands)	At December 31, 2023	
	Amortized Cost	Fair Value
Maturing within 1 year	$ 37,908	$ 36,958
After 1 year through 5 years	644,959	616,176
After 5 years through 10 years	1,363,257	1,263,900
After 10 years	7,622,298	7,042,695
Total available-for-sale	$ 9,668,422	$ 8,959,729

Available-for-sale securities that are not due at a single maturity date have been categorized based on the maturity date of the underlying collateral. Actual principal cash flows may differ from this categorization as borrowers have the right to prepay their obligations with or without prepayment penalties.

Sales of Available-for Sale Securities

During the year ended December 31, 2023, the Company sold U.S. Treasury notes, Corporate debt securities, and Municipal bonds and notes classified as available-for-sale for proceeds of $789.6 million, which resulted in gross realized losses of $37.4 million. Because $3.8 million of the total loss recognized for the year ended December 31, 2023, was attributed to a decline in credit quality, this portion of the charge has been included in the Provision for credit losses on the accompanying Consolidated Statements of Income.

During the year ended December 31, 2022, the Company sold Municipal bonds and notes classified as available-for-sale for proceeds of $172.9 million, which resulted in gross realized losses of $6.8 million.

There were no sales of available-for-sales securities during the year ended December 31, 2021.

Other Information

The following table summarizes the carrying value of available-for-sale securities pledged for deposits, borrowings, and other purposes:

(In thousands)	At December 31, 2023	At December 31, 2022
Pledged for deposits	$ 2,102,115	$ 2,573,072
Pledged for borrowings and other	6,111,430	1,195,101
Total available-for-sale securities pledged	$ 8,213,545	$ 3,768,173

At December 31, 2023, the Company had callable available-for-sale securities with an aggregate carrying value of $3.0 billion.

Held-to-Maturity

The following table summarizes the amortized cost, fair value, and ACL on held-to-maturity securities by major type:

	At December 31, 2023					
(In thousands)	Amortized Cost [1]	Unrealized Gains	Unrealized Losses	Fair Value	Allowance	Net Carrying Value
Agency CMO	$ 23,470	$ —	$ (1,728)	$ 21,742	$ —	$ 23,470
Agency MBS	2,409,521	1,141	(284,776)	2,125,886	—	2,409,521
Agency CMBS	3,625,627	18,586	(514,534)	3,129,679	—	3,625,627
Municipal bonds and notes	916,104	2,440	(24,877)	893,667	209	915,895
CMBS	100,075	—	(6,426)	93,649	—	100,075
Total held-to-maturity	$ 7,074,797	$ 22,167	$ (832,341)	$ 6,264,623	$ 209	$ 7,074,588

	At December 31, 2022					
(In thousands)	Amortized Cost [1]	Unrealized Gains	Unrealized Losses	Fair Value	Allowance	Net Carrying Value
Agency CMO	$ 28,358	$ —	$ (2,060)	$ 26,298	$ —	$ 28,358
Agency MBS	2,626,114	827	(339,592)	2,287,349	—	2,626,114
Agency CMBS	2,831,949	845	(407,648)	2,425,146	—	2,831,949
Municipal bonds and notes	928,845	1,098	(47,183)	882,760	182	928,663
CMBS	149,613	—	(9,713)	139,900	—	149,613
Total held-to-maturity	$ 6,564,879	$ 2,770	$ (806,196)	$ 5,761,453	$ 182	$ 6,564,697

(1) Accrued interest receivable on held-to-maturity securities of $24.9 million and $24.2 million at December 31, 2023, and 2022, respectively, is excluded from amortized cost and is included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets.

An ACL on held-to-maturity securities is recorded for certain Municipal bonds and notes to account for expected lifetime credit losses. Agency securities represent obligations issued by a U.S. government-sponsored enterprise or other federally-related entity and are either explicitly or implicitly guaranteed, and therefore, assumed to be zero loss. Held-to-maturity securities with gross unrealized losses and no ACL are considered to be high credit quality, and therefore, zero credit loss has been recorded.

The following table summarizes the activity in the ACL on held-to-maturity securities:

(In thousands)	Years ended December 31, 2023	2022	2021
Balance, beginning of period	$ 182	$ 214	$ 299
Provision (benefit) for credit losses	27	(32)	(85)
Balance, end of period	$ 209	$ 182	$ 214

Contractual Maturities

The following table summarizes the amortized cost and fair value of held-to-maturity securities by contractual maturity:

(In thousands)	At December 31, 2023 Amortized Cost	Fair Value
Maturing within 1 year	$ 8,122	$ 8,136
After 1 year through 5 years	59,932	60,434
After 5 years through 10 years	363,498	349,083
After 10 years	6,643,245	5,846,970
Total held-to-maturity	$ 7,074,797	$ 6,264,623

Held-to-maturity securities that are not due at a single maturity date have been categorized based on the maturity date of the underlying collateral. Actual principal cash flows may differ from this categorization as borrowers have the right to prepay their obligations with or without prepayment penalties.

Credit Quality Information

The Company monitors the credit quality of held-to-maturity securities through credit ratings provided by Standard & Poor's Rating Services, Moody's, Fitch Ratings, Inc., Kroll Bond Rating Agency, or DBRS Inc. Credit ratings express opinions about the credit quality of a security and are updated at each quarter end. Investment grade securities are rated BBB- or higher by S&P, or Baa3 or higher by Moody's, and are generally considered by the rating agencies and market participants to be of low credit risk. Conversely, securities rated below investment grade, which are labeled as speculative grade by the rating agencies, are considered to have distinctively higher credit risk than investment grade securities. There were no speculative grade held-to-maturity securities at December 31, 2023, or December 31, 2022. Held-to-maturity securities that are not rated are collateralized with U.S. Treasury obligations.

The following tables summarize the amortized cost of held-to-maturity securities based on their lowest publicly available credit rating:

	At December 31, 2023							
	Investment Grade							
(In thousands)	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Not Rated
Agency CMOs	$ —	$ 23,470	$ —	$ —	$ —	$ —	$ —	$ —
Agency MBS	—	2,409,521	—	—	—	—	—	—
Agency CMBS	—	3,625,627	—	—	—	—	—	—
Municipal bonds and notes	333,479	162,615	253,671	115,404	32,732	—	4,165	14,038
CMBS	100,075	—	—	—	—	—	—	—
Total held-to-maturity	$ 433,554	$ 6,221,233	$ 253,671	$ 115,404	$ 32,732	$ —	$ 4,165	$ 14,038

	At December 31, 2022							
	Investment Grade							
(In thousands)	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Not Rated
Agency CMOs	$ —	$ 28,358	$ —	$ —	$ —	$ —	$ —	$ —
Agency MBS	—	2,626,114	—	—	—	—	—	—
Agency CMBS	—	2,831,949	—	—	—	—	—	—
Municipal bonds and notes	336,035	163,312	255,235	116,870	38,177	4,165	—	15,051
CMBS	149,613	—	—	—	—	—	—	—
Total held-to-maturity	$ 485,648	$ 5,649,733	$ 255,235	$ 116,870	$ 38,177	$ 4,165	$ —	$ 15,051

At December 31, 2023, and 2022, there were no held-to-maturity debt securities past due under the terms of their agreements or in non-accrual status.

Other Information

The following table summarizes the carrying value of held-to-maturity securities pledged for deposits, borrowings, and other purposes:

	At December 31,	
(In thousands)	2023	2022
Pledged for deposits	$ 1,212,824	$ 1,596,777
Pledged for borrowings and other	5,582,379	260,735
Total held-to-maturity securities pledged	$ 6,795,203	$ 1,857,512

At December 31, 2023, the Company had callable held-to-maturity securities with an aggregate carrying value of $0.9 billion.

Note 4: Loans and Leases

The following table summarizes loans and leases by portfolio segment and class:

(In thousands)	At December 31, 2023	At December 31, 2022
Commercial non-mortgage	$ 16,885,475	$ 16,392,795
Asset-based	1,557,841	1,821,642
Commercial real estate	13,569,762	12,997,163
Multi-family	7,587,970	6,621,982
Equipment financing	1,328,786	1,628,393
Warehouse lending	—	641,976
Commercial portfolio	40,929,834	40,103,951
Residential	8,227,923	7,963,420
Home equity	1,516,955	1,633,107
Other consumer	51,340	63,948
Consumer portfolio	9,796,218	9,660,475
Loans and leases	$ 50,726,052	$ 49,764,426

The carrying amount of loans and leases at December 31, 2023, and 2022, includes net unamortized (discounts)/premiums and net unamortized deferred (fees)/costs totaling $(33.8) million and $(68.7) million, respectively. Accrued interest receivable of $270.4 million and $226.3 million at December 31, 2023, and 2022, respectively, is excluded from the carrying amount of loans and leases and is included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets.

At December 31, 2023, the Company had pledged $16.6 billion of eligible loans as collateral to support borrowing capacity at the FHLB.

Non-Accrual and Past Due Loans and Leases

The following tables summarize the aging of accrual and non-accrual loans and leases by class:

(In thousands)	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	90 or More Days Past Due and Accruing	Non-accrual	Total Past Due and Non-accrual	Current	Total Loans and Leases
	At December 31, 2023						
Commercial non-mortgage	$ 2,270	$ 890	$ 94	$ 122,855	$ 126,109	$ 16,759,366	$ 16,885,475
Asset-based	—	—	—	35,068	35,068	1,522,773	1,557,841
Commercial real estate	1,459	—	184	11,383	13,026	13,556,736	13,569,762
Multi-family	5,198	2,340	—	—	7,538	7,580,432	7,587,970
Equipment financing	3,966	8	—	9,828	13,802	1,314,984	1,328,786
Commercial portfolio	12,893	3,238	278	179,134	195,543	40,734,291	40,929,834
Residential	14,894	6,218	—	5,704	26,816	8,201,107	8,227,923
Home equity	5,676	3,285	—	23,545	32,506	1,484,449	1,516,955
Other consumer	410	94	—	142	646	50,694	51,340
Consumer portfolio	20,980	9,597	—	29,391	59,968	9,736,250	9,796,218
Total	$ 33,873	$ 12,835	$ 278	$ 208,525	$ 255,511	$ 50,470,541	$ 50,726,052

(In thousands)	At December 31, 2022 30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	90 or More Days Past Due and Accruing	Non-accrual	Total Past Due and Non-accrual	Current [1]	Total Loans and Leases
Commercial non-mortgage	$ 8,434	$ 821	$ 645	$ 71,884	$ 81,784	$ 16,311,011	$ 16,392,795
Asset-based	5,921	—	—	20,024	25,945	1,795,697	1,821,642
Commercial real estate	1,494	23,492	68	39,057	64,111	12,933,052	12,997,163
Multi-family	1,157	—	—	636	1,793	6,620,189	6,621,982
Equipment financing	806	9,988	—	12,344	23,138	1,605,255	1,628,393
Warehouse Lending	—	—	—	—	—	641,976	641,976
Commercial portfolio	17,812	34,301	713	143,945	196,771	39,907,180	40,103,951
Residential	8,246	3,083	—	25,424	36,753	7,926,667	7,963,420
Home equity	5,293	2,820	—	27,924	36,037	1,597,070	1,633,107
Other consumer	1,028	85	13	148	1,274	62,674	63,948
Consumer portfolio	14,567	5,988	13	53,496	74,064	9,586,411	9,660,475
Total	$ 32,379	$ 40,289	$ 726	$ 197,441	$ 270,835	$ 49,493,591	$ 49,764,426

(1) At December 31, 2022, there were $28.5 million of commercial loans that had reached their contractual maturity but were actively in the process of being refinanced with the Company. Due to the status of the refinancing, these commercial loans have been reported as current in the table above.

The following table provides additional information on non-accrual loans and leases:

	At December 31, 2023		2022	
(In thousands)	Non-accrual	Non-accrual With No Allowance	Non-accrual	Non-accrual With No Allowance
Commercial non-mortgage	$ 122,855	$ 20,066	$ 71,884	$ 12,598
Asset-based	35,068	1,330	20,024	1,491
Commercial real estate	11,383	2,681	39,057	90
Multi-family	—	—	636	—
Equipment financing	9,828	1,584	12,344	2,240
Commercial portfolio	179,134	25,661	143,945	16,419
Residential	5,704	856	25,424	10,442
Home equity	23,545	12,471	27,924	15,193
Other consumer	142	49	148	5
Consumer portfolio	29,391	13,376	53,496	25,640
Total	$ 208,525	$ 39,037	$ 197,441	$ 42,059

Interest income on non-accrual loans and leases that would have been recognized had the loans and leases been current in accordance with their contractual terms totaled $22.9 million, $16.9 million, and $11.0 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Allowance for Credit Losses on Loans and Leases

The following tables summarize the change in the ACL on loans and leases by portfolio segment:

	At or for the Years ended December 31, 2023			2022			2021		
(In thousands)	Commercial Portfolio	Consumer Portfolio	Total	Commercial Portfolio	Consumer Portfolio	Total	Commercial Portfolio	Consumer Portfolio	Total
ACL on loans and leases:									
Balance, beginning of period	$ 533,125	$ 61,616	$ 594,741	$ 257,877	$ 43,310	$ 301,187	$ 312,244	$ 47,187	$ 359,431
Adoption of ASU No. 2022-02	7,704	(1,831)	5,873	—	—	—	—	—	—
Initial allowance for PCD loans and leases [1]	—	—	—	78,376	9,669	88,045	—	—	—
Provision (benefit)	138,057	5,152	143,209	268,295	4,502	272,797	(48,651)	(5,764)	(54,415)
Charge-offs	(104,509)	(12,703)	(117,212)	(82,860)	(4,662)	(87,522)	(9,437)	(9,217)	(18,654)
Recoveries	3,286	5,840	9,126	11,437	8,797	20,234	3,721	11,104	14,825
Balance, end of period	$ 577,663	$ 58,074	$ 635,737	$ 533,125	$ 61,616	$ 594,741	$ 257,877	$ 43,310	$ 301,187
Individually evaluated for credit losses	43,559	4,635	48,194	34,793	12,441	47,234	16,965	4,108	21,073
Collectively evaluated for credit losses	$ 534,104	$ 53,439	$ 587,543	$ 498,332	$ 49,175	$ 547,507	$ 240,912	$ 39,202	$ 280,114

(1) Represents the establishment of the initial reserve for PCD loans and leases, which is reported net of $48.3 million of day one charge-offs recognized at the date of acquisition in accordance with GAAP.

Credit Quality Indicators

To measure credit risk for the commercial portfolio, the Company employs a dual grade credit risk grading system for estimating the PD and LGD. The credit risk grade system assigns a rating to each borrower and to the facility, which together form a Composite Credit Risk Profile. The credit risk grade system categorizes borrowers by common financial characteristics that measure the credit strength of borrowers and facilities by common structural characteristics. The Composite Credit Risk Profile has ten grades, with each grade corresponding to a progressively greater risk of loss. Grades (1) to (6) are considered pass ratings, and grades (7) to (10) are considered criticized, as defined by the regulatory agencies. A (7) "Special Mention" rating has a potential weakness that, if left uncorrected, may result in deterioration of the repayment prospects for the asset. An (8) "Substandard" rating has a well-defined weakness that jeopardizes the full repayment of the debt. A (9) "Doubtful" rating has all of the same weaknesses as a substandard asset with the added characteristic that the weakness makes collection or liquidation in full given current facts, conditions, and values improbable. Assets classified as a (10) "Loss" rating are considered uncollectible and charged-off. Risk ratings, which are assigned to differentiate risk within the portfolio, are reviewed on an ongoing basis and revised to reflect changes in a borrower's current financial position and outlook, risk profile, and the related collateral and structural position. Loan officers review updated financial information or other loan factors on at least an annual basis for all pass rated loans to assess the accuracy of the risk grade. Criticized loans undergo more frequent reviews and enhanced monitoring.

To measure credit risk for the consumer portfolio, the most relevant credit characteristic is the FICO score, which is a widely used credit scoring system that ranges from 300 to 850. A lower FICO score is indicative of higher credit risk and a higher FICO score is indicative of lower credit risk. FICO scores are updated at least on a quarterly basis. The factors such as past due status, employment status, collateral, geography, loans discharged in bankruptcy, and the status of first lien position loans on second lien position loans, are also considered to be consumer portfolio credit quality indicators. For portfolio monitoring purposes, the Company estimates the current value of property secured as collateral for home equity and residential first mortgage lending products on an ongoing basis. The estimate is based on home price indices compiled by the S&P/Case-Shiller Home Price Indices. Real estate price data is applied to the loan portfolios taking into account the age of the most recent valuation and geographic area.

The following tables summarize the amortized cost basis of commercial loans and leases by Composite Credit Risk Profile grade and origination year:

	At December 31, 2023							
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial non-mortgage:								
Risk rating:								
Pass	$ 2,602,444	$ 4,089,327	$ 1,371,139	$ 711,362	$ 610,199	$ 952,097	$ 5,970,588	$ 16,307,156
Special mention	15,184	60,240	61,235	33,111	—	720	48,561	219,051
Substandard	48,849	104,087	23,258	28,222	44,612	30,426	79,778	359,232
Doubtful	—	8	—	—	3	25	—	36
Total commercial non-mortgage	2,666,477	4,253,662	1,455,632	772,695	654,814	983,268	6,098,927	16,885,475
Current period gross write-offs	325	7,637	1,775	512	969	4,391	—	15,609
Asset-based:								
Risk rating:								
Pass	23,007	—	—	—	3,280	34,999	1,333,271	1,394,557
Special mention	651	763	—	—	3,676	—	29,610	34,700
Substandard	—	—	—	—	1,330	—	127,254	128,584
Total asset-based	23,658	763	—	—	8,286	34,999	1,490,135	1,557,841
Current period gross write-offs	—	—	—	—	13,189	3,900	—	17,089
Commercial real estate:								
Risk rating:								
Pass	2,265,428	3,502,425	1,831,005	1,195,732	1,193,642	3,112,770	176,668	13,277,670
Special mention	850	4,675	14,463	31,405	23,443	37,688	1,210	113,734
Substandard	25,802	16,179	9,545	15,418	58,602	52,812	—	178,358
Total commercial real estate	2,292,080	3,523,279	1,855,013	1,242,555	1,275,687	3,203,270	177,878	13,569,762
Current period gross write-offs	4,632	—	12,617	3,813	2,754	38,569	—	62,385
Multi-family:								
Risk rating:								
Pass	1,597,599	1,934,100	1,041,416	442,888	595,676	1,920,618	—	7,532,297
Special mention	—	—	—	—	260	35,942	—	36,202
Substandard	—	—	—	364	11,563	7,544	—	19,471
Total multi-family	1,597,599	1,934,100	1,041,416	443,252	607,499	1,964,104	—	7,587,970
Current period gross write-offs	—	—	—	—	—	3,447	—	3,447
Equipment financing:								
Risk rating:								
Pass	335,874	297,186	232,304	176,061	183,679	69,927	—	1,295,031
Special mention	—	—	116	—	90	—	—	206
Substandard	—	9,144	8,064	6,600	4,285	5,456	—	33,549
Total equipment financing	335,874	306,330	240,484	182,661	188,054	75,383	—	1,328,786
Current period gross write-offs	—	—	—	2,633	3,304	42	—	5,979
Total commercial portfolio	$ 6,915,688	$10,018,134	$ 4,592,545	$ 2,641,163	$ 2,734,340	$ 6,261,024	$ 7,766,940	$ 40,929,834
Current period gross write-offs	$ 4,957	$ 7,637	$ 14,392	$ 6,958	$ 20,216	$ 50,349	$ —	$ 104,509

