WSFS FINANCIAL CORP
Form 10-K
March 18, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

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 0-16668

WSFS FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**22-2866913**
(State or other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

500 Delaware Avenue,

Wilmington, Delaware 19801

(Address of Principal Executive Offices) (Zip Code)

Registrant s Telephone Number, Including Area Code: (302) 792-6000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	**The NASDAQ Stock Market LLC**
6.25% Senior Notes Due 2019	**The NASDAQ Stock Market LLC**

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

Indicate by check if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. YES ¨ NO x

Indicate by check if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES ¨ NO x

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 twelve 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 x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant, based on the closing price of the registrant s common stock as quoted on NASDAQ as of June 30, 2012 was $320,580,531. For purposes of this calculation only, affiliates are deemed to be directors, executive officers and beneficial owners of greater than 10% of the outstanding shares.

As of March 7, 2013, there were issued and outstanding 8,782,933 Shares of the registrant s common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for the Annual Meeting of Stockholders to be held on April 25, 2013 are incorporated by reference in Part III hereof.

Table of Contents

WSFS FINANCIAL CORPORATION

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, and exhibits thereto, contains estimates, predictions, opinions, projections and other statements that may be interpreted as forward-looking statements as that phrase is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, references to our financial goals, management s plans and objectives for future operations, financial and business trends, business prospects, and management s outlook or expectations for earnings, revenues, expenses, capital levels, liquidity levels, asset quality or other future financial or business performance, strategies or expectations. Such forward-looking statements are based on various assumptions (some of which may be beyond our control) and are subject to risks and uncertainties (which change over time) and other factors which could cause actual results to differ materially from those currently anticipated. Such risks and uncertainties include, but are not limited to, those related to the economic environment, particularly in the market areas in which we operate, including an increase in unemployment levels; our level of nonperforming assets; the volatility of the financial and securities markets, including changes with respect to the market value of financial assets; changes in market interest rates which may increase funding costs and reduce earning asset yields thus reducing margin; increases in benchmark rates would also increase debt service requirements for customers whose terms include a variable interest rate, which may negatively impact the ability of borrowers to pay as contractually obligated; changes in government regulation affecting financial institutions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations being issued in accordance with this statute and potential expenses and elevated capital levels associated therewith; possible additional loan losses and impairment of the collectability of loans; possible changes in trade, monetary and fiscal policies, laws and regulations and other activities of governments, agencies, and similar organizations, may have an adverse effect on business; possible rules and regulations issued by the Consumer Financial Protection Bureau or other regulators which might adversely impact our business model or products and services; possible stresses in the real estate markets, including possible continued deterioration in property values that affect the collateral value underlying our real estate loans; our ability to expand into new markets, develop competitive new products and services in a timely manner, and to maintain profit margins in the face of competitive pressures; possible changes in consumer and business spending and saving habits could affect our ability to increase assets and to attract deposits; our ability to effectively manage credit risk, interest rate risk, market risk, operational risk, legal risk, liquidity risk, reputational risk, and regulatory and compliance risk; the effects of increased competition from both banks and non-banks; the effects of geopolitical instability and risks such as terrorist attacks; the effects of weather and natural disasters such as floods, droughts, wind, tornados and hurricanes, and the effects of man-made disasters; possible changes in the speed of loan prepayments by our customers and loan origination or sales volumes; possible acceleration of prepayments of mortgage-backed securities (MBS) due to low interest rates, and the related acceleration of premium amortization on prepayments on MBS due to low interest rates, and the related acceleration of premium amortization on those securities; and the costs associated with resolving any problem loans, litigation and other risks and uncertainties. Such risks and uncertainties are discussed herein, including under the heading Risk Factors, and in other documents filed by us with the Securities and Exchange Commission from time to time. Forward looking statements are as of the date they are made, and we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of us.

PART I

ITEM 1. BUSINESS

OUR BUSINESS

WSFS Financial Corporation (WSFS, the Company or we) is parent to Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), t seventh oldest bank and trust company in the United States continuously operating under the same name. A fixture in Delaware and contiguous areas of neighboring states community, WSFS Bank has been in operation for 181 years. In addition to its focus on stellar customer service, the Bank has continued to fuel growth and remain a leader in our community. We are a relationship-focused,

Table of Contents

locally-managed, community banking institution that has grown to become the largest independent bank or thrift holding company headquartered and operating in the State of Delaware, one of the top commercial lenders in the state, the third largest bank in terms of Delaware deposits and among the top trust companies in the country. For the seventh year in a row, our Associates (what we call our employees) ranked us a Top Workplace in Delaware and for the second year in a row the Delaware *News Journal* s readers voted us the Top Bank in the state. We state our mission simply: We Stand For Service.

Our core banking business is commercial lending funded by customer-generated deposits. We have built a $2.2 billion commercial loan portfolio by recruiting the best seasoned commercial lenders in our markets and offering a high level of service and flexibility typically associated with a community bank. We fund this business primarily with deposits generated through commercial relationships and retail deposits in our 51 offices located in Delaware (42), Pennsylvania (7), Virginia (1) and Nevada (1). We also offer a broad variety of consumer loan products, retail securities and insurance brokerage services through our retail branches.

We offer trust and wealth management services through Christiana Trust, Cypress Capital Management, LLC (Cypress), WSFS Investment Group brokerage and our Private Banking group. The Christiana Trust division of WSFS Bank provides investment, fiduciary, agency and commercial domicile services from locations in Delaware and Nevada and has over $17 billion in assets under administration. These services are provided to individuals and families as well as corporations and institutions. Christiana Trust provides these services to customers locally, nationally and internationally taking advantage of its branch facilities in Delaware and Nevada. Cypress is an investment advisory firm that manages nearly $600 million of portfolios for individuals, trusts, retirement plans and endowments. WSFS Investment Group, Inc. markets various third-party insurance products and securities through the Bank s retail banking system.

Our Cash Connect division is a premier provider of ATM Vault Cash and related services in the United States. Cash Connect manages more than $444 million in vault cash in more than 13,000 ATMs nationwide. They also provide online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing and equipment sales. Cash Connect also operates over 440 ATMs for WSFS Bank, which owns by far, the largest branded ATM network in Delaware.

WSFS POINTS OF DIFFERENTIATION

While all banks offer similar products and services, we believe that WSFS, through its service model, has set itself apart from other banks in our market and the industry in general. In addition, community banks such as WSFS have been able to distinguish themselves from large national or international banks that fail to provide their customers with the service levels, responsiveness and local decision making they want. The following factors summarize what we believe are our points of differentiation.

Building Associate Engagement and Customer Advocacy

Our business model is built on a concept called Human Sigma, which we have implemented in our strategy of Engaged Associates delivering Stellar Service growing Customer Advocates and value for our Owners . The Human Sigma model, identified by Gallup, Inc., begins with Associates who have taken ownership of their jobs and therefore perform at a higher level. We invest significantly in recruitment, training, development and talent management as our Associates are the cornerstone of our model. This strategy motivates Associates, and unleashes innovation and productivity to engage our most valuable asset, our customers, by providing them with Stellar Service experiences. As a result, we build Customer Advocates, or customers who have developed an emotional attachment to the Bank. Research studies continue to show a direct link between Associate engagement, customer advocacy and a company s financial performance.

Surveys conducted for us by Gallup, Inc. indicate:

- Our Associate Engagement scores consistently rank in the top quartile of companies polled. In 2012 our engagement ratio was 17.3:1, which means there were 17.3 engaged Associates for every disengaged Associate. This compares to a 2.6:1 ratio in 2003 and a national average of 1.53:1. Gallup, Inc. defines world-class as 8.8:1.

- Our customer advocacy scores rank in the top 10% of companies. In 2012, 48% of our customers ranked us a five out of five, strongly agreeing with the statement I can t imagine a world without WSFS and nearly 71% of our customers ranked us a five out of five, strongly agreeing with the statement WSFS is the perfect bank for me.

By fostering a culture of engaged and empowered Associates, we believe we have become the employer and bank of choice in our market. In 2012, for the fourth year in a row, we were recognized by *The Wilmington News Journal* as a Top Work Place for large corporations in the State of Delaware. Also in 2012, a *News Journal* survey of its readers also ranked us the *Top Bank* in Delaware, indicating the strength of our focus on customer service.

Community Banking Model

Our size and community banking model play a key role in our success. Our approach to business combines a service-oriented culture with a strong complement of products and services, all aimed at meeting the needs of our retail and business customers. We believe the essence of being a community bank means that we are:

- Small enough to offer customers responsive, personalized service and direct access to decision makers.

- Large enough to provide all the products and services needed by our target market customers.

As the financial services industry has consolidated, many independent banks have been acquired by national companies that have centralized their decision-making authority away from their customers and focused their mass-marketing to a regional or even national customer base. We believe this trend has frustrated smaller business owners who have become accustomed to dealing directly with their bank s senior executives and discouraged retail customers who often experience deteriorating levels of service in branches and other service outlets. Additionally, it frustrates bank employees who are no longer empowered to provide good and timely service to their customers.

WSFS Bank offers:

- One point of contact. Each of our relationship managers is responsible for understanding his or her customers needs and bringing together the right resources in the Bank to meet those needs.

- A customized approach to our clients. We believe this gives us an advantage over our competitors who are too large or centralized to offer customized products or services.

Table of Contents

Products and services that our customers value. This includes a broad array of banking, cash management and trust and wealth management products, as well as a legal lending limit high enough to meet the credit needs of our customers, especially as they grow.

Rapid response and a company that is easy to do business with. Our customers tell us this is an important differentiator from larger, in-market competitors.

Strong Market Demographics

Delaware is situated in the middle of the Washington, DC New York corridor which includes the urban markets of Philadelphia and Baltimore. The state benefits from this urban concentration as well as from a unique political, legal, tax and business environment. Additionally, Delaware is one of only eight states with a AAA bond rating from the three predominant rating agencies. Delaware s rate of unemployment, median household income and rate of population growth all compare favorably to national averages.

(Most recent available statistics)	**Delaware**	**National Average**
Unemployment *(For December 2012)* [1]	6.9%	7.8%
Median Household Income *(2007-2011)* [2]	$ 59,317	$ 52,762
Population Growth *(2010-2012)* [3]	2.1%	1.7%

(1) Bureau of Labor Statistics, Economy at a Glance;
(2) U.S. Census Bureau, State & County Quick Facts;
(3) U.S. Census Bureau, Population Estimates

Balance Sheet Management

We put a great deal of focus on actively managing our balance sheet. This manifests itself in:

Prudent capital levels. Maintaining prudent capital levels is key to our operating philosophy. At December 31, 2012, our tangible common equity ratio was 7.72%. All regulatory capital levels for WSFS Bank maintained a meaningful cushion above well-capitalized levels. WSFS Bank s Tier 1 capital ratio was 13.04% as of December 31, 2012, more than $229 million in excess of the 6% well-capitalized level, and our total risk-based capital ratio was 14.29%, more than $140 million above the well-capitalized level of 10.00%.

Disciplined lending. We maintain discipline in our lending, including planned portfolio diversification. Additionally, we take a proactive approach to identifying trends in our business and lending market and have responded to areas of concern. In 2010, we increased our portfolio monitoring and reporting sophistication and hired additional senior credit administration and asset disposition professionals to manage our portfolio. As a result we improved all criticized, classified and nonperforming loans to 52.5% Tier 1 capital plus ALLL from 84.8% at December 31, 2011. We diversify our loan portfolio to limit our exposure to any single type of credit. Such discipline supplements careful underwriting and the benefits of knowing our customers.

Focus on credit quality. We seek to minimize credit risk in our investment portfolio and use this portion of our balance sheet primarily to help us manage liquidity and interest rate risk, while providing some marginal income. Our investment securities portfolio consists of nearly all AAA-rated credits. Our philosophy and pre-purchase due diligence has allowed us to avoid the significant investment write-downs taken by many of our bank peers (only $86,000 of other-than-temporary impairment charges recorded during this economic cycle).

However, we have been subject to many of the same pressures facing the banking industry. The extended recession negatively impacted our customers and, as a result, impacted our credit quality and our interest rates. In a time where interest rates are declining we increased wealth management income, lending growth and customer

funding growth. During 2012, we successfully completed our asset strategies associated with improving our asset quality, which we refer to as our Asset Strategies, which included a bulk sale of $42.7 million of problem loans. This was in addition to numerous other asset disposition efforts accomplished throughout the year. As a result, we have seen continued asset quality stabilization and improvement in key asset quality indicators.

Disciplined Capital Management

We understand that our capital (or stockholders equity) belongs to our stockholders. They have entrusted this capital to us with the expectation that it will earn an appropriate return relative to the risk we take. Mindful of this balance, we prudently, but aggressively, manage our capital.

Strong Performance Expectations and Alignment with Shareholder Priorities

We are focused on high-performing, long-term financial goals. We define high-performing as the top quintile of a relevant peer group in return on assets (ROA), return on equity (ROE) and earnings per share (EPS) growth. Management incentives are, in large part, based on driving performance in these areas. More details on management incentive plans are included in our proxy statement.

During 2009 to 2011 in particular, we invested in building our company in the wake of significant local market disruption. During these years we increased commercial lenders by 40%, added, relocated or renovated over 40% of our branch network and successfully completed the acquisition of Christiana Bank & Trust. This enhanced our franchise and provided significant growth opportunities. However, the rate of our earnings growth was also impacted. As we entered into 2012, we reached the end of this strategic investment stage and have turned our focus to optimizing these ample investments and growing our bottom line, while continuing to improve asset quality.

Growth

Our successful long-term trend in lending and deposit gathering, along with the success of our Wealth Management Group at growing assets under administration, has been the result of a focused strategy that provides the service, responsiveness and careful execution in a consolidating marketplace. We plan to continue to grow by:

- Developing talented, service-minded Associates. We have successfully recruited Associates with strong ties to, and the passion to serve, their communities to enhance our service in existing markets and provide a strong start in new communities. We also focus efforts on developing talent and leadership from our current Associate base to better equip those Associates for their jobs and prepare them for leadership roles at WSFS.

