

WSFS FINANCIAL CORP
Form 10-K
February 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission file number 001-35638

WSFS FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other Jurisdiction of

22-2866913
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

500 Delaware Avenue,

Wilmington, Delaware
(Address of Principal Executive Offices)

19801
(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
Common Stock, \$0.01 par value

Name of Each Exchange on Which Registered
The NASDAQ Stock Market LLC

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6.25% Senior Notes Due 2019

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

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

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 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 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

Non-accelerated filer

Smaller reporting company

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

The 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, 2015 was \$749,298,186. 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 February 19, 2016, there were issued and outstanding 29,686,400 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 28, 2016 are incorporated by reference in Part III hereof.

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WSFS FINANCIAL CORPORATION

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, and exhibits thereto, contains estimates, predictions, opinions, projections and other forward-looking statements as that phrase is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, references to the Company's predictions or expectations of future business or financial performance as well as its goals 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 the Company's 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 difficult market conditions and unfavorable economic trends in the United States generally, and particularly in the markets in which the Company operates and in which its loans are concentrated, including the effects of declines in housing markets, an increase in unemployment levels and slowdowns in economic growth;

the Company's level of nonperforming assets and the costs associated with resolving problem loans including litigation and other costs;

changes in market interest rates, which may increase funding costs and reduce earning asset yields and thus reduce margin;

the impact of changes in interest rates and the credit quality and strength of underlying collateral and the effect of such changes on the market value of the Company's investment securities portfolio;

the credit risk associated with the substantial amount of commercial real estate, construction and land development, and commercial and industrial loans in our loan portfolio;

the extensive federal and state regulation, supervision and examination governing almost every aspect of the Company's operations including the changes in regulations affecting financial institutions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued in accordance with this statute and potential expenses associated with complying with such regulations;

possible additional loan losses and impairment of the collectability of loans;

the Company's ability to comply with applicable capital and liquidity requirements (including the finalized Basel III capital standards), including our ability to generate liquidity internally or raise capital on favorable terms;

possible changes in trade, monetary and fiscal policies, laws and regulations and other activities of governments, agencies, and similar organizations;

any impairment of the Company's goodwill or other intangible assets;

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failure of the financial and operational controls of the Company's Cash Connect division;

conditions in the financial markets that may limit the Company's access to additional funding to meet its liquidity needs;

the success of the Company's growth plans, including the successful integration of past and future acquisitions;

the Company's ability to complete the pending merger with Penn Liberty Financial Corporation (Penn Liberty) on the terms and conditions proposed which are subject to a number of conditions, risks and uncertainties including receipt of regulatory approvals and satisfaction of other closing conditions to the merger (including approval by Penn Liberty shareholders), delay in closing the merger, difficulties and delays in integrating the Penn Liberty business or fully realizing cost savings and other benefits of the merger, business disruption following the merger, Penn Liberty's customer acceptance of the Company's products and services and related customer disintermediation;

negative perceptions or publicity with respect to the Company's trust and wealth management business;

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system failure or cybersecurity breaches of the Company's network security;

the Company's ability to recruit and retain key employees;

the effects of problems encountered by other financial institutions that adversely affect the Company or the banking industry generally;

the effects of weather and natural disasters such as floods, droughts, wind, tornadoes and hurricanes as well as effects from geopolitical instability and man-made disasters including terrorist attacks;

possible changes in the speed of loan prepayments by the Company's customers and loan origination or sales volumes;

possible acceleration of prepayments of mortgage-backed securities due to low interest rates, and the related acceleration of premium amortization on prepayments on mortgage-backed securities due to low interest rates;

regulatory limits on the Company's ability to receive dividends from its subsidiaries and pay dividends to its shareholders;

the effects of any reputational, credit, interest rate, market, operational, legal, liquidity, regulatory and compliance risk resulting from developments related to any of the risks discussed above;

the costs associated with resolving any problem loans, litigation and other risks and uncertainties, including those discussed in other documents filed by the Company with the Securities and Exchange Commission from time to time.

Such risks and uncertainties may be discussed herein, including under the heading "Risk Factors," and in other documents filed by the Company with the Securities and Exchange Commission. Forward looking statements are as of the date they are made, and the Company does 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 the Company.

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PART I

ITEM 1. BUSINESS

OUR BUSINESS

WSFS Financial Corporation (the Company, our Company, we, our or us) is parent to Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), the seventh oldest bank and trust company in the United States continuously operating under the same name. At \$5.6 billion in assets and \$13.2 billion in fiduciary assets, WSFS Bank is also the largest bank and trust company headquartered in Delaware and the Delaware Valley. WSFS Bank has been in operation for 184 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, banking institution. For the tenth consecutive year, our Associates (what we call our employees) ranked us a Top Workplace in Delaware and for the fifth year in a row the readers of the Delaware News Journal voted us the Top Bank in the state. 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 \$3.1 billion commercial loan portfolio by recruiting the best seasoned commercial lenders in our markets and offering the 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 63 offices located in Delaware (44), Pennsylvania (17), Virginia (1) and Nevada (1) and through our website at www.wsfsbank.com. We also offer a broad variety of consumer loan products, retail securities and insurance brokerage services through our retail branches and mortgage and title services through those branches and through Pennsylvania based WSFS Mortgage/Array Financial. WSFS Mortgage/Array Financial is a mortgage banking company and abstract and title company specializing in a variety of residential mortgage and refinancing solutions.

Our Wealth Management segment provides a broad array of fiduciary, investment management, credit and deposit products to clients through four businesses. WSFS Wealth Investments provides insurance and brokerage products primarily to our retail banking clients. Cypress is a registered investment advisor with \$637.8 million in assets under management. Cypress primary market segment is high net worth individuals and offers a balanced investment style focused on preservation of capital and providing for current income. Christiana Trust, with \$12.58 billion in assets under management and administration, provides fiduciary and investment services to personal trust clients, and trustee, agency, bankruptcy administration, custodial and commercial domicile services to corporate and institutional clients. WSFS Private Banking serves high net worth clients by delivering credit and deposit products and partnering with other business units to deliver investment management and fiduciary products and services.

Our Cash Connect segment is a leading provider of ATM Vault Cash and related services in the United States. Cash Connect manages \$581 million in vault cash in over 16,000 non-bank ATMs nationwide. It also provides online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing, equipment sales and deposit safe cash logistics. Cash Connect also operates 467 ATMs for WSFS Bank. This is, by far, the largest branded ATM network in Delaware. Cash Connect is an innovator for our company and has various additional products and services in development.

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 customers prefer. 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

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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 because our Associates are the cornerstone of our business 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. Our success with this strategy creates a virtuous cycle, further building an environment of engagement and advocacy.

Surveys conducted for us by Gallup, Inc. indicate:

Our Associate Engagement scores consistently rank in the top decile of companies polled. In 2015 our engagement ratio was 14:1, which means there were 14 engaged Associates for every disengaged Associate. This compares to a 2.6:1 ratio in 2003 and a national average of 1.53:1.

Our customer advocacy scores rank in the top quartile of all companies. In 2015, 42% of our customers ranked us a five out of five, strongly agreeing with the statement "I can't imagine a world without WSFS" and 67% 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 2015, for the tenth 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 2015, and for the fifth consecutive year, 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.

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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 on 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 primary 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 Customers. We believe this gives us an advantage over our competitors who are too large or centralized to offer customized products or services.

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. 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 (<i>For December 2015</i>) ⁽¹⁾	5.0%	5.0%
Median Household Income (<i>2010-2014</i>) ⁽²⁾	\$ 60,231	\$ 53,482
Population Growth (<i>2010-2015</i>) ⁽²⁾	5.3%	4.1%

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

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, 2015 our tangible capital ratio was 8.84% and all regulatory capital levels for WSFS Bank reflected a meaningful cushion above well-capitalized levels. At December 31, 2015, WSFS Bank’s common equity Tier 1 capital ratio was 12.31% and \$274.2 million in excess of the 6.5% well-capitalized level under the banking agencies’ prompt corrective action framework, Tier 1 capital ratio was 12.31% and \$298 million in excess of the 8.0% well-capitalized level, and the Bank’s total risk-based capital ratio was 13.11%, or \$147 million above the well-capitalized level of 10.00%.

Disciplined Lending. We maintain discipline in our lending with a particular focus on portfolio diversification and granularity. Diversification includes limits on loans to one borrower as well as industry and product concentrations. We supplement this portfolio diversification with a disciplined underwriting process and the benefit of knowing our customers. We have also taken a proactive approach to identifying trends in our local economy and have responded to areas of concern. As a result we improved all criticized, classified and nonperforming loans to 17.7% of Tier 1 capital plus Allowance for Loan Losses (ALLL) at December 31, 2015 from 21.5% at December 31, 2014.

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Focus on credit quality. We seek to control 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 marginal income and tax relief. Our philosophy and pre-purchase due diligence has allowed us to avoid the significant investment write-downs taken by many of our bank peers during the recent economic downturn (only \$86,000 of other-than-temporary impairment charges recorded during this economic cycle).

Asset Strategies. We have created an investment portfolio that is in line with the Board's approved risk appetite and we believe the portfolio contains minimal risks due to our exclusion of non-Agency (Private label) MBS and other asset-backed securities. We also believe that our thorough due diligence is effective in mitigating the credit risk associated with municipal securities that we have added. Further, our portfolio is highly liquid given our large amount of Agency MBS.

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 Stockholder 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 tangible common equity (ROTCE) and EPS growth. Management incentives are, in large part, based on driving performance in these areas. More details on management incentive plans will be included in the proxy statement for our 2016 annual meeting of stockholders.

During 2015, our performance reflected continued progress on our path towards becoming a sustainably high performing company. In 2015, WSFS reported ROA of 1.05% and core and sustainable ROA, a non-GAAP calculation, stood at 1.24% in the final quarter of 2015. This exceeded our goal of at least a 1.20% core and sustainable ROA set in early 2013 as part of our 2013-2015 Strategic Plan.

Growth

We have achieved success over the long term in lending and deposit gathering, growing the Wealth Management segment's assets under administration and growing Cash Connect's customer base and customer cross-sell. Our success has been the result of a focused strategy that provides 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 to 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.

Building fee income through investment in and growth of our Wealth Management and Cash Connect (ATM services) segments.

Continuing strong growth in commercial lending by:

Offering local decision-making by seasoned banking professionals.

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Executing 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.

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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 deposits 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 preferred southeastern Pennsylvania locations.

Seeking strategic acquisitions. In 2014 we acquired First Wyoming Financial Corporation and its wholly-owned banking subsidiary, First National Bank of Wyoming (DE) (First Wyoming). On October 9, 2015, we completed the acquisition of Alliance Bancorp Inc. of Pennsylvania (Alliance) and its wholly-owned banking subsidiary Alliance Bank. Alliance was a locally-managed institution with eight branch locations headquartered in Broomall, PA. On November 23, 2015, we signed a definitive agreement to acquire Penn Liberty Financial Corp. and its wholly-owned subsidiary, Penn Liberty which we expect to close in the third quarter of 2016. Penn Liberty Bank headquartered in Wayne, Pennsylvania was founded by experienced Pennsylvania bankers in 2004 to serve the local community by offering a wide array of financial products and services to small and mid-size businesses, professional real estate developers and investors, and retail customers throughout the western suburban Philadelphia marketplace. Penn Liberty reported \$704 million in assets, \$510 million in loans and \$621 million in deposits as of December 31, 2015 and serves its customers from 11 offices in the demographically robust Chester and Montgomery Counties. Over the next several years we expect our growth will be approximately 80% organic and 20% through acquisitions, although each year's growth will reflect the opportunities available to us at the time.

Innovation

Our organization is committed to product and service innovation as a means to drive growth and to stay ahead of changing customer demands and emerging competition. Our organization has a focus on developing a strong culture of innovation that solicits, captures, prioritizes, and executes innovation initiatives, from product creation to process improvements. We intend to leverage technology and innovation to grow our business and to successfully execute on our strategy.

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 2010, our commercial loans have grown from \$2.0 billion to \$3.1 billion, a strong 9% compound annual growth rate (CAGR). Over the same period, customer funding has grown from \$2.6 billion to \$3.9 billion, an 8% 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 2005 would be worth \$175 at December 31, 2015. By comparison, \$100 invested in the Nasdaq Bank Index in 2005 would be worth \$117 at December 31, 2015.

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SUBSIDIARIES

The Company has two consolidated direct subsidiaries, WSFS Bank and Cypress Capital Management, LLC (Cypress) and one unconsolidated subsidiary, WSFS Capital Trust III (the Trust).

WSFS Bank has three wholly owned subsidiaries, WSFS Wealth Investments, 1832 Holdings, Inc. and Monarch Entity Services, LLC (Monarch). WSFS Wealth Investments 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. 1832 Holdings, Inc. was formed to hold certain debt and equity investment securities. Monarch offers commercial domicile services which include providing employees, directors, sublease of office facilities and registered agent services in Delaware and Nevada.

Cypress is a Wilmington-based registered investment advisor servicing high net-worth individuals and institutions and has approximately \$638 million in assets under management at December 31, 2015.

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.