(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Total
	At December 31, 2022							
Commercial non-mortgage:								
Pass	$ 5,154,781	$ 1,952,158	$ 965,975	$ 792,977	$ 593,460	$ 780,200	$ 5,670,532	$ 15,910,083
Special mention	104,277	15,598	21,168	263	14,370	7,770	40,142	203,588
Substandard	28,203	11,704	69,954	36,604	70,634	16,852	41,917	275,868
Doubtful	—	—	—	1	—	—	3,255	3,256
Total commercial non-mortgage	5,287,261	1,979,460	1,057,097	829,845	678,464	804,822	5,755,846	16,392,795
Asset-based:								
Pass	19,659	3,901	9,424	14,413	5,163	55,553	1,551,250	1,659,363
Special mention	—	—	—	—	—	—	80,476	80,476
Substandard	—	—	—	1,491	—	—	80,312	81,803
Total asset-based	19,659	3,901	9,424	15,904	5,163	55,553	1,712,038	1,821,642
Commercial real estate:								
Pass	3,420,635	2,246,672	1,556,185	1,605,869	1,058,730	2,681,052	97,832	12,666,975
Special mention	21,878	8,995	7,264	37,570	47,419	66,652	1,000	190,778
Substandard	519	2,459	216	31,163	47,021	57,997	—	139,375
Doubtful	—	—	—	1	—	34	—	35
Total commercial real estate	3,443,032	2,258,126	1,563,665	1,674,603	1,153,170	2,805,735	98,832	12,997,163
Multi-family:								
Pass	1,992,980	1,057,705	507,065	694,066	444,564	1,748,337	51,655	6,496,372
Special mention	37,677	—	—	95	40,307	726	8,838	87,643
Substandard	—	—	382	—	12,681	24,904	—	37,967
Total multi-family	2,030,657	1,057,705	507,447	694,161	497,552	1,773,967	60,493	6,621,982
Equipment financing:								
Pass	388,641	345,792	331,419	308,441	98,874	83,264	—	1,556,431
Special mention	—	185	—	11,965	6,775	25	—	18,950
Substandard	314	16,711	18,436	5,016	5,307	7,228	—	53,012
Total equipment financing	388,955	362,688	349,855	325,422	110,956	90,517	—	1,628,393
Warehouse lending:								
Pass	—	—	—	—	—	—	641,976	641,976
Total warehouse lending	—	—	—	—	—	—	641,976	641,976
Total commercial portfolio	$ 11,169,564	$ 5,661,880	$ 3,487,488	$ 3,539,935	$ 2,445,305	$ 5,530,594	$ 8,269,185	$ 40,103,951

The following tables summarize the amortized cost basis of consumer loans by FICO score and origination year:

	At December 31, 2023							
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Residential:								
Risk rating:								
800+	$ 214,446	$ 847,009	$ 1,096,109	$ 451,307	$ 141,919	$ 910,117	$ —	$ 3,660,907
740-799	363,696	703,568	755,750	279,946	112,303	633,578	—	2,848,841
670-739	137,460	293,699	292,255	95,838	48,412	346,663	—	1,214,327
580-669	20,208	52,962	45,770	14,840	10,492	106,497	—	250,769
579 and below	6,909	52,690	11,749	1,345	128,714	51,672	—	253,079
Total residential	742,719	1,949,928	2,201,633	843,276	441,840	2,048,527	—	8,227,923
Current period gross write-offs	—	—	387	—	153	4,630	—	5,170
Home equity:								
Risk rating:								
800+	27,047	27,439	35,927	25,586	8,110	56,062	391,616	571,787
740-799	24,772	20,069	27,147	13,888	5,158	34,190	355,926	481,150
670-739	15,857	15,655	15,389	5,992	3,189	29,454	242,189	327,725
580-669	3,080	3,786	1,991	1,658	1,115	9,988	70,102	91,720
579 and below	696	1,109	1,079	576	552	6,319	34,242	44,573
Total home equity	71,452	68,058	81,533	47,700	18,124	136,013	1,094,075	1,516,955
Current period gross write-offs	—	4	81	—	104	3,114	—	3,303
Other consumer:								
Risk rating:								
800+	432	356	1,913	189	255	77	25,699	28,921
740-799	1,318	586	486	730	690	381	7,180	11,371
670-739	526	570	358	981	1,210	79	3,549	7,273
580-669	69	169	129	153	303	56	1,983	2,862
579 and below	125	97	61	11	28	1	590	913
Total other consumer	2,470	1,778	2,947	2,064	2,486	594	39,001	51,340
Current period gross write-offs	3,263	7	2	218	377	363	—	4,230
Total consumer portfolio	816,641	2,019,764	2,286,113	893,040	462,450	2,185,134	1,133,076	9,796,218
Current period gross write-offs	$ 3,263	$ 11	$ 470	$ 218	$ 634	$ 8,107	$ —	$ 12,703

	At December 31, 2022							
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Total
Residential:								
800+	$ 527,408	$ 954,568	$ 469,518	$ 160,596	$ 28,361	$ 997,409	$ —	$ 3,137,860
740-799	963,026	946,339	311,295	111,913	43,684	689,771	—	3,066,028
670-739	381,515	350,671	103,999	62,365	18,451	384,687	—	1,301,688
580-669	40,959	49,648	14,484	5,836	2,357	138,107	—	251,391
579 and below	52,464	3,693	2,057	84,032	1,299	62,908	—	206,453
Total residential	1,965,372	2,304,919	901,353	424,742	94,152	2,272,882	—	7,963,420
Home equity:								
800+	25,475	35,129	25,612	7,578	12,545	55,352	465,318	627,009
740-799	26,743	35,178	17,621	8,111	7,765	32,270	398,692	526,380
670-739	18,396	16,679	8,175	3,635	7,614	30,060	259,646	344,205
580-669	2,848	3,068	1,520	1,456	1,163	13,607	76,614	100,276
579 and below	426	386	651	661	563	4,736	27,814	35,237
Total home equity	73,888	90,440	53,579	21,441	29,650	136,025	1,228,084	1,633,107
Other consumer:								
800+	495	218	544	1,045	247	56	19,196	21,801
740-799	888	2,624	1,959	2,494	941	364	12,218	21,488
670-739	977	603	2,480	4,238	1,041	118	6,107	15,564
580-669	211	117	337	801	173	54	2,223	3,916
579 and below	169	101	29	116	36	21	707	1,179
Total other consumer	2,740	3,663	5,349	8,694	2,438	613	40,451	63,948
Total consumer portfolio	2,042,000	2,399,022	960,281	454,877	126,240	2,409,520	1,268,535	9,660,475

Collateral Dependent Loans and Leases

A non-accrual loan or lease is considered collateral dependent when the borrower is experiencing financial difficulty and when repayment is substantially expected to be provided through the operation or sale of collateral. Commercial non-mortgage loans, asset-based loans, and equipment financing loans and leases are generally secured by machinery and equipment, inventory, receivables, or other non-real estate assets, whereas commercial real estate, multi-family, residential, home equity, and other consumer loans are secured by real estate.

At December 31, 2023, and 2022, the carrying amount of collateral dependent loans was $66.1 million and $43.8 million, respectively, for commercial loans and leases, and $22.7 million and $45.2 million, respectively, for consumer loans. The ACL for collateral dependent loans and leases is individually assessed based on the fair value of the collateral less costs to sell at the reporting date. At December 31, 2023, and 2022, the collateral value associated with collateral dependent loans and leases was $93.7 million and $108.0 million, respectively.

Modifications to Borrowers Experiencing Financial Difficulty

On January 1, 2023, the Company adopted ASU 2022-02, which eliminated the accounting guidance for TDRs and enhanced the disclosure requirements for certain loan modifications when a borrower is experiencing financial difficulty. For a description of the Company's accounting policies related to the accounting and reporting of TDRs, for which comparative period information is presented, refer to Note 1: Summary of Significant Accounting Policies.

In certain circumstances, the Company enters into agreements to modify the terms of loans to borrowers experiencing financial difficulty. A variety of solutions are offered to borrowers experiencing financial difficulty, including loan modifications that may result in principal forgiveness, interest rate reductions, payment delays, term extension, or a combination thereof. The following is a description of each of these types of modifications:

- **Principal forgiveness** – The outstanding principal balance of a loan may be reduced by a specified amount. Principal forgiveness may occur voluntarily as part of a negotiated agreement with a borrower, or involuntarily through a bankruptcy proceeding.
- **Interest rate reductions** – Includes modifications where the contractual interest rate of the loan has been reduced.
- **Payment delays** – Deferral arrangements that allow borrowers to delay a scheduled loan payment to a later date. Deferred loan payments do not affect the original contracted maturity terms of the loan. Modifications that result in only an insignificant payment delay are not disclosed. The Company generally considers a payment delay of three months or less to be insignificant.
- **Term extensions** – Extensions of the original contractual maturity date of the loan.
- **Combination** – Combination includes loans that have undergone more than one of the above loan modification types.

Significant judgment is required to determine if a borrower is experiencing financial difficulty. These considerations vary by portfolio class. The Company has identified modifications to borrowers experiencing financial difficulty that are included in its disclosures as follows:

- *Commercial:* The Company evaluates modifications of loans to commercial borrowers that are rated substandard or worse, and includes the modification in its disclosures to the extent that the modification is considered other-than-insignificant.
- *Consumer:* The Company generally evaluates all modifications of loans to consumer borrowers subject to its loss mitigation program and includes them in its disclosures to the extent that the modification is considered other-than-insignificant.

The following table summarizes the amortized cost basis at December 31, 2023, of loans modified to borrowers experiencing financial difficulty, disaggregated by class and type of concession granted:

	For the year ended December 31, 2023								
(In thousands)	Interest Rate Reduction	Term Extension	Payment Delay	Combination Term Extension & Interest Rate Reduction	Combination Term Extension & Payment Delay	Combination Interest Rate Reduction & Payment Delay	Combination Term Extension, Interest Rate Reduction, & Payment Delay	Total	% of Total Class [2]
Commercial non-mortgage	$ —	$ 96,895	$ 5,858	$ 1,062	$ 28,860	$ 35	$ 425	$ 133,135	0.8 %
Asset-based	—	45,042	—	—	—	—	—	45,042	2.9
Commercial real estate	—	3,090	174	17,107	511	—	—	20,882	0.2
Equipment financing	—	357	1,284	—	—	—	—	1,641	0.1
Residential	—	186	804	136	—	—	—	1,126	—
Home equity	62	76	—	513	—	—	—	651	—
Total [1]	$ 62	$ 145,646	$ 8,120	$ 18,818	$ 29,371	$ 35	$ 425	$ 202,477	0.4 %

(1) The total amortized cost excludes accrued interest receivable of $0.7 million for the year ended December 31, 2023.

(2) Represents the total amortized cost of the loans modified as a percentage of the total period end loan balance by class.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

	For the year ended December 31, 2023
	Financial Effect
Interest Rate Reduction:	
Home equity	Reduced weighted average interest rate by 0.5%
Term Extension:	
Commercial non-mortgage	Extended term by a weighted average of 1.3 years
Asset-based	Extended term by a weighted average of 0.7 years
Commercial real estate	Extended term by a weighted average of 2.2 years
Equipment financing	Extended term by a weighted average of 4.5 years
Residential	Extended term by a weighted average of 2.8 years
Home equity	Extended term by a weighted average of 10.1 years
Payment Delay:	
Commercial non-mortgage	Provided partial payment deferrals for a weighted average of 0.5 years
Commercial real estate	Provided payment deferrals for a weighted average of 0.3 years to be received at contractual maturity
Equipment financing	Provided partial payment deferrals for a weighted average of 0.5 years
Residential	Provided payment deferrals for a weighted average of 1.0 year
Combination Term Extension & Interest Rate Reduction:	
Commercial non-mortgage	Extended term by a weighted average of 1.4 years and reduced weighted average interest rate by 1.8%
Commercial real estate	Extended term by a weighted average of 3.0 years and reduced weighted average interest rate by 2.4%
Residential	Extended term by a weighted average of 17.9 years and reduced weighted average interest rate by 0.3%
Home equity	Extended term by a weighted average of 16.8 years and reduced weighted average interest rate by 2.1%
Combination Term Extension & Payment Delay:	
Commercial non-mortgage	Extended term by a weighted average of 1.1 years and provided partial payment deferrals for a weighted average of 1.0 year
Commercial real estate	Extended term by a weighted average of 0.5 years and provided payment deferrals for a weighted average of 0.5 years
Combination Interest Rate Reduction & Payment Delay:	
Commercial non-mortgage	Reduced weighted average interest rate by 2.0% and provided payment deferrals for a weighted average of 0.5 years
Combination Term Extension, Interest Rate Reduction, & Payment Delay:	
Commercial non-mortgage	Extended term by a weighted average of 0.5 years, reduced weighted average interest rate by 2.0%, and provided payment deferrals for a weighted average of 0.5 years

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table summarizes the aging of loans that have been modified in the year ended December 31, 2023:

	At December 31, 2023					
(In thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Non-Accrual	Total
Commercial non-mortgage	$ 107,852	$ —	$ —	$ —	$ 25,283	$ 133,135
Asset-based	45,042	—	—	—	—	45,042
Commercial real estate	20,708	—	—	—	174	20,882
Equipment financing	1,284	—	—	—	357	1,641
Residential	990	—	—	—	136	1,126
Home equity	547	—	—	—	104	651
Total	$ 176,423	$ —	$ —	$ —	$ 26,054	$ 202,477

Loans made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2023, and that subsequently defaulted were not significant. For the purposes of this disclosure, a payment default is defined as 90 or more days past due and still accruing. Non-accrual loans that are modified to borrowers experiencing financial difficulty remain on non-accrual status until the borrower has demonstrated performance under the modified terms. Commitments to lend additional funds to borrowers experiencing financial difficulty whose loans had been modified were not significant.

Troubled Debt Restructurings Prior to the Adoption of ASU 2022-02

The following table summarizes information related to TDRs:

(In thousands)	At December 31, 2022
Accrual status	$ 110,868
Non-accrual status	83,954
Total TDRs	$ 194,822
Additional funds committed to borrowers in TDR status	$ 1,724
Specific reserves for TDRs included in the ACL on loans and leases:	
Commercial portfolio	$ 14,578
Consumer portfolio	3,559

The following table summarizes loans and leases modified as TDRs by class and modification type:

	Years ended December 31,			
	2022		2021	
(Dollars in thousands)	Number of Contracts	Recorded Investment [1]	Number of Contracts	Recorded Investment [1]
Commercial non-mortgage:				
Extended maturity	5	$ 291	8	$ 605
Maturity / rate combined	8	765	9	352
Other [2]	19	52,070	12	14,160
Asset-based:				
Other [2]	1	23,298	—	—
Commercial real estate:				
Extended maturity	—	—	1	183
Other [2]	—	—	1	1,582
Equipment financing:				
Other [2]	3	1,692	—	—
Residential:				
Extended maturity	2	1,185	1	99
Maturity / rate combined	2	133	2	401
Other [2]	8	3,158	3	280
Home equity:				
Extended maturity	—	—	85	1,809
Adjusted interest rate	1	74	—	—
Maturity / rate combined	21	2,623	6	1,025
Other [2]	37	2,134	22	1,481
Total TDRs	107	$ 87,423	150	$ 21,977

(1) Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs due to restructurings was not significant.

(2) Other includes covenant modifications, forbearance, discharges under Chapter 7 bankruptcy, or other concessions.

For the years ended December 31, 2022, and 2021, the portion of TDRs deemed to be uncollectible and charged-off were $14.7 million and $3.0 million for the commercial portfolio, respectively, and $0.3 million and $0.4 million for the consumer portfolio, respectively.

For the year ended December 31, 2022, there were three commercial non-mortgage, two residential, and two other consumer loans with an aggregate amortized cost of $3.6 million, $0.6 million, and $0.3 million, respectively, that were modified as TDRs within the previous twelve months and for which there was a payment default. For the year ended December 31, 2021, there were no significant loans and leases modified as TDRs within the previous twelve months and for which there was a payment default.

Note 5: Transfers and Servicing of Financial Assets

The Company originates and sells residential mortgage loans in the normal course of business, primarily to government-sponsored entities through established programs and securitizations. Residential mortgage origination fees, adjustments for changes in fair value, and any gain or loss recognized on residential mortgage loans sold are included in Mortgage banking activities on the accompanying Consolidated Statements of Income.

The following table summarizes information related to mortgage banking activities:

	Years ended December 31,		
(In thousands)	2023	2022	2021
Net gain on sale	$ 1,126	$ 580	$ 5,192
Origination fees	68	219	1,440
Fair value adjustments	46	(94)	(413)
Mortgage banking activities	$ 1,240	$ 705	$ 6,219
Proceeds from sale	$ 13,882	$ 36,335	$ 247,634
Loans sold with servicing rights retained	6,499	32,056	237,834

Under certain circumstances, the Company may decide to sell loans that were not originated or otherwise acquired with the intent to sell. During the years ended December 31, 2023, 2022, and 2021, the Company sold loans not originated for sale for proceeds of $626.0 million, $679.7 million, and $82.2 million, respectively, which resulted in net gains on sale of $0.9 million, $3.3 million, and $3.9 million, respectively.

At December 31, 2023, and 2022, the aggregate principal balance of residential mortgage loans serviced for others was $1.8 billion and $2.0 billion, respectively.

The Company may retain servicing rights on its residential mortgage loans sold in the normal course of business. Mortgage servicing rights are held at the lower of cost, net of accumulated amortization, or fair market value, and are included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets. The Company assesses mortgage servicing rights for impairment each quarter and establishes or adjusts the valuation allowance to the extent that amortized cost exceeds the estimated fair market value.

The following table presents the change in the carrying amount for mortgage servicing rights:

	Years ended December 31,		
(In thousands)	2023	2022	2021
Balance, beginning of period	$ 9,515	$ 9,237	$ 13,422
Acquired from Sterling	—	859	—
Additions	71	289	2,053
Amortization [(1)]	(1,063)	(870)	(5,593)
Adjustment to valuation allowance	—	—	(645)
Balance, end of period	$ 8,523	$ 9,515	$ 9,237

(1) The Company implemented a change in the method of amortization applied to its mortgage servicing rights during the year ended December 31, 2022, to better reflect the pattern of consumption, where estimated future cash flows are now assessed at the individual loan level as opposed to on a pooled basis.

During the fourth quarter of 2023, the Company committed to and initiated a plan to actively market and sell the majority of its mortgage servicing portfolio (over nine thousand individual mortgage loans with an aggregate unpaid principal balance of approximately $1.4 billion). The Company treated the related mortgage servicing rights as assets held for disposition and ceased recognizing amortization expense on these assets. At December 31, 2023, the carrying amount of mortgage servicing rights held for disposition was $8.3 million. The Company expects the sale to close in the first quarter of 2024.

Loan servicing fees, net of mortgage servicing rights amortization, for the years ended December 31, 2023, 2022, and 2021, totaled $4.0 million, $5.9 million, and $1.7 million, respectively, and are included in Loan and lease related fees on the accompanying Consolidated Statements of Income. Information regarding the fair value of loans held for sale and mortgage servicing rights can be found within Note 18: Fair Value Measurements.

Note 6: Premises and Equipment

The following table summarizes the components of premises and equipment:

(In thousands)	At December 31, 2023	At December 31, 2022
Land	$ 73,916	$ 73,916
Buildings and improvements	107,794	106,180
Leasehold improvements	88,065	84,477
Furniture, fixtures, and equipment	68,680	71,542
Data processing equipment and software	94,030	128,153
Property and equipment	432,485	464,268
Less: Accumulated depreciation and amortization	(186,365)	(225,152)
Property and equipment, net	246,120	239,116
ROU lease assets, net	183,441	191,068
Premises and equipment, net	$ 429,561	$ 430,184

Depreciation and amortization of property and equipment was $34.7 million, $41.7 million, and $31.4 million for the years ended December 31, 2023, 2022, and 2021, respectively, and is included in both Occupancy and Technology and equipment expense on the accompanying Consolidated Statements of Income.

The Company recognized $4.6 million and $6.3 million in losses on disposals of property and equipment for the years ended December 31, 2023, and 2022, respectively, which primarily pertained to retired internal use software and construction in progress due to the Company's decision to stop further project development. Losses on disposal of property and equipment for the year ended December 31, 2021, were not significant.

Additional information regarding ROU lease assets can be found within Note 7: Leasing.

Property Held for Sale

Assets held for disposition are included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets.

During the year ended December 31, 2022, the Company launched and completed a corporate real estate consolidation strategy in which the Company closed 14 locations in order to reduce its corporate real estate facility square footage by approximately 45%. In connection with this corporate real estate consolidation plan, in the third quarter of 2022, the Company had arranged to sell its New Britain, Connecticut facility, which comprised of land, buildings, and improvements, within the next twelve months. This resulted in a $1.8 million write-down to the fair market value of the property and the subsequent transfer of the property, which was valued at $4.8 million, to assets held for disposition.

The sale of the New Britain property closed during the third quarter of 2023. The Company received cash proceeds of $4.1 million and recognized a loss on sale of $0.7 million.

Note 7: Leasing

Lessor Arrangements

The Company leases certain types of machinery and equipment to its customers through sales-type and direct financing leases as part of its equipment financing portfolio. These leases generally have remaining lease terms of one to ten years, some of which include renewal options and/or options for the lessee to purchase the lease near or at the end of the lease term. The Company recognized interest income from its sales-type and direct financing lessor activities of $18.7 million, $15.4 million, and $7.5 million for the years ended December 31, 2023, 2022, and 2021, respectively. The Company does not have any significant operating leases in which it is the lessor. Additional information regarding the Company's equipment financing portfolio can be found within Note 4: Loans and Leases.