- Embracing the Human Sigma concept. We are committed to building Associate Engagement and Customer Advocacy as a way to differentiate ourselves and grow our franchise.

- Development of new products through innovation and utilization of new technologies.

- Continuing strong growth in commercial lending by:

  - Offering local decision making by seasoned banking professionals.

  - Executing of our community banking model that combines Stellar Service with the banking products and services our business customers demand.

Adding seasoned lending professionals that have helped us win customers in our Delaware and southeastern Pennsylvania markets.

Table of Contents

Aggressively growing deposits. We have energized our retail branch strategy by combining Stellar Service with an expanded and updated branch network. We plan to continue to grow by:

- Offering products through an expanded and updated branch network.
- Providing a Stellar Service experience to our customers.
- Further expanding our commercial customer relationships with deposit and cash management products.
- Finding creative ways to build deposit market share such as targeted marketing programs.
- Selectively opening new branches, including in specific southeastern Pennsylvania locations.

Seeking strategic acquisitions. Over the next several years we expect our growth will be approximately 80% organic and 20% through acquisition, although each year s growth will reflect the opportunities available to us at the time.

Exploring new niche businesses and continuing to expand existing niche businesses such as Cash Connect. We are an organization with an entrepreneurial spirit and are open to the risk/reward proposition that comes with such businesses.

Values

Our values address integrity, service, accountability, transparency, honesty, growth and desire to improve. They are the core of our culture, they make us who we are and we live them every day.

At WSFS we:

- **Do the right thing.**
- **Serve others.**
- **Are open and candid.**
- **Grow and improve.**

Results

Our focus on these points of differentiation has allowed us to grow our core franchise and build value for our stockholders. Since 2007, our commercial loans have grown from $1.6 billion to $2.2 billion, a strong 9% compound annual growth rate (CAGR). Over the same period, customer funding has grown from $1.5 billion to $3.1 billion, a 20% CAGR. More importantly, over the last decade, stockholder value has increased at a far greater rate than our banking peers. An investment of $100 in WSFS stock in 2002 would be worth $128 at December 31, 2012. By comparison, $100 invested in the Nasdaq Bank Index in 2002 would be worth $84 at December 31, 2012.

SUBSIDIARIES

We have two consolidated subsidiaries, WSFS Bank and Montchanin Capital Management, Inc. (Montchanin) and one unconsolidated affiliate, WSFS Capital Trust III (the Trust).

WSFS Bank has two wholly owned subsidiaries, WSFS Investment Group, Inc. and Monarch Entity Services, LLC (Monarch). WSFS Investment Group, Inc., markets various third-party investment and insurance products such as single-premium annuities, whole life policies and securities, primarily through our retail banking system and directly to the public. Monarch offers commercial domicile services which include providing employees, directors, sublease of office facilities and registered agent services in Delaware and Nevada.

Table of Contents

Montchanin provides asset management services and has one wholly owned subsidiary, Cypress Capital Management, LLC (Cypress). Cypress is a Wilmington-based investment advisory firm servicing high net-worth individuals and institutions with $597 million in assets under management at December 31, 2012.

The Trust is our unconsolidated subsidiary, and was formed in 2005 to issue $67.0 million aggregate principal amount of Pooled Floating Rate Capital Securities.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS EQUITY

Condensed average balance sheets for each of the last three years and analyses of net interest income and changes in net interest income due to changes in volume and rate are presented in Results of Operations included in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations.

INVESTMENT ACTIVITIES

At December 31, 2012, our total available-for-sale securities portfolio had a fair value of $907.5 million. Our strategy has been to minimize credit risk in our securities portfolio.

The portfolio is comprised of:

$47.0 million in federal agency debt securities with maturities of five years or less.

$857.8 million of government sponsored entity (GSE) MBS. Of these, $259.4 million are collateralized mortgage obligations (CMOs) and $598.4 million are GSE MBS with 10 to 30 year original final maturities.

With the exception of two bonds, all bonds purchased are senior class and were rated AAA at purchase.

Our short-term investment portfolio is intended to keep our funds fully employed at a reasonable after-tax return, while maintaining acceptable credit, market and interest-rate risk limits, and providing the appropriate level of liquidity. In addition, our short-term taxable investments provide collateral for various Bank obligations. Our short-term municipal securities provide for a portion of our Community Reinvestment Act CRA

Table of Contents

investment program compliance. The amortized cost of investment securities and short-term investments by category stated in dollar amounts and as a percent of total assets, follow:

	At December 31,					
	2012		2011		2010	
	Amount	Percent of Assets	Amount	Percent of Assets	Amount	Percent of Assets
	(Dollars in Thousands)					
Held-to-Maturity:						
State and political subdivisions	$	%	$	%	$ 219	%
Available-for-Sale:						
Reverse mortgages (obligation)	(457)		(646)		(686)	
U.S. government and agencies	46,726	1.0	38,776	0.9	49,691	1.2
State and political subdivisions	3,120	0.1	4,159	0.1	2,879	0.1
Collaterlized mortgage obligations [(1)]	251,848	5.8	323,980	7.6	490,946	12.4
Federal National Mortgage Association (FNMA)	396,910	9.1	320,019	7.5	89,226	2.3
Federal Home Loan Mortgage Corporation (FHLMC)	58,596	1.3	93,305	2.2	43,970	1.1
Government National Mortgage Association (GNMA)	129,288	3.0	60,991	1.4	65,849	1.7
	886,031	20.3	840,584	19.7	741,875	18.8
Trading:						
Collateralized mortgage obligations	12,590	0.3	12,432	0.3	12,183	0.3
Short-term investments:						
Interest-bearing deposits in other banks	631		9		254	
	$ 899,252	20.6%	$ 853,025	20.0%	$ 754,312	19.1%

(1) Includes GSE CMOs available-for-sale

During 2012, $770.0 million of investment securities classified as available-for-sale were sold for a net gain on sale of $21.3 million. A portion of these sales were the result of the completion of the Asset Strategies undertaken during the second quarter and were mainly due to maintaining the capital and earnings neutrality of these efforts. In 2011, $335.9 million of investment securities classified as available-for-sale were sold for a net gain on sale of $4.9 million. In 2010, proceeds from the sale of investment securities totaled $154.7 million with a net gain on sale of $782,000. In 2012, investment securities totaling $475,000 were called by their issuers, all of which were obligations of state and political subdivisions. Investment securities totaling $719,000 were called by their issuers in 2011 and investment securities totaling $720,000 were called by their issuers in 2010, and, again, were all obligations of state and political subdivisions. The cost basis for each investment security sale was based on the specific identification method. At December 31, 2012, MBS with a fair value of $440.0 million were pledged as collateral, mainly for retail customer repurchase agreements and municipal deposits.

Table of Contents

The following table shows the terms to maturity and related weighted average yields of investment securities and short-term investments at December 31, 2012. Substantially all of the related interest and dividends represent taxable income.

	At December 31, 2012	
	Amount	Weighted Average Yield (1)
	(Dollars in Thousands)	
Available-for-Sale:		
Reverse Mortgages (2):		
Within one year	$ (457)	N/A
State and political subdivisions (3):		
Within one year	435	4.20%
After one but within five years	695	4.30
After five but within ten years	1,990	2.11
	3,120	2.89
U.S. Government and agencies:		
Within one year	18,566	0.96
After one but within five years	28,160	0.63
	46,726	0.76
MBS:		
After five but within ten years	319,113	2.15
Over ten years	517,529	2.01
	836,642	2.21
Total debt securities, available-for-sale	886,031	1.95
Trading:		
Over ten years	12,590	3.10
Total debt securities	898,621	2.08
Short-term investments:		
Interest-bearing deposits in other banks	631	0.17
Total debt securities and short-term investments	$ 899,252	2.08%

(1) Reverse mortgages have been excluded from weighted average yield calculations because income can vary significantly from reporting period to reporting period due to the volatility of factors used to value the portfolio.
(2) Reverse mortgages do not have contractual maturities. We have included reverse mortgages in maturities within one year.
(3) Yields on obligations of state and political subdivisions are not calculated on a tax-equivalent basis since the effect would be immaterial.

CREDIT EXTENSION ACTIVITIES

Over the past several years we have focused on growing the more profitable segments of our loan portfolio. Our current lending activity is concentrated on lending to small- to mid-sized businesses in the mid-Atlantic region of the United States, primarily in Delaware, contiguous counties in Pennsylvania, Maryland and New Jersey and Virginia. Since 2008, our commercial and industrial (C&I) loans have increased by $532.2 million, or 56%. Our C&I loans, including owner-occupied commercial real estate loans, accounted for

Table of Contents

approximately 54% of our loan portfolio in 2012 compared to 39% in 2008. Based on current market conditions, we expect our focus on growing C&I loans to continue into 2013 and beyond.

The following table shows the composition of our loan portfolio at year-end for the last five years.

	At December 31,									
	2012		2011		2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)									
Types of Loans										
Commercial real estate:										
Commercial mortgage	$ 631,365	23.2%	$ 626,739	23.1%	$ 625,379	24.2%	$ 524,380	21.2%	$ 558,979	22.9%
Construction	133,375	4.9	106,268	3.9	140,832	5.5	231,625	9.3	251,508	10.3
Total commercial real estate	764,740	28.1	733,007	27.0	766,211	29.7	756,005	30.5	810,487	33.2
Commercial	704,491	25.9	1,460,812	53.9	1,239,102	48.1	1,120,807	45.2	942,920	38.6
Commercial owner occupied (1)	770,581	28.3								
Total commercial loans	2,239,812	82.3	2,193,819	80.9	2,005,313	77.8	1,876,812	75.7	1,753,407	71.8
Consumer loans:										
Residential real estate	243,627	8.9	274,105	10.5	308,857	12.6	348,873	14.4	422,743	17.4
Consumer	289,001	10.6	290,979	10.7	309,722	12.0	300,648	12.1	296,728	12.1
Total consumer loans	532,628	19.5	565,084	21.2	618,579	24.6	649,521	26.5	719,471	29.5
Gross loans	$ 2,772,440	101.8	$ 2,758,903	102.1	$ 2,623,892	102.4	$ 2,526,333	102.2	$ 2,472,878	101.3
Less:										
Deferred fees (unearned income)	4,602	0.2	3,234	0.1	2,185	0.1	2,098	0.1	129	
Allowance for loan losses	43,922	1.6	53,080	2.0	60,339	2.3	53,446	2.1	31,189	1.3
Net loans (2)	$ 2,723,916	100.0%	$ 2,702,589	100.0%	$ 2,561,368	100.0%	$ 2,470,789	100.0%	$ 2,441,560	100.0%

(1) Prior to 2012 owner occupied commercial loans were included in commercial loan balances.
(2) Excludes $12,758, $10,185, $14,522, $8,366 and $2,275 of residential mortgage loans held-for-sale at December 31, 2012, 2011, 2010, 2009, and 2008, respectively.

The following table shows the remaining time until our loans mature. The first table details the total loan portfolio by type of loan. The second table details the total loan portfolio by those with fixed interest rates and those with adjustable interest rates. The tables show loans by remaining contractual maturity. Loans may be pre-paid, so the actual maturity may be earlier than the contractual maturity. Prepayments tend to be highly dependent upon the interest rate environment. Loans having no stated maturity or repayment schedule are reported in the Less than One Year category.

	Less than One Year	One to Five Years	Over Five Years	Total
	(In thousands)			
Commercial mortgage loans	$ 135,032	$ 351,075	$ 145,258	$ 631,365
Construction loans	52,304	59,377	21,694	133,375
Commercial loans	451,351	676,564	347,157	1,475,072
Residential real estate loans (1)	15,902	35,412	192,313	243,627
Consumer loans	37,220	46,953	204,828	289,001

	$ 691,809	$ 1,169,381	$ 911,250	$ 2,772,440
Rate sensitivity:				
Fixed	$ 117,474	$ 436,722	$ 214,956	$ 769,152
Adjustable [(2)]	574,335	732,659	696,294	2,003,288
Gross loans	$ 691,809	$ 1,169,381	$ 911,250	$ 2,772,440

(1) Excludes loans held-for-sale.
(2) Includes hybrid adjustable-rate mortgages.

Commercial Real Estate, Construction and Commercial Lending.

Pursuant to section 5(c) of the Home Owners Loan Act (HOLA), federal savings banks are generally permitted to invest up to 400% of their total regulatory capital in nonresidential real estate loans and up to 20% of its assets in commercial loans. As a federal savings bank that was formerly chartered as a Delaware savings bank, we have certain additional lending authority.

Commercial, commercial mortgage and construction lending have higher levels of risk than residential mortgage lending. These loans typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties is typically dependent on the successful operation of the related real estate project and may be more subject to adverse conditions in the commercial real estate market or in the general economy. The majority of our commercial and commercial real estate loans are concentrated in Delaware and nearby areas.

We offer commercial real estate mortgage loans on multi-family properties and on other commercial real estate. Generally, loan-to-value ratios for these loans do not exceed 80% of appraised value at origination.

Our commercial mortgage portfolio was $631.4 million at December 31, 2012. This portfolio is generally diversified by property type, with no type representing more than 30% of the portfolio. The largest type is retail-related (shopping centers, malls and other retail) with balances of $189.6 million. The average loan size of a loan in the commercial mortgage portfolio is $756,000 and only 25 loans are greater than $5 million, with two loans greater than $10 million. Management continues to monitor this portfolio closely through this economic cycle.

We offer commercial construction loans to developers. In some cases these loans are made as construction/permanent loans, which provides for disbursement of loan funds during construction with automatic conversion to mini-permanent loans (1-5 years) upon completion of construction. These construction loans are made on a short-term basis, usually not exceeding two years, with interest rates indexed to our WSFS prime rate, the Wall Street prime rate or London InterBank Offered Rate (LIBOR), in most cases, and are adjusted periodically as these rates change. The loan appraisal process includes the same evaluation criteria as required for permanent mortgage loans, but also takes into consideration: completed plans, specifications, comparables and cost estimates. Prior to approval of each credit, these criteria are used as a basis to determine the appraised value of the subject property when completed. Our policy requires that all appraisals be reviewed independently from our commercial business development staff. At origination, the loan-to-value ratios for construction loans generally do not exceed 75%. The initial interest rate on the permanent portion of the financing is determined by the prevailing market rate at the time of conversion to the permanent loan. At December 31, 2012, $174.1 million was committed for construction loans, of which $133.4 million, or less than 5% of gross loans, was outstanding. Residential construction and land development (CLD), one of the hardest-hit sectors through this economic cycle, represented only $54.2 million or 2% of the loan portfolio. Our commercial CLD portfolio was only $28.3 million, or 1% of total loans, and our land hold loans, which are land loans not currently being developed, were only $25.4 million, or less than 1% of total loans, at December 31, 2012.