SEGMENT INFORMATION

For financial reporting purposes, our business has three reporting segments: WSFS Bank, Cash Connect, and Wealth Management. The WSFS Bank segment provides loans and other financial products to commercial and retail customers. Cash Connect provides ATM vault cash and cash logistics services through strategic partnerships with several of the largest network, manufacturers and service providers in the ATM industry. The Wealth Management segment provides a broad array of fiduciary, investment management, credit and deposit products to clients.

Segment financial information for the years ended December 31, 2015, 2014 and 2013 is provided in Note 20 to the Consolidated Financial Statements in this report.

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.

CREDIT EXTENSION ACTIVITIES

Over the past several years we have focused on growing the more profitable segments of our loan portfolio. Our current portfolio 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, as well as in northern Virginia. Since 2011, our total commercial loans have increased by \$960.9 million, or 44% and accounted for approximately 85% of our loan portfolio in 2015, compared to 81% in 2011. Based on current market conditions, we expect our focus on growing C&I loans and other relationship-based commercial loans to continue during the remainder of 2016 and beyond.

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

(In Thousands)	2015		2014		At December 31, 2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Types of Loans										
Commercial real estate:										
Commercial mortgage	\$ 966,698	25.9%	\$ 805,459	25.5%	\$ 725,193	25.0%	\$ 631,365	23.2%	\$ 626,739	23.1%
Construction	245,773	6.6	142,497	4.5	106,074	3.6	133,375	4.9	106,268	3.9
Total commercial real estate	1,212,471	32.5	947,956	30.0	831,267	28.6	764,740	28.1	733,007	27.0
Commercial ⁽¹⁾	1,061,597	28.5	920,072	29.1	810,882	27.9	704,491	25.9	1,460,812	53.9
Commercial owner occupied ⁽¹⁾	880,643	23.6	788,598	25.0	786,360	27.1	770,581	28.3		
Total commercial loans	3,154,711	84.6	2,656,626	84.1	2,428,509	83.6	2,239,812	82.3	2,193,819	80.9
Consumer loans:										
Residential real estate	259,679	7.0	218,329	6.9	221,520	7.6	243,627	8.9	274,105	10.5
Consumer	360,249	9.6	327,543	10.4	302,234	10.4	289,001	10.6	290,979	10.7
Total consumer loans	619,928	16.6	545,872	17.3	523,754	18.0	532,628	19.5	565,084	21.2
Gross loans	3,774,639	101.2	3,202,498	101.4	2,952,263	101.6	2,772,440	101.8	2,758,903	102.1
Less:										
Deferred fees (unearned income)	8,500	0.2	6,420	0.2	6,043	0.2	4,602	0.2	3,234	0.1
Allowance for loan losses	37,089	1.0	39,426	1.2	41,244	1.4	43,922	1.6	53,080	2.0
Net loans ⁽²⁾	\$ 3,729,050	100.0%	\$ 3,156,652	100.0%	\$ 2,904,976	100.0%	\$ 2,723,916	100.0%	\$ 2,702,589	100.0%

(1) Prior to 2012, owner occupied commercial loans were included in commercial loan balances.

(2) Excludes \$41,807; \$28,508; \$31,491; \$12,758 and \$10,185 of residential mortgage loans held-for-sale at December 31, 2015, 2014, 2013, 2012, and 2011, 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.

(In Thousands)	Less than One Year	One to Five Years	Over Five Years	Total
Commercial mortgage loans	\$ 122,909	\$ 473,454	\$ 370,335	\$ 966,698
Construction loans	89,203	96,421	60,149	245,773
Commercial loans	308,929	417,121	335,547	1,061,597
Commercial owner occupied loans	92,673	270,648	517,322	880,643
Residential real estate loans ⁽¹⁾	2,815	4,311	252,553	259,679
Consumer loans	29,666	39,009	291,574	360,249
	\$ 646,195	\$ 1,300,964	\$ 1,827,480	\$ 3,774,639
Rate sensitivity:				
Fixed	\$ 78,704	\$ 593,346	\$ 700,331	\$ 1,372,381
Adjustable ⁽²⁾	567,491	707,618	1,127,149	2,402,258

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Gross loans	\$ 646,195	\$ 1,300,964	\$ 1,827,480	\$ 3,774,639
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- (1) Excludes loans held-for-sale.
- (2) Includes hybrid adjustable-rate mortgages.

Commercial Real Estate, Owner Occupied Commercial, 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 their assets in commercial loans. As a federal savings bank that was formerly chartered as a Delaware savings bank, the Bank has certain additional lending authority.

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Commercial, owner occupied commercial, commercial mortgage and construction loans 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 than residential mortgage loans. The majority of our commercial and commercial real estate loans are concentrated in Delaware, southeastern Pennsylvania (Chester and Delaware counties) 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 \$966.7 million at December 31, 2015. Generally, this portfolio is 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 \$272.2 million. The average loan size of a loan in the commercial mortgage portfolio is \$597,248 and only nine loans are greater than \$8.0 million, with no loans greater than \$18.0 million.

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 (one to five years) upon completion of construction. These construction loans are short-term, 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 loan, 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, 2015, \$392.6 million was committed for construction loans, of which \$243.5 million was outstanding. Residential construction and land development (CLD) represented \$88.0 million, or 2%, of the loan portfolio and 14% of Tier 1 capital (Tier 1 + ALLL). Our commercial CLD portfolio was \$66.6 million, or 2%, of total loans, and our land hold loans, which are land loans not currently being developed, were \$41.4 million, or 1%, of total loans, at December 31, 2015.

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 \$30.0 million (with a few relationships exceeding this level) with an average loan balance in the portfolio of \$293,322 and terms ranging from less than one year to ten years. The loans generally carry variable interest rates indexed to our WSFS prime rate, Wall Street prime rate or LIBOR. As of December 31, 2015, our commercial and industrial and owner occupied commercial loan portfolios were \$1.9 billion and represented 51% of our total loan portfolio. These loans are diversified by industry, with no industry representing more than 13% of the portfolio.

Federal law limits the Bank's extensions of credit to any one borrower to 15% of our unimpaired capital (approximately \$87.1 million), and an additional 10% if the additional extensions of credit are secured by readily marketable collateral. Extensions of credit include outstanding loans as well as contractual commitments to advance funds, such as standby letters of credit. At December 31, 2015, no borrower had collective (relationship) total extensions of credit exceeding these legal lending limits. Only three commercial relationships, when all loans related to the relationship are combined, reach total extensions of credit in excess of \$30.0 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%.

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We do not have any significant concentrations of such insurance with any one insurer. On a very limited basis, we have originated or purchased loans with loan-to-value ratios exceeding 80% without a private mortgage insurance requirement. At December 31, 2015, the balance of all such loans was approximately \$1.9 million.

Generally, our residential mortgage loans are underwritten and documented in accordance with standard underwriting criteria published by the 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. The change in rate for the first adjustment date could be higher than the typical limited rate change of two percentage points at each subsequent adjustment date. Adjustments are generally based upon a margin (currently 2.75% for U.S. Treasury index; 2.5% for LIBOR index) over the weekly average yield on U.S. Treasury securities adjusted to a constant maturity, as published by the Board of Governors of the Federal Reserve System (the Federal Reserve).

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 the risk related to our exposure 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. 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.

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 120 days. 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. There was one repurchase in 2015 totaling \$385,000, two repurchases totaling \$354,000 in 2014 and no repurchases in 2013.

Consumer Lending

Our primary consumer credit products (excluding first mortgage loans) are home equity lines of credit and equity-secured installment loans. At December 31, 2015, home equity lines of credit outstanding totaled \$228.5 million and equity-secured installment loans totaled \$89.7 million. In total, these product lines represented 88.3% of total consumer

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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. However, typically maximum loan to value (LTV) limits are 89% for primary residences and 75% for all other properties. At December 31, 2015, we had \$329.1 million in total commitments for home equity lines of credit. Home equity lines of credit offer customers potential Federal income tax advantages, the convenience of checkbook and debit card access, revolving credit features for a portion of the life of the loan and typically are more attractive in a 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 installment products like home equity loans is mitigated as they amortize over time.

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

(In Thousands)	2015		2014		At December 31, 2013		2012		2011	
	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
Equity secured installment loans	\$ 89,696	24.9%	\$ 73,011	22.3%	\$ 69,230	22.9%	\$ 59,091	20.4%	\$ 74,721	25.7%
Home equity lines of credit	228,512	63.4	218,652	66.8	193,255	63.9	195,936	67.8	192,917	66.3
Personal loans	17,604	4.9	16,082	4.9	16,397	5.4	12,408	4.3	7,192	2.5
Unsecured lines of credit	9,244	2.6	9,415	2.9	13,147	4.4	9,197	3.2	8,378	2.9
Other	15,193	4.2	10,383	3.1	10,205	3.4	12,369	4.3	7,771	2.6
Total consumer loans	\$ 360,249	100.0%	\$ 327,543	100.0%	\$ 302,234	100.0%	\$ 289,001	100.0%	\$ 290,979	100.0%

Loan Originations, Purchases and Sales

We engage in traditional lending activities primarily in Delaware, southeastern Pennsylvania, 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 2015 we originated \$434.6 million of residential real estate loans. This compares to originations of \$316.1 million in 2014. From time to time, we have purchased whole loans and loan participations in accordance with our ongoing asset and liability management objectives. There were no such purchases in either 2015 or 2014. Residential real estate loan sales totaled \$286.2 million in 2015 and \$201.8 million in 2014. We sell certain newly originated mortgage loans in the secondary market as a means of generating fee income 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, 2015, we serviced approximately \$106.5 million of residential mortgage loans for others, compared to \$125.2 million at December 31, 2014. We also serviced residential mortgage loans for our own portfolio totaling \$306.3 million and \$218.3 million at December 31, 2015 and 2014, respectively.

Our consumer lending activity is conducted mainly through our branch offices and referrals from other parts of our business. 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.

We offer government-insured reverse mortgages to our customers. Our activity has been limited to acting as a correspondent originator for these loans. During 2015 we originated and sold \$2.8 million in reverse mortgages compared to \$1.8 million during 2014.

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 2015 we originated \$1.1 billion of commercial and commercial real estate loans compared to \$925.6 million in 2014. To reduce our exposure on certain types of these loans, and/or to maintain relationships within internal lending

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limits, at times we will sell a portion of our commercial loan portfolio, typically through loan participations. Commercial loan sales totaled \$22.6 million and \$39.9 million in 2015 and 2014, respectively. These amounts represent gross contract amounts and do not necessarily reflect amounts outstanding on those loans. We also periodically buy participations from other banks. Commercial loan participation purchases totaled \$66.1 million and \$35.2 million in 2015 and 2014, respectively.

Any significant modification or additional exposure 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. The Executive Committee also approves new credit exposures exceeding \$10 million and new credit exposures in excess of \$5 million for customers with higher risk profiles, larger existing relationship exposures, or multiple policy exceptions. 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 \$30 million House Limit to any one borrowing relationship. In rare circumstances, we will approve exceptions to the House Limit. Our policy allows for only 15 such relationships with an aggregate exposure of 10% of Tier I Capital plus ALLL. Currently, we have three relationships exceeding this limit. At December 31, 2015, the aggregate exposure over House Limit totaled 3.2% of Tier I Capital plus ALLL. Those three relationships were approved to exceed the House Limit because the credit profile was deemed strong, or because of 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 loans and 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 GAAP, and are reflected in interest income over the expected life of the loan. Those fees represented interest income of \$4.7 million, \$3.1 million, and \$2.5 million during 2015, 2014, and 2013, respectively. Loan 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 loan fee income was the result of the growth in certain loan categories and higher prepayments during 2015.

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 and collateral is insufficient to cover principal and interest payments. 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 accretion 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 loans and investments in real estate portfolios and reports such information to the Credit Policy, Audit and Executive Committees 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 and our Asset/Liability Committee. Historically, we have had success in growing our loan portfolio. For example, during the year ended December 31, 2015, net loan growth resulted in the use of \$285.7 million in cash, as compared to \$86.6 during 2014. The loan growth in 2015

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was spread across all loan categories and was driven by the Alliance acquisition in the fourth quarter of 2015 and our continued strong organic growth in lending. We expect this trend to continue during 2016. As a result of increased deposit growth, our loan-to-total customer funding ratio at December 31, 2015 was 97%, better than our 2015 strategic goal of 101%. We have significant experience managing our funding needs through both borrowings and deposit growth.

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

Net income

Retail deposit programs

Loan repayments

FHLB borrowings

Repurchase agreements

Federal Discount Window access

Brokered deposits

Our 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. However, in recent years we have purposefully reduced reliance on higher-cost, typically single-service certificate of deposit (CD) accounts. Core customer deposit growth (deposits excluding CDs) was strong, equaling \$311.5 million during 2015, an 11% increase over 2014.

Deposits

WSFS Bank 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.