The following table summarizes the components of the Company's net investment in its sales-type and direct financing leases:

(In thousands)	At December 31, 2023	At December 31, 2022
Lease receivables	$ 347,827	$ 330,690
Unguaranteed residual values	60,747	100,368
Total net investment	$ 408,574	$ 431,058

The following table reconciles undiscounted future lease payments to the total sales-type and direct financing leases' net investment:

(In thousands)	At December 31, 2023
2024	$ 116,506
2025	107,211
2026	98,157
2027	51,058
2028	31,179
Thereafter	44,911
Total lease payments receivable	449,022
Present value adjustment	(40,448)
Total net investment	$ 408,574

Lessee Arrangements

The Company enters into operating leases in the normal course of business, primarily for office space, banking centers, and other operational activities. These leases generally have remaining lease terms of one to fifteen years. The Company does not have any finance leases in which it is the lessee, nor any significant sub-lease arrangements.

The following table summarizes the Company's ROU lease assets and operating lease liabilities:

(In thousands)	Consolidated Balance Sheet Line Item	At December 31, 2023	At December 31, 2022
ROU lease assets	Premises and equipment, net	$ 183,441	$ 191,068
Operating lease liabilities	Accrued expenses and other liabilities	222,439	239,281

ROU lease asset impairment charges were zero, $23.1 million and $1.2 million for the years ended December 31, 2023, 2022, and 2021, respectively, and are included in Occupancy on the accompanying Consolidated Statements of Income. The ROU lease asset impairment charge recognized for the year ended December 31, 2022, pertained to the Company's corporate real estate consolidation plan, discussed previously in Note 6: Premises and Equipment, and was calculated as the difference between the estimated fair value of the assets determined using a discounted cash flow technique, relative to their book value.

The following table summarizes the components of operating lease expense and other relevant information:

(In thousands)	At or for the Years ended December 31, 2023	2022	2021
Lease Cost:			
Operating and variable lease costs	$ 38,497	$ 44,654	$ 30,936
Sublease income	(223)	(1,383)	(554)
Total operating lease expense	$ 38,274	$ 43,271	$ 30,382
Other Information:			
Cash paid for amounts included in the measurement of operating lease liabilities	$ 37,615	$ 44,767	$ 30,487
ROU lease assets obtained in exchange for operating lease liabilities [(1)]	22,989	27,897	15,226
Weighted-average remaining lease term (in years)	7.46	7.72	7.50
Weighted-average discount rate	2.96 %	2.65 %	3.04 %

(1) The amount for the year ended December 31, 2022, excludes ROU lease assets acquired from Sterling in the merger.

The following table reconciles undiscounted future lease payments to total operating lease liabilities:

(In thousands)	At December 31, 2023
2024	$ 38,575
2025	39,449
2026	35,665
2027	31,128
2028	26,999
Thereafter	81,918
Total operating lease payments	253,734
Present value adjustment	(31,295)
Total operating lease liabilities	$ 222,439

Note 8: Goodwill and Other Intangible Assets

Goodwill

The following table summarizes changes in the carrying amount of goodwill:

(In thousands)	At December 31, 2023	At December 31, 2022
Balance, beginning of period	$ 2,514,104	$ 538,373
interLINK acquisition	143,216	—
Sterling merger [1]	(25,561)	1,939,765
Bend acquisition [1]	(294)	35,966
Balance, end of period	$ 2,631,465	$ 2,514,104

(1) The 2023 changes reflect adjustments recorded within the one-year measurement period, which were identified in the first quarter as a result of extended information gathering and new information that arose from integration activities. The allocation of the purchase price and goodwill calculations for both the Sterling merger and Bend acquisition were final as of March 31, 2023.

Information regarding goodwill by reportable segment can be found within Note 21: Segment Reporting.

Other Intangible Assets

The following table summarizes other intangible assets:

	At December 31,					
	2023			2022		
(In thousands)	Gross Carrying Amount [1]	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposits	$ 146,037	$ 53,986	$ 92,051	$ 146,037	$ 36,710	$ 109,327
Customer relationships [1]	151,000	43,116	107,884	115,000	24,985	90,015
Non-competition agreement [1]	4,000	800	3,200	—	—	—
Other intangible assets	$ 301,037	$ 97,902	$ 203,135	$ 261,037	$ 61,695	$ 199,342

(1) The increase in the gross carrying amount is attributed to the acquisition of interLINK during the first quarter of 2023, in which the Company identified and recorded a $36.0 million intangible asset for broker dealer relationships, which is being amortized on an accelerated basis over an estimated useful life of 10 years, and a $4.0 million non-competition agreement, which is being amortized on a straight-line basis over an estimated useful life of 5 years.

The remaining estimated aggregate future amortization expense for other intangible assets is as follows:

(In thousands)	At December 31, 2023
2024	$ 29,618
2025	25,956
2026	25,565
2027	25,565
2028	23,216
Thereafter	73,215

Note 9: Income Taxes

Income tax expense reflects the following expense (benefit) components:

(In thousands)	Years ended December 31, 2023	2022	2021
Current:			
Federal	$ 219,548	$ 170,779	$ 109,621
State and local	50,750	52,579	20,374
Total current	270,298	223,358	129,995
Deferred:			
Federal	(43,615)	(45,421)	(9,844)
State and local	(10,019)	(24,243)	4,846
Total deferred	(53,634)	(69,664)	(4,998)
Total federal	175,933	125,358	99,777
Total state and local	40,731	28,336	25,220
Income tax expense	$ 216,664	$ 153,694	$ 124,997

Included in the Company's income tax expense for the years ended December 31, 2023, 2022, and 2021, are net tax credits of approximately $11.9 million, $14.0 million, and $2.6 million, respectively. These amounts relate primarily to LIHTC investments and include associated SALT credits and benefits.

Also included in the Company's income tax expense for the years ended December 31, 2023, 2022, and 2021 are benefits from operating loss carryforwards of $0.2 million, $10.3 million, and $0.4 million, respectively. The 2022 amount includes a $9.9 million benefit related to a reduction in the Company's beginning-of-year valuation allowance for its SALT DTAs.

The following table reflects a reconciliation of reported income tax expense to the amount that would result from applying the federal statutory rate of 21.0%:

	Years ended December 31, 2023		2022		2021	
(In thousands)	Amount	Percent	Amount	Percent	Amount	Percent
Income tax expense at federal statutory rate	$ 227,746	21.0 %	$ 167,575	21.0 %	$ 112,111	21.0 %
Reconciliation to reported income tax expense:						
SALT expense, net of federal	32,177	3.0	32,259	4.1	19,924	3.7
Tax-exempt interest income, net	(44,473)	(4.1)	(35,371)	(4.4)	(6,814)	(1.3)
Increase in cash surrender value of life insurance	(5,469)	(0.5)	(6,122)	(0.8)	(3,030)	(0.6)
Non-deductible FDIC deposit insurance premiums	10,693	1.0	5,581	0.7	2,064	0.4
Low income housing tax credits and other benefits, net	(3,866)	(0.4)	(7,627)	(1.0)	(615)	(0.1)
Non-deductible compensation expense	4,167	0.4	7,948	1.0	786	0.1
Non-deductible merger-related expenses, excluding compensation	45	—	2,717	0.3	3,451	0.7
DTA valuation allowance adjustment, net	(368)	—	(9,874)	(1.2)	—	—
Other, net	(3,988)	(0.4)	(3,392)	(0.4)	(2,880)	(0.5)
Income tax expense and effective tax rate	$ 216,664	20.0 %	$ 153,694	19.3 %	$ 124,997	23.4 %

The following table reflects the significant components of DTAs, net:

(In thousands)	At December 31, 2023	2022
Deferred tax assets:		
ACL on loans and leases	$ 171,870	$ 161,932
Net operating loss and credit carry forwards	68,103	72,035
Compensation and employee benefit plans	46,670	55,093
Lease liabilities under operating leases	60,331	64,899
Net unrealized loss on available-for-sale securities	191,922	233,978
Other	72,546	38,314
Gross deferred tax assets	611,442	626,251
Valuation allowance	(28,746)	(29,176)
Total deferred tax assets, net of valuation allowance	$ 582,696	$ 597,075
Deferred tax liabilities:		
ROU assets under operating leases	$ 49,754	$ 51,822
Equipment financing leases	54,300	74,295
Goodwill and other intangible assets	59,817	56,223
Purchase accounting and fair value adjustments	15,527	11,529
Other	34,086	31,572
Gross deferred tax liabilities	213,484	225,441
Deferred tax assets, net	$ 369,212	$ 371,634

The Company's net DTAs decreased by $2.4 million during 2023, reflecting a $49.7 million expense allocated directly to (AOCL) and a $7.9 million net DTL recognized as part of purchase accounting adjustments related to the merger with Sterling and acquisition of Bend, partially offset by the $53.6 million deferred tax benefit and a $1.6 million benefit recorded to equity upon the adoption of ASU 2022-02 .

The valuation allowance of $28.7 million at December 31, 2023, is primarily attributable to SALT net operating loss carryforwards, as compared to $29.2 million at December 31, 2022, consisting of approximately $28.6 million attributable to SALT net operating loss carryforwards and $0.6 million of federal credit carryforwards. The net decrease in the valuation allowance during 2023 primarily reflects a reduction in the beginning-of-year valuation allowance related to a change in management's estimate about the realizability of the Company's federal credits.

SALT net operating loss carryforwards approximated $1.1 billion at December 31, 2023, including those related to the Sterling merger and Bend acquisition, and are generally scheduled to expire in varying amounts during tax years 2024 through 2032. Federal net operating loss carryforwards of approximately $16.8 million and federal credit carryforwards of $0.4 million at December 31, 2023, related to the Bend acquisition are subject to annual limitations on utilization, with the net operating losses able to be carried forward indefinitely and the credits scheduled to expire in varying amounts between 2038 and 2042. The valuation allowance reflects approximately $486.6 million of those SALT net operating loss carryforwards that are estimated to expire unused.

Management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize its total DTAs, net of the valuation allowance. Although taxable income in prior years is no longer able to be included as a source of taxable income, due to the general repeal of the carryback of net operating losses under the Tax Cuts and Jobs Act of 2017, significant positive evidence remains in support of management's conclusion regarding the realizability of the Company's DTAs, including projected future reversals of existing taxable temporary differences and book-taxable income levels in recent years and projected in future years. There can, however, be no assurance that any specific level of future income will be generated or that the Company’s DTAs will ultimately be realized.

DTLs of $63.2 million at both December 31, 2023, and 2022, have not been recognized for certain thrift bad-debt reserves, established before 1988, that would become taxable upon the occurrence of certain events: distributions by the Bank in excess of certain earnings and profits; the redemption of the Bank’s stock; or liquidation. The Company does not expect any of those events to occur. At both December 31, 2023, and 2022, the cumulative taxable temporary differences applicable to those reserves approximated $233.1 million.

The following table reflects a reconciliation of the beginning and ending balances of UTBs:

	Years ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Beginning balance	$ 9,875	$ 4,249	$ 4,252
Additions as a result of tax positions taken during the current year	359	223	294
Additions as a result of tax positions taken during prior years	4,255	8,807	434
Reductions as a result of tax positions taken during prior years	—	(503)	(186)
Reductions relating to settlements with taxing authorities	—	(2,110)	(267)
Reductions as a result of lapse of statute of limitation periods	(653)	(791)	(278)
Ending balance	$ 13,836	$ 9,875	$ 4,249

At December 31, 2023, 2022, and 2021, there were $12.4 million, $9.1 million, and $3.5 million, respectively, of UTBs that if recognized would affect the effective tax rate.

The Company recognizes interest and penalties related to UTBs, where applicable, in income tax expense. The Company recognized expense of $1.8 million, $0.1 million, and $0.3 million during the years ended December 31, 2023, 2022, and 2021, respectively. At December 31, 2023 and 2022, the Company had accrued interest and penalties related to UTBs of $3.8 million and $2.0 million respectively.

The Company has determined it is reasonably possible that its total UTBs could decrease by between $0.4 million and $9.3 million by the end of 2024 as a result of potential lapses in statute-of-limitation periods and/or potential settlements with taxing authorities, primarily concerning various depreciation and state and local apportionment and tax-base determinations.

The Company's federal tax returns for all years subsequent to 2018 remain open to examination, including the carryback of a Sterling 2019 net operating loss under the CARES Act in 2020 to tax years 2014 and 2016, currently under audit by the Internal Revenue Service. The Company's tax returns filed in its other principal tax jurisdictions of Connecticut, New York State, New York City, Massachusetts and New Jersey for years subsequent to 2014 are either under or remain open to examination.

Note 10: Deposits

The following table summarizes deposits by type:

(In thousands)	At December 31, 2023	At December 31, 2022
Non-interest-bearing:		
Demand	$ 10,732,516	$ 12,974,975
Interest-bearing:		
Health savings accounts	8,287,889	7,944,892
Checking	8,994,095	9,237,529
Money market	17,662,826	11,062,652
Savings	6,642,499	8,673,343
Time deposits	8,464,459	4,160,949
Total interest-bearing	50,051,768	41,079,365
Total deposits	$ 60,784,284	$ 54,054,340
Time deposits, money market, and interest-bearing checking obtained through brokers [1]	$ 3,673,733	$ 1,964,873
Aggregate amount of time deposit accounts that exceeded the FDIC limit	1,221,887	1,894,950
Demand deposit overdrafts reclassified as loan balances	10,432	8,721

(1) Excludes $5.7 billion of interLINK money market sweep deposits at December 31, 2023.

The following table summarizes the scheduled maturities of time deposits:

(In thousands)	At December 31, 2023
2024	$ 8,217,683
2025	138,769
2026	53,807
2027	32,865
2028	21,335
Total time deposits	$ 8,464,459

Note 11: Borrowings

The following table summarizes securities sold under agreements to repurchase and other borrowings:

	At December 31,			
	2023		2022	
(In thousands)	Total Outstanding	Rate	Total Outstanding	Rate
Securities sold under agreements to repurchase [1]	$ 358,387	3.43 %	$ 282,005	0.11 %
Federal funds purchased	100,000	5.48	869,825	4.44
Securities sold under agreements to repurchase and other borrowings	$ 458,387	3.88 %	$ 1,151,830	3.38 %

(1) The Company has the right of offset with respect to all repurchase agreement assets and liabilities. Total securities sold under agreements to repurchase are presented as gross transactions, as only liabilities are outstanding for the periods presented.

Securities sold under agreements to repurchase, all of which have an original maturity of one year or less for the periods presented, are used as a source of borrowed funds and are collateralized by Agency MBS and Corporate debt. The Company's repurchase agreement counterparties are limited to primary dealers in government securities, and commercial and municipal customers through the Corporate Treasury function. The Company may also purchase unsecured term and overnight federal funds to satisfy its short-term liquidity needs.

The following table summarizes information for FHLB advances:

	At December 31,			
	2023		2022	
(In thousands)	Total Outstanding	Weighted-Average Contractual Coupon Rate	Total Outstanding	Weighted-Average Contractual Coupon Rate
Maturing within 1 year	$ 2,350,000	5.53 %	$ 5,450,187	4.40 %
After 1 but within 2 years	—	—	—	—
After 2 but within 3 years	—	—	—	—
After 3 but within 4 years	235	—	—	—
After 4 but within 5 years	228	2.75	252	—
After 5 years	9,555	2.07	10,113	2.09
FHLB advances	$ 2,360,018	5.52 %	$ 5,460,552	4.39 %
Aggregate market value of assets pledged as collateral	$ 20,734,035		$ 13,692,379	
Remaining borrowing capacity at FHLB	12,535,423		4,291,326	

The Bank may borrow up to the amount of eligible mortgages and securities that have been pledged as collateral to secure FHLB advances, which includes certain residential and commercial real estate loans, home equity lines of credit, CMBS, Agency MBS, Agency CMO, and U.S. Treasury notes. The Bank was in compliance with its FHLB collateral requirements at both December 31, 2023, and 2022.

The following table summarizes long-term debt:

(In thousands)	At December 31, 2023	2022
4.375% Senior fixed-rate notes due February 15, 2024 [2]	$ 132,550	$ 150,000
4.100 % Senior fixed-rate notes due March 25, 2029 [3]	328,104	333,458
4.000% Subordinated fixed-to-floating rate notes due December 30, 2029	274,000	274,000
3.875 % Subordinated fixed-to-floating rate notes due November 1, 2030	225,000	225,000
Junior subordinated debt Webster Statutory Trust I floating-rate notes due September 17, 2033 [4]	77,320	77,320
Total senior and subordinated debt	1,036,974	1,059,778
Discount on senior fixed-rate notes	(537)	(756)
Debt issuance cost on senior fixed-rate notes	(1,419)	(1,824)
Premium on subordinated fixed-to-floating rate notes	13,802	15,930
Long-term debt [1]	$ 1,048,820	$ 1,073,128

(1) The classification of debt as long-term is based on the initial terms of greater than one year as of the date of issuance.

(2) The Company repurchased and retired $17.5 million of these senior notes at 96 cents on the dollar in May 2023. The resulting $0.7 million gain recognized on extinguishment is included in Other income on the accompanying Consolidated Statements of Income for the year ended December 31, 2023.

(3) The Company de-designated its fair value hedging relationship on these senior notes in 2020. A basis adjustment of $28.1 million and $33.5 million at December 31, 2023, and 2022, respectively, is included in the carrying value and is being amortized over the remaining life of the senior notes.

(4) The interest rate on the Webster Statutory Trust I floating-rate notes varies quarterly based on 3-month SOFR plus a credit spread adjustment plus a market spread of 2.95%. Prior to LIBOR cessation on July 1, 2023, the notes varied quarterly based on 3-month LIBOR plus a market spread of 2.95%. The interest rates yielded 8.59% and 7.69% at December 31, 2023, and 2022, respectively.

The Company assumed $274.0 million in aggregate principal amount of 4.00% fixed-to-floating rate subordinated notes due on December 30, 2029 (the 2029 subordinated notes), in connection with the Sterling merger. The 2029 subordinated notes were issued by Sterling on December 16, 2019, through a public offering, and are redeemable at a price equal to the total principal amount plus any accrued and unpaid interest thereon, in whole or in part by the Company on December 30, 2024, or any interest payment date thereafter, upon the occurrence of certain specified events. Until December 30, 2024, the interest rate is fixed at 4.00% and payable semi-annually in arrears on each June 30 and December 30. From and including December 30, 2024, through the earlier of maturity or redemption, the 2029 subordinated notes will bear interest at a floating rate per annum equal to three-month term SOFR plus 253 basis points, payable quarterly in arrears on March 30, June 30, September 30, and December 30 of each year, commencing on March 30, 2025.

The Company also assumed $225.0 million in aggregate principal amount of 3.875% fixed-to-floating rate subordinated notes due on November 1, 2030 (the 2030 subordinated notes), in connection with the Sterling merger. The 2030 subordinated notes were issued by Sterling on October 30, 2020, through a public offering, and are redeemable at a price equal to the total principal amount plus any accrued and unpaid interest thereon, in whole or in part by the Company on November 1, 2025, or any interest payment date thereafter, upon the occurrence of certain specified events. Until November 1, 2025, the interest rate is fixed at 3.875% and payable semi-annually in arrears on each May 1 and November 1. From and including November 1, 2025, through the earlier of maturity or redemption, the 2030 subordinated notes will bear interest at a floating rate per annum equal to three-month term SOFR plus 369 basis points, payable quarterly in arrears on February 1, May 1, August 1, and November 1 of each year, commencing on February 1, 2026.

The Company recorded the 2029 and 2030 subordinated notes at their estimated fair value of $281.0 million and $235.9 million, respectively, on January 31, 2022. The corresponding purchase premiums are being amortized into interest expense over the remaining lives of the subordinated notes.