Commercial and industrial and owner occupied commercial loans make up the remainder of our commercial portfolio and include loans for working capital, financing equipment and real estate acquisitions, business expansion and other business purposes. These loans generally range in amounts of up to $25 million (with a few loans higher) with an average balance in the portfolio of $354,000 and terms ranging from less than one year to seven years. The loans generally carry variable interest rates indexed to our WSFS prime rate, national prime rate or LIBOR, at the time of closing.

As of December 31, 2012, our commercial and industrial and owner occupied commercial loan portfolios were $1.5 billion and represented 53% of our total loan portfolio. These loans are diversified by industry, with no industry representing more than 10% of the portfolio. There has been some weakness in this portfolio, primarily from smaller credits with most of these loans well below $1 million. This weakness was mainly in the small business sector which has been affected by the prolonged economic downturn.

Federal law limits the extensions of credit to any one borrower to 15% of our unimpaired capital (approximately $70.7 million), or 25% if the difference is secured by collateral having a market value that can be determined by reliable and continually available pricing. Extensions of credit include outstanding loans as well as contractual commitments to advance funds, such as standby letters of credit, but do not include unfunded loan commitments. At December 31, 2012, no borrower had collective outstandings exceeding these legal lending limits. Only seven commercial relationships, when all loans related to the relationship are combined, reach outstanding balances in excess of $25.0 million.

Residential Real Estate Lending.

Generally, we originate residential first mortgage loans with loan-to-value ratios of up to 80% and require private mortgage insurance for up to 35% of the mortgage amount for mortgage loans with loan-to-value ratios exceeding 80%. We do not have any significant concentrations of such insurance with any one insurer. On a very limited basis, we originate or purchase loans with loan-to-value ratios exceeding 80% without a private mortgage insurance requirement. At December 31, 2012, the balance of all such loans was approximately $2.5 million.

Generally, our residential mortgage loans are underwritten and documented in accordance with standard underwriting criteria published by the Federal Home Loan Mortgage Corporation (FHLMC) and other secondary market participants to assure maximum eligibility for subsequent sale in the secondary market. Typically, we sell only those loans originated specifically with the intention to sell on a flow basis.

To protect the propriety of our liens, we require title insurance be obtained. We also require fire, extended coverage casualty and flood insurance (where applicable) for properties securing residential loans. All properties securing our residential loans are appraised by independent, licensed and certified appraisers and are subject to review in accordance with our standards.

The majority of our adjustable-rate, residential real estate loans have interest rates that adjust yearly after an initial period. Typically, the change in rate is limited to two percentage points at each adjustment date. Adjustments are generally based upon a margin (currently 2.75% for U.S. Treasury index; 2.50% for LIBOR index) over the weekly average yield on U.S. Treasury securities adjusted to a constant maturity, as published by the Federal Reserve Board.

Usually, the maximum rate on these loans is six percent above the initial interest rate. We underwrite adjustable-rate loans under standards consistent with private mortgage insurance and secondary market underwriting criteria. We do not originate adjustable-rate mortgages with payment limitations that could produce negative amortization.

The adjustable-rate mortgage loans in our loan portfolio help mitigate our risk to changes in interest rates. However, there are unquantifiable credit risks resulting from potential increased costs to the borrower as a result of re-pricing adjustable-rate mortgage loans. It is possible that during periods of rising interest rates, the risk of default on adjustable-rate mortgage loans may increase due to the upward adjustment of interest costs to the borrower. Further, although adjustable-rate mortgage loans allow us to increase the sensitivity of our asset base to changes in interest rates, the extent of this interest sensitivity is limited by the periodic and lifetime interest rate adjustment limitations. Accordingly, there can be no assurance that yields on our adjustable-rate mortgages will adjust sufficiently to compensate for increases to our cost of funds during periods of extreme interest rate increases.

The original contractual loan payment period for residential loans is normally 10 to 30 years. Because borrowers may refinance or prepay their loans without penalty, these loans tend to remain outstanding for a substantially shorter period of time. First mortgage loans customarily include due-on-sale clauses. This provision gives us the right to declare a loan immediately due and payable in the event the borrower sells or otherwise disposes of the real property subject to the mortgage. We enforce due-on-sale clauses through foreclosure and other legal proceedings to the extent available under applicable laws.

Table of Contents

In general, loans are sold without recourse except for the repurchase right arising from standard contract provisions covering violation of representations and warranties or, under certain investor contracts, a default by the borrower on the first payment. We also have limited recourse exposure under certain investor contracts in the event a borrower prepays a loan in total within a specified period after sale, typically one year. The recourse is limited to a pro rata portion of the premium paid by the investor for that loan, less any prepayment penalty collectible from the borrower. We had no repurchases during the years ended December 31, 2012, 2011 and 2010.

We have a limited amount of loans originated as subprime loans, $8.9 million, at December 31, 2012 (less than 0.5% of total loans) and no negative amortizing loans or interest-only first mortgage loans.

Consumer Lending.

Our primary consumer credit products (excluding 1st mortgage loans) are home equity lines of credit and equity-secured installment loans. At December 31, 2012, home equity lines of credit outstanding totaled $195.9 million and equity-secured installment loans totaled $59.1 million. In total, these product lines represent 88.2% of total consumer loans. Some home equity products grant a borrower credit availability of up to 100% of the appraised value (net of any senior mortgages) of their residence. Maximum loan to value (LTV) limits are 80% for primary residences and 75% for all other properties. At December 31, 2012, we had total commitments to extend $342.7 million in home equity lines of credit. Home equity lines of credit offer customers potential Federal income tax advantages, the convenience of checkbook access, revolving credit features for a portion of the loan s life and are typically more attractive in the current low interest rate environment. Home equity lines of credit expose us to the risk that falling collateral values may leave us inadequately secured. The risk on products like home equity loans is mitigated as they amortize over time.

Prior to 2009, we had not observed any significant adverse experience on home equity lines of credit or equity-secured installment loans but delinquencies and net charge-offs on these products have increased over the past few years, mainly as a result of the deteriorating economy, job losses and declining home values.

The following table shows our consumer loans at year-end, for the last five years.

	At December 31,									
	2012		2011		2010		2009		2008	
	Amount	Percent of Total Consumer Loans	Amount	Percent of Total Consumer Loans	Amount	Percent of Total Consumer Loans	Amount	Percent of Total Consumer Loans	Amount	Percent of Total Consumer Loans
	(Dollars in Thousands)									
Equity secured installment loans	**$ 59,091**	**20.4%**	$ 74,721	25.7%	$ 82,188	26.5%	$ 102,727	34.2%	$ 131,550	44.3%
Home equity lines of credit	**195,936**	**67.8**	192,917	66.3	205,244	66.3	177,407	59.0	141,678	47.8
Automobile	**1,450**	**0.5**	1,011	0.3	1,097	0.4	1,135	0.4	1,134	0.4
Unsecured lines of credit	**9,197**	**3.2**	8,378	2.9	7,758	2.5	7,246	2.4	6,779	2.3
Other	**23,327**	**8.1**	13,952	4.8	13,435	4.3	12,133	4.0	15,587	5.2
Total consumer loans	**$ 289,001**	**100.0%**	$ 290,979	100.0%	$ 309,722	100.0%	$ 300,648	100.0%	$ 296,728	100.0%

Loan Originations, Purchases and Sales.

We engage in traditional lending activities primarily in Delaware and contiguous areas of neighboring states. As a federal savings bank, however, we may originate, purchase and sell loans throughout the United States. We have purchased limited amounts of loans from outside our normal lending area when such purchases are deemed appropriate. We originate fixed-rate and adjustable-rate residential real estate loans through our banking offices.

During 2012, we originated $208.1 million of residential real estate loans. This compares to originations of $238.8 million in 2011. From time to time, we have purchased whole loans and loan participations in accordance with our ongoing asset and liability management objectives. In 2012 there were no such purchases. During 2011, purchases of residential real estate loans from correspondents and brokers, primarily in the mid-Atlantic region totaled $2.3 million. Residential real estate loan sales totaled $176.1 million in 2012 and $107.4 million in 2011. We sell certain newly originated mortgage loans in the secondary market primarily to control the interest rate sensitivity of our balance sheet and to manage overall balance sheet mix. We hold certain fixed-rate mortgage loans for investment, consistent with our current asset/liability management strategies.

At December 31, 2012, we serviced approximately $144.0 million of residential mortgage loans for others, compared to $176.1 million at December 31, 2011. We also serviced residential mortgage loans for our own portfolio totaling $243.6 million and $274.1 million at December 31, 2012 and 2011, respectively.

We originate commercial real estate and commercial loans through our commercial lending division. Commercial loans are made for working capital, financing equipment acquisitions, business expansion and other business purposes. During 2012, we originated $901.9 million of commercial and commercial real estate loans compared to $897.6 million in 2011. To reduce our exposure on certain types of these loans, and/or to maintain relationships within internal lending limits, at times we will sell a portion of our commercial real estate loan portfolio, typically through loan participations. Commercial real estate loan sales totaled $1.0 million and $4.6 million in 2012 and 2011, respectively. These amounts represent gross contract amounts and do not necessarily reflect amounts outstanding on those loans.

Our consumer lending activity is conducted mainly through our branch offices. We originate a variety of consumer credit products including home improvement loans, home equity lines of credit, automobile loans, unsecured lines of credit and other secured and unsecured personal installment loans.

During 2006, we began to offer government insured reverse mortgages to our customers. Our activity has been limited to acting as a correspondent originator for these loans. During 2012 we originated, and sold, $3.6 million in reverse mortgages compared to $8.8 million during 2011.

All loans to one borrowing relationship exceeding $3.5 million must be approved by the Senior Management Loan Committee (SLC). The Executive Committee of the Board of Directors reviews the minutes of the SLC meetings. They also approve individual loans exceeding $5 million for customers with less than one year of significant loan history with the Bank and loans in excess of $7.5 million for customers with established borrowing relationships. Depending upon their experience and management position, individual officers of the Bank have the authority to approve smaller loan amounts. Our credit policy includes a House Limit to one borrowing relationship of $25 million. In rare circumstances, we will approve exceptions to the House Limit and our policy allows for only ten such relationships. Currently we have seven relationships exceeding this limit. Those seven relationships were approved to exceed the House Limit because of a combination of: the relationship contained several loans/borrowers that have no economic relationship (typically real estate investors with amounts diversified across a number of properties); the credit profile was deemed strong; and a long relationship history with the borrower(s).

Fee Income from Lending Activities.

We earn fee income from lending activities, including fees for originating loans, servicing loans and selling loan participations. We also receive fee income for making commitments to originate construction, residential and commercial real estate loans. Additionally, we collect fees related to existing loans which include prepayment charges, late charges, assumption fees and swap fees. In addition, as part of the loan application process, the borrower may pay us for out-of-pocket costs to review the application, whether or not the loan is closed.

Most loan fees are not recognized in our consolidated statements of operations immediately, but are deferred as adjustments to yield in accordance with U.S. generally accepted accounting principles (GAAP), and are reflected in interest income over the expected life of the loan. Those fees represented interest income of $2.1 million, $1.2 million, and $671,000 during 2012, 2011, and 2010, respectively. Fee income was mainly due to fee accretion on new and existing loans (including the acceleration of the accretion on loans that paid early), loan growth and prepayment penalties. The overall increase in fee income was the result of the growth in certain loan categories during 2012 and 2011.

LOAN LOSS EXPERIENCE, PROBLEM ASSETS AND DELINQUENCIES

Our results of operations can be negatively impacted by nonperforming assets, which include nonaccruing loans, nonperforming real estate investments, assets acquired through foreclosure and restructured loans. Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in our opinion, collection is doubtful, or when principal or interest is past due 90 days or more and collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a loan is placed on nonaccrual status, is reversed and charged against interest income. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual status. Subsequent cash receipts are applied either to the outstanding principal balance or recorded as interest income, depending on our assessment of the ultimate collectability of principal and interest.

We endeavor to manage our portfolio to identify problem loans as promptly as possible and take immediate actions to minimize losses. To accomplish this, our Loan Administration and Risk Management Department monitors the asset quality of our loan and investment in real estate portfolios and reports such information to the Credit Policy Committee, the Audit Committee and Executive Committee of the Board of Directors and the Bank s Controller s Department.

SOURCES OF FUNDS

We manage our liquidity risk and funding needs through our treasury function, Asset/Liability Committee and Investment Committee. Historically, we have had success in growing our loan portfolio. For example, during the year ended December 31, 2012, net loan growth resulted in the use of $110.6 million in cash. The loan growth was primarily due to our continued success increasing corporate and small business lending. We expect this trend to continue. While our loan-to-deposit ratio had been well above 100% for many years, during the past three years we made significant progress in decreasing this ratio through increased deposit growth. As a result of this growth, our loan-to-total customer funding ratio at December 31, 2012 was 87%, exceeding our 2012 strategic goal of 100%. We have significant experience managing our funding needs through both borrowings and deposit growth.

As a financial institution, we have access to several sources of funding. Among these are:

- Deposit growth
- Brokered deposits
- Borrowing from the Federal Home Loan Bank (FHLB)
- Federal Reserve Discount Window access
- Other borrowings such as repurchase agreements
- Cash flow from securities and loan sales and repayments
- Net income

Our recent branch expansion and renovation program has been focused on expanding our retail footprint in Delaware and southeastern Pennsylvania and attracting new customers in part to provide additional deposit growth. Customer deposit growth (deposits excluding brokered CDs) was strong, equaling $256.8 million, or 9%, during 2012.