The Bank offers various deposit products to our customers, including savings accounts, demand deposits, interest-bearing demand deposits, money market deposit accounts and certificates of deposit. In addition, the Bank accepts 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, 2015:

(In Thousands) Maturity Period	December 31, 2015
Less than 3 months	\$ 76,288
Over 3 months to 6 months	36,617
Over 6 months to 12 months	67,848
Over 12 months	73,260

\$ 254,013

Federal Home Loan Bank Advances

As a member of the FHLB, we are able to obtain FHLB advances. At December 31, 2015, we had \$669.5 million in FHLB advances with a weighted average rate of 0.50%. Outstanding advances from the FHLB had rates ranging from 0.42% to 1.23% at December 31, 2015. 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 in an amount at least equal to 4.00% of our borrowings from it, plus 0.10% of our member asset value. As of December 31, 2015, our FHLB stock investment totaled \$30.5 million.

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We received \$2.2 million in dividends from the FHLB during 2015. For additional information regarding FHLB stock, see Note 11 to the Consolidated Financial Statements.

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. These securities are callable and have a maturity date of June 1, 2035.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

During 2015 and 2014, we purchased federal funds as a short-term funding source. At December 31, 2015, we had purchased \$128.2 million in federal funds at an average rate of 0.45%, compared to \$103.2 million in federal funds at a rate of 0.29% at December 31, 2014.

As of December 31, 2015, we no longer had securities under agreements to repurchase as a funding source. At December 31, 2014, we had \$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 \$35.9 million as of December 31, 2014.

Senior Debt

In 2012 we issued and sold \$55.0 million in aggregate principal amount of 6.25% Senior Notes due 2019 (Senior Debt). The Senior Debt is unsecured and ranks equally with all of our other present and future unsecured, unsubordinated obligations. The Senior Debt is effectively subordinated to our secured indebtedness and structurally subordinated to the indebtedness of our subsidiaries. Interest payments on the Senior Debt are due quarterly in arrears on March 1, June 1, September 1 and December 1 of each year. At our option, the Senior Debt is callable, in whole or in part, after five years at a price equal to the outstanding principal amount to be redeemed plus accrued and unpaid interest. The Senior Debt matures on September 1, 2019.

PERSONNEL

As of December 31, 2015, we had 947 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 our being named a Top Workplace by an independent survey of our Associates for the last ten years.

REGULATION

Overview

The Company and the Bank are subject to extensive federal and state banking laws, regulations, and policies that are intended primarily for the protection of depositors. The Deposit Insurance Fund of the Federal Deposit Insurance Corporation (FDIC) and the banking system as a whole, are not for the protection of our other creditors and stockholders. The Office of the Comptroller of the Currency (OCC) is the Bank's primary regulator and the Federal Reserve is 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 activities and investments, the amount of required capital and reserves, requirements for branch offices, the permissible scope of our activities and various other requirements.

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

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Financial Reform Legislation

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

In 2010, the President signed into law the Dodd-Frank Act. This Act imposed new restrictions and an expanded framework of regulatory oversight for financial institutions and their holding companies, including depository institutions. The new law also established the Consumer Financial Protection Bureau as an independent agency within the Federal Reserve. The following discussion summarizes significant aspects of the new law that may affect us. Certain significant regulations under the Dodd-Frank Act 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, among others, are related to the operations of our Bank:

The Office of Thrift Supervision, formerly the primary regulator of federal savings associations and savings and loan holding companies, was merged into the OCC and the Federal Reserve and the federal savings association charter has been preserved under OCC jurisdiction.

The 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.

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

Federal preemption of state laws applied to federal savings associations has been amended. Now, state law is preempted with respect to federal savings associations to the same extent such laws would be preempted with respect to a national bank. A state consumer financial law is preempted whenever it has a discriminatory intent or effect on a federal savings association compared to state-chartered institutions; prevents or significantly interferes with a federal savings association's federal powers; or it is preempted by a federal law other than the National Bank Act. The OCC must make a preemption determination on a case-by-case basis with respect to a particular state consumer financial law or other state law with substantively equivalent terms. In addition, state consumer financial laws are no longer preempted with respect to the activities of a federal savings association's subsidiaries.

Deposit insurance coverage has been permanently increased to \$250,000 per depositor per insured depository institution.

The deposit insurance assessment base has been changed to equal a depository institution's total consolidated 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, among others, are related to the operations of the Company:

Supervisory authority over savings and loan holding companies has been transferred to the Federal Reserve.

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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.

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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. The Federal Reserve is required to promulgate rules setting forth the criteria for when a grandfathered unitary savings and loan holding company would be required to establish an intermediate holding company, but to date it has not yet proposed any such rules.

Public companies are required to provide their shareholders with a nonbinding vote (i) at least once every three years on the compensation paid to executives, and (ii) at least once every six years on whether they should have such 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. Some 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.

RECENT LEGISLATION***Basel III***

In 2013, the Federal banking agencies approved the final rules implementing the Basel Committee on Banking Supervision (BCBS) capital guidelines for U.S. banking organizations. Under the final rules as of January 2015, minimum requirements increased for both the quantity and quality of capital maintained by the Company and the Bank. The rules included a new common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, raised the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%, required a minimum ratio of total capital to risk-weighted assets of 8.0%, and required a minimum Tier 1 leverage ratio of 4.0%. The final rule also established a new capital conservation buffer, comprised of common equity Tier 1 capital, above the regulatory minimum capital requirements. This capital conservation buffer will be phased-in beginning January 1, 2016 at 0.625% of risk-weighted assets and increase each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. The final rules also revised the standards for an insured depository institution to be well-capitalized under the banking agencies prompt corrective action framework, requiring a common equity Tier 1 capital ratio of 6.5%, Tier 1 capital ratio of 8.0% and total capital ratio of 10.0%, while leaving unchanged the existing 5.0% leverage ratio requirement. Strict eligibility criteria for regulatory capital instruments were also implemented under the final rules. Newly issued trust preferred securities and cumulative perpetual preferred stock may no longer be included in Tier 1 capital. However, for depository institution holding companies of less than \$15 billion in total consolidated assets, such as the Company, most outstanding trust preferred securities and other non-qualifying securities issued prior to May 19, 2010 are permanently grandfathered to be included in Tier 1 capital (up to a limit of 25% of Tier 1 capital, excluding non-qualifying capital instruments).

The phase-in period for the final rules began for us on January 1, 2015, with full compliance with all of the final rules requirements phased in over a multi-year schedule and should be fully phased-in by January 1, 2019. As of December 31, 2015, WSFS Bank was well-capitalized under the capital rules.

In October 2014, the BCBS published Basel III: *The Net Stable Funding Ratio*. The NSFR is a significant component of Basel III as it requires banking organizations to maintain a stable funding position in relation to their on- and off-balance sheet activities over a one year horizon. It is being implemented to reduce the likelihood that disruptions to a banking organization's normal source of funding will not significantly erode its liquidity position. This requirement will become effective January 1, 2018. The BCBS NSFR applies to internationally active banking organizations, but may also be applied to other banking organizations. The U.S. banking regulators have not yet proposed a rule implementing the

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NSFR, and as such, it is not known whether the NSFR will apply to banking organizations of our size and profile in the U.S. We are mindful of this and other potential risk management and reporting requirements. Management will continue to monitor any additional developments and their potential impact to our liquidity requirements.

Debit Card Interchange Fees

The Federal Reserve has issued rules under the Electronic Funds Transfer Act, as amended by the Dodd-Frank Act, to limit interchange fees that an issuer may receive or charge for an electronic debit card transaction. Under the rules, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction and five basis points multiplied by the value of the transaction. In addition, the rules allow for an upward adjustment of no more than one cent to an issuer's debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve the fraud-prevention standards set out in the rule.

In accordance with the statute, issuers that, together with their affiliates, have assets of less than \$10.0 billion on the annual measurement date (December 31), such as the Bank, are exempt from the debit card interchange fee standards.

Regulation of the Company

General

The Company is a registered savings and loan holding company and is subject to the regulation, examination, supervision and reporting requirements of the Federal Reserve.

The Company is also a public company subject to the reporting requirements of the SEC. Certain reports that we file with or furnish to 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 free of charge on the investor relations page of our website at www.wsfsbank.com by following the link, "About WSFS" followed by "Investor Relations". The information on our website is not incorporated by reference in this Annual Report on Form 10-K.

Sarbanes-Oxley Act of 2002

In July 2002, Congress enacted the Sarbanes-Oxley Act of 2002, which addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. Section 404 of the Sarbanes-Oxley Act, and regulations adopted by the SEC, require us to include in our Annual Reports on Form 10-K a report stating management's responsibility to establish and maintain adequate internal controls over financial reporting and management's conclusion on the effectiveness of the internal controls at year end. Additionally, our independent registered public accounting firm is required to attest to and report on management's evaluation of internal control over financial reporting.

Restrictions on Acquisitions

Federal law generally prohibits a savings and loan holding company, without prior regulatory approval, from acquiring direct or indirect control of all, or substantially all, of the assets of any other savings association or savings and loan holding company, or more than 5% of the voting shares of a savings association 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 association that is not a subsidiary of such savings and loan holding company, unless the acquisition is approved by the Federal Reserve.

The Company is a grandfathered unitary thrift holding company. Should we lose that status, we will be constrained in our ability to acquire companies or business lines that engage in non-banking activities, and may be required to divest any companies that we already own that engage in non-banking activities.

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Safe and Sound Banking Practices

Savings and loan holding companies and their non-bank subsidiaries are prohibited from engaging in activities that represent unsafe and unsound banking practices or constitute violations of laws or regulations. For example, for bank holding companies, the Federal Reserve'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 may oppose the transaction if it believes 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 may apply same or similar standards to savings and loan holding companies. The Federal Reserve can assess civil money penalties on a party for activities conducted on a knowing or reckless basis, if those activities caused more than a minimal loss to an institution or pecuniary gain to the party. The penalties can be as high as \$425,000 for each day the activity continues.

Source of Strength

In accordance with FDIA, the Company is 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 added additional guidance regarding the source of strength doctrine and has directed the regulatory agencies to promulgate regulations to revise the capital requirements for holding companies to a level that is not less than those applicable to insured depository institutions.

Dividends

The principal source of the 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 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 capital needs and current and prospective 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 this 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's policy statement.

In 2009, the Federal Reserve 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 stated that when a holding company's board of directors is considering the payment of dividends, 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

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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 further stated that, as a general matter, a holding company should eliminate, defer or significantly reduce its distributions if: (i) its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, 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 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.

Cypress

Cypress is a registered investment advisor under the Investment Advisers Act of 1940, as amended, and as such is supervised by the SEC. The Investment Advisers Act imposes numerous obligations on registered investment advisers, including record-keeping, operational and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from fines and censure to termination of an investment adviser's registration. Investment advisers also are subject to certain state securities laws and regulations. Noncompliance with the Investment Advisers Act or other federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines and reputational damage.

Regulation of WSFS Bank

General

As a federally chartered savings institution the Bank is subject to regulation, examination and supervision by the 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.

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 that would be provided to a non-affiliate. The term covered transaction includes the making of loans to the affiliate, purchase of assets from the affiliate, issuance of a guarantee on behalf of the affiliate and several other types of transactions. In addition to the restrictions imposed by Sections 23A and 23B, the Home Owners' Loan Act also prohibits a savings association from (i) lending or otherwise extending credit to an affiliate that engages in any activity impermissible for bank holding companies, or (ii) purchasing or investing in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for the purchase of shares of a subsidiary.

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Regulatory Capital Requirements

Under revised capital regulations effective January 1, 2015 for the Bank, savings institutions must maintain tangible capital equal to 1.5% of average total assets, common equity Tier 1 equal to 4.5% of risk-weighted assets, Tier 1 capital equal to 6% of risk-weighted assets, total capital (a combination of Tier 1 and Tier 2 capital) equal to 8% of risk-weighted assets, and a leverage ratio of Tier 1 capital to average total consolidated assets equal to 4%. The OCC's revised prompt corrective action regulations require that in order to be well capitalized, a savings association must have a common equity Tier 1 capital ratio of 6.5%, Tier 1 capital ratio of 8.0%, total capital ratio of 10.0%, and 5.0% leverage ratio, and not be subject to any written agreement, order or capital directive, or prompt corrective action directive issued by the OCC. In addition, the prompt corrective action 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 6.0% or a ratio of common Tier 1 capital to risk-weighted assets of less than 5.0%.

The revised capital rules define common equity Tier 1 capital as predominantly comprised of common stock instruments (including retained earnings), related surplus, certain minority interests in the equity accounts of fully consolidated subsidiaries (subject to certain limitations), less certain intangible assets and, subject to certain limitations, mortgage and non-mortgage servicing rights and deferred tax assets. Additional Tier 1 capital includes noncumulative perpetual preferred stock and related surplus, and certain minority interests in the equity accounts of fully consolidated subsidiaries not included in common equity Tier 1 capital (subject to certain limitations). Tier 2 capital includes subordinated debt with a minimum original maturity of five years, related surplus, certain minority interests in the equity accounts of fully consolidated subsidiaries not included in Tier 1 capital (subject to certain limitations), and limited amounts of a bank's allowance for loan and lease losses (ALLL). Tangible capital is given the same definition as Tier 1 capital. The capital rules require that common equity Tier 1 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.

The risk weights assigned by the risk-based capital regulation range from 0% for cash, U.S. government securities, and certain other assets, 50% for qualifying residential mortgage exposures, 100% for corporate exposures and non-qualifying mortgage loans and certain other assets, to over 100% for certain past-due exposures and equity exposures.