Note 12: Stockholders' Equity

The following table summarizes the changes in shares of preferred and common stock issued and common stock held as treasury shares for the year ended December 31, 2023:

	Preferred Stock Series F Issued	Preferred Stock Series G Issued	Common Stock Issued	Treasury Stock Held	Common Stock Outstanding
Balance, beginning of period	6,000	135,000	182,778,045	8,770,472	174,007,573
Restricted stock compensation plan activity	—	—	—	(605,684)	605,684
Stock options exercised	—	—	—	(75,848)	75,848
Common stock repurchase program	—		—	2,667,149	(2,667,149)
Balance, end of period	6,000	135,000	182,778,045	10,756,089	172,021,956

Repurchases of Common Stock

The Company maintains a common stock repurchase program, which was approved by the Board of Directors on October 24, 2017, that authorizes management to purchase shares of Webster common stock in open market or privately negotiated transactions, through block trades, and pursuant to any adopted predetermined trading plan subject to the availability and trading price of stock, general market conditions, alternative uses for capital, regulatory considerations, and the Company's financial performance. On April 27, 2022, the Board of Directors increased the Company's authority to repurchase shares of Webster common stock under the repurchase program by $600.0 million in shares. During the year ended December 31, 2023, the Company repurchased 2,667,149 shares under the repurchase program at a weighted-average price of $40.49 per share, totaling $108.0 million. At December 31, 2023, the Company's remaining purchase authority was $293.4 million.

In addition, the Company will periodically acquire Webster common stock outside of the repurchase program related to employee stock compensation plan activity. During the year ended December 31, 2023, the Company repurchased 315,729 shares at a weighted-average price of $51.48 per share, totaling $16.3 million for this purpose.

Contribution to Charitable Foundation

On July 8, 2022, the Company made an unrestricted and unconditional contribution of Webster common shares to the Webster Bank Charitable Foundation, a nonprofit charitable organization with a focus on education and community development that serves communities in the Greater New York City, Lower Hudson Valley, Long Island, and New Jersey areas. The fair value of these shares based on their closing price on the contribution date was $10.5 million.

Change in Common Shares Authorized

The number of authorized shares of Webster common stock was increased from 200.0 million shares to 400.0 million shares on January 31, 2022, in connection with the completion of the merger with Sterling and in accordance with the merger agreement.

Series F Preferred Stock

On December 12, 2017, the Company closed on a public offering of 6,000,000 depositary shares, each representing 1/1000th ownership interest in a share of 5.25% Series F Non-Cumulative Preferred Perpetual Stock, par value $0.01 per share, with a liquidation preference equal to $25,000 per share (the Series F Preferred Stock).

Dividends on the Series F Preferred Stock are non-cumulative and are not mandatory. If declared by the Board of Directors, or a duly authorized committee thereof, the Company will pay dividends quarterly in arrears on the fifteenth day of each March, June, September, and December, at a rate equal to 5.25% of the $25,000 per share liquidation amount per annum. If a dividend on the Series F Preferred Stock is not declared in respect of a dividend period, a dividend will not accrue and the Company has no obligation to pay any dividend for that period, regardless as to whether a dividend is declared for a future period on the Series G Preferred Stock or any other series of Webster preferred stock. The terms of the Series F Preferred Stock prohibit the Company from declaring or paying any cash dividends on Webster common stock, and from repurchasing, redeeming, or otherwise acquiring Webster common stock or any other series of Webster preferred stock to which it ranks on parity with, unless dividends have been declared and paid in full on the Series F Preferred Stock for the most recent dividend period.

The Series F Preferred Stock is perpetual and has no maturity date, and is not subject to any mandatory redemption, sinking fund, or other similar provisions. Except with respect to certain non-payment events and certain changes to the terms of the Series F Preferred Stock, holders have no voting rights nor preemptive or conversion rights. The Series F Preferred Stock is not convertible or exchangeable for shares of any other class of Webster stock.

Series G Preferred Stock

On January 31, 2022, in connection with the Sterling merger, the Company registered and issued 5,400,000 depositary shares, each representing 1/40th interest in a share of 6.50% Series G Non-Cumulative Preferred Perpetual Stock, par value $0.01 per share, with a liquidation preference equal to $1,000 per share (the Series G Preferred Stock). The Series G Preferred Stock ranks on parity with the Series F Preferred Stock and senior to Webster common stock, with respect to the payment of dividends and distributions upon the liquidation, dissolution, or winding-up of the Company.

Dividends on the Series G Preferred Stock are non-cumulative and are not mandatory. If declared by the Board of Directors, or a duly authorized committee thereof, the Company will pay dividends quarterly in arrears on the fifteenth day of each January, April, July, and October, at a rate equal to 6.50% of the $1,000 per share liquidation amount per annum. If a dividend on the Series F Preferred Stock is not declared in respect of a dividend period, a dividend will not accrue and the Company has no obligation to pay any dividend for that period, regardless as to whether a dividend is declared for a future period on the Series G Preferred Stock or any other series of Webster preferred stock. The terms of the Series G Preferred Stock prohibit the Company from declaring or paying any cash dividends on Webster common stock, and from repurchasing, redeeming or otherwise acquiring Webster common stock or any other series of Webster preferred stock to which it ranks on parity with, unless dividends have been declared and paid in full on the Series G Preferred Stock for the most recent dividend period.

The Series G Preferred Stock is perpetual and has no maturity date, and is not subject to any mandatory redemption, sinking fund, or other similar provisions. Except with respect to certain non-payment events and certain changes to the terms of the Series G Preferred Stock, holders have no voting rights, nor preemptive or conversion rights. The Series G Preferred Stock is not convertible or exchangeable for shares of any other class of Webster stock.

Preferred Stock Redemptions

The Company may redeem either the Series F Preferred Stock or the Series G Preferred Stock at its option, in whole or in part, subject to the approval of Federal Reserve Board, on any dividend payment date, or in whole but not in part, upon the occurrence of a regulatory capital treatment event, at a redemption price equal to the liquidation preference plus any declared and unpaid dividends, without accumulation of any undeclared dividends. The Company has no plans to redeem either its Series F Preferred Stock or its Series G Preferred stock, in whole or in part, as of the date of this Annual Report on Form 10-K.

Note 13: Accumulated Other Comprehensive (Loss) Income, Net of Tax

The following table summarizes the changes in each component of accumulated other comprehensive (loss) income, net of tax:

(In thousands)	Investment Securities Available-For-Sale	Derivative Instruments	Defined Benefit Pension and Other Postretirement Benefit Plans	Total
Balance at December 31, 2020	$ 67,424	$ 19,918	$ (45,086)	$ 42,256
Other comprehensive (loss) income before reclassifications	(62,888)	(17,109)	8,876	(71,121)
Amounts reclassified from accumulated other comprehensive income (loss)	—	3,261	3,024	6,285
Other comprehensive (loss) income, net of tax	(62,888)	(13,848)	11,900	(64,836)
Balance at December 31, 2021	4,536	6,070	(33,186)	(22,580)
Other comprehensive (loss) before reclassifications	(640,656)	(17,810)	(13,350)	(671,816)
Amounts reclassified from accumulated other comprehensive income (loss)	4,960	2,866	1,610	9,436
Other comprehensive (loss), net of tax	(635,696)	(14,944)	(11,740)	(662,380)
Balance at December 31, 2022	(631,160)	(8,874)	(44,926)	(684,960)
Other comprehensive income before reclassifications	86,391	4,066	11,794	102,251
Amounts reclassified from accumulated other comprehensive (loss)	27,319	1,939	2,880	32,138
Other comprehensive income, net of tax	113,710	6,005	14,674	134,389
Balance at December 31, 2023	$ (517,450)	$ (2,869)	$ (30,252)	$ (550,571)

The following table further summarizes the amounts reclassified from accumulated other comprehensive (loss) income:

Accumulated Other Comprehensive (Loss) Income Components	Years ended December 31, 2023	2022	2021	Associated Line Item in the Consolidated Statement Of Income
(In thousands)				
Investment securities available-for-sale:				
Net unrealized holding (losses)	$ (37,356)	$ (6,751)	$ —	(Loss) on sale of investment securities [(1)]
Tax benefit	10,037	1,791	—	Income tax expense
Net of tax	$ (27,319)	$ (4,960)	$ —	
Derivative instruments:				
Hedge terminations	$ (310)	$ (306)	$ (306)	Interest expense
Premium amortization	(2,349)	(3,626)	(4,109)	Interest income
Tax benefit	720	1,066	1,154	Income tax expense
Net of tax	$ (1,939)	$ (2,866)	$ (3,261)	
Defined benefit pension and other postretirement benefit plans:				
Actuarial net loss amortization	$ (2,083)	$ (2,210)	$ (4,102)	Other expense
Other	(1,869)	—	—	Other expense
Tax benefit	1,072	600	1,078	Income tax expense
Net of tax	$ (2,880)	$ (1,610)	$ (3,024)	

(1) Losses recognized on the sale of investment securities are generally included as a component of non-interest income, unless any portion or all of the loss is attributed to a decline in credit quality, in which the amount recognized is then included in the Provision for credit losses. During the years ended December 31, 2023, and 2022, $3.8 million and zero of the total loss recognized on the sale of investment securities was included in the Provision for credit losses, respectively.

The following tables summarize each component of other comprehensive income (loss) and the related tax effects:

(In thousands)	Year ended December 31, 2023 Amount Before Tax	Tax Benefit (Expense)	Amount Net of Tax
Investment securities available-for-sale:			
Net unrealized holding gains arising during the year	$ 118,410	$ (32,019)	$ 86,391
Reclassification adjustment for net realized losses included in net income	37,356	(10,037)	27,319
Total investment securities available-for-sale	155,766	(42,056)	113,710
Derivative instruments:			
Net unrealized gains arising during the year	5,578	(1,512)	4,066
Reclassification adjustment for net realized losses included in net income	2,659	(720)	1,939
Total derivative instruments	8,237	(2,232)	6,005
Defined benefit pension and other postretirement benefit plans:			
Net actuarial gain arising during the year	16,183	(4,389)	11,794
Reclassification adjustment for actuarial net loss amortization and other included in net income	3,952	(1,072)	2,880
Total defined benefit pension and postretirement benefit plans	20,135	(5,461)	14,674
Other comprehensive income, net of tax	$ 184,138	$ (49,749)	$ 134,389

(In thousands)	Year ended December 31, 2022 Amount Before Tax	Tax Benefit (Expense)	Amount Net of Tax
Investment securities available-for-sale:			
Net unrealized holding (losses) arising during the year	$ (878,366)	$ 237,710	$ (640,656)
Reclassification adjustment for net realized losses included in net income	6,751	(1,791)	4,960
Total investment securities available-for-sale	(871,615)	235,919	(635,696)
Derivative instruments:			
Net unrealized (losses) arising during the year	(24,440)	6,630	(17,810)
Reclassification adjustment for net realized losses included in net income	3,932	(1,066)	2,866
Total derivative instruments	(20,508)	5,564	(14,944)
Defined benefit pension and other postretirement benefit plans:			
Net actuarial (loss) arising during the year	(18,319)	4,969	(13,350)
Reclassification adjustment for net actuarial loss amortization included in net income	2,210	(600)	1,610
Total defined benefit pension and postretirement benefit plans	(16,109)	4,369	(11,740)
Other comprehensive (loss), net of tax	$ (908,232)	$ 245,852	$ (662,380)

(In thousands)	Year ended December 31, 2021 Amount Before Tax	Tax Benefit (Expense)	Amount Net of Tax
Investment securities available-for-sale:			
Net unrealized holding (losses) arising during the year	$ (85,368)	$ 22,480	$ (62,888)
Total investment securities available-for-sale	(85,368)	22,480	(62,888)
Derivative instruments:			
Net unrealized (losses) arising during the year	(23,216)	6,107	(17,109)
Reclassification adjustment for net realized losses included in net income	4,415	(1,154)	3,261
Total derivative instruments	(18,801)	4,953	(13,848)
Defined benefit pension and other postretirement benefit plans:			
Net actuarial gain arising during the year	12,052	(3,176)	8,876
Reclassification adjustment for net actuarial loss amortization included in net income	4,102	(1,078)	3,024
Total defined benefit pension and postretirement benefit plans	16,154	(4,254)	11,900
Other comprehensive (loss), net of tax	$ (88,015)	$ 23,179	$ (64,836)

Note 14: Regulatory Capital and Restrictions

Capital Requirements

The Holding Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and/or the regulatory framework for prompt corrective action (applies to the Bank only), both the Holding Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated pursuant to regulatory directives. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by Basel III to ensure capital adequacy require the Holding Company and the Bank to maintain minimum ratios of CET1 Risk-Based Capital, Tier 1 Risk-Based Capital, Total Risk-Based Capital, and Tier 1 Leverage Capital, as defined in the regulations. CET1 capital consists of common stockholders' equity less deductions for goodwill and other intangible assets, and certain deferred tax adjustments. At the time of initial adoption of the Basel III Capital Rules, the Company had elected to opt-out of the requirement to include certain components of AOCI in CET1 capital. Tier 1 capital consists of CET1 capital plus preferred stock. Total capital consists of Tier 1 capital and Tier 2 capital, as defined in the regulations. Tier 2 capital includes qualifying subordinated debt and the permissible portion of the ACL.

At December 31, 2023, and 2022, both the Holding Company and the Bank were classified as well-capitalized. Management believes that no events or changes have occurred subsequent to year-end that would change this designation.

The following table provides information on the regulatory capital ratios for the Holding Company and the Bank:

	At December 31, 2023					
	Actual [1]		Minimum Requirement		Well Capitalized	
(In thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Webster Financial Corporation						
CET1 Risk-Based Capital	$ 6,188,433	11.11 %	$ 2,507,190	4.5 %	$ 3,621,497	6.5 %
Tier 1 Risk-Based Capital	6,472,412	11.62	3,342,920	6.0	4,457,227	8.0
Total Risk-Based Capital	7,643,423	13.72	4,457,227	8.0	5,571,534	10.0
Tier 1 Leverage Capital	6,472,412	9.06	2,857,890	4.0	3,572,362	5.0
Webster Bank						
CET1 Risk-Based Capital	$ 6,913,443	12.43 %	$ 2,502,835	4.5 %	$ 3,615,206	6.5 %
Tier 1 Risk-Based Capital	6,913,443	12.43	3,337,113	6.0	4,449,484	8.0
Total Risk-Based Capital	7,494,332	13.47	4,449,484	8.0	5,561,855	10.0
Tier 1 Leverage Capital	6,913,443	9.69	2,855,212	4.0	3,569,015	5.0

	At December 31, 2022					
	Actual [1]		Minimum Requirement		Well Capitalized	
(In thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Webster Financial Corporation						
CET1 Risk-Based Capital	$ 5,822,369	10.71 %	$ 2,446,344	4.5 %	$ 3,533,608	6.5 %
Tier 1 Risk-Based Capital	6,106,348	11.23	3,261,792	6.0	4,349,056	8.0
Total Risk-Based Capital	7,203,029	13.25	4,349,056	8.0	5,436,320	10.0
Tier 1 Leverage Capital	6,106,348	8.95	2,730,212	4.0	3,412,765	5.0
Webster Bank						
CET1 Risk-Based Capital	$ 6,661,504	12.28 %	$ 2,442,058	4.5 %	$ 3,527,417	6.5 %
Tier 1 Risk-Based Capital	6,661,504	12.28	3,256,078	6.0	4,341,437	8.0
Total Risk-Based Capital	7,165,935	13.20	4,341,437	8.0	5,426,796	10.0
Tier 1 Leverage Capital	6,661,504	9.77	2,727,476	4.0	3,409,345	5.0

(1) In accordance with regulatory capital rules, the Company elected an option to delay the estimated impact of the adoption of CECL on its regulatory capital over a two-year deferral period, which ended on January 1, 2022, and a subsequent three-year transition period ending on December 31, 2024. During the three-year transition period, regulatory capital ratios will phase out the aggregate amount of the regulatory capital benefit provided from the delayed CECL adoption in the initial two years. For 2022, 2023, and 2024, the Company is allowed 75%, 50%, and 25%, respectively, of the regulatory capital benefit as of December 31, 2021, with full absorption occurring in 2025.

Dividend Restrictions

The Holding Company is dependent upon dividends from the Bank to provide funds for the payment of dividends to stockholders and for other cash requirements. Dividends paid by the Bank are subject to various federal and state regulatory limitations. Express approval by the OCC is required if the effect of dividends declared would cause the regulatory capital of the Bank to fall below specified minimum levels or if the amount would exceed net income for that year combined with undistributed net income for the preceding two years.

The Bank paid the Holding Company $600.0 million and $475.0 million in dividends during the years ended December 31, 2023, and 2022, respectively, for which no express approval from the OCC was required.

Cash Restrictions

The Bank is required under Federal Reserve regulations to maintain cash reserve balances in the form of vault cash or deposits held at a FRB to ensure that it is able to meet customer demands. The reserve requirement ratio is subject to adjustment as economic conditions warrant. Effective March 26, 2020, the Federal Reserve reset the requirement to zero in order to address liquidity concerns resulting from the COVID-19 pandemic. Pursuant to this action, the Bank has not been required to hold cash reserve balances since that date.

Note 15: Variable Interest Entities

The Company has an investment interest in the following entities that each meet the definition of a variable interest entity. Information regarding the Company's consolidation of variable interest entities can be found within Note 1: Summary of Significant Accounting Policies.

Consolidated

Rabbi Trusts. The Company established a Rabbi Trust to meet its obligations due under the Webster Bank Deferred Compensation Plan for Directors and Officers and to mitigate expense volatility. The funding of the Rabbi Trust and the discontinuation of the Webster Bank Deferred Compensation Plan for Directors and Officers occurred during 2012. In connection with the Sterling merger in 2022, the Company acquired assets held in a separate Rabbi Trust that had been previously established to fund obligations due under the Greater New York Savings Bank Directors' Retirement Plan.

Investments held in the Rabbi Trusts consist primarily of mutual funds that invest in equity and fixed income securities. The Company is considered the primary beneficiary of these Rabbi Trusts as it has the power to direct the activities of the Rabbi Trusts that most significantly impact its economic performance and it has the obligation to absorb losses and/or the right to receive benefits of the Rabbi Trusts that could potentially be significant.

The Rabbi Trusts' assets are included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets. Investment earnings and any changes in fair value are included in Other income on the accompanying Consolidated Statements of Income. Additional information regarding the Rabbi Trusts' investments can be found within Note 18: Fair Value Measurements.

Non-Consolidated

Low Income Housing Tax Credit Investments. The Company makes non-marketable equity investments in entities that sponsor affordable housing and other community development projects that qualify for the LIHTC Program pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is not only to assist the Bank in meeting its responsibilities under the CRA, but also to provide a return, primarily through the realization of tax benefits. While the Company's investment in an entity may exceed 50% of its outstanding equity interests, the entity is not consolidated as the Company is not the primary beneficiary. The Company has determined that it is not the primary beneficiary due to its inability to direct the activities that most significantly impact economic performance. The Company applies the proportional amortization method to subsequently measure its investments in qualified affordable housing projects.

The following table summarizes the Company's LIHTC investments and related unfunded commitments:

	At December 31,	
(In thousands)	**2023**	**2022**
Gross investment in LIHTC investments	$ 1,135,192	$ 797,453
Accumulated amortization	(141,199)	(69,424)
Net investment in LIHTC investments	$ 993,993	$ 728,029
Unfunded commitments for LIHTC investments	$ 549,258	$ 335,959

The aggregate carrying value of the Company's LIHTC investments is included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets and represents the Company's maximum exposure to loss. The related unfunded commitments are included in Accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets. There were $334.9 million and $211.8 million of net commitments approved to fund LIHTC investments during the years ended December 31, 2023, and 2022.

Webster Statutory Trust. The Company owns all the outstanding common stock of Webster Statutory Trust, a financial vehicle that has issued, and in the future may issue, trust preferred securities. The Company is not the primary beneficiary of Webster Statutory Trust. Webster Statutory Trust's only assets are junior subordinated debentures that are issued by the Company, which were acquired using the proceeds from the issuance of trust preferred securities and common stock. The junior subordinated debentures are included in Long-term debt on the accompanying Consolidated Balance Sheets, and the related interest expense is included in Long-term debt on the accompanying Consolidated Statements of Income. Additional information regarding these junior subordinated debentures can be found within Note 11: Borrowings.

Other Non-Marketable Investments. The Company invests in alternative investments comprising interests in non-public entities that cannot be redeemed since the investment is distributed as the underlying equity is liquidated. The ultimate timing and amount of these distributions cannot be predicted with reasonable certainty. For each of these alternative investments that is classified as a variable interest entity, the Company has determined that it is not the primary beneficiary due to its inability to direct the activities that most significantly impact economic performance. The aggregate carrying value of the Company's other non-marketable investments was $190.1 million and $144.9 million at December 31, 2023, and 2022, respectively, which is included in Accrued interest receivable and other assets on the accompanying Consolidated Balance Sheets, and its maximum exposure to loss, including unfunded commitments, was $307.2 million and $243.9 million, respectively. Additional information regarding other non-marketable investments can be found within Note 18: Fair Value Measurements.