Deposits

WSFS is the largest independent full-service bank and trust institution headquartered and operating in Delaware. The Bank primarily attracts deposits through its retail branch offices and loan production offices, in Delaware s New Castle, Sussex and Kent Counties, as well as nearby southeastern Pennsylvania and Annandale, Virginia.

We offer various deposit products to our customers, including savings accounts, demand deposits, interest-bearing demand deposits, money market deposit accounts and certificates of deposits. In addition, we accept jumbo certificates of deposit with balances in excess of $100,000 from individuals, businesses and municipalities in Delaware.

The following table shows the maturities of certificates of deposit of $100,000 or more as of December 31, 2012:

Maturity Period	December 31, 2012 (In Thousands)
Less than 3 months	$ 119,576
Over 3 months to 6 months	45,819
Over 6 months to 12 months	63,095
Over 12 months	65,747
	$ 294,237

Federal Home Loan Bank Advances

As a member of the Federal Home Loan Bank of Pittsburgh (FHLB), we are able to obtain FHLB advances. Outstanding advances from the FHLB of Pittsburgh had rates ranging from 0.17% to 4.45% at December 31, 2012. Pursuant to collateral agreements with the FHLB, the advances are secured by qualifying first mortgage loans, qualifying fixed-income securities, FHLB stock and an interest-bearing demand deposit account with the FHLB. We are required to purchase and hold shares of capital stock in the FHLB of Pittsburgh in an amount at least equal to 4.60% of our borrowings from them, plus 0.35% of our member asset value. As of December 31, 2012, our FHLB stock investment totaled $31.2 million.

At December 31, 2012, we had $376.3 million in FHLB advances with a weighted average rate of 0.57%. During December 2012 we prepaid $125 million in FHLB advances with an average rate of 2.63% and recorded a prepayment penalty of $3.7 million.

We received no dividends from the FHLB of Pittsburgh during 2011 or 2010. However the FHLB repurchased $1.8 million of its capital stock in both 2011 and 2010. Additionally, in February of 2012 the FHLB of Pittsburgh declared and began to pay a dividend on capital stock. The FHLB also approved additional repurchases of capital stock during the first quarter of 2012. At December 31, 2012, repurchases totaled $4.6 million.

The FHLB of Pittsburgh is rated AA+, has a very high degree of government support and was in compliance with all regulatory capital requirements as of December 31, 2012. Based on these and other factors, we have determined there was no other-than-temporary impairment related to our FHLB stock investment as of December 31, 2012.

Trust Preferred Borrowings

In 2005, the Trust issued $67.0 million aggregate principal amount of Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month LIBOR rate with a scheduled maturity of June 1, 2035.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

During 2012 and 2011, we purchased federal funds as a short-term funding source. At December 31, 2012, we had purchased $85.0 million in federal funds at an average rate of 0.27%, compared to $25.0 million in federal funds at a rate of 0.38% at December 31, 2011.

During 2012, we sold securities under agreements to repurchase as a funding source. At both December 31, 2012 and 2011, we had sold $25.0 million of securities sold under agreements to repurchase with a fixed rate of 2.98% and a scheduled maturity of January 1, 2015. The underlying securities were MBS with a book value of $41.1 million as of December 31, 2012.

Temporary Liquidity Guarantee Program Debt

In 2008, the Federal Deposit Insurance Corporation (FDIC) announced the Temporary Liquidity Guarantee Program (TLGP), to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts and certain holding companies, and by providing full coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount. In 2009, we completed an offering of $30.0 million of qualifying senior bank notes covered by the TLGP. These borrowings matured and were repaid in February 2012.

Senior Debt

On August 27, 2012, we completed the issuance and sale of $55.0 million aggregate principal amount of 6.25% Senior Notes due 2019 (the Senior Debt) at a price to the public of 100% of the aggregate principal amount. The Senior Debt is an unsecured senior debt obligation and ranks equally with all of our other present and future unsecured, unsubordinated obligations. Interest payments on the Senior Debt are due quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, and began on December 1, 2012.

PERSONNEL

As of December 31, 2012, we had 763 full-time equivalent Associates (employees). Our Associates are not represented by a collective bargaining unit. We believe our relationship with our Associates is very good, as evidenced by being named a Top Workplace by an independent survey of our Associates for the last seven years.

REGULATION

Overview

We are subject to extensive federal and state banking laws, regulations, and policies that are intended primarily for the protection of depositors, the FDIC s Deposit Insurance Fund, and the banking system as a whole, not for the protection of our other creditors and stockholders. Historically, we and the bank have been examined, supervised and regulated primarily by the Office of Thrift Supervision (OTS). Effective July 21, 2011, portions of the OTS were merged into the Office of the Comptroller of the Currency (OCC) and the Federal Reserve. The OCC became the Bank s primary regulator and the Federal Reserve became the Company s primary regulator.

The statutes enforced by, and regulations and policies of, these agencies affect most aspects of our business, including prescribing permissible types of loans and investments, the amount of required reserves, requirements for branch offices, the permissible scope of our activities and various other requirements.

Our deposits are insured by the FDIC to the fullest extent allowed. As an insurer of bank deposits, the FDIC issues regulations, conducts examinations, requires the filing of reports and generally supervises the operations of all institutions to which it provides deposit insurance.

Table of Contents

Financial Reform Legislation

Proposals to change the laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before the various bank regulatory agencies.

In 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act imposed new restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions. The new law also established an independent federal consumer protection bureau within the Federal Reserve. The following discussion summarizes significant aspects of the new law that may affect us. Certain significant implementing regulations have not been finalized and therefore we cannot yet determine the full impact on our business and operations.

The following aspects of the Dodd-Frank Act are related to the operations of our Bank:

- The OTS was merged into the OCC and the Federal Reserve and the federal savings association charter has been preserved under OCC jurisdiction.

- An independent Consumer Financial Protection Bureau has been established within the Federal Reserve, empowered to exercise broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws. Depository institutions of less than $10 billion in total assets, like our Bank, are subject to the supervision and enforcement of their primary federal banking regulator with respect to the federal consumer financial protection laws.

- Tier 1 capital treatment for hybrid capital items like trust preferred securities is eliminated, subject to various grandfathering and transition rules. Our trust preferred securities are grandfathered under this legislation.

- The prohibition on payment of interest on demand deposits has been repealed.

- State law is preempted only if it would have a discriminatory effect on a federal savings association or is preempted by any other federal law. The OCC must make a preemption determination on a case-by-case basis with respect to a particular state law or other state law with substantively equivalent terms.

- Deposit insurance had been permanently increased to $250,000 and unlimited deposit insurance for noninterest-bearing transaction accounts expired on December 31, 2012.

- The deposit insurance assessment base has been changed to equal a depository institution s total assets minus the sum of its average tangible equity during the assessment period.

- The minimum reserve ratio of the Deposit Insurance Fund increased to 1.35% of estimated annual insured deposits or assessment base. However, the FDIC was directed to offset the effect of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion.

The following aspects of the Dodd-Frank Act are related to the operations of our Company:

- Authority over savings and loan holding companies has been transferred to the Federal Reserve.

Leverage capital requirements and risk-based capital requirements applicable to depository institutions and bank holding companies have been extended to savings and loan holding companies following a five year grace period.

The Federal Deposit Insurance Act (FDIA) was amended to direct federal regulators to require depository institution holding companies to serve as a source of strength for their depository institution subsidiaries.

The Federal Reserve can require a grandfathered unitary savings and loan holding company that conducts commercial or manufacturing activities or other nonfinancial activities in addition to financial activities to conduct all or part of its financial activities in an intermediate savings and loan holding company.

18

Public companies will be required to provide their shareholders with a nonbinding vote (i) at least once every three years on the compensation paid to executive officers, and (ii) at least once every six years on whether they should have a say on pay vote every one, two or three years.

Additional provisions, including some not specifically aimed at savings associations and savings and loan holding companies, nonetheless may have an impact on us.

Some of these provisions have the consequence of increasing our expenses, decreasing our revenues, and changing the activities in which we choose to engage. We expect that the Dodd-Frank Act will continue to increase our operating and compliance costs. Specific impacts of the Dodd-Frank Act on our current activities or new financial activities will become evident in the future, and our financial performance and the markets in which we operate will continue to depend on the manner in which the relevant agencies develop and implement the required rules and the reaction of market participants to these regulatory developments. Many aspects of the Dodd-Frank Act continue to be subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us, our customers, or the financial industry in general.

Proposed Changes to Regulatory Capital Requirements

In June 2012, the federal banking agencies issued a global series of proposed rules to conform U.S. regulatory capital rules with the international regulatory standards agreed to by the Basel Committee on Banking Supervision in the accord referred to as Basel III. The proposed revisions, if adopted, would establish new higher capital ratio requirements, narrow the definitions of capital, impose new operating restrictions on banking organizations with insufficient capital buffers and increase the risk weighting of certain assets. The proposed new capital requirements would apply to all banks, savings associations, bank holding companies with more than $500 million in assets and all savings and loan holding companies regardless of asset size. It is unclear whether, if, or in what form Basel III will be adopted. A summary of the proposed regulatory changes is described below.

New and Increased Capital Requirements. The proposed rules would establish a new capital measure called Common Equity Tier I Capital consisting of common stock and related surplus, retained earnings, accumulated other comprehensive income and, subject to certain adjustments, minority common equity interests in subsidiaries. Unlike the current rules which exclude unrealized gains and losses on available-for-sale debt securities from regulatory capital, the proposed rules would generally require accumulated other comprehensive income to flow through to regulatory capital. Depository institutions and their holding companies would be required to maintain Common Equity Tier I Capital equal to 4.5% of risk-weighted assets by 2015. Additionally, the proposed regulations would increase the required ratio of Tier I Capital to risk-weighted assets from the current 4% to 6% by 2015. Tier I Capital would consist of Common Equity Tier I Capital plus Additional Tier I Capital which would include non-cumulative perpetual preferred stock. Neither cumulative preferred stock (other than certain preferred stock issued to the U.S. Treasury) nor trust preferred securities would qualify as Additional Tier I Capital but could be included in Tier II Capital along with qualifying subordinated debt. The proposed regulations would also require a minimum Tier I leverage ratio of 4% for all institutions. The minimum required ratio of total capital to risk-weighted assets would remain at 8%.

Capital Buffer Requirement. In addition to increased capital requirements, depository institutions and their holding companies may be required to maintain a capital buffer of at least 2.5% of risk-weighted assets over and above the minimum risk-based capital requirements. Institutions that do not maintain the required capital buffer would be subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. The capital buffer requirement would be phased in over a four-year period beginning in 2016. The capital buffer requirement effectively raises the minimum required risk-based capital ratios to 7% Common Equity Tier I Capital, 8.5% Tier I Capital and 10.5% Total Capital on a fully phased-in basis.

Table of Contents

Changes to Prompt Corrective Action Capital Categories. The Prompt Corrective Action rules would be amended to incorporate a Common Equity Tier I Capital requirement and to raise the capital requirements for certain capital categories. In order to be adequately capitalized for purposes of the prompt corrective action rules, a banking organization would be required to have at least an 8% Total Risk-Based Capital Ratio, a 6% Tier I Risk-Based Capital Ratio, a 4.5% Common Equity Tier I Risk Based Capital Ratio and a 4% Tier I Leverage Ratio. To be well capitalized, a banking organization would be required to have at least a 10% Total Risk-Based Capital Ratio, an 8% Tier I Risk-Based Capital Ratio, a 6.5% Common Equity Tier I Risk-Based Capital Ratio and a 5% Tier I Leverage Ratio.

Additional Deductions from Capital. Banking organizations would be required to deduct goodwill and certain other intangible assets, net of associated deferred tax liabilities, from Common Equity Tier I Capital. Deferred tax assets arising from temporary timing differences that could not be realized through net operating loss (NOL) carrybacks would continue to be deducted but deferred tax assets that could be realized through NOL carrybacks would not be deducted but would be subject to 100% risk weighting. Defined benefit pension fund assets, net of any associated deferred tax liability, would be deducted from Common Equity Tier I Capital unless the banking organization has unrestricted and unfettered access to such assets. Reciprocal cross-holdings of capital instruments in any other financial institutions would now be deducted from capital, not just holdings in other depository institutions. For this purpose, financial institutions are broadly defined to include securities and commodities firms, hedge and private equity funds and non-depository lenders. Banking organizations would also be required to deduct non-significant investments (less than 10% of outstanding stock) in other financial institutions to the extent these exceed 10% of Common Equity Tier I Capital subject to a 15% of Common Equity Tier I Capital cap. Greater than 10% investments must be deducted if they exceed 10% of Common Equity Tier I Capital. If the aggregate amount of certain items excluded from capital deduction due to a 10% threshold exceeds 17.65% of Common Equity Tier I Capital, the excess must be deducted.

Changes in Risk-Weightings. The proposed rules would apply a 250% risk-weighting to mortgage servicing rights, deferred tax assets that cannot be realized through NOL carrybacks and significant (greater than 10%) investments in other financial institutions. The proposal would also change the risk-weighting for residential mortgages and would create a new 150% risk-weighting category for high volatility commercial real estate loans which are credit facilities for the acquisition, construction or development of real property other than one- to four-family residential properties or commercial real projects where: (i) the loan-to-value ratio is not in excess of interagency real estate lending standards; and (ii) the borrower has contributed capital equal to not less than 15% of the real estate s as completed value before the loan was made.

Regulation of the Company

General. We are a registered savings and loan holding company and historically have been subject to the regulation, examination, supervision and reporting requirements of the OTS. As result of the Dodd-Frank Act, effective July 21, 2011, all of the regulatory functions related to us, as a savings and loan holding company that had been under the jurisdiction of the OTS, transferred to the Federal Reserve.

We are also a public company subject to the reporting requirements of the United States Securities and Exchange Commission (the SEC). The filings we make with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, are available on the investor relations page of our website at www.wsfsbank.com.

Sarbanes-Oxley Act of 2002. The SEC has promulgated regulations pursuant to the Sarbanes-Oxley Act of 2002 (the Act). The passage of the Act and the regulations implemented by the SEC subject publicly-traded companies to additional and more cumbersome reporting regulations and disclosure. Compliance with the Act and corresponding regulations has increased our expenses.