At December 31, 2015, the Bank was in compliance with the minimum common equity Tier 1 capital, Tier 1 capital, total capital, tangible capital and leverage capital requirements.

The Company is subject to similar minimum capital requirements as the Bank, except that the Company is not subject to a tangible capital ratio. As of December 31, 2015, the Company was in compliance with the minimum common equity Tier 1 capital, Tier 1 capital, total capital, and leverage capital requirements. For the Company to be well capitalized, the Bank must be well-capitalized and the Company must not be subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Federal Reserve to meet and maintain a specific capital level for any capital measure. As of December 31, 2015, the Company met all the requirements to be deemed well-capitalized.

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 (including the proposed capital distribution) 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, such as the Bank (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.

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An institution that either before or after a proposed capital distribution fails to meet its then-applicable minimum capital requirement 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 law, an insured depository institution may not make any capital distribution if the capital distribution would cause the institution 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. The 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 FDIA was amended to increase the maximum deposit insurance amount per depositor per depository institution from \$100,000 to \$250,000.

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 45 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. The minimum reserve ratio of the Deposit Insurance Fund has 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.

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.

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

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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 its transaction accounts. During 2015, no reserves were required to be maintained on the first \$14.5 million of transaction accounts, reserves of 3% were required to be maintained against the next \$89.1 million of transaction accounts and a reserve of 10% was required to be maintained against all remaining transaction accounts. These percentages are 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.

CEO pay ratio disclosure

On August 5, 2015, the SEC adopted a new rule requiring public companies to disclose the CEO's annual total compensation, the annual total compensation of the company's median employee and the ratio of these two amounts in certain SEC filings that require executive compensation information. With certain exceptions, registrants must comply with this rule for the first fiscal year beginning on or after January 1, 2017.

ITEM 1A. RISK FACTORS

As a financial services organization, we are subject to a number of risks inherent in our transactions and present in the business decisions we make. Described below are the primary risks and uncertainties that if realized could have a material and adverse effect on our business, financial condition, results of operations or cash flows, and our access to liquidity. The risks and uncertainties described below are not the only risks we face.

We have identified our major risk categories as: market risk, credit risk, capital and liquidity risk, compliance risk, operational risk, strategic risk, reputational risk and model risk. These risk factors and other risks we may face are discussed in more detail in other sections of this report. 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

1. Market Risk

Difficult market conditions and unfavorable economic trends could adversely affect our industry and our business.

We are exposed to downturns in the Delaware, mid-Atlantic and overall U.S. economy and housing markets. While certain economic conditions in the United States have shown signs of improvement in recent years, economic growth has been slow and uneven as consumers continue to recover from previously high unemployment rates, lower housing values, concerns about the level of U.S. government debt and fiscal actions that may be taken to address this, as well as economic and political conditions in the global markets. Unfavorable economic trends, sustained high unemployment, and declines in real estate values can cause a reduction in the availability of commercial credit and can negatively impact the credit performance of commercial and consumer loans, resulting in increased write-downs. These negative trends can cause economic pressure on consumers and businesses and diminish confidence in the financial markets, which may adversely affect our business, financial condition, results of operations and ability to access capital. A worsening of these conditions, such as a recession or economic slowdown, would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial services industry. In particular, we may face the following risks in connection with these events:

An increase in the number of customers unable to repay their loans in accordance with the original terms, which could result in a higher level of loan losses and provision for loan losses;

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Impaired ability to assess the creditworthiness of customers as the models and approaches we use to select, manage and underwrite our customers become less predictive of future performance;

Impaired ability to estimate the losses inherent in our credit exposure as the process we use to make such estimates requires difficult, subjective and complex judgments based on forecasts of economic or market conditions that might impair the ability of our customers to repay their loans, and this estimating process becomes less accurate and thus less reliable as economic conditions worsen;

Increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to commercial credit;

Impaired ability to access the capital markets or otherwise obtain needed funding on attractive terms or at all;

Changes in the regulatory environment, including regulations promulgated or to be promulgated under the Dodd-Frank Act, also could influence recognition of loan losses and our allowance for loan losses;

Downward pressure on our stock price; and

Increased competition due to intensified consolidation of the financial services industry.

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. 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 our 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 inaccurate. There can be no assurance that we will be able to successfully manage our interest rate risk. In addition, increases in market interest rates and/or 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.

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, 2015, we owned investment securities classified as available-for-sale with an aggregate historical cost of \$724.1 million and an estimated fair value of \$721.0 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.

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

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 could materially and adversely affect our results of operations.

2. Credit Risk

Significant increases of nonperforming assets 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 \$39.9 million at December 31, 2015. 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 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 daily 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. Significant increases in the level of our nonperforming assets from the current level, or greater than anticipated costs to resolve these credits, will have an adverse effect on our earnings.

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 \$3.14 billion at December 31, 2015, comprising 83% of net loans. Commercial real estate 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 adversely affect 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 larger size of loan balances, and the potential that adverse changes in general economic conditions can adversely affect income-producing properties. A 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 and industrial loans secured by owner-occupied properties are dependent upon the successful operation of the borrower's business. If the operating company suffers difficulties, including reduction in 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.

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Concentration of loans in our primary markets may increase our risk.

Our success depends primarily on the general economic conditions and housing markets in the State of Delaware, southeastern Pennsylvania and northern Virginia, as a large portion of our loans are made to customers in these markets. This makes us vulnerable to a downturn in the local economy and real estate markets in these areas. Declines in real estate valuations in these markets would lower the value of the collateral securing those loans, which could cause us to realize losses in the event of increased foreclosures. Local economic conditions have a significant impact on the ability of borrowers to repay loans as well as our ability to originate new loans. In addition, weakening in general economic conditions such as inflation, recession, unemployment, natural disasters 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 the loans in our 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 or incurred losses in our loan portfolio, resulting in unanticipated losses and additions to our allowance for loan losses. While we believe that our allowance for loan losses was adequate at December 31, 2015, there is no assurance that it will be sufficient to cover future loan losses, especially if there is a significant deterioration in economic conditions. Material additions to our allowance could materially decrease our net income.

3. Capital and Liquidity Risk

Our inability to grow deposits in the future could materially adversely affect our liquidity and ability to grow our business.

A key part of our future growth strategy is to grow deposits. The market for deposits is highly competitive, with intense competition in attracting and retaining deposits. We compete on the basis of the rates we pay on deposits, features and benefits of our products, the quality of our customer service and the competitiveness of our digital banking capabilities. Our ability to originate and maintain deposits is also highly dependent on the strength of the Bank and the perceptions of customers and others of our business practices and our financial health. Adverse perceptions regarding our reputation could lead to difficulties in attracting and retaining deposits accounts. Negative public opinion could result from actual or alleged conduct in a number of areas, including lending practices, regulatory compliance, inadequate protection of customer information or sales and marketing activities, and from actions taken by regulators or others in response to such conduct.

The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products or the availability of competing products. Competition from other financial services firms and others that use deposit funding products may affect deposit renewal rates, costs or availability. Changes we make to the rates offered on our deposit products may affect our profitability and liquidity.

The FDIA prohibits an insured bank from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is well capitalized, or it is adequately capitalized and receives a waiver from the FDIC. A bank that is adequately capitalized and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. There are no such restrictions under the FDIA on a bank that is well capitalized and at December 31, 2015, the Bank met or exceeded all applicable requirements to be deemed well capitalized for purposes of the FDIA. However, there can be no assurance that the Bank will continue to meet those requirements. Limitations on the Bank's ability to accept brokered deposits for any reason (including regulatory limitations on the amount of brokered deposits in total or as a percentage of total assets)

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in the future could materially adversely impact our funding costs and liquidity. Any limitation on the interest rates the Bank can pay on deposits could competitively disadvantage us in attracting and retaining deposits and have a material adverse effect on our business.

We could experience an unexpected inability to obtain needed liquidity.

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. We also are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. Our principal sources of liquidity include customer deposits, FHLB borrowings, brokered certificates of deposit, sales of loans, repayments to the Bank from borrowers and paydowns and sales of investment securities. Our ability to obtain funds from these sources could become limited, or our costs to obtain such funds could increase, due to a variety of factors, including changes in our financial performance or, the imposition of regulatory restrictions on us, adverse developments in the capital markets, including weakening economic conditions or negative views and expectations about the prospects for the financial services industry as a whole. If our ability to obtain necessary funding is limited or the costs of such funding increase, 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.

Restrictions on our subsidiaries' ability to pay dividends to us could negatively affect our liquidity and ability to pay dividends.

We are a separate and distinct legal entity from our subsidiaries, including the Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on our debt. Various federal and/or state laws and regulations limit the amount of dividends that our Bank and certain of our nonbank subsidiaries may pay us. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. Limitations on our subsidiaries to pay dividends to us could have a material adverse effect on our liquidity and on our ability to pay dividends on common stock. Additionally, if our subsidiaries' earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels; we may not be able to make dividend payments to our common stockholders.

4. Compliance Risk

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

We are subject to extensive federal and state regulation, supervision and examination governing almost all aspects of our operations. The laws and regulations governing our business are intended primarily to protect depositors, our customers, the public, the FDIC's Deposit Insurance Fund, and the banking system as a whole, and not our shareholders or holders of our debt. Since July 21, 2011, the Federal Reserve has been the primary federal regulator for the Company and the OCC has been the Bank's primary regulator. The banking laws, regulations and policies applicable to us govern a variety of matters, including certain debt obligations, changes in control, maintenance of adequate capital, and general business operations, 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. 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.

We are subject to changes in federal and state banking statutes, regulations and governmental policies, and their interpretation or implementation. 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. 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.

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Some of the regulatory changes mandated by the Dodd Frank Act have increased our expenses, decreased our revenues and changed the activities in which we choose to engage. Some 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, in July 2013, the Federal Reserve, FDIC and the OCC approved final rules (Final Capital Rules) implementing revised capital rules to reflect the requirements of the Dodd-Frank Act and the Basel III international capital standards. Under the Final Capital Rules, minimum requirements have increased both the quantity and quality of capital held by the Company. The rules include a new common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%, require a minimum ratio of total capital to risk-weighted assets of 8.0%, and require a minimum Tier 1 leverage ratio of 4.0%. The Final Capital Rules also establish a new capital conservation buffer, comprised of common equity Tier 1 capital, is also established above the regulatory minimum capital requirements. This capital conservation buffer will be phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increase each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. Strict eligibility criteria for regulatory capital instruments were also implemented under the Final Capital Rules. The Final Capital Rules became applicable to us beginning on January 1, 2015 with conservation buffers phasing in over the subsequent 5 years.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports when appropriate. They also mandate that we are ultimately responsible to ensure our third party vendors adhere to the same laws and regulations. In addition to other bank regulatory agencies, the Federal Financial Crimes Enforcement Network of the Department of the Treasury is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the state and federal banking regulators, as well as the U.S. Department of Justice, Consumer Financial Protection Bureau, Drug Enforcement Administration, and Internal Revenue Service.

We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control of the Department of the Treasury regarding, among other things, the prohibition of transacting business with, and the need to freeze assets of, certain persons and organizations identified as a threat to the national security, foreign policy or economy of the United States. If our policies, procedures and systems or those of our third party vendors are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including any acquisition plans. Any of these results could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on

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expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and future prospects.

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 our net interest margin. Its policies can also 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.

If we fail to comply with legal standards, we could incur liability to our clients or lose clients, which could negatively affect our earnings.

Managing or servicing assets with reasonable prudence in accordance with the terms of governing documents and applicable laws is important to client satisfaction, which in turn is important to the earnings and growth of our investment businesses. Failure to comply with these standards, adequately manage these risks or manage the differing interests often involved in the exercise of fiduciary responsibilities could also result in liability.

5. Operational Risk

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, 2015, we had \$95.3 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 2015, 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. Any future write-down of the goodwill or intangible assets could result in a material charge to earnings.

Our results of operations and financial condition could be materially adversely affected if our Cash Connect division's established policies, procedures and controls are inadequate to prevent a misappropriation of funds, or if a misappropriation of funds is not insured or not fully covered through insurance.

The profitability of our Cash Connect segment depends to a large degree on its ability to accurately and efficiently distribute, track, and settle large amounts of cash to its customers' ATMs which, in turn, depends on the successful implementation and monitoring of a comprehensive series of financial and operational controls that 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 the ability to settle large amounts of electronic funds transfers (EFT) from various ATM networks. There is a risk that those associated with armored car companies, ATM networks and processors, ATM operators, or other parties may misappropriate funds belonging to Cash Connect. Cash Connect has experienced such occurrences in the past. If our Cash Connect division's established policies, procedures and controls are inadequate, or not properly executed to prevent or detect a misappropriation of funds, or if a misappropriation of funds is not insured or not fully covered through any insurance maintained by us, our results of operations or financial condition could be materially affected.

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Our risk management processes and procedures may not be effective in mitigating our risks.