Note 16: Earnings Per Common Share

The following table summarizes the calculation of basic and diluted earnings per common share:

	Years ended December 31,		
(In thousands, except per share data)	2023	2022	2021
Net income	$ 867,840	$ 644,283	$ 408,864
Less: Preferred stock dividends	16,650	15,919	7,875
Net income available to common stockholders	851,190	628,364	400,989
Less: Earnings allocated to participating securities	7,922	5,672	2,302
Earnings applicable to common stockholders	$ 843,268	$ 622,692	$ 398,687
Weighted-average common shares outstanding - basic	171,775	167,452	89,983
Add: Effect of dilutive stock options and restricted stock	108	95	223
Weighted-average common shares outstanding - diluted	171,883	167,547	90,206
Basic earnings per common share	$ 4.91	$ 3.72	$ 4.43
Diluted earnings per common share	4.91	3.72	4.42

Earnings per common share is calculated under the two-class method in which all earnings (distributed and undistributed) are allocated to common stock and participating securities based on their respective rights to receive dividends. The Company may grant restricted stock, restricted stock units, non-qualified stock options, incentive stock options, or stock appreciation rights to certain employees and directors under its stock-based compensation programs, which entitle recipients to receive non-forfeitable dividends during the vesting period on a basis equivalent to the dividends paid to holders of common stock. These unvested awards meet the definition of participating securities.

Potential common shares from performance-based restricted stock that were not included in the computation of dilutive earnings per common share, because they were anti-dilutive under the treasury stock method, were 204,945, 176,177, and 56,829 for the years ended December 31, 2023, 2022, and 2021, respectively. Additional information regarding stock options and restricted stock awards can be found within Note 20: Share-Based Plans.

Note 17: Derivative Financial Instruments

Derivative Positions and Offsetting

Derivatives Designated in Hedge Relationships. Interest rate swaps allow the Company to change the fixed or variable nature of an interest rate without the exchange of the underlying notional amount. Certain pay fixed/receive variable interest rate swaps are designated as cash flow hedges to effectively convert variable-rate debt into fixed-rate debt, whereas certain receive fixed/pay variable interest rate swaps are designated as fair value hedges to effectively convert fixed-rate long-term debt into variable-rate debt. Certain purchased options are also designated as cash flow hedges. Purchased options allow the Company to limit the potential adverse impact of variable interest rates by establishing a cap rate or floor rate in exchange for an upfront premium. The purchased options designated as cash flow hedges represent interest rate caps where payment is received from the counterparty if interest rates rise above the cap rate, and interest rate floors where payment is received from the counterparty when interest rates fall below the floor rate.

Derivatives Not Designated in Hedge Relationships. The Company also enters into other derivative transactions to manage economic risks, but does not designate the instruments in hedge relationships. In addition, the Company enters into derivative contracts to accommodate customer needs. Derivative contracts with customers are offset with dealer counterparty transactions structured with matching terms to ensure minimal impact on earnings.

The following table presents the notional amounts and fair values, including accrued interest, of derivative positions:

	At December 31, 2023			
	Asset Derivatives		Liability Derivatives	
(In thousands)	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Designated as hedging instruments:				
Interest rate derivatives [1]	$ 2,750,000	$ 11,140	$ 2,700,000	$ 13,679
Not designated as hedging instruments:				
Interest rate derivatives [1]	8,284,356	319,122	8,272,197	321,064
Mortgage banking derivatives [2]	2,798	37	—	—
Other [3]	340,553	337	731,055	1,067
Total not designated as hedging instruments	8,627,707	319,496	9,003,252	322,131
Gross derivative instruments, before netting	$ 11,377,707	330,636	$ 11,703,252	335,810
Less: Master netting agreements		55,949		55,949
Cash collateral received/paid		232,190		—
Total derivative instruments, after netting		$ 42,497		$ 279,861

	At December 31, 2022			
	Asset Derivatives		Liability Derivatives	
(In thousands)	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Designated as hedging instruments:				
Interest rate derivatives [1]	$ 1,350,000	$ 1,515	$ 1,750,000	$ 9,632
Not designated as hedging instruments:				
Interest rate derivatives [1]	7,024,507	221,225	7,022,844	403,952
Mortgage banking derivatives [2]	3,283	32	—	—
Other [3]	161,934	134	606,478	915
Total not designated as hedging instruments	7,189,724	221,391	7,629,322	404,867
Gross derivative instruments, before netting	$ 8,539,724	222,906	$ 9,379,322	414,499
Less: Master netting agreements		16,129		16,129
Cash collateral received/paid		184,095		—
Total derivative instruments, after netting		$ 22,682		$ 398,370

(1) Balances related to clearing houses are presented as a single unit of account. In accordance with their rule books, clearing houses legally characterize variation margin payments as settlement of derivatives rather than collateral against derivative positions. Notional amounts of interest rate swaps cleared through clearing houses included $0.1 billion and $2.7 billion for asset derivatives at December 31, 2023, and 2022, respectively. The related fair values approximate zero. For liability derivatives, there were no interest rate swaps cleared through clearing houses at both December 31, 2023, and 2022.

(2) Notional amounts related to residential loans exclude approved floating rate commitments of $1.0 million and $2.4 million at December 31, 2023, and 2022, respectively.

(3) Other derivatives include foreign currency forward contracts related to lending arrangements, a Visa equity swap transaction, and risk participation agreements. Notional amounts of risk participation agreements include $299.2 million and $125.6 million for asset derivatives and $682.9 million and $559.2 million for liability derivatives at December 31, 2023, and 2022, respectively, which have insignificant related fair values.

The following tables represent the off-setting of derivative financial instruments that are subject to master netting agreements:

	At December 31, 2023			
(In thousands)	Gross Amount Recognized	Derivative Offset Amount	Cash Collateral Received/Paid	Net Amount Presented
Asset derivatives	$ 289,778	$ 55,949	$ 232,190	$ 1,639
Liability derivatives	55,949	55,949	—	—

	At December 31, 2022			
(In thousands)	Gross Amount Recognized	Derivative Offset Amount	Cash Collateral Received/Paid	Net Amount Presented
Asset derivatives	$ 217,246	$ 16,129	$ 184,095	$ 17,022
Liability derivatives	16,129	16,129	—	—

Derivative Activity

The following table summarizes the income statement effect of derivatives designated as hedging instruments:

	Recognized In	Years ended December 31,		
(In thousands)	Net Interest Income	2023	2022	2021
Fair value hedges:				
Interest rate derivatives	Deposits interest expense	$ 3,194	$ —	$ —
Hedged item	Deposits interest expense	(15)	—	—
Net recognized on fair value hedges		$ (3,179)	$ —	$ —
Cash flow hedges:				
Interest rate derivatives	Long-term debt interest expense	$ 310	$ 306	$ 411
Interest rate derivatives	Interest and fees on loans and leases	(14,628)	1,935	10,676
Net recognized on cash flow hedges		$ (14,938)	$ 1,629	$ 10,265

The following table summarizes information related to fair value hedging adjustments:

Consolidated Balance Sheet Line Item in Which Previously Hedged Item is Located	Notional Amount of Previously Hedged Item		Carrying Amount of Previously Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment Included in Carrying Amount (1)	
	At December 31,		At December 31,		At December 31,	
(In thousands)	2023	2022	2023	2022	2023	2022
Deposits	$ 400,000	$ —	$ 401,320	$ —	$ 1,320	$ —
Long-term debt	300,000	300,000	328,104	333,458	28,104	33,458

(1) The Company de-designated its fair value hedging relationships on its deposits and long-term debt in 2023 and 2020, respectively. The basis adjustment included in each of the carrying amounts is being amortized into interest expense over the remaining life of the deposits and long-term debt.

Time-value premiums, which are amortized on a straight-line basis, are excluded from the assessment of hedge effectiveness for purchased options designated as cash flow hedges. The remaining unamortized balance of time-value premiums at December 31, 2023, was $0.5 million. Over the next twelve months, an estimated $21.9 million decrease to interest income will be reclassified from (AOCL) relating to cash flow hedge gain/loss. The maximum length of time over which forecasted transactions are hedged is 3.3 years. Additional information regarding cash flow hedge activity impacting (AOCL) and the related amounts reclassified to net income can be found within Note 13: Accumulated Other Comprehensive (Loss) Income, Net of Tax.

The following table summarizes the income statement effect of derivatives not designated as hedging instruments:

	Recognized In	Years ended December 31,		
(In thousands)	Non-interest Income	2023	2022	2021
Interest rate derivatives	Other income	$ (6,159)	$ 25,092	$ 10,369
Mortgage banking derivatives	Mortgage banking activities	5	(48)	(776)
Other	Other income	(2,476)	3,249	878
Total not designated as hedging instruments		$ (8,630)	$ 28,293	$ 10,471

Derivative Exposure. At December 31, 2023, the Company had $3.0 million in initial margin posted at clearing houses. In addition, $232.7 million of cash collateral received is included in Cash and due from banks on the accompanying Consolidated Balance Sheets. The Company regularly evaluates the credit risk of its derivative customers, taking into account the likelihood of default, net exposures, and remaining contractual life, among other related factors. Credit risk exposure is mitigated as transactions with customers are generally secured by the same collateral of the underlying transactions. Current net credit exposure relating to derivatives with the Bank's customers was $40.8 million at December 31, 2023. In addition, the Company monitors potential future exposure, representing its best estimate of exposure to remaining contractual maturity. The potential future exposure relating to derivatives with the Bank's customers totaled $109.8 million at December 31, 2023. The Company has incorporated a credit valuation adjustment (contra-liability) to reflect non-performance risk in the fair value measurement of its derivatives, which totaled $6.2 million and $8.4 million at December 31, 2023, and 2022, respectively. Various factors impact changes in the valuation adjustment over time, such as changes in the credit spreads of the contracted parties, and changes in market rates and volatilities, which affect the total expected exposure of the derivative instruments.

Note 18: Fair Value Measurements

Fair value is defined as 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. The determination of fair value may require the use of estimates when quoted market prices are not available. Fair value estimates made at a specific point in time are based on management's judgments regarding future expected losses, current economic conditions, the risk characteristics of each financial instrument, and other subjective factors that cannot be determined with precision.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels within the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, rate volatility, prepayment speeds, and credit ratings), or inputs that are derived principally from or corroborated by market data, correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. This includes certain pricing models or other similar techniques that require significant management judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Available-for-Sale Securities. When unadjusted quoted prices are available in an active market, the Company classifies its available-for-sale investment securities within Level 1 of the fair value hierarchy. U.S. Treasury notes have a readily determinable fair value, and therefore, are classified within Level 1 of the fair value hierarchy.

When quoted market prices are not available, the Company employs an independent pricing service that utilizes matrix pricing to calculate fair value. These fair value measurements consider observable data, such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and the respective terms and conditions for debt instruments. Management maintains procedures to monitor the pricing service's results and has a process in place to challenge their valuations and methodologies. Government agency debentures, Municipal bonds and notes, Agency CMO, Agency MBS, Agency CMBS, CMBS, CLO, Corporate debt, Private label MBS, and Other available-for-sale securities are classified within Level 2 of the fair value hierarchy.

Derivative Instruments. The fair values presented for derivative instruments include any accrued interest. Foreign exchange contracts are valued based on unadjusted quoted prices in active markets and accordingly are classified within Level 1 of the fair value hierarchy. Except for mortgage banking derivatives, all other derivative instruments are valued using third-party valuation software, which considers the present value of cash flows discounted using observable forward rate assumptions. The resulting fair value is then validated against valuations performed by dealer counterparties. These derivative instruments are classified within Level 2 of the fair value hierarchy.

Mortgage Banking Derivatives. The Company uses forward sales of mortgage loans and mortgage-backed securities to manage the risk of loss associated with its mortgage loan commitments and mortgage loans held for sale. Prior to closing and funding certain single-family residential mortgage loans, an interest rate lock commitment is generally extended to the borrower. During this in-between time period, the Company is subject to the risk that market interest rates may change. If rates rise, investors generally will pay less to purchase mortgage loans, which would result in a reduction in the gain on sale of the loans, or possibly a loss. In an effort to mitigate this risk, forward delivery sales commitments are established in which the Company agrees to either deliver whole mortgage loans to various investors or issue mortgage-backed securities. The fair value of mortgage banking derivatives is determined based on current market prices for similar assets in the secondary market. Accordingly, mortgage banking derivatives are classified within Level 2 of the fair value hierarchy.

Originated Loans Held For Sale. The Company has elected to measure originated loans held for sale at fair value under the fair value option per ASC Topic 825, Financial Instruments. Electing to measure originated loans held for sale at fair value reduces certain timing differences and better reflects the price the Company would expect to receive from the sale of these loans. The fair value of originated loans held for sale is based on quoted market prices of similar loans sold in conjunction with securitization transactions. Accordingly, originated loans held for sale are classified within Level 2 of the fair value hierarchy.

The following table compares the fair value to the unpaid principal balance of originated loans held for sale:

	At December 31,					
	2023			2022		
(In thousands)	Fair Value	Unpaid Principal Balance	Difference	Fair Value	Unpaid Principal Balance	Difference
Originated loans held for sale	$ 2,610	$ 2,658	$ (48)	$ 1,991	$ 1,631	$ 360

Rabbi Trust Investments. Investments held in each of the Company's Rabbi Trusts consist primarily of mutual funds that invest in equity and fixed income securities. Shares of these mutual funds are valued based on the NAV as reported by the trustee of the funds, which represents quoted prices in active markets. Accordingly, the Rabbi Trusts' investments are classified within Level 1 of the fair value hierarchy. At December 31, 2023, and 2022, the total cost basis of the investments held in the Rabbi Trusts was $9.2 million and $10.0 million, respectively.

Alternative Investments. Equity investments have a readily determinable fair value when unadjusted quoted prices are available in an active market for identical assets. Accordingly, these alternative investments are classified within Level 1 of the fair value hierarchy. At December 31, 2023, and 2022, equity investments with a readily determinable fair value had a total carrying amount of $0.9 million and $0.4 million, respectively, with no remaining unfunded commitment. During the year ended December 31, 2023, there were total write-ups in fair value of $0.5 million associated with these alternative investments.

Equity investments that do not have a readily determinable fair value may qualify for the NAV practical expedient if they meet certain requirements. The Company's alternative investments measured at NAV consist of investments in non-public entities that cannot be redeemed since investments are distributed as the underlying equity is liquidated. Alternative investments measured at NAV are not classified within the fair value hierarchy. At December 31, 2023, and 2022, these alternative investments had a total carrying amount of $35.9 million and $89.2 million, respectively, and a remaining unfunded commitment of $29.8 million and $82.7 million, respectively.

Contingent Consideration. The Company recorded $16.0 million of contingent consideration at fair value related to two earn-out agreements associated with the acquisition of interLINK on January 11, 2023. The terms of the purchase agreement specified that the seller would receive earn-outs based on the ability of the Company to: (i) re-sign the existing broker dealers under contract, and (ii) generate $2.5 billion in new broker dealer deposit programs within three years of the acquisition date. The estimated fair values of the contingent consideration liabilities are measured on a recurring basis and determined using an income approach considering management's evaluation of the probability of achievement, forecasted achievement date (payment term), and a discount rate equivalent to the counterparty cost of debt. These significant inputs, which are the responsibility of management and calculated with the assistance of a third-party valuation specialist, are not observable, and accordingly, are classified within Level 3 of the fair value hierarchy.

The following table summarizes the unobservable inputs used to derive the estimated fair value of the Company's contingent consideration liabilities at December 31, 2023 (dollars in thousands):

Agreement	Maximum Amount	Probability of Achievement	Payment Term (in years)	Discount Rate	Fair Value
(i) Re-sign broker dealers	$ 4,826	99.0 %	1.88	6.40 %	$ 4,232
(ii) Deposit program growth	$ 12,500	100.0 %	1.00	6.40 %	$ 11,568

Contingent consideration liabilities are included within Accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets. Any fair value adjustments to contingent consideration liabilities are included in Other expense on the accompanying Consolidated Statements of Income.

The following table summarizes the fair values of assets and liabilities measured at fair value on a recurring basis:

(In thousands)	At December 31, 2023 Level 1	Level 2	Level 3	Total
Financial Assets:				
Available-for-sale securities:				
Government agency debentures	$ —	$ 264,633	$ —	$ 264,633
Municipal bonds and notes	—	1,573,233	—	1,573,233
Agency CMO	—	48,941	—	48,941
Agency MBS	—	3,347,098	—	3,347,098
Agency CMBS	—	2,288,071	—	2,288,071
CMBS	—	763,749	—	763,749
Corporate debt	—	622,155	—	622,155
Private label MBS	—	42,808	—	42,808
Other	—	9,041	—	9,041
Total available-for-sale securities	—	8,959,729	—	8,959,729
Gross derivative instruments, before netting [1]	217	330,419	—	330,636
Originated loans held for sale	—	2,610	—	2,610
Investments held in Rabbi Trusts	11,900	—	—	11,900
Alternative investments	959	—	—	959
Alternative investments measured at NAV [2]	—	—	—	35,888
Total financial assets	$ 13,076	$ 9,292,758	$ —	$ 9,341,722
Financial Liabilities:				
Gross derivative instruments, before netting [1]	$ 970	$ 334,840	$ —	$ 335,810
Contingent consideration	—	—	15,800	15,800
Total financial liabilities	$ 970	$ 334,840	$ 15,800	$ 351,610

(In thousands)	At December 31, 2022 Level 1	Level 2	Level 3	Total
Financial Assets:				
Available-for-sale investment securities:				
U.S. Treasury notes	$ 717,040	$ —	$ —	$ 717,040
Government agency debentures	—	258,374	—	258,374
Municipal bonds and notes	—	1,633,202	—	1,633,202
Agency CMO	—	59,965	—	59,965
Agency MBS	—	2,158,024	—	2,158,024
Agency CMBS	—	1,406,486	—	1,406,486
CMBS	—	896,640	—	896,640
CLO	—	2,107	—	2,107
Corporate debt	—	704,412	—	704,412
Private label MBS	—	44,249	—	44,249
Other	—	12,198	—	12,198
Total available-for-sale securities	717,040	7,175,657	—	7,892,697
Gross derivative instruments, before netting [1]	79	222,827	—	222,906
Originated loans held for sale	—	1,991	—	1,991
Investments held in Rabbi Trust	12,103	—	—	12,103
Alternative investments	430	—	—	430
Alternative investments measured at NAV [2]	—	—	—	89,248
Total financial assets	$ 729,652	$ 7,400,475	$ —	$ 8,219,375
Financial Liabilities:				
Gross derivative instruments, before netting [1]	$ 843	$ 413,656	$ —	$ 414,499

(1) Additional information regarding the impact of netting derivative assets and derivative liabilities, as well as the impact from offsetting cash collateral paid to the same derivative counterparties, can be found within Note 17: Derivative Financial Instruments.

(2) Certain alternative investments are recorded at NAV. Assets measured at NAV are not classified within the fair value hierarchy.

Assets Measured at Fair Value on a Non-Recurring Basis

The Company measures certain assets at fair value on a non-recurring basis. The following is a description of valuation methodologies used for assets measured at fair value on a non-recurring basis.

Alternative Investments. The measurement alternative has been elected for alternative investments without readily determinable fair values that do not qualify for the NAV practical expedient. The measurement alternative requires investments to be measured at cost minus impairment, if any, plus or minus adjustments resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Accordingly, these alternative investments are classified within Level 2 of the fair value hierarchy. At December 31, 2023, and 2022, the carrying amount of these alternative investments was $53.1 million and $42.8 million, respectively, of which $7.9 million and $5.9 million, respectively, were considered to be measured at fair value. During the year ended December 31, 2023, there were $1.8 million of total net write-ups due to observable price changes and $1.0 million of total write-downs due to impairment.

Loans Transferred to Held for Sale. Once a decision has been made to sell loans not previously classified as held for sale, these loans are transferred into the held for sale category and carried at the lower of cost or fair value, less estimated costs to sell. At the time of transfer into held for sale classification, any amount by which cost exceeds fair value is accounted for as a valuation allowance. This activity generally pertains to loans with observable inputs, and therefore, are classified within Level 2 of the fair value hierarchy. However, should these loans include adjustments for changes in loan characteristics based on unobservable inputs, the loans would then be classified within Level 3 of the fair value hierarchy. At December 31, 2023, and 2022, there were $3.9 million and zero loans transferred to held for sale on the accompanying Consolidated Balance Sheets, respectively.

