



The Webster Way

An Interview with James C. Smith, Chairman and Chief Executive Officer, Webster Bank and Webster Financial Corporation

EDITORS' NOTE In 1982, James Smith was elected President, Chief Operating Officer, and a director of Webster Bank and was named Chief Executive Officer of the bank and its holding company, Webster Financial Corporation, in 1987, upon the retirement of his father, Harold Webster Smith, who founded the bank in 1935. He succeeded his father as Chairman in 1995. Smith recently completed a three-year term as a member of the board of directors of the Federal Reserve Bank of Boston and



James C. Smith

was a member of the Federal Advisory Council from 2004 to 2007. He is a member of the executive committee of the Connecticut Bankers Association, Co-Chairman of the American Bankers Council, and a member of the board of directors of The Financial Services Roundtable in Washington, D.C. Smith is a member of the boards of directors of Waterbury, Connecticut-based Saint Mary's Health System and the Palace Theater, where he served as Chairman from 2002 to 2005. He earned a bachelor's degree from Dartmouth College.

COMPANY BRIEF Since 1935, Webster Bank (www.websteronline.com) has been helping individuals, families, and businesses achieve their financial goals. With \$19 billion in assets, Webster Financial Corp. provides business, consumer, and mortgage banking; financial planning; and trust and investment services through a network of 168 banking offices in Connecticut, Massachusetts, Rhode Island, and New York. Webster is the largest independent commercial bank headquartered in New England.

Webster Financial Corporation is the holding company for Webster Bank, National Association. Webster Bank owns the asset-based lending firm Webster Business Credit Corporation, Webster Capital Finance Corporation, an equipment finance company headquartered in Farmington, Connecticut and provides health savings account trustee and administrative services through HSA Bank, a division of Webster Bank.

Webster Bank has a set of values built around personal responsibility, respect, ethical behavior, community, and achieving results. How critical are those core values to the success of Webster?

The values are the single differentiating factor and the most important foundational element in the company. There is continuity in that my

father and I have been the only two chief executives of a company that was founded in 1935 to help people buy and build their homes. My father laid down the principles that we adopted as our values in 1995, when we renamed the bank in his honor – his middle name was Webster.

Our mission has evolved, our vision has expanded, and the values have endured. They are the bedrock of the organization and bind us together in pursuit of our common goal to make a difference in the lives of those that

rely on us for services and advice.

How challenging is it to differentiate and show what makes Webster unique?

We try to gain competitive advantage by focusing on what we do best, and our values and connectivity to our local communities are a big part of that. Simply put, we're a regional bank that is community focused and values driven.

Even though we have a relatively dense franchise across four states from Southern New England into New York, we further bifurcated that into seven regions. Every region has a president who is responsible for the relationships in that region.

So we have a local presence and we make local decisions at the local level. The regional president works with all the other people in the market to make sure we're responding to our customers' needs.

We are also big enough that we can invest in the technology we need to achieve parity with the biggest players in the market.

So if we create a strong sense of community in our markets, we then have the opportunity to differentiate ourselves from the biggest players and grow as we have.

Are there opportunities for small businesses to get the capital they need?

Most small businesses have little problem accessing capital – the banks would be tripping over each other to find high quality customers to whom they can lend.

On the other hand, when you go through a long period of recession, the demand for loans is naturally down. Small businesses may not be as creditworthy as they were and banks have tightened their standards.

We try to be as creative as we can in finding ways to finance clients because we want to help finance the economic recovery.

We're the largest originator of SBA loans in Connecticut as well as for women-owned,

minority-owned, and veteran-owned businesses. We also work to leverage state programs that are out there.

What emphasis have you put on the private bank and what is your vision for it?

When we were looking at transitioning the company's business model in today's rapidly changing banking environment, it was clear that we had to rely less on attracting accounts and more on building out relationships. We're trying to pull in as many new clients as we can with the goal of serving their full financial needs as opposed to just giving them a transaction account.

Our evolving strategy requires a shift in the way we invest our marketing dollars; in the way we align the customer segments that we pursue in the market; and in the way we invest more in relationship businesses, like small business, middle market, jumbo mortgage lending, private banking, and cash management services for commercial clients.

On the private banking side, we decided to integrate Webster Financial Advisors – our investment management division – more closely with our deposit and lending functions. Private banking becomes the primary relationship manager with the client and introduces Webster Financial Advisors to the extent that the client may have a need for that. In the meantime, we'll meet clients' depository, lending, and cash flow needs and we'll give them special credit cards, as well as develop a meaningful relationship opportunity for the client. So we created a fourth business unit along with commercial bank, consumer finance, and the retail bank.

Now we're actively in the market courting internal and external clients. Though we are still relatively new at it, we've already seen a significant increase on the lending and deposit side, and our assets under management are rising as well.

How critical is community engagement and is that a key responsibility of businesses today?

We're a community-based organization and always have been; they invest in us and we invest in them. They make our success possible, and we never lose sight of that. For example, in early 2009, we cut our dividend from 30 cents to a penny. But we didn't cut our charitable contributions because that was part of our responsibility as a citizen of our communities. We continued to provide millions of dollars and more than 70,000 volunteer hours per year, and our United Way campaign increased every year during the recession. ●