Our risk management processes and procedures seek to appropriately balance risk and return and mitigate risks. We have established processes and procedures intended to identify, measure, monitor and control the types of risk to which we are subject, including credit risk, market risk, liquidity risk, strategic risk and operational risk. Credit risk is the risk of loss that arises when an obligor fails to meet the terms of an obligation. We are exposed to both customer credit risk, from our loans, and institutional credit risk, principally from our various business partners and counterparties. Market risk is the risk of loss due to changes in external market factors such as interest rates. Liquidity risk is the risk that financial condition or overall safety and soundness are adversely affected by an inability, or perceived inability, to meet obligations and support business growth. Strategic risk is the risk from changes in the business environment, improper implementation of decisions or inadequate responsiveness to changes in the business environment. Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (i.e., natural disasters) or compliance, reputational or legal matters and includes those risks as they relate directly to the Company as well as to third parties with whom we contract or otherwise do business.

We seek to monitor and control our risk exposure through a framework that includes our risk appetite statement, enterprise risk assessment process, risk policies, procedures and controls, reporting requirements, credit risk culture and governance structure. Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models that we use to manage these risks are ineffective at predicting future losses or are otherwise inadequate, we may incur unexpected losses or otherwise be adversely affected. In addition, the information we use in managing our credit and other risk may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid. There may also be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated including when processes are changed or new products and services are introduced. If our risk management framework does not effectively identify and control our risks, we could suffer unexpected losses or be adversely affected, and that could have a material adverse effect on our business, results of operations and financial condition.

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

From time to time 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. Litigation and legal proceedings may result in the incurrence of significant liabilities, including payment of damages, fees and expenses related to the litigation, and/or penalties and fines. Further, actual outcomes or losses may differ materially from assessments and estimates, which could adversely affect our reputation, financial condition and results of operations.

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

Failures in, or breaches of, our computer systems and network infrastructure, or those of our third party vendors or other service providers, including as a result of cyber-attacks, could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. 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. Cybersecurity breaches 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 and damage to our reputation, and may discourage current and potential customers from using our Internet banking services. As customer, public and regulatory expectations regarding operational and information security have increased, we have

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added 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; however, any mitigation activities may not prevent or detect future potential losses from system failures or cybersecurity breaches.

In the normal course of business, we collect, process, and retain sensitive and confidential information regarding our customers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security and business continuity programs, our facilities and systems, and those of our third-party service providers, are vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. We and our third-party service providers have experienced all of these events in the past and expect to continue to experience them in the future. These events could interrupt our business or operations, result in significant legal and financial exposure, supervisory liability, damage to our reputation, loss of customers and business or a loss of confidence in the security of our systems, products and services. Although the impact to date from these events has not had a material adverse effect on us, we cannot be sure this will be the case in the future. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.

Information security risks for financial institutions like us have increased recently in part because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions that are designed to disrupt key business services, such as consumer-facing web sites. We are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection.

Errors, breakdowns in controls or other mistakes in the provision of services to clients or in carrying out transactions for our own account can subject us to liability, result in losses or negatively affect our earnings in other ways.

In our asset servicing, investment management, fiduciary administration and other business activities, we effect or process transactions for clients and for us that involve very large amounts of money. Failure to properly manage or mitigate operational risks can have adverse consequences, and increased volatility in the financial markets may increase the magnitude of resulting losses. Given the high volume of transactions we process, errors that affect earnings may be repeated or compounded before they are discovered and corrected.

Our business may be adversely impacted by litigation and regulatory enforcement.

Our businesses involve the risk that clients or others may sue us, claiming that we have failed to perform under a contract or otherwise failed to carry out a duty perceived to be owed to them. Our trust, custody and investment management businesses are particularly subject to this risk. This risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are particularly volatile, or when clients or investors are experiencing losses. In addition, as a publicly-held company, we are subject to the risk of claims under the federal securities laws, and volatility in our stock price and those of other financial institutions increases this risk. Actions brought against us may result in injunctions, settlements, damages, fines or penalties, which could have a material adverse effect on our financial condition or results of operations or require changes to our business. Even if we defend ourselves successfully, the cost of litigation is often substantial, and public reports regarding claims made against us may cause damage to our reputation among existing and prospective clients or negatively impact the confidence of counterparties, rating agencies and stockholders, consequently negatively affecting our earnings. In the ordinary course of our business, we also are subject to various regulatory, governmental and enforcement inquiries, investigations and subpoenas. These may be directed generally to participants in the businesses in which we are involved or may be specifically directed at us. In enforcement matters, claims for disgorgement, the imposition of civil and criminal penalties and the imposition of other remedial sanctions are possible.

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6. Strategic Risk

Our business strategy includes 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 infrastructure effectively.

We are pursuing a significant growth strategy for our business. Our growth initiatives have required us to recruit experienced personnel to assist in such initiatives. 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.

A weak economy, low demand and competition for credit may impact our ability to successfully execute our growth plan and 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.

We have in the past and may in the future pursue acquisitions, which may disrupt our business and adversely affect our operating results, and we may fail to realize all of the anticipated benefits of any such acquisition.

We have historically pursued acquisitions, and may seek acquisitions in the future. We may not be able to successfully identify suitable candidates, negotiate appropriate acquisition terms, complete proposed acquisitions, successfully integrate acquired businesses into the existing operations, or expand into new markets. Once integrated, acquired operations may not achieve levels of revenues, profitability, or productivity comparable with those achieved by our existing operations, or otherwise perform as expected.

Acquisitions involve numerous risks, including difficulties in the integration of the operations, technologies, services and products of the acquired companies, and the diversion of management's attention from other business concerns. We may not properly ascertain all such risks prior to an acquisition or prior to such a risk impacting us while integrating an acquired company. As a result, difficulties encountered with acquisitions could have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, we must generally receive federal regulatory approval before we can acquire a bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, future prospects, including current and projected capital levels, the competence, experience, and integrity of management, compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the Community Reinvestment Act, and the effectiveness of the acquiring institution in combating money laundering activities. In addition, we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. Consequently, we may not obtain regulatory approval for a proposed acquisition on acceptable terms or at all, in which case we would not be able to complete the acquisition despite the time and expenses invested in pursuing it.

We originate, sell, service and invest in reverse mortgages, which subjects us to additional risks that could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

We originate, sell, service and invest in reverse mortgages. The reverse mortgage business is subject to substantial risks, including market, credit, interest rate, liquidity, operational, reputational and legal risks. Generally, a reverse mortgage is a loan available to seniors aged 62 or older that allows homeowners to borrow money against the value of their home. No repayment of the mortgage is required until the borrower dies, moves out of the home or the home is sold.

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A decline in the demand for reverse mortgages may reduce the number of reverse mortgages we originate, and adversely affect our ability to sell reverse mortgages in the secondary market. Although foreclosures involving reverse mortgages generally occur less frequently than forward mortgages, loan defaults on reverse mortgages leading to foreclosures may occur if borrowers fail to maintain their property or fail to pay taxes or home insurance premiums. A general increase in foreclosure rates may adversely impact how reverse mortgages are perceived by potential customers and thus reduce demand for reverse mortgages. Finally, we could become subject to negative headline risk in the event that loan defaults on reverse mortgages lead to foreclosures or evictions of elderly homeowners. All of the above factors could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

Key employees may be difficult to retain.

Our Associates are our most important resource and, in many areas of the financial services industry, competition for qualified personnel is intense. We invest significantly in recruitment, training, development and talent management as our Associates are the cornerstone of our model. If we were unable to continue to attract and retain qualified key employees to support the various functions of our businesses, our performance, including our competitive position, could be materially adversely affected. As economic conditions improve, we may face increased difficulty in retaining top performers and critical skilled employees. If key personnel were to leave us and equally knowledgeable or skilled personnel are unavailable within the Company or could not be sourced in the market, our ability to manage our business may be hindered or impaired.

7. Reputational Risk

Damage to our reputation could significantly harm our businesses.

Our ability to attract and retain customers, clients, investors, and highly-skilled management and employees is affected by our reputation. Public perception of the financial services industry has declined as a result of the recent economic downturn and related government response. We face increased public and regulatory scrutiny resulting from the financial crisis and economic downturn. Significant harm to our reputation can also arise from other sources, including employee misconduct, actual or perceived unethical behavior, litigation or regulatory outcomes, failing to deliver minimum or required standards of service and quality, compliance failures, disclosure of confidential information, significant or numerous failures, interruptions or breaches of our information systems, and the activities of our clients, customers and counterparties, including vendors. Actions by the financial services industry generally or by certain members or individuals in the industry may have a significant adverse effect on our reputation. We could also suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The actual or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, which could adversely affect our businesses.

Our Wealth Management segment is subject to a number of risks, including reputational risk.

Our Wealth Management segment derives the majority of its revenue from noninterest income which consists of trust, investment and other servicing fees. Success in this business segment is highly dependent on reputation. Our ability to attract trust and wealth management clients is highly dependent upon external perceptions of this division's level of service, trustworthiness, business practices and financial condition. Negative perceptions or publicity regarding these matters could damage the division's and our reputation among existing customers and corporate clients, which could make it difficult for the Wealth Management segment to attract new clients and maintain existing ones. Adverse developments with respect to the financial services industry may also, by association, negatively impact the segment's or our reputation, or result in greater regulatory or legislative scrutiny or litigation against us. Although we monitor

developments for areas of potential risk to the division's and our reputation and brand, negative perceptions or publicity could materially and adversely impact both revenue and net income.

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8. Model Risk

The quantitative models we use to manage certain accounting and risk management functions may not be effective, which may cause material adverse effects on our results of operations and financial condition.

We use quantitative models to help manage certain aspects of our business and to assist with certain business decisions, including estimating probable loan losses, measuring the fair value of financial instruments when reliable market prices are unavailable and estimating the effects of changing interest rates and other market measures on our financial condition and results of operations. Our modeling methodologies rely on many assumptions, historical analyses and correlations. These assumptions may be incorrect, particularly in times of market distress, and the historical correlations on which we rely may no longer be relevant. Additionally, as businesses and markets evolve, our measurements may not accurately reflect this evolution. Even if the underlying assumptions and historical correlations used in our models are adequate, our models may be deficient due to errors in computer code, bad data, misuse of data, or the use of a model for a purpose outside the scope of the model's design.

As a result, our models may not capture or fully express the risks we face, may suggest that we have sufficient capitalization when we do not, or may lead us to misjudge the business and economic environment in which we will operate. If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management or other business or financial decisions. Furthermore, strategies that we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable, and as a result, we may realize losses or other lapses.

Banking regulators continue to focus on the models used by banks and bank holding companies in their businesses. The failure or inadequacy of a model may result in increased regulatory scrutiny on us or may result in an enforcement action or proceeding against us by one of our regulators.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in 500 Delaware Ave., Wilmington, Delaware where we lease 87,819 square feet of space. At December 31, 2015, we conducted our business through 51 full-service branches located in Delaware and southeastern Pennsylvania. Eight of our branches were owned while all other facilities were leased.

In addition to our branch network, we lease office space for four loan production offices located in Delaware, southeastern Pennsylvania and Virginia and we lease seven other facilities in Delaware, southeastern Pennsylvania and Nevada to house operational activities, Cash Connect and Wealth Management. At December 31, 2015, our premises and equipment had a net book value of \$39.6 million. All of these properties are generally in good condition and are appropriate for their intended use.

While these facilities are adequate to meet our current needs, available space is limited and additional facilities may be required to support future expansion. However, there are no current plans to lease, purchase or construct additional administrative facilities.

For additional detail regarding our properties and equipment, see Note 8 to our Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

For information regarding to legal proceedings, see Note 23 to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

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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, 2015, we had 1,030 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, 2015 was \$32.36.

		Stock Price Range		
		Low	High	Dividends
2015	4th	\$ 27.51	\$ 35.42	\$ 0.06
	3rd	26.26	29.44	0.05
	2nd	23.59	27.98	0.05
	1st	24.34	26.67	0.05
				\$ 0.21
2014	4th	\$ 23.38	\$ 26.66	\$ 0.05
	3rd	22.41	25.65	0.04
	2nd	21.25	24.73	0.04
	1st	22.44	26.11	0.04
				\$ 0.17

Share Repurchases:

Commencing in November, 2015, the Company's Board of Directors approved authorizations to purchase, in the aggregate, up to 1,492,661 shares of Common Stock.