Collateral Dependent Loans and Leases. Loans and leases for which repayment is substantially expected to be provided through the operation or sale of collateral are considered collateral dependent, and are valued based on the estimated fair value of the collateral, less estimated costs to sell at the reporting date, using customized discounting criteria. Accordingly, collateral dependent loans and leases are classified within Level 3 of the fair value hierarchy.

Other Real Estate Owned and Repossessed Assets. OREO and repossessed assets are held at the lower of cost or fair value and are considered to be measured at fair value when recorded below cost. The fair value of OREO is calculated using independent appraisals or internal valuation methods, less estimated selling costs, and may consider available pricing guides, auction results, and price opinions. Certain repossessed assets may also require assumptions about factors that are not observable in an active market when determining fair value. Accordingly, OREO and repossessed assets are classified within Level 3 of the fair value hierarchy. At December 31, 2023, and 2022, the total carrying value of OREO and repossessed assets was $9.1 million and $2.3 million, respectively. In addition, the amortized cost of consumer loans secured by residential real estate property that are in the process of foreclosure at December 31, 2023, was $8.7 million.

Estimated Fair Values of Financial Instruments and Mortgage Servicing Assets

The Company is required to disclose the estimated fair values of certain financial instruments and mortgage servicing rights. The following is a description of the valuation methodologies used to estimate fair value for those assets and liabilities.

Cash and Cash Equivalents. Given the short time frame to maturity, the carrying amount of cash and cash equivalents, which comprises cash and due from banks and interest-bearing deposits, approximates fair value. Cash and cash equivalents are classified within Level 1 of the fair value hierarchy.

Held-to-Maturity Securities. When quoted market prices are not available, the Company employs an independent pricing service that utilizes matrix pricing to calculate fair value. These fair value measurements consider observable data, such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and the respective terms and conditions for debt instruments. Management maintains procedures to monitor the pricing service's results and has a process in place to challenge their valuations and methodologies. Held-to-maturity securities, which include Agency CMO, Agency MBS, Agency CMBS, Municipal bonds and notes, and CMBS, are classified within Level 2 of the fair value hierarchy.

Loans and Leases, net. Except for collateral dependent loans and leases, the fair value of loans and leases held for investment is estimated using a discounted cash flow methodology, based on future prepayments and market interest rates inclusive of an illiquidity discount for comparable loans and leases. The associated cash flows are then adjusted for associated credit risks and other potential losses, as appropriate. Loans and leases are classified within Level 3 of the fair value hierarchy.

Mortgage Servicing Rights. Mortgage servicing rights are initially measured at fair value and subsequently measured using the amortization method. The Company assesses mortgage servicing rights for impairment each quarter and establishes or adjusts the valuation allowance to the extent that amortized cost exceeds the estimated fair market value. Fair value is calculated as the present value of estimated future net servicing income and relies on market based assumptions for loan prepayment speeds, servicing costs, discount rates, and other economic factors. Accordingly, the primary risk inherent in valuing mortgage servicing rights is the impact of fluctuating interest rates on the related servicing revenue stream. Mortgage servicing rights are classified within Level 3 of the fair value hierarchy.

Deposit Liabilities. The fair value of deposit liabilities, which comprises demand deposits, interest-bearing checking, savings, health savings, and money market accounts, reflects the amount payable on demand at the reporting date. Deposit liabilities are classified within Level 2 of the fair value hierarchy.

Time Deposits. The fair value of fixed-maturity certificates of deposit is estimated using rates that are currently offered for deposits with similar remaining maturities. Time deposits are classified within Level 2 of the fair value hierarchy.

Securities Sold Under Agreements to Repurchase and Other Borrowings. The fair value of securities sold under agreements to repurchase and other borrowings that mature within 90 days approximates their carrying value. The fair value of securities sold under agreements to repurchase and other borrowings that mature after 90 days is estimated using a discounted cash flow methodology based on current market rates and adjusted for associated credit risks, as appropriate. Securities sold under agreements to repurchase and other borrowings are classified within Level 2 of the fair value hierarchy.

Federal Home Loan Bank Advances and Long-Term Debt. The fair value of FHLB advances and long-term debt is estimated using a discounted cash flow methodology in which discount rates are matched with the time period of the expected cash flows and adjusted for associated credit risks, as appropriate. FHLB advances and long-term debt are classified within Level 2 of the fair value hierarchy.

The following table summarizes the carrying amounts, estimated fair values, and classifications within the fair value hierarchy of selected financial instruments and mortgage servicing rights:

	At December 31,			
	2023		2022	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Level 1				
Cash and cash equivalents	$ 1,715,795	$ 1,715,795	$ 839,943	$ 839,943
Level 2				
Held-to-maturity investment securities	7,074,588	6,264,623	6,564,697	5,761,453
Level 3				
Loans and leases, net	50,090,315	48,048,106	49,169,685	47,604,463
Mortgage servicing rights	8,523	24,495	9,515	27,043
Liabilities:				
Level 2				
Deposit liabilities	$ 52,319,825	$ 52,319,825	$ 49,893,391	$ 49,893,391
Time deposits	8,464,459	8,426,708	4,160,949	4,091,979
Securities sold under agreements to repurchase and other borrowings	458,387	458,380	1,151,830	1,151,797
FHLB advances	2,360,018	2,358,381	5,460,552	5,459,218
Long-term debt (1)	1,048,820	999,918	1,073,128	1,001,779

(1) Any unamortized premiums/discounts, debt issuance costs, or basis adjustments to long-term debt, as applicable, are excluded from the determination of fair value.

Note 19: Retirement Benefit Plans

Defined Benefit Pension and Postretirement Benefit Plans

The Bank had offered a qualified noncontributory defined benefit Pension Plan and a non-qualified SERP to eligible employees and key executives who met certain age and service requirements, both of which were frozen effective December 31, 2007. Only those employees who were hired prior to January 1, 2007, and who became participants of the plans prior to January 1, 2008, have accrued benefits under the plans. The Bank also provides for OPEB to certain retired employees.

In connection with the merger with Sterling, on January 31, 2022, the Company assumed the benefit obligations of Sterling's non-qualified SERP and OPEB plans, which included the Astoria Bank Excess Benefit and Supplemental Benefit Plans, Astoria Bank Directors' Retirement Plan, Retirement Plan of the Greater New York Savings Bank for Non-Employee Directors, Supplemental Executive Retirement Plan of Provident Bank, Supplemental Executive Retirement Plan of Provident Bank - Other, Sterling Bancorp Supplemental Postretirement Life Insurance Plan, Astoria Bank Postretirement Welfare Benefit Plans, and a Split Dollar Life Insurance Arrangement.

Each of the plan's measurement dates, including the plans assumed from Sterling in the merger, coincides with the Company's December 31 year end.

The following table summarizes the changes in the benefit obligation, fair value of plan assets, and funded status of the defined benefit pension and postretirement benefit plans at December 31:

	Pension		SERP		OPEB	
(In thousands)	2023	2022	2023	2022	2023	2022
Change in benefit obligation:						
Beginning balance	$ 187,836	$ 250,263	$ 4,245	$ 1,873	$ 22,822	$ 1,904
Benefit obligation assumed from Sterling	—	—	—	4,517	—	26,030
Service cost	—	—	—	—	27	34
Interest cost	8,782	5,565	191	107	1,042	652
Actuarial (gain) loss	3,333	(57,751)	183	(581)	(382)	(4,992)
Benefits paid	(9,965)	(10,241)	(480)	(1,671)	(840)	(806)
Ending balance	189,986	187,836	4,139	4,245	22,669	22,822
Change in plan assets:						
Beginning balance	201,382	271,846	—	—	—	—
Actual return on plan assets	25,750	(60,223)	—	—	—	—
Employer contributions	—	—	480	1,671	840	806
Benefits paid	(9,965)	(10,241)	(480)	(1,671)	(840)	(806)
Ending balance	217,167	201,382	—	—	—	—
Funded status (1)	$ 27,181	$ 13,546	$ (4,139)	$ (4,245)	$ (22,669)	$ (22,822)

(1) The overfunded (underfunded) status of each plan is respectively included in Accrued interest receivable and other assets or Accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets, as applicable.

The following table summarizes the weighted-average assumptions used to determine the benefit obligation at December 31:

	Discount Rate	
	2023	2022
Pension:		
Webster Bank Pension Plan	4.76 %	4.96 %
SERP:		
Webster Bank Supplemental Defined Benefit Plan for Executive Officers	4.68 %	4.88 %
Astoria Bank Excess Benefit and Supplemental Benefit Plans	4.56	4.77
Astoria Bank Directors' Retirement Plan	4.50	4.70
Retirement Plan of the Greater New York Savings Bank for Non-Employee Directors	4.50	4.70
Supplemental Executive Retirement Plan of Provident Bank	4.83	5.04
Supplemental Executive Retirement Plan of Provident Bank - Other	4.71	4.90
OPEB:		
Webster Bank Postretirement Medical Benefit Plan	4.54 %	4.72 %
Sterling Bancorp Supplemental Postretirement Life Insurance Plan	4.51	4.70
Astoria Bank Postretirement Welfare Benefit Plans	4.74	4.94
Split Dollar Life Insurance Arrangement	4.45	4.63

The following table summarizes the amounts recorded in accumulated other comprehensive (loss) income that have not yet been recognized in net periodic benefit cost (income) at December 31:

(In thousands)	Pension 2023	Pension 2022	SERP 2023	SERP 2022	OPEB 2023	OPEB 2022
Net actuarial loss (gain)	$ 41,296	$ 56,717	$ 312	$ 50	$ (3,231)	$ (5,573)
Deferred tax (benefit) expense	(11,201)	(15,383)	(85)	(14)	876	1,512
Net amount recorded in (AOCL)	$ 30,095	$ 41,334	$ 227	$ 36	$ (2,355)	$ (4,061)

The following table summarizes the components of net periodic benefit cost (income) for the years ended December 31:

(In thousands)	Pension 2023	Pension 2022	Pension 2021	SERP 2023	SERP 2022	SERP 2021	OPEB 2023	OPEB 2022	OPEB 2021
Service cost	$ —	$ —	$ —	$ —	$ —	$ —	$ 27	$ 34	$ —
Interest cost	8,782	5,565	4,663	191	107	30	1,042	652	19
Expected return on plan assets	(11,778)	(14,675)	(14,385)	—	—	—	—	—	—
Amortization of actuarial loss (gain)	4,781	2,224	4,102	6	26	38	(2,704)	(40)	(38)
Net periodic benefit cost (income) [(1)]	$ 1,785	$ (6,886)	$ (5,620)	$ 197	$ 133	$ 68	$ (1,635)	$ 646	$ (19)

(1) Net periodic benefit cost (income) is included in Other expense on the accompanying Consolidated Statements of Income.

The following table summarizes the weighted-average assumptions used to determine net periodic benefit cost (income) for the years ended December 31:

	Discount Rate 2023	Discount Rate 2022	Discount Rate 2021
Pension:			
Webster Bank Pension Plan	4.96 %	2.65 %	2.29 %
SERP:			
Webster Bank Supplemental Defined Benefit Plan for Executive Officers	4.88 %	2.45 %	1.91 %
Astoria Bank Excess Benefit and Supplemental Benefit Plans	4.77	2.58	*n/a*
Astoria Bank Directors' Retirement Plan	4.70	2.23	*n/a*
Retirement Plan of the Greater New York Savings Bank for Non-Employee Directors	4.70	2.37	*n/a*
Supplemental Executive Retirement Plan of Provident Bank	5.04	2.76	*n/a*
Supplemental Executive Retirement Plan of Provident Bank - Other	4.90	2.38	*n/a*
OPEB:			
Webster Bank Postretirement Medical Benefit Plan	4.72 %	1.99 %	1.40 %
Sterling Bancorp Supplemental Postretirement Life Insurance Plan	4.70	2.35	*n/a*
Astoria Bank Postretirement Welfare Benefit Plans	4.94	2.93	*n/a*
Split Dollar Life Insurance Arrangement	4.63	2.20	*n/a*

	Expected Long-Term Rate of Return on Plan Assets 2023	2022	2021
Pension:			
Webster Bank Pension Plan	6.00 %	5.50 %	5.50 %

	Assumed Health Care Cost Trend Rate [(1)] 2023	2022	2021
OPEB:			
Webster Bank Postretirement Medical Benefit Plan	6.50 %	6.25 %	6.50 %
Astoria Bank Postretirement Welfare Benefit Plans	6.40	6.60	*n/a*

(1) The rates to which the healthcare cost trend rates are assumed to decline (ultimate trend rates) along with the year that the ultimate trend rates will be reached for the Webster Bank Postretirement Medical Benefit Plan and the Astoria Bank Postretirement Welfare Benefit Plans are 4.40% in 2032, and 4.50% in 2033, respectively.

The discount rates used to determine the benefit obligation and net periodic benefit cost (income) for the Company's defined benefit pension and postretirement benefit plans were generally selected by reference to a high-quality bond yield curve, using a full yield curve approach, and matched to the timing and amount of each plan's expected benefit payments.

The following table summarizes amounts recognized in other comprehensive (loss) income, including reclassification adjustments, for the years ended December 31:

	Pension			SERP			OPEB		
(In thousands)	2023	2022	2021	2023	2022	2021	2023	2022	2021
Net actuarial (gain) loss	$ (10,639)	$ 17,148	$ (12,008)	$ 183	$ (581)	$ (77)	$ (382)	$ (4,992)	$ 33
Amounts reclassified from (AOCL)	(4,781)	(2,224)	(4,102)	(6)	(26)	(38)	2,704	40	38
Total (gain) loss recognized in OCI (OCL)	$ (15,420)	$ 14,924	$ (16,110)	$ 177	$ (607)	$ (115)	$ 2,322	$ (4,952)	$ 71

At December 31, 2023, the expected future benefit payments for the Company's defined benefit pension and postretirement benefits plans are as follows:

(In thousands)	Pension	SERP	OPEB
2024	$ 10,634	$ 489	$ 2,926
2025	11,038	473	2,789
2026	11,429	455	2,552
2027	11,864	433	2,339
2028	12,246	409	2,083
Thereafter	64,148	1,646	7,393

Asset Management

The Pension Plan invests primarily in common collective trusts and registered investment companies. However, the Pension Plan's investment policy guidelines also allow for the investment in cash and cash equivalents, fixed income securities, and equity securities. Common collective trusts and registered investment companies are both benchmarked against the Standard & Poor's 500 Index. Incremental benchmarks used to assess the common collective trusts include the S&P 400 Mid Cap Index, Russell 200 Index, MSCI ACWI ex U.S. Index, and the Barclay's Capital U.S. Long Credit Index. The standard deviation should not exceed that of the composite index. The Pension Plan's investment strategy and asset allocations are monitored by the Company's Retirement Plans Committee with the assistance of external investment advisors, and the investment portfolio is rebalanced, as appropriate. The target asset allocation percentages for the year ended December 31, 2023, were 64.5% fixed-income investments and 35.5% equity investments. The actual asset allocation percentages for the year ended December 31, 2023, were 64.2% fixed-income investments, 35.2% equity investments, and 0.6% cash and cash equivalents.

The overall investment objective of the Pension Plan is to maintain a diversified portfolio with a targeted expected long-term rate of return on plan assets of approximately 6.00%. The expected long-term rate of return on plans assets is the average rate of return expected to be realized on funds invested, or expected to be invested, to provide for the benefits included in the benefit obligation. The expected long-term rate of return on plans assets is generally established as of the beginning of the year based upon historical and projected returns for each asset category, with subsequent remeasurements occurring in interim periods, as appropriate. Depending on market conditions, the expected long-term rate of return on plan assets may exceed or fall short of the targeted percentage.

Fair Value Measurement

The following is a description of the valuation methodologies used for the Pension Plan's assets measured at fair value:

Common Collective Trusts. Common collective trusts are valued based on the NAV as reported by the trustee of the funds. The funds' underlying investments, which primarily comprise fixed-income debt securities and open-end mutual funds, are valued using quoted market prices in active markets or unobservable inputs for similar assets. Therefore, common collective trusts are classified as Level 2 within the fair value hierarchy. Transactions may occur daily within a trust. If a full redemption of the trust were to be initiated, the investment advisor reserves the right to temporarily delay withdrawals from the trust in order to ensure that the liquidation of securities is carried out in an orderly business manner.

Registered Investment Companies. Registered investment companies are valued at the daily closing price as reported by the funds. Registered investment companies held by the Pension Plan are quoted in an active market and are classified as Level 1 within the fair value hierarchy.

Cash and Cash Equivalents. Cash and cash equivalents are recorded at cost plus accrued interest, which approximates fair value given the short time frame to maturity, and are classified as Level 1 within the fair value hierarchy.

The following table sets forth by level within the fair value hierarchy the Pension Plan's assets at fair value:

	At December 31,							
	2023				2022			
(In thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Common collective trusts	$ —	$ 195,004	$ —	$ 195,004	$ —	$ 172,941	$ —	$ 172,941
Registered investment companies	20,965	—	—	20,965	26,923	—	—	26,923
Cash and cash equivalents	1,198	—	—	1,198	1,518	—	—	1,518
Total pension plan assets	$ 22,163	$ 195,004	$ —	$ 217,167	$ 28,441	$ 172,941	$ —	$ 201,382

Multiple-Employer Defined Benefit Pension Plan

The Bank participates in a multi-employer plan that provides pension benefits to former employees of a bank acquired by the Company. Participation in the plan was frozen as of September 1, 2004. The plan maintains a single trust and does not segregate the assets or liabilities of its participating employers. Minimum required employer contributions are determined by an independent actuary and are calculated using a 15-year shortfall amortization factor. There are no collective bargaining agreements or other obligations requiring contributions to the plan, nor has a funding improvement plan been implemented.

The following table summarizes information related to the Bank's participation in the multi-employer plan:

(In thousands)				Contributions Years Ended December 31,			Funded Status At December 31,	
Plan Name	Employer Identification Number	Plan Number	Surcharge Imposed	2023	2022	2021	2023	2022
Pentegra Defined Benefit Plan for Financial Institutions	13-5645888	333	No	$448	$448	$692	At least 80 percent	At least 80 percent

The Bank's contributions to the multi-employer plan for the years ended December 31, 2023, 2022, and 2021, did not exceed more than 5% of total plan contributions for the plan years ended June 30, 2022, 2021, and 2020. The plan's Form 5500 was not available for the plan year ended June 30, 2023, as of the date the Company's Consolidated Financial Statements were issued. As of July 1, 2023, the date of the most recent actuarial valuation, the plan administrator confirmed that the Bank’s portion of the multi-employer plan was $3.1 million underfunded.

Defined Contribution Postretirement Benefit Plans

The Bank also sponsors defined contribution postretirement benefit plans established under Section 401(k) of the Internal Revenue Code:

Webster Bank Retirement Savings Plan. Employees who have attained age 21 may elect to contribute up to 75% of their eligible compensation on either a pre-tax or post-tax basis. The Bank makes matching contributions equal to 100% of the first 2% and 50% of the next 6% of employees contributions after employees have completed one year of eligible service. If an employee fails to enroll in the plan within 90 days of hire, the employee will be automatically enrolled on a pre-tax basis with a deferral rate set at 3% of eligible compensation. As of December 31, 2023, individuals who became employees of the Company as a result of the merger with Sterling were not eligible to participate in the plan.

Sterling National Bank 401k and Profit Sharing Plan. Eligible legacy Sterling employees as January 31, 2022, who are now employees of the Company may elect to contribute up to 50% of their eligible compensation on either a pre-tax or post-tax basis. The Bank makes matching contributions equal to 50% of employee contributions up to 4% of eligible compensation, for a maximum match of 2%, and a profit sharing contribution equal to 3% of eligible compensation for all eligible legacy Sterling employees, regardless of whether they had contributed to the plan in the current year. The plan also includes an automatic employee deferral increase provision, whereby deferral contributions for participants who had been automatically enrolled in the plan will increase by 1% every January 1 up to 10%.

Compensation and benefits expense included total employer contributions under the plans of $20.3 million, $18.2 million, and $13.1 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Note 20: Share-Based Plans

The Company maintains a stock compensation plan that provides for the grant of stock options, stock appreciation rights, restricted stock, performance-based stock, and stock units to better align the interests of its employees and directors with those of its stockholders. The total number of shares of Webster common stock authorized for issuance under the plan is 21.4 million shares. At December 31, 2023, there were 4.5 million shares available to be granted. Stock compensation expense is recognized over the required service vesting period for each award based on the grant-date fair value and is included in Compensation and benefits on the accompanying Consolidated Statements of Income.