Table of Contents

Restrictions on Acquisitions. Federal law generally prohibits a savings and loan holding company, without prior regulatory approval, from acquiring control of all, or substantially all, of the assets of any other savings institution or savings and loan holding company, or all, or substantially all, of the assets or more than 5% of the voting shares of a savings institution or savings and loan holding company. These provisions also prohibit, among other things, any director or officer of a savings and loan holding company, or any individual who owns or controls more than 25% of the voting shares of such holding company, from acquiring control of any savings institution not a subsidiary of such savings and loan holding company, unless the acquisition is approved by the Federal Reserve.

The Federal Reserve may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions: (1) the approval of interstate supervisory acquisitions by savings and loan holding companies; and (2) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Safe and Sound Banking Practices. Savings and loan holding companies and their non-banking subsidiaries are prohibited from engaging in activities that represent unsafe and unsound banking practices or that constitute violations of laws or regulations. For example, the Federal Reserve Board s Regulation Y requires a holding company to give the Federal Reserve Board prior notice of any redemption or repurchase of its own equity securities if the consideration to be paid, together with the consideration paid for any repurchases in the preceding year, is equal to 10% or more of the company s consolidated net worth. The Federal Reserve Board may oppose the transaction if it believes that the transaction would constitute an unsafe or unsound practice or would violate any law or regulation. As another example, a holding company could not impair its subsidiary bank s soundness by causing it to make funds available to non-banking subsidiaries or their customers if the Federal Reserve believed it not prudent to do so. The Federal Reserve Board can assess civil money penalties for activities conducted on a knowing and reckless basis, if those activities caused a substantial loss to a depository institution. The penalties can be as high as $1,000,000 for each day the activity continues.

Source of Strength. In accordance with FDOA, we are expected to act as a source of financial and managerial strength to the Bank. Under this policy, the holding company is expected to commit resources to support its bank subsidiary, including at times when the holding company may not be in a financial position to provide it.

The Dodd-Frank Act has added additional guidance regarding the source of strength doctrine and has directed the regulatory agencies to promulgate regulations to increase the capital requirements for holding companies to a level that matches those of banking institutions.

Dividends. The principal source of the holding company s cash is from dividends from the Bank. Our earnings and activities are affected by federal, state and local laws and regulations. For example, these include limitations on the ability of the Bank to pay dividends to the holding company and our ability to pay dividends to our stockholders. It is the policy of the Federal Reserve Board that holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization s expected future needs and financial condition. The policy provides that holding companies should not maintain a level of cash dividends that undermines the holding company s ability to serve as a source of strength to its banking subsidiary. Consistent with such policy, a banking organization should have comprehensive policies on dividend payments that clearly articulate the organization s objectives and approaches for maintaining a strong capital position and achieving the objectives of the Federal Reserve Board s policy statement.

In 2009, the Federal Reserve Board issued a supervisory letter providing greater clarity to its policy statement on the payment of dividends by holding companies. In this letter, the Federal Reserve Board stated that when a holding company s board of directors is deciding on the level of dividends to declare, it should consider, among other things, the following factors: (i) overall asset quality, potential need to increase reserves and write down assets, and concentrations of credit; (ii) potential for unanticipated losses and declines in asset values; (iii) implicit and explicit liquidity and credit commitments, including off-balance sheet and contingent liabilities; (iv) quality and level of current and prospective earnings, including earnings capacity under a number of plausible economic scenarios; (v) current and prospective cash flow and liquidity; (vi) ability to serve as an ongoing source of financial and managerial strength to depository institution subsidiaries insured by the FDIC, including the extent of double leverage and the condition of subsidiary depository institutions; (vii) other risks that affect the holding company s financial condition and are not fully captured in regulatory capital calculations; (viii) level, composition, and quality of capital; and (ix) ability to raise additional equity capital in prevailing market and economic conditions (the Dividend Factors). It is particularly important for a holding company s board of directors to ensure that the dividend level is prudent relative to the organization s financial position and is not based on overly optimistic earnings scenarios. In addition, a holding company s board of directors should strongly consider, after careful analysis of the Dividend Factors, reducing, deferring, or eliminating dividends when the quantity and quality of the holding company s earnings have declined or the holding company is experiencing other financial problems, or when the macroeconomic outlook for the holding company s primary profit centers has deteriorated. The Federal Reserve Board further stated that, as a general matter, a holding company should eliminate, defer or significantly reduce its distributions if: (i) its net income is not sufficient to fully fund the dividends, (ii) its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition, or (iii) it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. Failure to do so could result in a supervisory finding that the holding company is operating in an unsafe and unsound manner.

Additionally, as discussed above, the Federal Reserve Board possesses enforcement powers over savings and loan holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices, or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by bank and savings and loan holding companies.

Regulation of WSFS Bank

General. As a federally chartered savings institution, historically, the Bank was subject to regulation by the OTS. On July 21, 2010, regulation of the Bank shifted to OCC. The lending activities and other investments of the Bank must comply with various federal regulatory requirements. The OCC periodically examines the Bank for compliance with regulatory requirements. The FDIC also has the authority to conduct special examinations of the Bank. The Bank must file reports with the OCC describing its activities and financial condition. The Bank is also subject to certain reserve requirements promulgated by the Federal Reserve Board.

Transactions with Affiliates; Tying Arrangements. The Bank is subject to certain restrictions in its dealings with us and our affiliates. Transactions between savings associations and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act, with additional limitations found in Section 11 of the Home Owners Loan Act. An affiliate of a savings association, generally, is any company or entity which controls or is under common control with the savings association or any subsidiary of the savings association that is commonly controlled by an affiliate or a bank or savings association. In a holding company context, the parent holding company of a savings association (such as the Company) and any companies which are controlled by such parent holding company are affiliates of the savings association. Generally, Sections 23A and 23B (i) limit the extent to which the savings institution or its subsidiaries may engage in covered transactions with any one affiliate to an amount equal to 10% of such institution s capital stock and surplus, and limit the aggregate of all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as 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, issuance of a guarantee and similar types of transactions. In addition to the restrictions imposed by Sections 23A and 23B, no savings association may (i) lend or otherwise extend credit to an affiliate that engages in any activity impermissible for bank holding companies, or (ii) purchase or invest in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings association. The Home Owners Loan Act also prohibits the Bank or its subsidiaries from purchasing shares of an affiliate that is not a subsidiary or extending credit to an affiliate engaged in activities that are not permissible for bank holding companies.

Regulatory Capital Requirements. Under capital regulations, savings institutions must maintain tangible capital equal to 1.5% of adjusted total assets, Tier 1 or core capital equal to 4% of adjusted total assets, and total capital (a combination of core and supplementary capital) equal to 8% of risk-weighted assets. In addition, regulations impose certain restrictions on savings associations that have a total risk-based capital ratio that is less than 8.0%, a ratio of Tier 1 capital to risk-weighted assets of less than 4.0% or a ratio of Tier 1 capital to adjusted total assets of less than 4.0%. For purposes of these regulations, Tier 1 capital has the same definition as core capital.

The capital rule defines Tier 1 or core capital as common stockholders equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, minority interests in the equity accounts of fully consolidated subsidiaries, certain non-withdrawable accounts and pledged deposits of mutual institutions and qualifying supervisory goodwill, less intangible assets other than certain supervisory goodwill and, subject to certain limitations, mortgage and non-mortgage servicing rights, purchased credit card relationships and credit-enhancing interest only strips. Tangible capital is given the same definition as core capital but does not include qualifying supervisory goodwill and is reduced by the amount of all the savings institution s intangible assets except for limited amounts of mortgage servicing assets. The capital rule requires that core and tangible capital be reduced by an amount equal to a savings institution s debt and equity investments in non-includable subsidiaries engaged in activities not permissible to national banks, other than subsidiaries engaged in activities undertaken as agent for customers or in mortgage banking activities and subsidiary depository institutions or their holding companies. At December 31, 2012, the Bank was in compliance with both the core and tangible capital requirements.

The risk weights assigned by the risk-based capital regulation range from 0% for cash and U.S. government securities to 100% for consumer and commercial loans, non-qualifying mortgage loans, property acquired through foreclosure, assets more than 90 days past due and other assets. In determining compliance with the risk-based capital requirement, a savings institution may include both core capital and supplementary capital in its total capital, provided the amount of supplementary capital included does not exceed the savings institution s core capital. Supplementary capital is defined to include certain preferred stock issues, non-withdrawable accounts and pledged deposits that do not qualify as core capital, certain approved subordinated debt, certain other capital instruments, general loan loss allowances up to 1.25% of risk-weighted assets and up to 45% of unrealized gains on available-for-sale equity securities with readily determinable fair values. Total capital is reduced by the amount of the institution s reciprocal holdings of depository institution capital instruments and all equity investments. At December 31, 2012, the Bank was in compliance with the risk-based capital requirements.

Dividend Restrictions. OCC regulations govern capital distributions by savings institutions, which include cash dividends, stock repurchases and other transactions charged to the capital account of a savings institution to make capital distributions. A savings institution must file an application for OCC approval of the capital distribution if either (1) the total capital distributions for the applicable calendar year exceed the sum of the institution s net income for that year to date plus the institution s retained net income for the preceding two years, (2) the institution would not be at least adequately capitalized following the distribution, (3) the distribution would violate any applicable statute, regulation, agreement or OCC-imposed condition, or (4) the institution is not eligible for expedited treatment of its filings. If an application is not required to be filed, savings institutions that are a subsidiary of a savings and loan holding company (as well as certain other institutions) must still file a notice with the OCC at least 30 days before the board of directors declares a dividend or approves a capital distribution.

Table of Contents

An institution that either before or after a proposed capital distribution fails to meet its then-applicable minimum capital requirement or that has been notified that it needs more than normal supervision may not make any capital distributions without the prior written approval of the OCC. In addition, the OCC may prohibit a proposed capital distribution, which would otherwise be permitted by OCC regulations, if the OCC determines that such distribution would constitute an unsafe or unsound practice.

Under federal rules, an insured depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it is already undercapitalized. In addition, federal regulators have the authority to restrict or prohibit the payment of dividends for safety and soundness reasons. The FDIC also prohibits an insured depository institution from paying dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distributing any of its capital assets while it remains in default in the payment of any assessment due the FDIC. Our Bank is currently not in default in any assessment payment to the FDIC.

Insurance of Deposit Accounts. The Bank s deposits are insured to the maximum extent permitted by the Deposit Insurance Fund. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings institutions, after giving the OCC an opportunity to take such action.

Pursuant to the Dodd-Frank Act, the Federal Deposit Insurance Act was amended to (i) increase the maximum deposit insurance amount from $100,000 to $250,000, and (ii) extend the unlimited deposit insurance coverage for noninterest-bearing transaction accounts through December 31, 2012.

On December 31, 2012, prior to its expiration, all funds in a noninterest-bearing transaction account were insured in full by the FDIC from December 27, 2010, through December 31, 2012. This temporary unlimited coverage was in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC s general deposit insurance rules.

The FDIC has adopted a risk-based premium system that provides for quarterly assessments. In addition, all institutions with deposits insured by the FDIC are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize the predecessor to the Deposit Insurance Fund. These assessments will continue until the Financing Corporation bonds mature in 2019.

In 2011, the FDIC issued a final rule to implement changes to its assessment base used to determine risk-based premiums for insured depository institutions as required under the Dodd-Frank Act and also changed the risk-based pricing system necessitated by changes to the assessment base. These changes took effect for the quarter beginning April 1, 2011. Under the revised system, the assessment base was changed to equal average consolidated total assets less average tangible equity. Institutions other than large and highly complex institutions are placed in one of four risk categories.

The FDIC assessment rates range from approximately 5 basis points to 35 basis points (depending on applicable adjustments for unsecured debt and brokered deposits) until such time as the FDIC s reserve ratio equals 1.15%. Once the FDIC s reserve ratio reaches 1.15% and the reserve ratio for the immediately prior assessment period is less than 2.0%, the applicable assessment rates may range from 3 basis points to 30 basis points (subject to applicable adjustments for unsecured debt and brokered deposits). If the prior assessment period is equal to or greater than 2.0% and less than 2.5%, the assessment rates may range from 2 basis points to 28 basis points and if the prior assessment period is greater than 2.5%, the assessment rates may range from 1 basis point to 25 basis points.

Future changes in insurance premiums could have an adverse effect on the operating expenses and results of operations and we cannot predict what insurance assessment rates will be in the future.

Table of Contents

The FDIC may terminate the deposit insurance of any insured depository institution, including us, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. Management is not aware of any existing circumstances that would result in termination of our deposit insurance.

Federal Reserve System. Pursuant to regulations of the Federal Reserve, a savings institution must maintain reserves against their transaction accounts. As of December 31, 2012, no reserves were required to be maintained on the first $12.4 million of transaction accounts, reserves of 3% were required to be maintained against the next $67.1 million of transaction accounts and a reserve of 10% against all remaining transaction accounts. This percentage is subject to adjustment by the Federal Reserve. Because required reserves must be maintained in the form of vault cash or in a non-interest bearing account at a Federal Reserve Bank, the effect of the reserve requirement may reduce the amount of an institution s interest-earning assets.

ITEM 1A. RISK FACTORS

Investing in our securities involves risks. You should carefully consider the following risks, in addition to the other information in this report, before deciding to invest in our securities.

Risks Related to WSFS

The prolonged deep recession, difficult market conditions and economic trends have adversely affected our industry and our business and may continue to do so.

We are particularly exposed to downturns in the Delaware, mid-Atlantic and overall U.S. economy and housing markets. Continued declines in the housing market combined with a weak economy and elevated unemployment, have negatively impacted the credit performance of mortgage, construction and other loans and have resulted in significant write-downs of assets by many financial institutions. In addition, the values of real estate collateral supporting many loans have declined and may continue to decline. General flat to downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operations and debt service capability. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the industry. In particular, we may face the following risks in connection with these events:

- There could be an increase in the number of borrowers unable to repay their loans in accordance with the original terms.

- Our ability to assess the creditworthiness of customers and to estimate the losses inherent in our credit exposure is made more complex by these difficult market and economic conditions.