The following table provides information regarding our purchases of Common Stock during the fourth quarter of 2015.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Programs
December 1, 2015 - December 31, 2015	100,000	\$ 33.80	100,000	1,400,565
Total	100,000	\$ 33.80	100,000	

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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, 2010, 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, 2010 in our Common Stock and in each of the indices. 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, 2010 through December 31, 2015

	December 31, 2010 through December 31, 2015					
	Cumulative Total Return					
	2010	2011	2012	2013	2014	2015
WSFS Financial Corporation	\$ 100	\$ 77	\$ 91	\$ 169	\$ 168	\$ 214
Dow Jones Total Market Index	100	108	119	155	170	171
Nasdaq Bank Index	100	90	106	150	157	171

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(In Thousands, Except Per Share and Branch Data)	2015	2014	2013	2012	2011
At December 31,					
Total assets	\$ 5,585,962	\$ 4,853,320	\$ 4,515,763	\$ 4,375,148	\$ 4,289,008
Net loans ^{(1) (5)}	3,770,857	3,185,159	2,936,467	2,736,674	2,712,774
Reverse mortgages	24,284	29,298	37,328	19,229	15,722
Investment securities ⁽²⁾	886,891	866,292	817,115	900,839	856,071
Other investments	30,709	23,412	36,201	31,796	35,765
Total deposits	4,016,566	3,649,235	3,186,942	3,274,963	3,135,304
Borrowings ⁽³⁾	812,200	545,764	759,830	515,255	656,609
Trust preferred borrowings	67,011	67,011	67,011	67,011	67,011
Senior Debt	55,000	55,000	55,000	55,000	
Stockholders' equity	580,471	489,051	383,050	421,054	392,133
Number of full-service branches	51	43	39	41	40
For the Year Ended December 31,					
Interest income	\$ 182,576	\$ 160,337	\$ 146,922	\$ 150,287	\$ 158,642
Interest expense	15,776	15,830	15,334	23,288	32,605
Net interest income	166,800	144,507	131,588	126,999	126,037
Noninterest income	88,255	78,278	80,151	86,693	63,588
Noninterest expenses	163,459	146,645	131,755	133,345	127,476
Provision for loan losses	7,790	3,580	7,172	32,053	27,996
Provision for income taxes	30,273	18,803	25,930	16,984	11,475
Net Income	53,533	53,757	46,882	31,311	22,677
Dividends on preferred stock and accretion of discount			1,633	2,770	2,770
Net income allocable to common stockholders	53,533	53,757	45,249	28,541	19,907
Earnings per share allocable to common stockholders:					
Basic	1.88	1.98	1.71	1.09	0.77
Diluted	1.85	1.93	1.69	1.08	0.76
Interest rate spread	3.79%	3.62%	3.51%	3.39%	3.49%
Net interest margin	3.87	3.68	3.56	3.46	3.60
Efficiency ratio	63.52	65.76	62.42	62.19	66.85
Noninterest income as a percentage of total revenue ⁽⁴⁾	34.29	34.82	37.64	40.43	33.34
Return on average assets	1.05	1.17	1.07	0.73	0.56
Return on average equity	10.24	12.21	11.60	7.66	5.96
Return on tangible common equity	12.06	13.80	13.60	9.15	7.03
Average equity to average assets	10.31	10.33	8.62	9.58	9.34
Tangible equity to assets	8.84	9.00	7.69	8.93	8.41
Tangible common equity to assets	8.84	9.00	7.69	7.72	7.18
Ratio of nonperforming assets to total assets	0.71	1.08	1.06	1.43	2.14
Ratio of allowance for loan losses to total gross loans	0.98	1.23	1.40	1.58	1.92
Ratio of allowances for loan losses to nonaccruing loans	175	164	133	92	75
Ratio of charge-offs to average gross loans	0.29	0.18	0.33	1.49	1.32

(1) Includes loans held-for-sale.

(2) Includes securities available-for-sale, held-to-maturity, and trading.

(3) Borrowings consist of FHLB advances, securities sold under agreement to repurchase and other borrowed funds.

(4) Computed on a fully tax-equivalent basis.

(5) Net of unearned income.

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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, the seventh oldest bank continuously operating under the same name in the United States. At nearly \$5.6 billion in assets and \$13.2 billion in fiduciary assets, WSFS Bank is also the largest bank and trust company headquartered in Delaware and the Delaware Valley. As a federal savings bank, which was formerly chartered as a state mutual savings bank, the Bank enjoys broader fiduciary powers than most other financial institutions. A fixture in the community, the Bank has been in operation for more than 184 years. In addition to its focus on stellar customer service, the Bank has continued to fuel growth and remains a leader in our community. We are a relationship-focused, locally-managed, banking institution. 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 \$3.1 billion commercial loan portfolio by recruiting the best seasoned commercial lenders in our markets and by offering the 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 63 offices located in Delaware (44), Pennsylvania (17), Virginia (1) and Nevada (1) and through our website at www.wsfsbank.com. We also offer a broad variety of consumer loan products, retail securities and insurance brokerage services through our retail branches and mortgage and title services through those branches and through Pennsylvania-based WSFS Mortgage/Array Financial.

WSFS Mortgage/Array Financial is a mortgage banking and abstract and title company specializing in a variety of residential mortgage and refinancing solutions.

On October 9, 2015 we completed the acquisition of Alliance Bancorp, Inc. of Pennsylvania (Alliance) and its wholly owned subsidiary, Alliance Bank, headquartered in Broomall, Pennsylvania. We expect this acquisition to build our market share, expand our customer base and enhance our fee income. The results of Alliance's operations are included in our Consolidated Financial Statements since the date of the acquisition.

Our Cash Connect segment manages \$581 million in vault cash in over 16,000 non-bank ATMs nationwide and provides related services such as, online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing equipment sales and deposit safe cash logistics. Cash Connect also operates 467 ATMs for the Bank, which has, by far, the largest branded ATM network in Delaware.

As a 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 15-year history, Cash Connect periodically has been exposed to theft from armored courier companies and consistently has been able to recover any losses through its risk management strategies.

The Wealth Management segment provides a broad array of fiduciary, investment management, credit and deposit products to clients through four businesses. WSFS Wealth Investments provides insurance and brokerage products primarily to our retail banking clients. Cypress Capital Management, LLC (Cypress) is a registered investment advisor with \$637.8 million in assets under management. Cypress' primary market segment is high net worth individuals, offering a balanced investment style focused on preservation of capital and current income. Christiana Trust, with \$12.58 billion in assets under administration, provides fiduciary and investment services to personal trust clients, and trustee, agency, bankruptcy administration, custodial and commercial domicile services to corporate and institutional clients. WSFS

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Private Banking serves high net worth clients by delivering credit and deposit products and partnering with other business units to deliver investment management and fiduciary products and services.

The company has two consolidated subsidiaries, WSFS Bank and Cypress, and one unconsolidated subsidiary, WSFS Capital Trust III (the Trust). WSFS Bank has three wholly owned subsidiaries, WSFS Wealth Investments, 1832 Holdings, Inc. and Monarch Entity Services, LLC (Monarch).

RESULTS OF OPERATIONS

We recorded net income of \$53.5 million, or \$1.85 per share for the year ended December 31, 2015 a \$224,000 decrease compared to \$53.8 million, or \$1.93 per share for the year ended December 31, 2014. Results for 2014 included a one-time tax benefit of \$6.7 million, or \$0.24 per share and \$3.6 million (pre-tax), or \$0.08 per share, less in corporate development expenses. Earnings for 2015 were impacted by a significant increase in net interest income driven by both organic growth and the acquisition of Alliance in October 2015. Additionally, our Trust and Wealth Management business and Mortgage banking business continued to see significant growth over the prior year. Offsetting the growth in interest income was an increase to the provision for loan losses of \$4.2 million for the full year 2015 compared to the full year 2014 driven by one large C&I credit that had a net charge-off of \$5.7 million during 2015. Lastly, we saw an increase of \$16.9 million in our operating expenses during the year, reflecting growth in ongoing operating costs from our recent acquisition of Alliance and the investment in the related infrastructure and staffing costs to support our growth.

We recorded net income of \$53.8 million for the year ended December 31, 2014, a \$6.9 million or 15% increase compared to \$46.9 million for the year ended December 31, 2013. Income allocable to common stockholders was \$53.8 million, or \$1.93 per diluted common share for the year ended December 31, 2014, compared to income allocable to common shareholders of \$45.2 million, or \$1.69 per diluted common share (a 14.2% increase in diluted EPS) for the year ended December 31, 2013. Earnings for 2014 were impacted by a significant increase in net interest income driven by both organic growth and the acquisition of FNBW completed during 2014. Earnings also benefited from a one-time tax benefit of approximately \$6.7 million due to the legal call of our reverse mortgage trust bonds. Also favorably impacting earnings for 2014 was the provision for loan losses of \$3.6 million for the full year 2014, a \$3.6 million decrease from the full year 2013. Additionally, our Trust and Wealth Management business grew significantly over the prior year. Partially offsetting these increases was a decrease in noninterest income driven by a one-time reverse mortgage consolidation gain recognized in 2013 and lower securities gains in 2014. Lastly, we saw an increase in our operating expenses during 2014. Similar to the year-over-year increase in 2015, the growth in operating costs was from two acquisitions (FNBW and Array/Arrow), organic hiring of additional revenue-generating professionals, investment in the related infrastructure and staffing costs to support these activities and additional compliance personnel.

Net Interest Income

Net interest income increased \$22.3 million, or 15%, to \$166.8 million in 2015 while net interest margin increased 19 basis points to 3.87% in 2015 compared to 3.68% in 2014. The increase in net interest income was due to positive performance in our portfolio of purchased loans and improvement in our balance sheet mix, as well as strong organic and acquisition growth.

Net interest income increased \$12.9 million, or 10%, to \$144.5 million in 2014, while net interest margin increased 12 basis points to 3.68% in 2014 compared to 3.56% in 2013. The annual increase in both net interest income and net interest margin occurred despite yield curve and competitive pressures, and was primarily due to growth, including the FNBW acquisition, improved balance sheet mix and continued focus on pricing discipline.

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.

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Year Ended December 31, (In Thousands)	2015 vs. 2014			2014 vs. 2013		
	Volume	Yield/Rate	Net	Volume	Yield/Rate	Net
Interest Income:						
Commercial real estate loans	\$ 4,909	\$ 2,429	\$ 7,338	\$ 3,945	\$ (1,669)	\$ 2,276
Residential real estate loans	422	368	790	(589)	(475)	(1,064)
Commercial loans ⁽¹⁾	9,429	1,274	10,703	5,925	(315)	5,610
Consumer loans	1,043	(123)	920	1,323	(650)	673
Loans held for sale	628	(206)	422	100	315	415
Mortgage-backed securities	636	25	661	(296)	973	677
Investment securities ⁽²⁾	290	98	388	759	834	1,593
Reverse mortgages	(1,147)	1,317	170	947	1,315	2,262
FHLB Stock and deposits in other banks	(20)	867	847	149	824	973
Favorable (unfavorable)	16,190	6,049	22,239	12,263	1,152	13,415
Interest expense:						
Deposits:						
Interest-bearing demand	52	2	54	71	11	82
Money market	365	623	988	22	337	359
Savings	8	48	56	5	8	13
Customer time deposits	158	(1,159)	(1,001)	(568)	(85)	(653)
Brokered certificates of deposits	(95)	13	(82)	156	13	169
FHLB advances	87	494	581	89	464	553
Trust Preferred borrowings	(35)	96	61		(21)	(21)
Reverse mortgage bonds payable				(21)	21	
Senior debt					(5)	(5)
Other borrowed funds	(710)	(1)	(711)	(1)		(1)
(Favorable) unfavorable	(170)	116	(54)	(247)	743	496
Net change, as reported	\$ 16,360	\$ 5,933	\$ 22,293	\$ 12,510	\$ 409	\$ 12,919

(1) The tax-equivalent income adjustment is related to commercial loans.

(2) The tax-equivalent income adjustment is related to municipal securities.

The increase in net interest income attributable to yield for commercial real estate loans and commercial loans in 2015 when compared to 2014 was primarily the result of positive performance on purchased loans, including one large commercial mortgage pay-off. The increase in net interest income attributable to yield for reverse mortgages was primarily due to loan maturities and pay-offs. Net interest income from FHLB Stock increased in 2015 when compared to 2014 primarily due to a special one-time dividend payment of \$808,000 during 2015. The decrease in net interest expense attributable to yield for customer time deposits in 2015 when compared to 2014 was the result of allowing older, higher-rate time deposits to run-off as a part of net interest margin management.

In 2014 when compared to 2013, interest income attributable to yield on mortgage-backed securities and investment securities increased due to sales of lower yielding mortgage-back securities and the purchase of higher yielding municipal bonds. Further, interest income attributable to yield on reverse mortgages increased due to loan maturities and pay-offs, and interest income on FHLB Stock increased due to higher dividends. These increases were partially offset by a decrease in net interest income attributable to yield on our loan portfolios held for investment primarily due to a continued competitive loan pricing environment.