The following table summarizes stock-based compensation plan activity for the year ended December 31, 2023:

	Non-Vested Restricted Stock Awards Outstanding					
	Time-Based		Performance-Based		Stock Options Outstanding	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Exercise Price
Balance, beginning of period	1,479,742	$ 50.47	310,374	$ 57.65	88,229	$ 23.76
Granted	937,735	51.35	286,161	48.86	—	—
Vested	(740,748)	48.88	(60,988)	60.24	—	—
Forfeited	(77,310)	51.62	(15,544)	55.54	—	—
Exercised	—	—	—	—	(77,257)	23.00
Balance, end of period	1,599,419	52.72	520,003	52.58	10,972	29.14

Restricted Stock Awards

Time-based restricted stock awards vest over the applicable service period ranging from one to three years. Under the plan, the number of time-based restricted stock awards that may be granted to an eligible individual per calendar year is limited to 300,000 shares. The fair value of time-based restricted stock awards used to determine compensation expense is measured using the closing price of Webster common stock at the grant date.

Performance-based restricted stock awards generally vest after a three year performance period, with the total share quantity dependent on the Company meeting certain target performance conditions throughout the vesting period, ranging from 0% to 150%. Under the plan, 50% of the share quantity is determined based on total stockholder return as compared to the Company's compensation peer group, while the other 50% is based on the Company's average return on equity. The fair value of performance-based restricted stock awards used to determine compensation expense is calculated using the Monte-Carlo simulation model for total stockholder return awards and the closing price of Webster common stock at the grant date for average return on equity awards. Compensation expense may be subject to adjustment based on management's assessment of the Company's average return on equity performance relative to the target number of shares condition.

For the years ended December 31, 2023, 2022, and 2021, the Company recognized restricted stock compensation expense totaling $54.5 million, $55.1 million, and $13.7 million, respectively. The corresponding income tax benefit recognized was $13.9 million, $12.0 million, and $5.4 million, respectively. The fair value of restricted stock awards that had vested during the years ended December 31, 2023, 2022, and 2021, was $39.9 million, $51.7 million, and $12.5 million, respectively. At December 31, 2023, there was $40.0 million of unrecognized restricted stock expense related to non-vested restricted stock awards, which is expected to be recognized over a weighted-average period of 1.7 years.

Stock Options

Stock options are granted at an exercise price equal to the market value of Webster common stock on the grant date. Each stock option grants the holder the right to acquire one share of Webster common stock over a contractual life of ten years. The Company has not granted stock options since 2013. At December 31, 2023, there were 10,278 and 694 incentive and non-qualified stock options outstanding, respectively, which have a weighted-average remaining contractual life of 1.1 years, and all of which have vested and are exercisable.

Total pre-tax intrinsic value, or the difference between the Webster common stock closing price on the last trading day of the year and the weighted-average exercise price multiplied by the number of shares, represents the aggregate intrinsic value that would have been received by the option holders had all of their outstanding options been exercised on December 31, 2023. At December 31, 2023, the total pre-tax intrinsic value was $0.2 million. For the years ended December 31, 2023, 2022, and 2021, the total intrinsic value of the options exercised was $2.2 million, $1.0 million, and $9.0 million, respectively. The amount of cash received from the exercise of stock options during the years ended December 31, 2023, 2022, and 2021, was $1.8 million, $0.7 million, and $7.1 million, respectively.

Note 21: Segment Reporting

The Company’s operations are organized into three reportable segments that represent its primary businesses: Commercial Banking, HSA Bank, and Consumer Banking. These segments reflect how executive management responsibilities are assigned, how discrete financial information is evaluated, the type of customer served, and how products and services are provided. Certain Treasury activities, including the operations of interLINK, along with the amounts required to reconcile profitability metrics to those reported in accordance with GAAP, are included in the Corporate and Reconciling category.

In connection with the acquisition of interLINK on January 11, 2023, the $143.2 million of goodwill recorded was allocated entirely to Commercial Banking. In addition, as previously discussed in Note 2: Mergers and Acquisitions and Note 8: Goodwill and Other Intangible Assets, the allocation of the purchase price for both the Sterling merger and Bend acquisition was final as of March 31, 2023. As a result, of the total $1.9 billion in goodwill recorded in connection with the Sterling merger, $1.7 billion and $0.2 billion was allocated to Commercial Banking and Consumer Banking, respectively. The $35.7 million of goodwill recorded in connection with the Bend acquisition was allocated entirely to HSA Bank.

Segment Reporting Methodology

The Company uses an internal profitability reporting system to generate information by reportable segment, which is based on a series of management estimates for FTP, and allocations for non-interest expense, provision for credit losses, income taxes, and equity capital. These estimates and allocations, certain of which are subjective in nature, are periodically reviewed and refined. Changes in estimates and allocations that affect the results of any reportable segment do not affect the consolidated financial position or results of operations of the Company as a whole. The full profitability measurement reports, which are prepared for each reportable segment, reflect non-GAAP reporting methodologies. The differences between full profitability and GAAP results are reconciled in the Corporate and Reconciling category.

The Company allocates interest income and interest expense to each business through an internal matched maturity FTP process. The goal of the FTP allocation is to encourage loan and deposit growth consistent with the Company’s overall profitability objectives. The FTP process considers the specific interest rate risk and liquidity risk of financial instruments and other assets and liabilities in each line of business. Loans are assigned an FTP rate for funds used and deposits are assigned an FTP rate for funds provided. The allocation considers the origination date and the earlier of the maturity date or the repricing date of a financial instrument to assign an FTP rate for loans and deposits originated each day. The FTP process transfers the corporate interest rate risk exposure to the Treasury function included within the Corporate and Reconciling category where such exposures are centrally managed.

The Company allocates a majority of non-interest expense to each reportable segment using an activity and driver-based costing process. Costs, including shared services and back-office support areas, are analyzed, pooled by process, and assigned to the appropriate reportable segment. The combination of direct revenue, direct expenses, FTP, and allocations of non-interest expense produces PPNR, which is the basis the segments are reviewed by executive management. The Company also allocates the provision for credit losses to each reportable segment based on management's estimate of the expected loss content in each of the specific loan and lease portfolios. The ACL on loans and leases is included in total assets within the Corporate and Reconciling category. Business development expenses, such as merger-related and strategic initiatives costs, are also generally included in the Corporate and Reconciling category.

The following table presents balance sheet information, including the appropriate allocations, for the Company's reportable segments and the Corporate and Reconciling category:

	At December 31, 2023				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Goodwill	$ 2,029,204	$ 57,485	$ 544,776	$ —	$ 2,631,465
Total assets	43,381,361	122,421	10,789,339	20,652,128	74,945,249

	At December 31, 2022				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Goodwill	$ 1,904,291	$ 57,779	$ 552,034	$ —	$ 2,514,104
Total assets	44,380,582	122,729	10,625,334	16,148,876	71,277,521

The following tables present operating results, including the appropriate allocations, for the Company's reportable segments and the Corporate and Reconciling category:

	Year ended December 31, 2023				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Net interest income	$ 1,537,031	$ 302,856	$ 798,483	$ (301,101)	$ 2,337,269
Non-interest income	132,660	88,113	107,456	(13,892)	314,337
Non-interest expense	439,290	168,160	425,281	383,624	1,416,355
Pre-tax, pre-provision net revenue	1,230,401	222,809	480,658	(698,617)	1,235,251
Provision for credit losses	131,237	—	11,972	7,538	150,747
Income before income taxes	1,099,164	222,809	468,686	(706,155)	1,084,504
Income tax expense	246,212	58,822	118,108	(206,478)	216,664
Net income	$ 852,952	$ 163,987	$ 350,578	$ (499,677)	$ 867,840

	Year ended December 31, 2022				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Net interest income	$ 1,346,384	$ 218,149	$ 720,789	$ (251,036)	$ 2,034,286
Non-interest income	171,437	104,586	119,691	45,069	440,783
Non-interest expense	398,100	151,329	426,133	420,911	1,396,473
Pre-tax, pre-provision net revenue	1,119,721	171,406	414,347	(626,878)	1,078,596
Provision (benefit) for credit losses	276,550	—	(3,754)	7,823	280,619
Income before income taxes	843,171	171,406	418,101	(634,701)	797,977
Income tax expense	207,188	45,937	108,657	(208,088)	153,694
Net income	$ 635,983	$ 125,469	$ 309,444	$ (426,613)	$ 644,283

	Year ended December 31, 2021				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Net interest income	$ 585,297	$ 168,595	$ 375,318	$ (228,121)	$ 901,089
Non-interest income	83,538	102,814	95,887	41,133	323,372
Non-interest expense	192,977	134,258	297,217	120,648	745,100
Pre-tax, pre-provision net revenue	475,858	137,151	173,988	(307,636)	479,361
(Benefit) for credit losses	(51,348)	—	(3,068)	(84)	(54,500)
Income before income taxes	527,206	137,151	177,056	(307,552)	533,861
Income tax expense	134,965	36,619	42,139	(88,726)	124,997
Net income	$ 392,241	$ 100,532	$ 134,917	$ (218,826)	$ 408,864

Note 22: Revenue from Contracts with Customers

The following tables summarize revenues recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. These disaggregated amounts, together with sources of other non-interest income that are subject to other GAAP topics, have been reconciled to non-interest income by reportable segment as presented within Note 21: Segment Reporting.

	Year ended December 31, 2023				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Non-interest Income:					
Deposit service fees	$ 20,527	$ 81,051	$ 66,999	$ 741	$ 169,318
Loan and lease related fees [1]	17,633	—	—	—	17,633
Wealth and investment services [2]	11,543	—	17,478	(22)	28,999
Other	—	7,062	6,199	4,193	17,454
Revenue from contracts with customers	49,703	88,113	90,676	4,912	233,404
Other sources of non-interest income	82,957	—	16,780	(18,804)	80,933
Total non-interest income	$ 132,660	$ 88,113	$ 107,456	$ (13,892)	$ 314,337

	Year ended December 31, 2022				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Non-interest Income:					
Deposit service fees	$ 27,663	$ 97,654	$ 71,353	$ 1,802	$ 198,472
Loan and lease related fees [1]	21,498	—	—	—	21,498
Wealth and investment services	11,350	—	28,957	(30)	40,277
Other	—	6,932	1,493	—	8,425
Revenue from contracts with customers	60,511	104,586	101,803	1,772	268,672
Other sources of non-interest income	110,926	—	17,888	43,297	172,111
Total non-interest income	$ 171,437	$ 104,586	$ 119,691	$ 45,069	$ 440,783

	Year ended December 31, 2021				
(In thousands)	Commercial Banking	HSA Bank	Consumer Banking	Corporate and Reconciling	Consolidated Total
Non-interest Income:					
Deposit service fees	$ 16,933	$ 94,844	$ 50,561	$ 372	$ 162,710
Wealth and investment services	12,152	—	27,471	(37)	39,586
Other	—	7,970	2,140	—	10,110
Revenue from contracts with customers	29,085	102,814	80,172	335	212,406
Other sources of non-interest income	54,453	—	15,715	40,798	110,966
Total non-interest income	$ 83,538	$ 102,814	$ 95,887	$ 41,133	$ 323,372

(1) A portion of loan and lease related fees comprises income generated from factored receivables and payroll financing activities that is within the scope of ASC Topic 606. These Commercial Banking revenue streams were new to the Company in 2022 due to the businesses acquired in connection with the Sterling merger.

(2) Effective as of the fourth quarter of 2022, the wealth and investment services revenue stream for Consumer Banking was impacted by the restructuring of a process in which the Company offers brokerage, investment advisory, and certain insurance-related services to customers. The staff providing these services, who had previously been employees of the Bank, are now employees of a third-party service provider. As a result, the Company now recognizes income from this program on a net basis, which thereby reduces gross reported wealth and investment services non-interest income and the related compensation and benefits non-interest expense on the accompanying Consolidated Statements of Income.

Contracts with customers did not generate significant contract assets and liabilities at December 31, 2023, or 2022.

Major Revenue Streams

Deposit service fees consist of fees earned from commercial and consumer customer deposit accounts, such as account maintenance and cash management/analysis fees, as well as other transactional service charges (i.e., insufficient funds, wire transfers, stop payment fees, etc.). Performance obligations for account maintenance services and cash management/analysis fees are satisfied on a monthly basis at a fixed transaction price, whereas performance obligations for other deposit service charges that result from various customer-initiated transactions are satisfied at a point-in-time when the service is rendered. Payment for deposit service fees is generally received immediately or in the following month through a direct charge to the customers' accounts. Certain commercial customer contracts include credit clauses, whereby the Company will grant credit upon the customer meeting pre-determined conditions, which can be used to offset fees. On occasion, the Company may also waive certain fees. Fee waivers are recognized as a reduction to revenue in the period the waiver is granted to the customer.

The deposit service fees revenue stream also includes interchange fees earned from debit and credit card transactions. The transaction price for interchange services is based on the transaction value and the interchange rate set by the card network. Performance obligations for interchange fees are satisfied at a point-in-time when the cardholders' transaction is authorized and settled. Payment for interchange fees is generally received immediately or in the following month.

Factored receivables non-interest income consists of fees earned from accounts receivable management services. The Company factors accounts receivable, with and without recourse, for customers whereby the Company purchases their accounts receivable at a discount and assumes the risk, as applicable, and ownership of the assets through direct cash receipt from the end consumer. Factoring services are performed in exchange for a non-refundable fee at a transaction price based on a percentage of the gross invoice amount of each receivable purchased, subject to a minimum required amount. The performance obligation for factoring services is generally satisfied at a point-in-time when the receivable is assigned to the Company. However, should the commission earned not meet or exceed the minimum required annual amount, the difference between that and the actual amount is recognized at the end of the contract term. Other fees associated with factoring receivables may include wire transfer and technology fees, field examination fees, and Uniform Commercial Code fees, where the performance obligations are satisfied at a point-in-time when the services are rendered. Payment from the customer for factoring services is generally received immediately or within the following month.

Payroll finance non-interest income consists of fees earned from performing payroll financing and business process outsourcing services, including full back-office technology and tax accounting services, along with payroll preparation, making payroll tax payments, invoice billings, and collections for independently-owned temporary staffing companies nationwide. Performance obligations for payroll finance and business processing activities are either satisfied upon completion of the support services or as payroll remittances are made on behalf of customers to fund their employee payroll, which generally occurs on a weekly basis. The agreed-upon transaction price is based on a fixed-percentage per the terms of the contract, which could be subject to a hold-back reserve to provide for any balances that are assessed to be at risk of collection. When the Company collects on amounts due from end consumers on behalf of its customers and at the time of financing payroll, the Company retains the agreed-upon transaction price payable for the performance of its services and remits an amount to the customer net of any advances and payroll tax withholdings, as applicable.

Wealth and investment services consist of fees earned from asset management, trust administration, and investment advisory services, and through facilitating securities transactions. Performance obligations for asset management and trust administration services are satisfied on a monthly or quarterly basis at a transaction price based on a percentage of the period-end market value of the assets under administration. Payment for asset management and trust administration services is generally received a few days after period-end through a direct charge to the customers' accounts. Performance obligations for investment advisory services are satisfied over the period in which the services are provided through a time-based measurement of progress, and the agreed-upon transaction price with the customer varies depending on the nature of the services performed. Performance obligations for facilitating securities transactions are satisfied at a point-in-time when the securities are sold at a transaction price that is based on a percentage of the contract value. Payment for both investment advisory services and facilitating securities transactions may be received in advance of the service, but generally is received immediately or in the following period, in arrears.

Note 23: Commitments and Contingencies

Credit-Related Financial Instruments

In the normal course of business, the Company offers financial instruments with off-balance sheet risk to meet the financing needs of its customers. These transactions include commitments to extend credit, standby letters of credit, and commercial letters of credit, which involve, to varying degrees, elements of credit risk.

The following table summarizes the outstanding amounts of credit-related financial instruments with off-balance sheet risk:

	At December 31,	
(In thousands)	2023	2022
Commitments to extend credit	$ 12,026,597	$ 11,237,496
Standby letters of credit	482,462	380,655
Commercial letters of credit	54,382	53,512
Total credit-related financial instruments with off-balance sheet risk	$ 12,563,441	$ 11,671,663

The Company enters into contractual commitments to extend credit to its customers (i.e., revolving credit arrangements, term loan commitments, and short-term borrowing agreements), generally with fixed expiration dates or other termination clauses and that require payment of a fee. Substantially all of the Company's commitments to extend credit are contingent upon its customers maintaining specific credit standards at the time of loan funding, and are often secured by real estate collateral. Since the majority of the Company's commitments typically expire without being funded, the total contractual amount does not necessarily represent the Company's future payment requirements.

Standby letters of credit are written conditional commitments issued by the Company to guarantee its customers' performance to a third party. In the event the customer does not perform in accordance with the terms of its agreement with a third-party, the Company would be required to fund the commitment. The contractual amount of each standby letter of credit represents the maximum amount of potential future payments the Company could be required to make. Historically, the majority of the Company's standby letters of credit expire without being funded. However, if the commitment were funded, the Company has recourse against the customer. The Company's standby letter of credit agreements are often secured by cash or other collateral.

Commercial letters of credit are issued to finance either domestic or foreign customer trade arrangements. As a general rule, drafts are committed to be drawn when the goods underlying the transaction are in transit. Similar to standby letters of credit, the Company's commercial letter of credit agreements are often secured by the underlying goods subject to trade.

Allowance for Credit Losses on Unfunded Loan Commitments

An ACL is recorded under the CECL methodology and included in Accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets to provide for the unused portion of commitments to lend that are not unconditionally cancellable by the Company. At December 31, 2023, and 2022, the ACL on unfunded loan commitments totaled $24.7 million and $27.7 million, respectively.

Litigation

The Company is subject to certain legal proceedings and unasserted claims and assessments in the ordinary course of business. Legal contingencies are evaluated based on information currently available, including advice of counsel and assessment of available insurance coverage. The Company establishes an accrual for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Once established, each accrual is adjusted to reflect any subsequent developments. Legal contingencies are subject to inherent uncertainties, and unfavorable rulings may occur that could cause the Company to either adjust its litigation accrual or incur actual losses that exceed the current estimate, which ultimately could have a material adverse effect, either individually or in the aggregate, on its business, financial condition, or operating results. The Company will consider settlement of cases when it is in the best interests of the Company and its stakeholders. The Company intends to defend itself in all claims asserted against it, and management currently believes that the outcome of these contingencies will not be material, either individually or in the aggregate, to the Company or its consolidated financial position.

Federal Deposit Insurance Corporation Special Assessment

On November 29, 2023, the FDIC published a final rule implementing a special assessment for certain banks to recover losses incurred by protecting uninsured depositors of Silicon Valley Bank and Signature Bank upon their failure in March 2023. The final rule levies a special assessment to certain banks at a quarterly rate of 3.36 basis points based on their uninsured deposits balance reported as of December 31, 2022. The special assessment is to be collected for an anticipated total of eight quarterly assessment periods beginning with the first quarter of 2024, which has a payment date of June 28, 2024. Based on the final rule, the Company estimates that its special assessment charge is approximately $47.2 million. However, the FDIC retains the right to cease collection early, extend the special assessment collection period, and impose a final shortfall special assessment if actual losses exceed the amounts collected.