- We may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds.

Our nonperforming assets and problem loans are at an elevated level. Significant increases from the current level, or greater than anticipated costs to resolve these credits, will have an adverse effect on our earnings.

Our nonperforming assets (which consist of nonaccrual loans, assets acquired through foreclosure and troubled debt restructurings), totaled $62.5 million at December 31, 2012, which is a decrease of $29.2 million, or 32%, from the $91.7 million in nonperforming assets at December 31, 2011, primarily the result of the asset sales we executed in the second quarter of 2012. Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans and assets acquired through foreclosure. We

Table of Contents

must establish an allowance for loan losses which reserves for losses inherent in the loan portfolio that are both probable and reasonably estimable. From time to time, we also write down the value of properties in our portfolio of assets acquired through foreclosure to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to assets acquired through foreclosure. The resolution of nonperforming assets requires the active involvement of management, which can distract management from its overall supervision of operations and other income producing activities. Finally, if our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance for loan losses accordingly, which will have an adverse effect on our earnings.

Concentration of loans in our primary market area, which has recently experienced an economic downturn, may increase risk.

Our success depends primarily on the general economic conditions in the State of Delaware, southeastern Pennsylvania and northern Virginia, as a large portion of our loans are to customers in this market. Accordingly, the local economic conditions in these markets have a significant impact on the ability of borrowers to repay loans as well as our ability to originate new loans. As such, a continuation of the decline in real estate valuations in these markets would lower the value of the collateral securing those loans. In addition, weakening in general economic conditions such as inflation, recession, unemployment or other factors beyond our control could negatively affect demand for loans, the performance of our borrowers and our financial results.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable incurred losses in our loan portfolio, resulting in additions to our allowance. Material additions to our allowance could materially decrease our net income.

Our loan portfolio includes a substantial amount of commercial real estate, construction and land development and commercial and industrial loans. The credit risk related to these types of loans is greater than the risk related to residential loans.

Our commercial loan portfolio, which includes commercial and industrial loans, commercial real estate loans and construction and land development loans, totaled $2.2 billion at December 31, 2012, comprising 82% of net loans. Commercial and industrial loans generally carry larger loan balances and involve a greater degree of risk of nonpayment or late payment than home equity loans or residential mortgage loans. Any significant failure to pay or late payments by our customers would hurt our earnings. The increased credit risk associated with these types of loans is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the size of loan balances, and the effects of general economic conditions on income-producing properties. A significant portion of our commercial real estate, construction and land development and commercial and industrial loan portfolios includes a balloon payment feature. A number of factors may affect a borrower s ability to make or refinance a balloon payment, including the financial condition of the borrower, the prevailing local economic conditions and the prevailing interest rate environment.

Furthermore, commercial real estate loans secured by owner-occupied properties are dependent upon the successful operation of the borrower s business. If the operating company suffers difficulties in terms of sales volume and/or profitability, the borrower s ability to repay the loan may be impaired. Loans secured by properties where repayment is dependent upon payment of rent by third party tenants or the sale of the property may be impacted by loss of tenants, lower lease rates needed to attract new tenants or the inability to sell a completed project in a timely fashion and at a profit.

We are subject to extensive regulation which could have an adverse effect on our operations.

The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily to protect depositors, the public, the FDIC s Deposit Insurance Fund, and the banking system as a whole, not our noteholders or shareholders. Historically, we had been subject to the regulation and supervision of the Office of Thrift Supervision, referred to as the OTS. The Federal Reserve became the primary federal regulator for the Company and the OCC, became the Bank s primary regulator effective July 21, 2011. The banking laws, regulations and policies applicable to us govern matters ranging from the regulation of certain debt obligations, changes in the control of us and the maintenance of adequate capital to the general business operations conducted by us, including permissible types, amounts and terms of loans and investments, the amount of reserves held against deposits, restrictions on dividends, establishment of new offices and the maximum interest rate that may be charged by law.

We are subject to changes in federal and state banking statutes, regulations and governmental policies, and the interpretation or implementation of them. Regulations affecting banks and other financial institutions in particular are undergoing continuous review and frequently change and the ultimate effect of such changes cannot be predicted. Since we recently changed regulators, this risk is particularly heightened with us. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect us. Any changes in any federal and state law, as well as regulations and governmental policies could affect us in substantial and unpredictable ways, including ways that may adversely affect our business, results of operations, financial condition or prospects. In addition, federal and state banking regulators have broad authority to supervise our banking business, including the authority to prohibit activities that represent unsafe or unsound banking practices or constitute violations of statute, rule, regulation or administrative order. Failure to appropriately comply with any such laws, regulations or regulatory policies could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, results of operations, financial condition or prospects.

Recent legislative and regulatory actions may have a significant adverse effect on our operations. The Dodd-Frank Act has and will continue to result in sweeping changes in the regulation of financial institutions. As a result of this legislation, we face the following changes, among others:

- The OTS has been eliminated and the OCC became our Bank s primary regulator. The federal thrift charter has been preserved under OCC jurisdiction.

- A new independent Consumer Financial Protection Bureau (CFPB) has been established within the Federal Reserve, empowered to exercise broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws. Smaller financial institutions, like our Bank, will be subject to the supervision and enforcement of their primary federal banking regulator with respect to the federal consumer financial protection laws.

- Tier 1 capital treatment for hybrid capital items like trust preferred securities is eliminated, subject to various grandfathering and transition rules. Our trust preferred securities may not remain grandfathered under this legislation.

- Prior federal prohibitions on the payment of interest on demand deposits have been repealed, thereby generally permitting depository institutions to pay interest on all deposit accounts which could increase our interest expense.

- State law is preempted if it would have a discriminatory effect on a federal savings association or is preempted by any other federal law. The OCC must make a preemption determination on a case-by-case basis with respect to a particular state law or other state law with substantively equivalent terms.

- Deposit insurance has been permanently increased to $250,000.

Deposit insurance assessment base calculations equal a depository institution s total assets minus the sum of its average tangible equity during the assessment period.

Table of Contents

- The minimum reserve ratio of the deposit insurance fund increased to 1.35% of estimated annual insured deposits or assessment base; however, the FDIC is directed to "offset the effect" of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion.

- Authority over savings and loan holding companies has been transferred to the Federal Reserve.

- Leverage capital requirements and risk-based capital requirements applicable to depository institutions and bank holding companies have been extended to thrift holding companies following a five year grace period.

- The Federal Deposit Insurance Act, referred to as the FDIA, was amended to direct federal regulators to require depository institution holding companies to serve as a source of strength for their depository institution subsidiaries.

- The Federal Reserve can require a grandfathered unitary thrift holding company that conducts commercial or manufacturing activities or other nonfinancial activities in addition to financial activities to conduct all or part of its financial activities in an intermediate savings and loan holding company.

- The SEC is authorized to adopt rules requiring public companies to make their proxy materials available to shareholders for nomination of their own candidates for election to the board.

- Public companies will be required to provide their shareholders with a nonbinding vote (i) at least once every three years on the compensation paid to executive officers, and (ii) at least once every six years on whether they should have a "say on pay" vote every one, two or three years.

- Additional provisions, including some not specifically aimed at thrifts and thrift holding companies, will nonetheless have an impact on us.

- Pursuant to the Dodd-Frank Act, the CFPB recently issued a final rule requiring mortgage lenders to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms, or to originate "qualified mortgages" that meet specific requirements with respect to terms, pricing and fees. The new rule also contains new disclosure requirements at mortgage loan origination and in monthly statements. These requirements will likely require significant personnel resources and could have a material adverse effect on our operations.

Some of these provisions may have the consequence of increasing our expenses, decreasing our revenues and changing the activities in which we choose to engage. Many of these and other provisions of the Dodd-Frank Act remain subject to regulatory rulemaking and implementation, the effects of which are not yet known. We may be forced to invest significant management attention and resources to make any necessary changes related to the Dodd-Frank Act and any regulations promulgated thereunder, which may adversely affect our business, results of operations, financial condition or prospects. We cannot predict the specific impact and long-term effects the Dodd-Frank Act and the regulations promulgated thereunder will have on our financial performance, the markets in which we operate and the financial industry generally.

In addition to changes resulting from the Dodd-Frank Act, recent proposals published by the Basel Committee on Banking Supervision, or the Basel Committee, if adopted, could lead to significantly higher capital requirements, higher capital charges and more restrictive leverage and liquidity ratios. In July and December 2009, the Basel Committee published proposals relating to enhanced capital requirements for market risk and new capital and liquidity risk requirements for banks. On September 12, 2010, the Basel Committee announced an agreement on additional capital reforms that increases required Tier 1 capital and minimum Tier 1 common equity capital and requires banks to maintain an additional capital conservation buffer during times of economic prosperity. In addition, on June 4, 2012, the Federal Reserve proposed new capital requirements that are consistent with Basel III and, if adopted, could affect our business. If adopted as proposed, the rules will require, among other things, a minimum common equity Tier 1 capital ratio of 4.5%, net of regulatory deductions, and

establish a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets above the regulatory minimum capital requirement, establishing a minimum common equity Tier 1 ratio plus capital conservation buffer at 7%. In addition, the proposed rules increase the minimum Tier 1 capital requirement from 4% to 6% of risk-weighted assets. The proposed rules also specify that a bank with a capital conservation buffer of less than 2.5% would potentially face limitations on capital distributions and bonus payments to executives. The proposed rules would require a phase-out over a 10-year period of the inclusion of trust preferred securities as a component of Tier 1 capital beginning in 2013. If the proposed rules are adopted as proposed, it could lead to limitations on the dividend payments to us by the Bank or restrict our ability to grow during favorable market conditions or require us to raise additional capital, including through sales of common stock or other securities that may be dilutive to our shareholders. As a result, our business, results of operations, financial condition or prospects could be adversely affected.

We may be required to pay significantly higher FDIC premiums, special assessments, or taxes that could adversely affect our earnings.

Market developments significantly depleted the Deposit Insurance Fund and reduced the ratio of reserves to insured deposits. As a result, we may be required to pay significantly higher premiums or additional special assessments or taxes that could adversely affect our earnings. The Dodd-Frank Act increased the minimum reserve ratio from 1.15% to 1.35%. The FDIC has adopted a plan under which it will meet this ratio by the statutory deadline of September 30, 2020. The Dodd-Frank Act requires the FDIC to offset the effect of the increase in the minimum reserve ratio on institutions with assets less than $10 billion. The FDIC has not announced how it will implement this offset. In addition to the minimum reserve ratio, the FDIC must set a designated reserve ratio. The FDIC has set a designated reserve ratio of 2.0%, which exceeds the minimum reserve ratio.

As required by the Dodd-Frank Act, the FDIC has adopted final regulations under which insurance premiums are based on an institution s total assets minus its tangible equity instead of its deposits. While our FDIC insurance premiums initially will be reduced by these regulations, it is possible that our future insurance premiums will increase under the final regulations. Any future increases or required prepayments in FDIC insurance premiums may materially adversely affect our results of operations.

The repeal of federal prohibitions on payment of interest on demand deposits could increase our interest expense.

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act, which was signed into law in 2010. As a result, beginning on July 21, 2011, financial institutions could commence offering interest on demand deposits to compete for clients. Our interest expense will increase and our net interest margin will decrease if we begin offering interest on demand deposits to attract additional customers or maintain current customers. Consequently, our business, results of operations, financial condition or prospects may be materially and adversely affected.

The fiscal, monetary and regulatory policies of the federal government and its agencies could have a material adverse effect on our results of operations.

The Federal Reserve regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. Its policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve policies and our regulatory environment generally are beyond our control, and we are unable to predict what changes may occur or the manner in which any future changes may affect our business, financial condition and results of operation.

We are subject to liquidity risk.

Liquidity is essential to our business, as we use cash to fund loans and investments, other interest-earning assets and deposit withdrawals that occur in the ordinary course of our business. Our principal sources of liquidity include customer deposits, Federal Home Loan Bank borrowings, brokered certificates of deposit, sales of loans, repayments to the Bank from borrowers and paydowns and sales of investment securities. If our ability to obtain funds from these sources becomes limited or the costs to us of those funds increases, whether due to factors that affect us specifically, including our financial performance or the imposition of regulatory restrictions on us, or due to factors that affect the capital markets or other events, including weakening economic conditions or negative views and expectations about the prospects for the financial services industry as a whole, then our ability to meet our obligations or grow our banking business would be adversely affected and our financial condition and results of operations could be harmed.

The market value of our investment securities portfolio may be impacted by the level of interest rates and the credit quality and strength of the underlying collateral.

As of December 31, 2012, we owned investment securities classified as available-for-sale with an aggregate historical cost of $886.0 million and an estimated fair value of $907.5 million. Future changes in interest rates may reduce the market value of these and other securities.

Our net interest income varies as a result of changes in interest rates as well as changes in interest rates across the yield curve. When interest rates are low, borrowers have an incentive to refinance into mortgages with longer initial fixed rate periods and fixed rate mortgages, causing our securities to experience faster prepayments. Increases in prepayments on our portfolio will cause our premium amortization to accelerate, lowering the yield on such assets. If this happens, we could experience a decrease in interest income, which may negatively impact our results of operations and financial position.

In addition, our securities portfolio is subject to risk as a result of credit quality and the strength of the underlying issuers or their related collateral. Any decrease in the value of the underlying collateral will likely decrease the overall value of our securities, affecting equity and possibly impacting earnings.

Changes in interest rates and other factors beyond our control could have an adverse impact on our earnings.

Our operating income and net income depend to a significant extent on our net interest margin, which is the difference between the interest yields we receive on loans, securities and other interest-earning assets and the interest rates we pay on interest-bearing deposits and other liabilities. The net interest margin is affected by changes in market interest rates, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a period, an increase in market rates of interest could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could reduce net interest income. These rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental regulatory agencies, including the Federal Reserve.

We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing, and balances of the different types of interest-earning assets and interest-bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our net interest margin and results of operations. The results of our interest rate sensitivity simulation models depend upon a number of assumptions which may prove to be not accurate. There can be no assurance that we will be able to successfully manage our interest rate risk. Increases in market rates and adverse changes in the local residential real estate market, the general economy or consumer confidence would likely have a significant adverse impact on our non-interest income, as a result of reduced demand for residential mortgage loans that we pre-sell.