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The following table provides information regarding the average balances of, and yields/rates on, interest-earning assets and interest-bearing liabilities during the periods indicated:

Year Ended December 31,	2015			2014			2013		
(In Thousands)	Average Balance	Interest & Dividends	Yield/Rate (1)	Average Balance	Interest & Dividends	Yield/Rate (1)	Average Balance	Interest & Dividends	Yield/Rate (1)
Assets:									
Interest-earning assets:									
Loans: (2)									
Commercial real estate loans	\$ 1,057,662	\$ 52,189	4.93%	\$ 878,627	\$ 40,922	4.66%	\$ 797,384	\$ 37,842	4.75%
Residential real estate loans	262,291	10,645	4.06	241,261	9,434	3.91	235,803	9,492	4.03
Commercial loans	1,765,540	79,349	4.47	1,636,843	72,575	4.40	1,519,320	67,768	4.43
Consumer loans	337,146	15,037	4.46	314,010	14,117	4.50	288,658	13,445	4.66
Loans Held For Sale							18,922	591	3.12
Total loans	3,422,639	157,220	4.61	3,070,741	137,048	4.46	2,860,087	129,138	4.52
Mortgage-backed securities (3)	727,999	14,173	1.95	695,306	13,511	1.94	711,443	12,834	1.80
Investment securities (3)	161,865	3,672	3.29	150,419	3,285	3.21	95,795	1,692	2.50
Reverse mortgage related assets	26,473	5,299	20.02	33,087	5,129	15.50	25,777	2,867	11.12
Other interest-earning assets	29,247	2,212	7.56	32,232	1,364	4.23	34,516	391	1.13
Total interest-earning assets	4,368,223	182,576	4.23	3,981,785	160,337	4.08	3,727,618	146,922	3.97
Allowance for loan losses	(39,269)			(41,298)			(43,014)		
Cash and due from banks	89,269			81,390			81,301		
Cash in non-owned ATMs	412,582			370,789			411,988		
Bank owned life insurance	79,833			67,548			63,012		
Other noninterest-earning assets	164,734			139,478			124,484		
Total assets	\$ 5,075,372			\$ 4,599,692			\$ 4,365,389		
Liabilities and Stockholders									
Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
Interest-bearing demand	\$ 695,890	\$ 666	0.10%	\$ 642,046	\$ 611	0.10%	\$ 566,848	\$ 529	0.09%
Money market	966,589	2,469	0.26	794,292	1,482	0.19	779,023	1,123	0.14
Savings	414,484	288	0.07	400,759	231	0.06	391,047	217	0.06
Customer time deposits	472,921	3,056	0.65	472,512	4,059	0.86	530,496	4,712	0.89
Total interest-bearing customer deposits	2,549,884	6,479	0.25	2,309,609	6,383	0.28	2,267,414	6,581	0.29
Brokered deposits	195,454	687	0.35	222,567	768	0.35	177,396	599	0.34
Total interest-bearing deposits	2,745,338	7,166	0.26	2,532,176	7,151	0.28	2,444,810	7,180	0.29
FHLB advances	621,024	3,008	0.48	600,172	2,427	0.40	573,989	1,874	0.32
Trust preferred borrowings	67,011	1,362	2.00	67,011	1,321	1.94	67,011	1,342	1.98
Reverse mortgage bonds payable							6,757	60	0.88
Senior debt	55,000	3,766	6.85	55,000	3,766	6.85	55,000	3,771	6.86
Other borrowed funds (4)	134,517	474	0.35	150,174	1,165	0.78	143,131	1,107	0.77
Total interest-bearing liabilities	3,622,890	15,776	0.44	3,404,533	15,830	0.46	3,290,698	15,334	0.47
Noninterest-bearing demand deposits	884,897			718,989			638,397		
Other noninterest-bearing liabilities	44,660			35,897			32,265		
Stockholders equity	522,925			440,273			404,029		

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Total liabilities and stockholders equity	\$ 5,075,372	\$ 4,599,692	\$ 4,365,389
Excess of interest-earning assets over interest-bearing liabilities	\$ 745,333	\$ 577,252	\$ 436,920
Net interest and dividend income	\$ 166,800	\$ 144,507	\$ 131,588
Interest rate spread	3.79%	3.62%	3.51%
Net interest margin	3.87%	3.68%	3.56%
See Notes			

- (1) Weighted average yields have been computed on a tax-equivalent basis using a 35% effective tax rate.
(2) Average balances include nonperforming loans and are net of unearned income.

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- (3) Includes securities available-for-sale at fair value.
 (4) Includes federal funds purchased and securities sold under agreement to repurchase.

Provision for Loan Losses

We maintain an allowance for loan losses at an appropriate level based on our assessment of estimable and probable losses in the loan portfolio, which we evaluate in accordance with applicable accounting principles, as discussed further in *Nonperforming Assets*. Our evaluation is based upon a review of the portfolio and requires significant, complex and difficult judgments. For the year ended December 31, 2015 we recorded a provision for loan losses of \$7.8 million compared to \$3.6 million in 2014 and \$7.2 million in 2013. The increase was primarily due to a \$9.1 million C&I problem loan relationship previously classified as an accruing TDR, which was moved to nonaccruing status during the second quarter of 2015 and resulted in an incremental increase in the provision for loan losses of \$3.8 million during 2015.

Noninterest (Fee) Income

Fee income increased \$10.0 million to \$88.3 million in 2015 from \$78.3 million in 2014. Excluding the non-routine and other one-time items listed in the table below, noninterest income increased \$9.6 million, or 12%, to \$86.8 million in 2015 from \$77.2 million in 2014. This increase reflected both strong organic and acquisition growth.

(In Thousands)	December 31, 2015	Twelve months ended December 31, 2014	December 31, 2013
Noninterest income (GAAP)	\$ 88,255	\$ 78,278	\$ 80,151
Less: Securities gains, net	(1,478)	(1,037)	(3,516)
Reverse mortgage consolidation gain ⁽¹⁾			(3,801)
Adjusted noninterest income (non-GAAP)	\$ 86,777	\$ 77,241	\$ 72,834

- (1) During the third quarter of 2013, we obtained the right to execute a clean-up call on the underlying collateral for our pool of reverse mortgages. A non-routine gain resulted from this transaction.

Wealth management income grew \$4.5 million, or 26%, in 2015 compared to 2014 reflecting growth in several business lines, with particular strength in bankruptcy administration, trustee securitization appointments and retail brokerage services. Mortgage banking activities increased \$1.9 million or 48% when compared to 2014 reflecting strong growth provided by WSFS Mortgage. Credit/debit card and ATM fees increased \$1.6 million, or 7%, in 2015 compared to 2014 reflecting organic growth and new product offerings. Lastly, deposit service charges decreased slightly compared to 2014 due to changes in the regulatory environment and customer behavior.

Wealth management income grew \$1.8 million, or 11.8%, in 2014 compared to 2013, reflecting the continued expansion of the corporate and personal trust business lines as well as an increase in Private Banking jumbo mortgage products provided by the WSFS Mortgage/Array Financial asset purchase. Mortgage banking activities, deposit service charges and credit/debit card and ATM fees remained essentially flat in 2014 compared to 2013. Deposit service charges ended the year down slightly compared to the prior year due to ongoing changes in customer behavior combined with the impact of several data breaches merchants had with card activation and uses.

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Noninterest expense in 2015 increased \$16.9 million to \$163.5 million from \$146.6 million in 2014. Excluding the non-routine and other one-time items listed in the table below, noninterest expense increased \$12.6 million, or 9%, to \$155.2 million in 2015 from \$142.6 million in 2014.

(In Thousands)	December 31, 2015	Twelve months ended December 31, 2014	December 31, 2013
Noninterest expenses (GAAP)	\$ 163,459	\$ 146,645	\$ 131,755
Less: Debt extinguishment costs	(651)		
Corporate development costs ⁽¹⁾	(7,620)	(4,031)	(717)
Adjusted noninterest expenses (non-GAAP)	\$ 155,188	\$ 142,614	\$ 131,038

(1) Corporate development costs were largely attributable to professional fees related to the 2013 calling and consolidating of the equity tranche SASCO of a 2002 reverse mortgage trust transaction, the WSFS Mortgage/Array Financial, formerly known as Array/Arrow, asset purchase that closed during the third quarter of 2013, the acquisition of First Wyoming Financial Corporation that closed during the third quarter of 2014, and the acquisition of Alliance Bancorp, Inc. that closed during the fourth quarter of 2015.

The \$12.6 million increase in noninterest expense in 2015 was primarily the result of increased compensation expense tied to organic and acquisition growth as well as improved core performance. Also contributing to the increase were increased operating costs to support the infrastructure from our significant organic and acquisition growth, and the ongoing operating costs from the addition of the Alliance franchise which closed in early October 2015.

In 2014 the acquisition of FNBW and the WSFS Mortgage/Array Financial asset purchase drove corporate development costs to increase by \$3.3 million while the additional staff associated with these transactions and organic hiring of revenue generating professionals increased salaries, benefits and other compensation by \$5.5 million. In addition, we invested in the related infrastructure and staffing to support these activities while also hiring additional compliance personnel. We also incurred an additional \$2.8 million increase in professional fees related to short-lived projects that are not expected to re-occur at the same levels after 2014. Further, we recorded a \$565,000 (pretax) adjustment in benefit expense for its post-retirement health plan obligations due to changes in assumptions and longer life expectancies in updated mortality tables.

Income Taxes

We recorded \$30.3 million of tax expense for the year ended December 31, 2015 compared to tax expense of \$18.8 million and \$25.9 million for the years ended December 31, 2014 and 2013, respectively. In 2013, we recorded a deferred tax asset and corresponding valuation allowance in connection with the consolidation of the reverse mortgage trust. During early 2014, this valuation allowance was removed and the consolidation resulted in a \$6.7 million tax benefit in 2014. Excluding this item, the effective tax rate for the year ended December 31, 2014 was 35.2%. The effective tax rates for the years ended December 31, 2015, 2014 and 2013 were 36.1%, 25.9%, and 35.6%, respectively. Volatility in effective tax rates is impacted by the level of pretax income or loss, combined with the amount of tax-free income as well as the effects of unrecognized tax benefits. The provision for income taxes includes federal, state and local income taxes that are currently payable or deferred because of temporary differences between the financial reporting basis and the tax reporting basis of the assets and liabilities. For additional information see Note 15 to the Consolidated Financial Statements.

SEGMENT INFORMATION

For financial reporting purposes, our business has three reporting segments: WSFS Bank, Cash Connect, and Wealth Management. The WSFS Bank segment provides loans and other financial products to commercial and retail customers. Cash Connect provides turnkey ATM services through strategic partnerships with several of the largest network, manufacturers and service providers in the ATM industry. The Wealth Management segment provides a broad array of fiduciary, investment management, credit and deposit products to clients.

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The WSFS Bank segment income before taxes grew \$10.2 million or 19%, in 2015 compared to 2014 due primarily to an increase in external net interest income reflecting positive performance in our portfolio of purchased loans, improvement in our balance sheet mix, as well as strong organic and acquisition growth. The increase in net interest income was partially offset by an increase in external operating expenses driven by increased compensation expense tied to organic and acquisition growth as well as improved core performance. Also contributing to the increase in operating expenses were increased costs to support the infrastructure from the segment's significant organic and acquisition growth.

The WSFS Bank segment income before taxes decreased \$1.7 million, or 3%, in 2014 compared to 2013 due primarily to higher non-routine gains of \$6.3 million in 2013 from the sale of securities and the execution of a clean-up call on the underlying collateral for our pool of reverse mortgages, as well as the impact of increased non-routine corporate development expenses of \$3.3 million in 2014, largely related to our acquisition of FNBW. External net interest income increased \$12.8 million in 2014, or 10%, reflecting both organic and acquisition growth, improvement in our balance sheet mix, as well as additional income from reverse mortgage related assets. Excluding the impact of the aforementioned gains in 2013, noninterest income increased slightly, or 1%, year-over-year. These increases were partially offset by an increase in external operating expenses driven by organic and acquisition growth.

The Cash Connect segment income before taxes grew \$486,000, or 7%, in 2015 compared to 2014 due primarily to a \$2.7 million, or 11%, increase in external fee income reflecting growth of the segment through continued market penetration of its core business offerings of ATM vault cash and related total cash management services. The increase in fee income was partially offset by a \$1.8 million, or 12%, increase in external operating expenses reflecting investments in new products and infrastructure to support growth. During 2015, Cash Connect introduced WSFS Mobile Cash, which allows customers to securely withdraw cash from ATMs by using our WSFS Mobile Bank App, and launched a new smart safe service that allows merchants to place their cash into a smart safe which communicates the amount of cash deposited to Cash Connect.

The Cash Connect segment income before taxes decreased \$485,000, or 6%, in 2014 compared to 2013 mainly due to a \$2.5 million, or 19%, increase in external noninterest expenses to support growth and new product introductions. The increase in noninterest expenses was mostly offset by a \$2.0 million increase in external noninterest income reflecting growth of the segment through organic growth and new product offerings.

The Wealth Management segment income before taxes grew \$552,000, or 5%, in 2015 compared to 2014. External fee income grew \$4.7 million, or 26%, reflecting growth in several business lines, with particular strength in bankruptcy administration, trustee securitization appointments and retail brokerage services. The growth in fee income was offset by an increase in external operating expenses primarily due to increased legal and consulting fees and higher compensation expense to support the significant growth and volume-related commissions and transaction charges. Total net interest income increased \$1.1 million, or 10%, when compared to 2014, due primarily to growth in Private Banking and the partnership with WSFS Mortgage/Array Financial in the delivery of mortgage products to Private Banking clients.

The Wealth Management segment income before taxes grew \$2.0 million, or 20%, in 2014 compared to 2013, reflecting the continued expansion of the corporate and personal trust business lines as well as an increase in Private Banking jumbo mortgage products provided by the WSFS Mortgage/Array Financial acquisition in 2013.

Segment financial information for the years ended December 31, 2015, 2014 and 2013 is provided in Note 20 to the Consolidated Financial Statements in this report.