Note 24: Parent Company Financial Information

The following tables summarize condensed financial information for the Parent Company only:

CONDENSED BALANCE SHEETS

(In thousands)	December 31, 2023	December 31, 2022
Assets:		
Cash and due from banks	$ 406,754	$ 305,331
Intercompany debt securities	150,000	150,000
Investment in subsidiaries	9,131,026	8,631,202
Alternative investments	59,015	46,349
Other assets	13,314	13,358
Total assets	$ 9,760,109	$ 9,146,240
Liabilities and stockholders' equity:		
Senior notes	$ 458,698	$ 480,878
Subordinated notes	512,802	514,930
Junior subordinated debt	77,320	77,320
Accrued interest payable	12,693	7,457
Due to subsidiaries	477	3,858
Other liabilities	8,123	5,611
Total liabilities	1,070,113	1,090,054
Stockholders' equity	8,689,996	8,056,186
Total liabilities and stockholders' equity	$ 9,760,109	$ 9,146,240

CONDENSED STATEMENTS OF INCOME

(In thousands)	Years ended December 31, 2023	2022	2021
Income:			
Dividend income from bank subsidiary	$ 600,000	$ 475,000	$ 200,000
Interest income on securities and interest-bearing deposits	11,259	5,955	3,444
Alternative investments income	1,272	6,416	13,033
Other non-interest income	908	112	75
Total income	613,439	487,483	216,552
Expense:			
Interest expense on borrowings	37,933	34,284	16,876
Merger-related expenses	2,111	40,314	16,266
Other non-interest expense	31,600	22,592	15,921
Total expense	71,644	97,190	49,063
Income before income taxes and equity in undistributed earnings of subsidiaries	541,795	390,293	167,489
Income tax benefit	15,106	20,799	3,121
Equity in undistributed earnings of subsidiaries	310,939	233,191	238,254
Net income	$ 867,840	$ 644,283	$ 408,864

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Years ended December 31, 2023	2022	2021
Net income	$ 867,840	$ 644,283	$ 408,864
Other comprehensive income (loss), net of tax:			
Derivative instruments	229	226	226
Other comprehensive income (loss) of subsidiaries	134,160	(662,606)	(65,062)
Other comprehensive income (loss), net of tax	134,389	(662,380)	(64,836)
Comprehensive income (loss)	$ 1,002,229	$ (18,097)	$ 344,028

CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)	Years ended December 31, 2023	2022	2021
Operating activities:			
Net income	$ 867,840	$ 644,283	$ 408,864
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(310,939)	(233,191)	(238,254)
Common stock contribution to charitable foundation	—	10,500	—
Other, net	(8,312)	(2,853)	3,562
Net cash provided by operating activities	548,589	418,739	174,172
Investing activities:			
Alternative investments (capital call), net of distributions	(13,070)	(16,292)	(6,304)
Net cash received in business combination	—	193,238	—
Net cash (used in) provided by investing activities	(13,070)	176,946	(6,304)
Financing activities:			
Repayment of long-term debt	(16,752)	—	—
Dividends paid to common stockholders	(278,155)	(247,767)	(145,223)
Dividends paid to preferred stockholders	(16,650)	(13,725)	(7,875)
Exercise of stock options	1,723	703	3,492
Common stock repurchase program	(107,984)	(322,103)	—
Common shares acquired related to stock compensation plan activity	(16,278)	(23,655)	(4,384)
Net cash (used in) financing activities	(434,096)	(606,547)	(153,990)
Net increase (decrease) in cash and cash equivalents	101,423	(10,862)	13,878
Cash and cash equivalents, beginning of period	305,331	316,193	302,315
Cash and cash equivalents, at end of period	$ 406,754	$ 305,331	$ 316,193

Note 25: Subsequent Events

On January 24, 2024, the Bank acquired Ametros, a custodian and administrator of medical funds from insurance claims settlements that helps individuals manage their ongoing medical care through its CareGuard service and proprietary technology platform, for $350 million in cash, subject to customary adjustments. The Company believes that the acquisition will provide a fast-growing source of low-cost and long-duration deposits, new sources of non-interest income, and enhance its employee benefit and healthcare financial services expertise.

The transaction will be accounted for as a business combination, and the assets acquired and liabilities assumed from Ametros will be recorded at fair value as of the acquisition date. Given the proximity between the transaction close date and the Company's Annual Report on Form 10-K, the preliminary purchase price allocation has not yet been completed. Management expects to complete the purchase price allocation later on in the first quarter of 2024.

On February 12, 2024, the Bank closed on the sale of its mortgage servicing portfolio, as previously discussed in Note 5: Transfers and Servicing of Financial Assets. The Company received cash proceeds of $18.6 million and recognized a gain on sale of $11.9 million in non-interest income.

On February 15, 2024, the Company repaid the $132.6 million principal balance due on its 4.375% senior fixed-rate notes.

In the first quarter of 2024, through the date of issuance of this Annual Report on Form 10-K, the Company sold Municipal bonds and notes classified as available-for-sale for proceeds of $281.3 million, resulting in net realized losses of $11.3 million.

The Company has evaluated subsequent events from the date of the Consolidated Financial Statements, and accompanying Notes thereto, through the date of issuance, and determined that, other than the above, there were no other significant events identified requiring recognition or disclosure.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of the Chief Executive Officer (who is our principal executive officer) and Chief Financial Officer (who is our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2023. The term "disclosure controls and procedures" means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2023, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, a company’s principal executive and principal financial officers, or persons performing similar functions, and effected by a company’s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. It includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of a company are being made only in accordance with authorizations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the financial statements.

Our management conducted an assessment, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer under the oversight of our Board of Directors, of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that our internal control over financial reporting was effective at December 31, 2023.

Remediation

As disclosed in Part II - Item 9A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, management identified material weaknesses in internal control over financial reporting related to certain general information technology controls specific to logical access during the fourth quarter of 2022.

Throughout the year ended December 31, 2023, our management executed upon its previously disclosed remediation plan, which included: (i) designing and implementing controls related to deprovisioning, privileged access, and user access reviews, (ii) developing an enhanced risk assessment process to evaluate logical access, and (iii) improving the existing training program associated with control design and implementation.

Our management completed testing of the implemented controls during the quarter ended December 31, 2023, and found them to be operating effectively. As a result, management has concluded that the material weaknesses in internal control over financial reporting have been remediated as of December 31, 2023.

Changes in Internal Control Over Financial Reporting

Other than the remediation of the material weaknesses described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Because of its inherent limitations, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Attestation Report of Independent Registered Public Accounting Firm

The Company's independent registered public accounting firm, KPMG LLP, has issued an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, which appears below under the heading "Report of Independent Registered Public Accounting Firm."

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Webster Financial Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Webster Financial Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 27, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

New York, New York
February 27, 2024

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408 of Regulation S-K.

Jack Kopnisky, our former Executive Chairman, who retired on January 31, 2024, entered into a 10b5-1 trading arrangement with a brokerage firm, intended to satisfy the affirmative defense of Rule 10b5-1(c), on May 2, 2023 for trades over a period of time from August 1, 2023 until July 31, 2024, or when 120,000 shares of Webster common stock are sold.

Following the end of our most recent fiscal quarter, John Ciulla, our Chairman and Chief Executive Officer, entered into a 10b5-1 trading arrangement with a brokerage firm, intended to satisfy the affirmative defense of Rule 10b5-1(c), on February 13, 2024 for trades over a period of time from May 20, 2024 until May 20, 2025, or such earlier time as when 32,000 shares of Webster common stock are sold.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has adopted a Code of Conduct and Ethics Policy that applies to all directors, officers, and employees, including its principal executive officer, principal financial officer, and principal accounting officer. The Company has also adopted a Corporate Governance Policy and a charter for each of the Board of Directors' standing committees, which includes an Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The Company's Code of Conduct and Ethics Policy, Corporate Governance Policy, and the charters for the Audit, Compensation, and Nominating and Corporate Governance Committees can be found within the investor relations section of its internet website (http://investors.websterbank.com).

A printed copy of any of these documents can be obtained, without charge, directly from the Company at the following address:

Webster Financial Corporation
200 Elm Street
Stamford, Connecticut 06902
Attn: Investor Relations
Telephone: (203) 578-2202

Information regarding directors and executive officers, and additional information regarding corporate governance, will be set forth in the Proxy Statement, including under the sections captioned "Election of Directors," "Board Meetings, Committees of the Board and Related Matters," "Executive Officers," and "Delinquent Section 16(a) Reports" (if required to be included), which are incorporated herein by reference. The Proxy Statement is required to be filed with the SEC no later than 120 days after the close of the year ended December 31, 2023.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation will be set forth in the Proxy Statement, including under the sections captioned "Compensation of Directors," "Executive Officers," "Compensation of Named Executive Officers," and "Compensation Discussion and Analysis," which are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management and related stockholder matters can be found within Note 20: Share-Based Plans in the Notes to Consolidated Financial Statements contained in Part II - Item 8. Financial Statements and Supplementary Data of this report, and will be set forth in the Proxy Statement, including under the section captioned "Security Ownership of Certain Beneficial Owners and Management," which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions, and director independence will be set forth in the Proxy Statement, including under the sections captioned "Compensation Committee Interlocks and Insider Participation," "Transactions with Related Persons," "Policies and Procedures Regarding Transactions with Related Persons," "Director Independence," and "Current Board Composition, Diversity and Refreshment," and "Committees of the Board," which are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding principal accountant fees and services will be set forth in the Proxy Statement, including under the section captioned "Auditor Ratification," which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements

The Company's Consolidated Financial Statements, and the accompanying Notes thereto, and the Report of Independent Registered Public Accounting Firm thereon, are included in Part II - Item 8. Financial Statements and Supplementary Data.

Financial Statement Schedules

All financial statement schedules for the Company have been included in the Consolidated Financial Statements, and the accompanying Notes thereto, or are either inapplicable or not required, and therefore, have been omitted.

Exhibits

A list of exhibits to this Form 10-K is set forth below.

Exhibit Number	Exhibit Description	Exhibit Included	Incorporated by Reference		
			Form	Exhibit	Filing Date
2	Agreement and Plan of Merger, dated as of April 18, 2021, by and between Sterling Bancorp and Webster Financial Corporation		8-K	2.1	4/23/2021
3	**Certificate of Incorporation and Bylaws**				
3.1	Fourth Amended and Restated Certificate of Incorporation		10-Q	3.1	8/9/2016
3.2.1	Certificate of Amendment to the Fourth Amended and Restated Certificate of Incorporation of Webster Financial Corporation, effective as of April 28, 2023		8-K	3.1	4/28/2023
3.2.2	Certificate of Amendment to the Fourth Amended and Restated Certificate of Incorporation of Webster Financial Corporation, effective as of January 31, 2022		8-K	3.2	2/1/2022
3.3	Certificate of Designations establishing the rights of the Company's 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock		8-K	3.1	6/11/2008
3.4	Certificate of Designations establishing the rights of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series B		8-K	3.1	11/24/2008
3.5	Certificate of Designations establishing the rights of the Company's Perpetual Participating Preferred Stock, Series C		8-K	3.1	7/31/2009
3.6	Certificate of Designations establishing the rights of the Company's Non-Voting Perpetual Participating Preferred Stock, Series D		8-K	3.2	7/31/2009
3.7	Certificate of Designations establishing the rights of the Company's 6.40% Series E Non-Cumulative Perpetual Preferred Stock		8-A12B	3.3	12/4/2012
3.8	Certificate of Designations establishing the rights of the Company's 5.25% Series F Non-Cumulative Perpetual Preferred Stock		8-A12B	3.3	12/12/2017
3.9	Certificate of Designations establishing the rights of the Company's 6.50% Series G Non-Cumulative Perpetual Preferred Stock		8-A12B	3.4	2/1/2022
3.10	Bylaws, as amended effective March 15, 2020		8-K	3.1	3/17/2020
3.11	Amendment to Bylaws of Webster Financial Corporation, effective as of January 31, 2022		8-K	3.5	2/1/2022
4	**Instruments Defining the Rights of Security Holders**				
4.1	Description of the Securities of the Registrant		10-K	4.1	2/25/2022
4.2	Specimen Common Stock Certificate		10-K	4.1	3/10/2006
4.3	Junior Subordinated Indenture, dated as of January 29, 1997, between the Company and The Bank of New York, as trustee, relating to the Company's Junior Subordinated Deferrable Interest Debentures		10-K	10.41	3/27/1997
4.4	Deposit Agreement, dated as of December 12, 2017, by and among the Company, Computershare Shareowner Services LLC, as Depositary, and the Holders of Depositary Receipts		8-K	4.1	12/12/2017
4.5.1	Deposit Agreement, dated as of March 19, 2013, by and among Astoria Financial Corporation, Computershare Shareowner Services, LLC, as depositary, and the holders from time to time of the depositary receipts described therein		8-K	4.1	2/1/2022
4.5.2	First Amendment to the Deposit Agreement, effective as of October 2, 2017, by and between Sterling Bancorp (as successor in interest to Astoria Financial Corporation) and Computershare Inc. (as successor in interest to Computershare Shareowner Services LLC)		8-K	4.2	2/1/2022
4.5.3	Second Amendment to Deposit Agreement, dated as of January 31, 2022, by and among Webster Financial Corporation, Sterling Bancorp, Computershare Inc. and Broadridge Corporate Issuer Solutions, Inc.		8-K	4.3	2/1/2022
4.6	Form of Global Receipt (included as Exhibit A of Exhibit 4.5.3)		8-K	4.4	2/1/2022
4.7	Senior Debt Indenture, dated as of February 11, 2014, between the Company and The Bank of New York Mellon, as trustee		8-K	4.1	2/11/2014
4.8	Supplemental Indenture, dated as of February 11, 2014, between the Company and The Bank of New York Mellon, as trustee, relating to the Company’s 4.375% Senior Notes due February 15, 2024		8-K	4.2	2/11/2014
4.9	Form of specimen stock certificate for the Company's 5.25% Series F Non-Cumulative Perpetual Preferred Stock		8-A12B	4.3	12/12/2017
4.10	Senior Debt Indenture, dated March 25, 2019, between Webster Financial Corporation and The Bank of New York Mellon, as trustee		8-K	4.1	3/25/2019

Exhibit Number	Exhibit Description	Exhibit Included	Incorporated by Reference		
			Form	Exhibit	Filing Date
4.11	Supplemental Indenture, dated March 25, 2019, between Webster Financial Corporation and The Bank of New York Mellon, as trustee		8-K	4.2	3/25/2019
4.12	Junior Subordinated Indenture, dated as of September 17, 2003, between the Company and US Bank, as trustee, relating to the Company's Junior Subordinated Deferrable Interest Debentures		10-Q	4	5/6/2021
10	**Material Contracts [(1)]**				
10.1	Webster Financial Corporation 2021 Stock Incentive Plan, as amended and restated effective April 26, 2023	X			
10.2	Webster Bank Deferred Compensation Plan for Directors and Officers, as amended and restated on October 22, 2007		8-K	10.2	12/21/2007
10.3	Amendment No. 1 to the Amended and Restated Webster Bank Deferred Compensation Plan for Directors and Officers		8-K	10.3	12/21/2007
10.4	Sterling National Bank Deferred Director Fee Plan, as amended and restated Effective January 1, 2016		10-K	10.4	3/10/2023
10.5	Amended and Restated Deferred Director Fee Plan, effective January 1, 2023		10-K	10.5	3/10/2023
10.6	Supplemental Retirement Plan for Employees of Webster Bank, as amended and restated on October 22, 2007		8-K	10.1	10/26/2007
10.7	Amendment No. 1 to the Amended and Restated Supplemental Retirement Plan for Employees of Webster Bank		8-K	10.1	12/21/2007
10.8	Employee Stock Purchase Plan, as amended and restated effective April 1, 2019		10-Q	10.1	5/7/2019
10.9	Provident Bank 2005 Supplemental Executive Retirement Plan		10-K	10.26	2/25/2022
10.10	Change in Control Agreement, dated as of December 21, 2012, by and between Webster Financial Corporation and Glenn I. MacInnes	X			
10.11	Non-Competition Agreement, dated as of February 22, 2017, by and between Webster Financial Corporation and Glenn I. MacInnes		10-K	10.20	3/1/2017
10.12	Retention Agreement, dated as of April 18, 2021, by and between Webster Financial Corporation and Glenn I. MacInnes		8-K	10.2	2/1/2022
10.13	Amended and Restated Non-Competition Agreement, dated as of April 3, 2017, by and between Webster Financial Corporation and Daniel Bley		10-Q	10.1	5/5/2017
10.14	Change in Control Agreement, dated as of February 1, 2013, by and between Webster Financial Corporation and Daniel H. Bley		10-K	10.13	2/28/2013
10.15	Change in Control Agreement, dated as of January 3, 2014, by and between Webster Financial Corporation and Charles L. Wilkins		10-K	10.13	2/28/2014
10.16	Amended and Restated Non-Competition Agreement, dated as of April 3, 2017, by and between Webster Financial Corporation and Charles Wilkins		10-Q	10.5	5/5/2017
10.17	Change in Control Agreement, dated as of February 26, 2018, by and between Webster Financial Corporation and John Ciulla		10-K	10.18	3/1/2018
10.18	Amended and Restated Non-Competition Agreement, dated as of April 3, 2017, by and between Webster Financial Corporation and John Ciulla		10-Q	10.2	5/5/2017
10.19	Retention Agreement, dated as of April 18, 2021, by and between Webster Financial Corporation and John R. Ciulla		8-K	10.1	2/1/2022
10.20	Change in Control Agreement, dated as of January 1, 2017, by and between Webster Financial Corporation and Christopher Motl	X			
10.21	Amendment to Change in Control Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Christopher Motl	X			
10.22	Amended and Restated Non-Competition Agreement, dated as of April 3, 2017, by and between Webster Financial Corporation and Christopher Motl		10-Q	10.4	5/5/2017
10.23	Letter Agreement, dated as of April 18, 2021, by and between Webster Financial Corporation and Jack L. Kopnisky		8-K	10.3	2/1/2022
10.24	Retention Agreement, dated as of April 18, 2021, by and between Webster Financial Corporation and Luis Massiani		8-K	10.4	2/1/2022
10.25	Change in Control Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Luis Massiani	X			
10.26	Non-Competition Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Luis Massiani	X			
10.27	Change in Control Agreement, dated as of September 21, 2023, by and between Webster Financial Corporation and Kristy Berner	X			

Exhibit Number	Exhibit Description	Exhibit Included	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.28	Non-Solicitation Agreement, dated as of September 21, 2023, by and between Webster Financial Corporation and Kristy Berner	X			
10.29	Change in Control Agreement, dated as of October 12, 2023, by and between Webster Financial Corporation and Elzbieta Cieslik	X			
10.30	Non-Competition Agreement, dated as of October 12, 2023, by and between Webster Financial Corporation and Elzbieta Cieslik	X			
10.31	Change in Control Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Javier Evans	X			
10.32	Non-Competition Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Javier Evans	X			
10.33	Change in Control Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and James Griffin	X			
10.34	Non-Competition Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and James Griffin	X			
10.35	Change in Control Agreement, dated as of October 12, 2023, by and between Webster Financial Corporation and Vikram Nafde	X			
10.36	Non-Competition Agreement, dated as of October 12, 2023, by and between Webster Financial Corporation and Vikram Nafde	X			
10.37	Change in Control Agreement, dated as of August 11, 2023, by and between Webster Financial Corporation and Jason Soto	X			
10.38	Non-Competition Agreement, dated as of August 11, 2023, by and between Webster Financial Corporation and Jason Soto	X			
10.39	Change in Control Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Marissa Weidner	X			
10.40	Non-Competition Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Marissa Weidner	X			
10.41	Change in Control Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Benjamin Krynick	X			
10.42	Non-Competition Agreement, dated as of February 1, 2024, by and between Webster Financial Corporation and Benjamin Krynick	X			
21	Subsidiaries	X			
23	Consent of KPMG LLP	X			
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Chief Executive Officer	X			
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Chief Financial Officer	X			
32.1	Written statement pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Executive Officer	X (2)			
32.2	Written statement pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Financial Officer	X (2)			
97	Policy for Recoupment of Incentive Compensation	X			
101	The following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2023 formatted in Inline Extensible Business Reporting Language (iXBRL) includes: (i) Cover Page, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Income, (iv) Consolidated Statements of Comprehensive Income, (v) Consolidated Statements of Stockholders' Equity, (vi) Consolidated Statements of Cash Flows, and (vii) Notes to Consolidated Financial Statements, tagged in summary and in detail	X			
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)	X			

(1) Material contracts are management contracts, or compensatory plans or arrangements, in which directors or executive officers are eligible to participate.

(2) Exhibit is furnished herewith and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 2024.

WEBSTER FINANCIAL CORPORATION

By /s/ John R. Ciulla
John R. Ciulla
Chief Executive Officer, Chairman, and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2024.

Signature:	Title:
/s/ John R. Ciulla John R. Ciulla	Chief Executive Officer, Chairman, and Director (Principal Executive Officer)
/s/ Glenn I. MacInnes Glenn I. MacInnes	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Albert J. Wang Albert J. Wang	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Richard O'Toole Richard O'Toole	Lead Director
/s/ William L. Atwell William L. Atwell	Director
/s/ John P. Cahill John P. Cahill	Director
/s/ E. Carol Hayles E. Carol Hayles	Director
/s/ Linda H. Ianieri Linda H. Ianieri	Director
/s/ Mona Aboelnaga Kanaan Mona Aboelnaga Kanaan	Director
/s/ James J. Landy James J. Landy	Director
/s/ Maureen B. Mitchell Maureen B. Mitchell	Director

/s/ Laurence C. Morse	Director
Laurence C. Morse	
/s/ Karen R. Osar	Director
Karen R. Osar	
/s/ Mark Pettie	Director
Mark Pettie	
/s/ Lauren C. States	Director
Lauren C. States	
/s/ William E. Whiston	Director
William E. Whiston	

The Webster symbol is a registered trademark in the U.S.