Our Cash Connect Division relies on multiple financial and operational controls to track and settle the cash it provides to its customers in the ATM industry.

The profitability of Cash Connect is reliant upon its ability to accurately and efficiently distribute, track, and settle large amounts of cash to its customers ATMs. This depends on the successful implementation and monitoring of a comprehensive series of financial and operational controls. These controls are designed to help prevent, detect, and recover any potential loss of funds. These controls require the implementation and maintenance of complex proprietary software, the ability to track and monitor an extensive network of armored car companies, and to settle large amounts of electronic funds transfer, or EFT, funds from various ATM networks. It is possible for those associated with armored car companies, ATM networks and processors, ATM operators, or other parties to misappropriate funds belonging to Cash Connect. Cash Connect has experienced such occurrences in the past. It is possible Cash Connect would not have established proper policies, controls or insurance and, as a result, any misappropriation of funds could result in an adverse impact to our earnings.

Our recent business strategy included significant investment in growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth and investment in branch infrastructure effectively.

We have pursued a significant growth strategy for our business. Our growth initiatives have required us to recruit experienced personnel to assist in such initiatives. Accordingly, the failure to retain such personnel would place significant limitations on our ability to successfully execute our growth strategy. In addition, as we expand our lending beyond our current market areas, we could incur additional risk related to those new market areas. We may not be able to expand our market presence in our existing market areas or successfully enter new markets.

The weak economy, low demand and competition for credit may impact our ability to successfully execute our growth plan. It could adversely affect our business, financial condition, results of operations, reputation and growth prospects. While we believe we have the executive management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth.

We regularly evaluate potential acquisitions and expansion opportunities. If appropriate opportunities present themselves, we expect to engage in selected acquisitions or other business growth initiatives or undertakings. We may not successfully identify appropriate opportunities, may not be able to negotiate or finance such activities and such activities, if undertaken, may not be successful.

Our Trust and Wealth division derives the majority of its revenue from noninterest income which consists of trust, investment and other servicing fees. This business unit is subject to a number of risks which could impact its earnings or our capital, including operational, compliance, reputational, fiduciary, business and strategic risks.

Our Trust and Wealth division derives the majority of its revenue from noninterest income which consists of trust, investment and other servicing fees. It faces a number of risks. Operational or compliance risk entails inadequate or failed internal processes, people and systems or changes driven by external events. Success in this business segment is highly dependent on reputation. Damage to the division s or our reputation from negative opinion in the marketplace could adversely impact both revenue and net income. Such results could also be affected by the adverse effects of business decisions made by management or the board, improper implementation of business decisions by management or unexpected external events. Unforeseen or unrecognized developments in the marketplace in which it operates could also negatively affect results.

This business segment is also subject to many other risks and uncertainties including:

- The health of the national and global economies, soundness of financial institutions and other counterparties with which the division conducts business, changes in trading volumes or in the financial markets in general, including the debt and equity markets or in client portfolios whose values directly impact revenue, the effect of governmental actions on the division, its competitors and counterparties and financial markets such as changes in the regulatory environment and changes in tax laws, accounting requirements or interpretations that affect the division or its clients.

Table of Contents

Changes in the nature and activities of division s competition, success in maintaining existing business, success generating new business, identifying and penetrating targeted markets, complying with legal, tax and regulatory requirements, maintaining a business mix with acceptable margins, the continuing ability to generate investment results that satisfy its clients and attract prospective clients, success in recruiting and retaining the necessary personnel to support business growth and maintain sufficient expertise to support complex products and services and management s ability to effectively address risk management practices and controls, address operating risks including human errors or omissions, pricing or valuation of securities, fraud, system performance, systems interruptions or breakdowns in processes or internal controls, and success in controlling expenses all may have negative impact on operating results.

Impairment of goodwill and/or intangible assets could require charges to earnings, which could negatively impact our results of operations.

Goodwill and other intangible assets arise when a business is purchased for an amount greater than the net fair value of its identifiable assets. We have recognized goodwill as an asset on the balance sheet in connection with several recent acquisitions. At December 31, 2012, we had $33.3 million of goodwill and intangible assets. We evaluate goodwill and intangibles for impairment at least annually by comparing fair value to carrying amount. Although we have determined that goodwill and other intangible assets were not impaired during 2012, a significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or other factors could result in impairment of goodwill or other intangible assets. If we were to conclude that a future write-down of the goodwill or intangible assets is necessary, then we would record the appropriate charge to earnings, which could be materially adverse to our results of operations and financial position.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Such events may materially and adversely affect our results of operations.

We may elect or need to seek additional capital in the future, but that capital may not be available when needed.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. In the future, we may elect to or need to raise additional capital. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we may not be able to raise additional capital if needed on acceptable terms, or at all. If we cannot raise additional capital when needed, our ability to expand our operations through internal growth could be materially impaired.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

From time to time, and particularly in light of the recent economic downturn, and the negative sentiment towards banks, we have and may become party to various litigation claims and legal proceedings. Management evaluates these claims and proceedings to assess the likelihood of unfavorable outcomes and estimates, if possible, the amount of potential losses. We may establish a reserve, as appropriate, based upon our assessments and estimates in accordance with accounting policies. We base our assessments, estimates and disclosures on the information available to us at the time and rely on the judgment of our management with respect to those assessments, estimates and disclosures. Actual outcomes or losses may differ materially from assessments and estimates, which could adversely affect our reputation, financial condition and results of operations.

Table of Contents

System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

The computer systems and network infrastructure we use could be vulnerable to unforeseen hardware and cybersecurity issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure utilized by us, including our Internet banking activities, against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the Internet or other users. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us, damage to our reputation and discourage current and potential customers from using our Internet banking services. Each year, we add additional security measures to our computer systems and network infrastructure to mitigate the possibility of cybersecurity breaches including firewalls and penetration testing. We continue to investigate cost effective measures as well as insurance protection though these mitigation activities may not prevent future potential losses from system failures or cybersecurity breaches.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

The following table sets forth the location and certain additional information regarding our offices and other material properties as of December 31, 2012:

Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements (1)	Deposits
			(In Thousands)	
WSFS Bank Center Branch	Leased	2025	$ 614	$ 900,100
Main Office				
500 Delaware Avenue				
Wilmington, DE 19801				
Union Street Branch	Leased	2013	395	52,437
211 North Union Street				
Wilmington, DE 19805				
Fairfax Shopping Center	Leased	2048	1,057	85,505
2005 Concord Pike				
Wilmington, DE 19803				
Prices Corner Shopping Center Branch	Leased	2023	395	93,137
3202 Kirkwood Highway				
Wilmington, DE 19808				
Pike Creek Shopping Center Branch	Leased	2015	304	117,809
4730 Limestone Road				
Wilmington, DE 19808				
University Plaza Shopping Center Branch	Leased	2041	999	58,268
100 University Plaza				
Newark, DE 19702				
College Square Shopping Center Branch	Leased	2026	217	107,841
115 College Square Drive				
Newark, DE 19711				
Airport Plaza Shopping Center Branch	Leased	2013	450	83,083
144 N. DuPont Hwy.				
New Castle, DE 19720				
Stanton Branch	Leased	2016	20	37,533
Inside ShopRite				
1600 W. Newport Pike				
Wilmington, DE 19804				
Glasgow Branch	Leased	2022	23	44,848
2400 Peoples Plaza				
Routes 40 & 896				
Newark, DE 19702				
Middletown Crossing Shopping Center	Leased	2027	519	67,869
400 East Main Street				
Middletown, DE 19709				
Dover Branch	Leased	2060	374	18,423
Dover Mart Shopping Center				
290 South DuPont Highway				
Dover, DE 19901				
West Dover Loan Office (2)	Leased	2019	6	N/A
Greentree Office Center				
160 Greentree Drive				
Suite 103 & 105				

Dover, DE 19904

34

Table of Contents

Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements [1]	Deposits
			(In Thousands)	
Glen Mills Branch	Leased	2040	$ 1,430	$ 20,273
395 Wilmington-West Chester Pike				
Glen Mills, PA 19342				
Brandywine Branch	Leased	2014	8	34,860
Inside Safeway Market				
2522 Foulk Road				
Wilmington, DE 19810				
Operations Center [3]	Owned		N/A	N/A
2400 Philadelphia Pike				
Wilmington, DE 19703				
Longwood Branch	Leased	2015	63	25,776
826 East Baltimore Pike				
Suite 7				
Kennett Square, PA 19348				
Holly Oak Branch	Leased	2015	11	36,927
Inside Super Fresh				
2105 Philadelphia Pike				
Claymont, DE 19703				
Hockessin Branch	Leased	2030	463	93,634
7450 Lancaster Pike				
Wilmington, DE 19707				
Lewes LPO	Leased	2018	43	62,971
Southpointe Professional Center				
1515 Savannah Road, Suite 103				
Lewes, DE 19958				
Fox Run Shopping Center Branch	Leased	2025	604	83,410
210 Fox Hunt Drive				
Route 40 & 72				
Bear, DE 19701				
Camden Town Center Branch	Leased	2049	661	39,999
4566 S. DuPont Highway				
Camden, DE 19934				
Rehoboth Branch	Leased	2029	639	47,081
Lighthouse Plaza				
19335 Coastal Highway				
Rehoboth, DE 19771				
West Dover Branch	Owned		2,019	29,310
1486 Forest Avenue				
Dover, DE 19904				
Longneck Branch	Leased	2026	934	36,592
25926 Plaza Drive				
Millsboro, DE 19966				
Smyrna Branch	Leased	2048	967	44,115
Simon s Corner Shopping Center				
400 Jimmy Drive				
Smyrna, DE 19977				
Oxford, LPO	Leased	2017	2	8,624
59 South Third Street				
Suite 1				
Oxford, PA 19363				

35

Table of Contents

Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements [1]	Deposits
			(In Thousands)	
Greenville Branch	Owned		$ 1,863	$ 558,463
3908 Kennett Pike				
Greenville, DE 19807				
WSFS Bank Center [4]	Leased	2025	2,170	N/A
500 Delaware Avenue				
Wilmington, DE 19801				
Annandale, LPO	Leased	2017	8	8,225
7010 Little River Tnpk.				
Suite 330				
Annandale, VA 22003				
Oceanview Branch	Leased	2024	1,031	36,572
69 Atlantic Avenue				
Oceanview, DE 19970				
Selbyville Branch	Leased	2013	17	11,034
38394 DuPont Boulevard				
Selbyville, DE 19975				
Lewes Branch	Leased	2048	245	26,140
34383 Carpenters Way				
Lewes, DE 19958				
Millsboro Branch	Leased	2029	981	13,542
26644 Center View Drive				
Millsboro, DE 19966				
Concord Square Branch	Leased	2016	54	29,176
4401 Concord Pike				
Wilmington, DE 19803				
Delaware City Branch	Owned		46	12,144
145 Clinton Street				
Delaware City, DE 19706				
West Newark Branch	Leased	2040	1,407	55,724
201 Suburban Plaza				
Newark, DE 19711				
Lantana Shopping Center Branch	Leased	2050	336	18,933
6274 Limestone Road				
Hockessin, DE 19707				
West Chester Branch	Leased	2047	75	30,055
400 East Market Street				
West Chester, PA 19380				
Edgmont Branch	Leased	2040	1,193	12,272
5000 West Chester Pike				
Newtown Square, PA 19073				
Branmar Branch	Leased	2061	1,088	120,121
1712 Foulk Road				
Wilmington, DE 19810				
Trolley Square	Leased	2042	259	47,527
9A Trolley Square				
Wilmington, DE 19806				
Milford	Leased	2015	44	21,747
688 North DuPont Highway				
Milford, DE 19963				

Table of Contents

Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements (1)	Deposits
			(In Thousands)	
Seaford	Leased	2036	$ 106	$ 5,160
22820 Sussex Highway				
Sussex Commons Shopping Center				
Unit 19				
Seaford, DE 19963				
Media	Leased	2022	128	10,443
100 East State Street				
Media, PA 19063				
Plymouth Meeting	Leased	2016	20	2,812
450 Plymouth Road				
Suite 306				
Plymouth Meeting, PA 19462				
Midway Shopping Center	Leased	2062	2,315	24,448
4601 Kirkwood Highway				
Wilmington, DE 19808				
Cash Connect	Leased	2021	52	N/A
White Clay Mill				
500 Creek View Road				
Suite 100				
Newark, DE 19711				
Operations Center	Leased	2027	350	N/A
Silverside Carr Corporate Center				
409 Silverside Road				
Wilmington, DE 19809				
Cypress Capital Management	Leased	2013	1	N/A
1220 Market Street				
Suite 704				
Wilmington, DE 19801				
Greenville Wealth Management Center	Leased	2032	219	N/A
3801 Kennett Pike				
Suite C-200				
Greenville, DE 19807				
Las Vegas Wealth Management Center	Leased	2013	N/A	N/A
101 Convention Center Drive				
Suite P109				
Las Vegas, NV 89109				
			$ 27,225	$ 3,274,963

(1) The net book value of all investments in premises and equipment totaled $38.3 million at December 31, 2012.
(2) Location of Corporate Training Center.
(3) Building is for sale and is classified as OREO. Net book value at December 31, 2012 was $691,000.
(4) Location of Corporate Headquarters.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

As previously disclosed in 2011, we were served with a complaint filed in U.S. Bankruptcy Court by a bankruptcy trustee relating to a former WSFS Bank customer. The complaint challenges the Bank s actions in exercising its rights concerning an outstanding loan and also seeks to avoid and recover the pre-bankruptcy repayment of that loan. There were no material changes regarding this complaint in 2012 and management of the Bank believes it acted appropriately and continues to vigorously defend itself against the complaint. No litigation reserve has been recorded as it is not yet possible to establish the probability of, or reasonably estimate, a potential loss.

We previously reported that in September 2012, we received a 30 day letter from the IRS proposing an approximate $14 million to $18 million adjustment to a 2006 trust tax return relating to a trust for which the Bank is trustee. Subsequently, the IRS delivered a No Change Report that indicated the IRS completed its review of the trust s 2006 tax return and did not propose any changes. The IRS s decision to end its inquiry into the trust tax return is subject to the Area Director s approval, which has not yet been issued.

There were no material changes or additions to other significant pending legal or other proceedings involving us other than those arising out of routine operations. Management does not anticipate that the ultimate liability, if any, arising out of such other proceedings will have a material effect on the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

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

Market for Registrant s Common Equity and Related Stockholder Matters

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol WSFS. At December 31, 2012, we had 964 registered common stockholders of record. The following table sets forth the range of high and low sales prices for the Common Stock for each full quarterly period within the two most recent fiscal years as well as the quarterly dividends paid.

The closing market price of our Common Stock at December 31, 2012 was $42.25.

		Stock Price Range		
		Low	High	Dividends
2012	**4th**	**$ 40.46**	**$ 44.35**	**$ 0.12**
	3rd	**38.49**	**44.90**	**0.12**
	2nd	**35.98**	**41.03**	**0.12**
	1st	**35.95**	**43.94**	**0.12**
				$ 0.48
2011	4th	$ 29.90	$ 42.20	$ 0.12
	3rd	30.23	44.51	0.12
	2nd	36.00	48.07	0.12
	1st	39.00	50.19	0.12
				$ 0.48

Table of Contents

COMPARATIVE STOCK PERFORMANCE GRAPH

The graph and table which follow show the cumulative total return on our Common Stock over the last five years compared with the cumulative total return of the Dow Jones Total Market Index and the Nasdaq Bank Index over the same period as obtained from Bloomberg L.P. Cumulative total return on our Common Stock or the indices equals the total increase in value since December 31, 2007, assuming reinvestment of all dividends paid into the Common Stock or the index, respectively. The graph and table were prepared assuming $100 was invested on December 31, 2007 in our Common Stock and in each of the indexes. There can be no assurance that our future stock performance will be the same or similar to the historical stock performance shown in the graph below. We neither make nor endorse any predictions as to stock performance.

CUMULATIVE TOTAL SHAREHOLDER RETURN

COMPARED WITH PERFORMANCE OF SELECTED INDEXES

December 31, 2007 through December 31, 2012

	Cumulative Total Return					
	2007	2008	2009	2010	2011	**2012**
WSFS Financial Corporation	$ 100	$ 96	$ 51	$ 95	$ 72	**$ 84**
Dow Jones Total Market Index	100	61	77	89	88	**100**
Nasdaq Bank Index	100	76	62	69	61	**70**

39

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

	2012	2011	2010	2009	2008
		(Dollars in Thousands, Except Per Share Data)			
At December 31,					
Total assets	**$ 4,375,148**	$ 4,289,008	$ 3,953,518	$ 3,748,507	$ 3,432,560
Net loans (1)	**2,736,674**	2,712,774	2,575,890	2,479,155	2,443,835
Investment securities (2) (3)	**49,746**	42,569	52,232	45,517	49,688
Other investments	**31,796**	35,765	37,790	40,395	39,521
Mortgage-backed securities (2)	**870,342**	829,225	713,358	681,242	498,205
Total deposits	**3,274,963**	3,135,304	2,810,774	2,561,871	2,122,352
Borrowings (4)	**515,255**	656,609	680,595	787,798	999,734
Trust preferred borrowings	**67,011**	67,011	67,011	67,011	67,011
Senior Debt	**55,000**				
Stockholders equity	**421,054**	392,133	367,822	301,800	216,635
Number of full-service branches	**41**	40	36	37	35
For the Year Ended December 31,					
Interest income	**$ 150,287**	$ 158,642	$ 162,403	$ 157,730	$ 166,477
Interest expense	**23,288**	32,605	41,732	53,086	77,258
Net interest income	**126,999**	126,037	120,671	104,644	89,219
Noninterest income	**86,693**	63,588	50,115	50,241	45,989
Noninterest expenses	**133,345**	127,477	109,332	108,504	89,098
Provision (benefit) for income taxes	**16,983**	11,475	5,454	(2,093)	6,950
Net Income	**31,311**	22,677	14,117	663	16,136
Dividends on preferred stock and accretion of discount	**2,770**	2,770	2,770	2,590	
Net income (loss) allocable to common stockholders	**28,541**	19,907	11,347	(1,927)	16,136
Earnings (loss) per share allocable to common stockholders:					
Basic	**3.28**	2.31	1.48	(0.30)	2.62
Diluted	**3.25**	2.28	1.46	(0.30)	2.57
Interest rate spread	**3.39%**	3.49%	3.47%	3.10%	2.94%
Net interest margin	**3.46**	3.60	3.62	3.30	3.13
Efficiency ratio	**62.19**	66.85	63.61	69.56	65.36
Noninterest income as a percentage of total revenue (5)	**40.43**	33.34	29.16	32.21	33.74
Return on average assets	**0.73**	0.56	0.37	0.02	0.50
Return on average equity	**7.66**	5.96	4.21	0.24	7.30
Average equity to average assets	**9.58**	9.34	8.84	7.86	6.86
Tangible equity to assets	**8.93**	8.41	8.52	7.73	5.88
Tangible common equity to assets	**7.72**	7.18	7.18	6.31	5.88
Ratio of nonperforming assets to total assets	**1.43**	2.14	2.35	2.19	1.04

(1) Includes loans held-for-sale.
(2) Includes securities available-for-sale and trading.
(3) Includes investments in reverse mortgages.
(4) Borrowings consist of FHLB advances, securities sold under agreement to repurchase and other borrowed funds.
(5) Computed on a fully tax-equivalent basis.

Table of Contents

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

OVERVIEW

We are a thrift holding company headquartered in Wilmington, Delaware. Substantially all of our assets are held by our subsidiary, WSFS Bank, one of the ten oldest banks continuously operating under the same name in the United States. As a federal savings bank, which was formerly chartered as a state mutual savings bank, we enjoy broader fiduciary powers than most other financial institutions. A fixture in the community, WSFS has been in operation for more than 181 years. In addition to its focus on stellar customer service, the Bank has continued to fuel growth and remain a leader in our community. We are a relationship-focused, locally-managed, community banking institution that has grown to become the largest thrift holding company in the State of Delaware, one of the top commercial lenders in the state and the third largest bank in terms of Delaware deposits. We state our mission simply: We Stand for Service. Our strategy of Engaged Associates delivering Stellar Service growing Customer Advocates and value for our Owners focuses on exceeding customer expectations, delivering stellar service and building customer advocacy through highly-trained, relationship-oriented, friendly, knowledgeable and empowered Associates.

Our core banking business is commercial lending funded by customer-generated deposits. We have built a $2.2 billion commercial loan portfolio by recruiting the best seasoned commercial lenders in our markets and offering a high level of service and flexibility typically associated with a community bank. We fund this business primarily with deposits generated through commercial relationships and retail deposits. We service our customers primarily from our 51 offices located in Delaware (42), Pennsylvania (7), Virginia (1) and Nevada (1). We also offer a broad variety of consumer loan products, retail securities and insurance brokerage through our retail branches.

Our Cash Connect division is a premier provider of ATM Vault Cash and related services in the United States. Cash Connect manages nearly $444 million in vault cash in nearly 13,000 ATMs nationwide and also provides online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing and equipment sales. Cash Connect also operates over 440 ATMs for the Bank, which has, by far, the largest branded ATM network in Delaware.

As a leading provider of ATM Vault Cash to the U.S. ATM industry, Cash Connect is exposed to substantial operational risk, including theft of cash from ATMs, armored vehicles, or armored carrier terminals, as well as general risk of accounting errors or fraud. This risk is managed through a series of financial controls, automated tracking and settlement systems, contracts, and other risk mitigation strategies, including both loss prevention and loss recovery strategies. Throughout its 12-year history, Cash Connect periodically has been exposed to theft through theft from armored courier companies and consistently has been able to recover any losses through its risk management strategies.

We offer trust and wealth management services through Christiana Trust, Cypress, WSFS Investment Group brokerage and our Private Banking group. The Trust and Wealth division provides investment, fiduciary, agency and commercial domicile services from locations in Delaware and Nevada and has $17.0 billion in fiduciary assets. These services are provided to individuals and families as well as corporations and institutions. The Trust and Wealth division of WSFS Bank provides these services to customers locally, nationally and internationally taking advantage of its branch facilities in Delaware and Nevada. Cypress is an investment advisory firm that manages over $597 million of portfolios for individuals, trusts, retirement plans and endowments.

We have two consolidated subsidiaries, WSFS Bank and Montchanin. We also have one unconsolidated affiliate, the Trust. WSFS Bank has two fully-owned subsidiaries, WSFS Investment Group, Inc. and Monarch. WSFS Investment Group, Inc. markets various third-party insurance products and securities through the Bank s retail banking system and Monarch provides commercial domicile services which include employees, directors, subleases and registered agent services in Delaware and Nevada.

Montchanin has one consolidated subsidiary, Cypress. Cypress is a Wilmington-based investment advisory firm serving high net-worth individuals and institutions.

RESULTS OF OPERATIONS

We recorded net income of $31.3 million for the year ended December 31, 2012, a 38% increase compared to $22.7 million for the year ended December 31, 2011, and an increase from $14.1 million for the year ended December 31, 2010. Income allocable to common stockholders (after preferred stock dividends) was $28.5 million, or $3.25 per diluted common share (a 43% increase in diluted EPS), for the year ended December 31, 2012, compared to income allocable to common shareholders of $19.9 million, or $2.28 per diluted common share, and income of $11.3 million, or $1.46 per common share, for the years ended December 31, 2011 and 2010, respectively. Earnings for 2012 included the impact of our Asset Strategies completed during the year, which resulted in net securities gains of $13.3 million, $14.2 million in additional provision for loan losses and $600,000 in other credit costs related to the asset dispositions. Excluding the impact of Asset Strategies, we still had significant increases in noninterest income, reflecting growth in all segments, including increases in wealth management income, mortgage banking activities and credit/debit card and ATM income. In addition, net interest income increased during the year despite margin pressure, assets disposition efforts and the impact of the early-stages of our deleveraging strategy (completed in early 2013). Offsetting these favorable variances was an increase in noninterest expenses, reflecting the full year impact of our recent growth phase which included opening of new or renovated branches, the relocation of our operations center and the hiring of additional relationship managers undertaken from 2009 until early 2012, as well as additional compensation costs, related to the improvement in performance during 2012. Credit costs were also higher during 2012 and reflect ongoing asset disposition efforts undertaken during the year.

Net Interest Income. Net interest income increased $962,000, or 1%, to $127.0 million in 2012 from $126.0 million in 2011, while net interest margin decreased 14 basis points to 3.46% in 2012 compared to 3.60% in 2011. The increase in net interest income reflects lending growth during 2012 and was earned despite the impact of the successful completion of our Asset Strategies during the second quarter of 2012. Also favorably impacting net interest income was an improvement in our mix of loans combined with effective management of funding costs, both in deposit pricing and wholesale funding rates. The decrease in net interest margin was mainly due to significantly reduced rates in the MBS portfolio resulting from substantial sales and paydowns with subsequent reinvestment at much lower market rates during 2012. During 2012 we completed our issuance of $55 million of 6.25% Senior Notes which also unfavorably impacted our net interest margin.

Net interest income increased $5.3 million, or 4%, to $126.0 million in 2011 from $120.7 million in 2010, while the net interest margin remained essentially flat at 3.60% in 2011 compared to 3.62% in 2010. The increase in net interest income was mainly due to $145.3 million of growth in loans which increased to $2.7 billion in 2011. During 2011 we continued our active deposit pricing management which decreased our average cost of deposits by 24 basis points to 0.81% in 2011 compared to 1.05% in 2010. In addition, Federal Home Loan Bank Advance rates decreased 92 basis points to 1.75% from 2.67% in 2010. The favorable impact of these items was partially offset by the decrease in our mortgage-backed securities portfolio yield of 119 basis points to 3.55% in 2011 compared to 4.74% in 2010. The decrease in MBS yields were primarilty attributable to high prepayments and significant sales combined with the continued low rate environment. The yield on interest-earning assets declined by 33 basis points (0.33%), including loan yields which declined only 10 basis points (0.10%), while the rate on interest-bearing liabilities declined by 36 basis points (0.36%), including the rate on customer deposits which declined 29 basis points (0.29%).

The following table provides certain information regarding changes in net interest income attributable to changes in the volumes of interest-earning assets and interest-bearing liabilities and changes in the rates for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on the changes that are attributable to: (i) changes in volume (change in volume multiplied by prior year rate); (ii) changes in rates (change in rate multiplied by prior year volume on each category); and (iii) net change (the sum of the change in volume and the change in rate). Changes due to the combination of rate and volume changes (changes in volume multiplied by changes in rate) are allocated proportionately between changes in rate and changes in volume.

Year Ended December 31,	**2012 vs. 2011**			2011 vs. 2010		
	Volume	**Yield/Rate**	**Net**	Volume	Yield/Rate	Net
			(In Thousands)			
Interest Income:						
Commercial real estate loans	**$ (410)**	**$ 1,345**	**$ 935**	$ 267	$ 147	$ 414
Residential real estate loans	**(1,219)**	**(1,093)**	**(2,312)**	(2,143)	(894)	(3,037)
Commercial loans [1]	**6,180**	**(3,891)**	**2,289**	8,992	(2,487)	6,505
Consumer loans	**(732)**	**(698)**	**(1,430)**	312	381	693
Loans held for sale	**61**	**61**	**122**			
Mortgage-backed securities	**2,359**	**(10,325)**	**(7,966)**	1,038	(9,093)	(8,055)
Investment securities [2]	**46**	**(83)**	**(37)**	(48)	(243)	(291)
FHLB Stock and deposits in other banks	**(2)**	**46**	**44**		10	10
Favorable (unfavorable)	**6,283**	**(14,638)**	**(8,355)**	8,418	(12,179)	(3,761)
Interest expense:						
Deposits:						
Interest-bearing demand	**79**	**(238)**	**(159)**	90	(120)	(30)