FINANCIAL CONDITION

Our total assets increased \$732.6 million, or 15%, to \$5.59 billion as of December 31, 2015, compared to \$4.85 billion as of December 31, 2014. Included in this increase was a \$572.4 million, or 18%, increase in net loans which was nearly equally split between the \$291.1 million in net loans from the Alliance acquisition and \$281.3 million of organic loan growth during 2015.

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Total liabilities increased \$641.2 million during the year to \$5.01 billion at December 31, 2015. This increase was primarily the result of an increase in total customer deposits of \$397.6 which includes \$339.3 million in customer deposits from the Alliance acquisition. FHLB advances also increased \$263.6 million due to the aforementioned loan growth and the expected outflow of temporary trust-related money market deposits in early 2015.

Cash in non-owned ATMs

During 2015, cash managed by Cash Connect in non-owned ATM s increased \$63.7 million, or 15%, to \$477.9 million. At December 31, 2015, Cash Connect serviced over 16,000 ATMs as well as 467 WSFS-owned ATMs to serve customers in our markets.

Investment Securities, available-for-sale

Investment securities, available-for-sale decreased \$19.1 million to \$721.0 million during 2015. This was due to a \$20.0 million decrease in mortgage-backed securities as a result of ongoing portfolio management.

Investment Securities, held-to-maturity

Investment securities, held-to-maturity increased \$39.7 million to \$165.9 million during 2015. This increase was mainly in our portfolio of municipal bonds which reflects our recent investment strategy of reducing our investments in mortgage-backed securities and increasing our investment in tax-exempt securities.

At December 31, 2014, 257 municipal securities with a fair value of \$340.3 million were transferred from available-for-sale to held-to-maturity. The reclassification was permitted as the Company has appropriately determined the ability and intent to hold these securities as an investment until maturity.

Loans held-for-sale

Loans held-for-sale are recorded at their fair value and increased \$13.3 million to \$41.8 million primarily due to growth in our mortgage banking business.

Loans, net

Net loans increased \$572.4 million, or 18%, during 2015. Loan growth included commercial and industrial loan increases of \$233.6 million, or 14%, commercial real estate increases of \$160.1 million or 20%, and construction increases of \$102.8 million, or 73%. This loan growth included \$291.1 million in acquired loans from the Alliance acquisition in the fourth quarter of 2015.

Reverse Mortgage Related Assets

Reverse mortgage related assets include reverse mortgage loans, SASCO 2002-RMI s Class O certificates and the BBB-related tranche of this reverse mortgage security. For additional information on these reverse mortgage related assets, see Note 7 to our Consolidated Financial Statements.

Goodwill and Intangibles

Goodwill and intangibles increased \$37.7 million during 2015. Due to the acquisition of Alliance in 2015, we recorded goodwill of \$36.4 million and other intangible assets of \$3.1 million. For additional information on goodwill and intangibles, see Note 9 to our Consolidated Financial Statements.

Customer Deposits

Customer deposits increased \$397.6 million, or 11%, during 2015 to \$3.86 billion. Core deposit relationships increased \$311.5 million, or 11% and customer time deposits increased \$86.0 million, or 17%. Included in customer deposit growth was \$339.3 million from the Alliance acquisition in the fourth quarter of 2015.

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The table below depicts the changes in customer deposits during the last three years:

(In Millions)	Year Ended December 31,		
	2015	2014	2013
Beginning balance	\$ 3,462	\$ 3,018	\$ 3,104
Interest credited	7	7	5
Deposit inflows (outflows), net	391	437	(91)
Ending balance	\$ 3,860	\$ 3,462	\$ 3,018

Borrowings and Brokered Deposits

Borrowings and brokered deposits increased by \$236.2 million during 2015. Included in the increase was a \$263.6 million increase in FHLB advances due to loan growth and the expected outflow of temporary trust-related money market deposits in early 2015. Partially offsetting this increase was the decrease of \$30.2 million in brokered deposits.

Stockholders Equity

Stockholders equity increased \$91.4 million, or 19%, to \$580.5 million at December 31, 2015 compared to \$489.1 million at December 31, 2014. Capital in excess of par value increased \$54.9 million, mostly due to stock issued in conjunction with the Alliance acquisition. Retained earnings increased \$47.5 million, or 9%, to \$570.6 million during 2015, primarily as a result of earnings from the year less dividends paid. Partially offsetting these increases, treasury stock decreased \$23.0 million, also related to shares issued for the Alliance acquisition which was partially offset by stock repurchases of \$2.6 million. Additionally, other comprehensive income decreased \$2.8 million, mainly due to interest-rate related reductions in the value of the available-for-sale investment portfolio.

ASSET/LIABILITY MANAGEMENT

Our primary asset/liability management goal is to optimize long term net interest income opportunities within the constraints of managing interest rate risk, ensuring adequate liquidity and funding and maintaining a strong capital base.

In general, interest rate risk is mitigated by closely matching the maturities or repricing periods of interest-sensitive assets and liabilities to ensure a favorable interest rate spread. We regularly review our interest-rate sensitivity, and use a variety of strategies as needed to adjust that sensitivity within acceptable tolerance ranges established by management and the Board of Directors. Changing the relative proportions of fixed-rate and adjustable-rate assets and liabilities is one of our primary strategies to accomplish this objective.

The matching of assets and liabilities may be analyzed using a number of methods including by examining the extent to which such assets and liabilities are interest-rate sensitive and by monitoring our interest-sensitivity gap. An interest-sensitivity gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities repricing within a defined period, and is considered negative when the amount of interest-rate sensitive liabilities exceeds the amount of interest-rate sensitive assets repricing within a defined period.

For additional information related to interest rate sensitivity, see Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*.

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The repricing and maturities of our interest-rate sensitive assets and interest-rate sensitive liabilities at December 31, 2015 are shown in the following table:

(In Thousands)	Less than One Year	One to Five Years	Over Five Years	Total
Interest-rate sensitive assets:				
Commercial loans ⁽²⁾⁽³⁾	\$ 1,415,071	\$ 363,099	\$ 142,905	\$ 1,921,075
Real estate loans ⁽¹⁾⁽²⁾	1,020,103	318,598	133,449	1,472,150
Mortgage-backed securities	107,998	338,798	243,319	690,115
Consumer loans ⁽²⁾	269,427	58,426	32,396	360,249
Investment securities	36,765	84,454	106,336	227,555
Loans held-for-sale ⁽²⁾	41,807			41,807
Reverse mortgage loans	1,356	11,651	11,277	24,284
Total Assets	2,892,527	1,175,026	669,682	4,737,235
Interest-rate sensitive liabilities:				
Money market and interest-bearing demand deposits	1,312,268		562,401	1,874,669
FHLB advances	597,400	72,114		669,514
Savings accounts	219,959		219,959	439,918
Retail certificates of deposit	162,796	166,808	3,396	333,000
Brokered certificates of deposit	156,042	688		156,730
Other borrowed funds	128,200			128,200
Jumbo certificates of deposit	139,633	113,711	667	254,011
Trust preferred securities	67,011			67,011
Senior notes		55,000		55,000
Total Liabilities	2,783,309	408,321	786,423	3,978,053
Excess (deficiency) of interest-rate sensitive assets over interest-rate liabilities (interest-rate sensitive gap)	\$ 109,218	\$ 766,705	\$ (116,741)	\$ 759,182

One-year interest-rate sensitive assets/interest-rate sensitive liabilities 103.92 %

One-year interest-rate sensitive gap as a percent of total assets 1.96 %

(1) Includes commercial mortgage, construction, and residential mortgage loans

(2) Loan balances exclude nonaccruing loans, deferred fees and costs

(3) Assumes two-thirds of loans in process are variable and will reprice within one-year

Generally, during a period of rising interest rates, a positive gap would result in an increase in net interest income while a negative gap would adversely affect net interest income. Conversely, during a period of falling rates, a positive gap would result in a decrease in net interest income while a negative gap would augment net interest income. However, the interest-sensitivity table does not provide a comprehensive representation of the impact of interest rate changes on net interest income. Each category of assets or liabilities will not be affected equally or simultaneously by changes in the general level of interest rates. Even assets and liabilities which contractually reprice within the rate period may not reprice at the same price, at the same time or with the same frequency. It is also important to consider that the table represents a specific point in time. Variations can occur as we adjust our interest-sensitivity position throughout the year.

To provide a more accurate position of our one-year gap, certain deposit classifications are based on the interest-rate sensitive attributes and not on the contractual repricing characteristics of these deposits. For the purpose of this analysis, we estimate, based on historical trends of our deposit accounts, that 75% of our money market deposits, 50% of our interest-bearing demand deposits and 50% of our savings deposits are sensitive to interest rate changes. Accordingly, these interest-sensitive portions are classified in the Less than One Year category with the remainder in the Over Five Years category.

Deposit rates other than time deposit rates are variable. Changes in deposit rates are generally subject to local market conditions and our discretion and are not indexed to any particular rate.

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Nonperforming assets (NPAs) include nonaccruing loans, nonperforming real estate, assets acquired through foreclosure and restructured commercial, mortgage and home equity consumer debt. Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and the value of the 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 management's assessment of the ultimate collectability of principal and interest. Past due loans are defined as loans contractually past due 90 days or more as to principal or interest payments but which remain in accrual status because they are considered well secured and in the process of collection.

The following table shows our nonperforming assets and past due loans at the dates indicated:

(In Thousands)	2015	2014	2013	2012	2011
At December 31,					
Nonaccruing loans:					
Commercial	\$ 5,328	\$ 2,706	\$ 4,305	\$ 4,861	\$ 23,080
Owner-occupied commercial ⁽¹⁾	1,091	2,475	5,197	14,001	
Commercial mortgages	3,326	8,245	8,565	12,634	15,814
Construction			1,158	1,547	22,124
Residential mortgages	7,287	7,068	8,432	9,989	9,057
Consumer	4,133	3,557	3,293	4,728	1,018
Total nonaccruing loans	21,165	24,051	30,950	47,760	71,093
Assets acquired through foreclosure	5,080	5,734	4,532	4,622	11,695
Restructured loans ⁽²⁾	13,647	22,600	12,332	10,093	8,887
Total nonperforming assets (NPAs)	\$ 39,892	\$ 52,385	\$ 47,814	\$ 62,475	\$ 91,675
Past due loans:					
Residential mortgages	\$ 251	\$	\$ 533	\$ 786	\$ 887
Commercial and commercial mortgages	17,529				78
Consumer	252				
Total past due loans	\$ 18,032	\$	\$ 533	\$ 786	\$ 965
Ratio of nonaccruing loans to total loans ⁽³⁾	0.56%	0.75%	1.05%	1.73%	2.58%
Ratio of allowance for loan losses to gross loans ⁽³⁾	0.98	1.23	1.40	1.58	1.92
Ratio of NPA to total assets	0.71	1.08	1.06	1.43	2.14
Ratio of NPA (excluding accruing TDR) to total assets	0.47	0.61	0.79	1.20	1.93
Ratio of loan loss allowance to nonaccruing loans	175.27	163.93	133.26	91.96	74.66

(1) Prior to 2012, owner-occupied commercial loans were included in commercial loans.

(2) Accruing loans only. Nonaccruing TDRs are included in their respective categories of nonaccruing loans.

(3) Total loans exclude loans held-for-sale.

Nonperforming assets decreased \$12.5 million between December 31, 2014 and December 31, 2015. As a result, nonperforming assets, as a percentage of total assets, decreased from 1.08% at December 31, 2014 to 0.71% at December 31, 2015. This reduction is primarily due to a charge-off of \$5.7 million from one relationship, as well as a payoff of one relationship of \$3.1 million. Acquisition activity added a number of non-performing assets, but payoffs, charge-offs and REO sales, in addition to those mentioned above, more than offset these additions.

The balance of loans accruing but 90 days or greater past due, at December 31, 2015 increased by approximately \$18 million compared to December 31, 2014. One commercial relationship accounted for \$17.5 million of this \$18 million increase. The commercial relationship was a large retail business with highly seasonal cash flows, which has shown similar payment experience in prior years, and was brought current in early January 2016.

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The following table provides an analysis of the change in the balance of nonperforming assets during the last three years:

(In Thousands)	Year Ended December 31,		
	2015	2014	2013
Beginning balance	\$ 52,385	\$ 47,814	\$ 62,475
Additions	12,897	38,322	30,367
Collections	(14,167)	(25,111)	(29,725)
Transfers to accrual	(95)	(96)	(1,702)
Charge-offs/write-downs	(11,128)	(8,544)	(13,601)
Ending balance	\$ 39,892	\$ 52,385	\$ 47,814

The timely identification of problem loans is a key element in our strategy to manage our loan portfolio. Timely identification enables us to take appropriate action and, accordingly, minimize losses. An asset review system established to monitor the asset quality of our loans and investments in real estate portfolios facilitates the identification of problem assets. In general, this system utilizes guidelines established by federal regulation.

At December 31, 2015, we did not have a material amount of loans not classified as non-accrual, 90 days past due or restructured where known information regarding possible credit problems caused us to have serious concerns about the borrower's ability to comply with present loan repayment terms thereby resulting in a change of classification to non-accrual, 90 days past due or restructured.

As of December 31, 2015, we had \$79.9 million of loans which, although performing at that date, required increased supervision and review. They may, depending on the economic environment and other factors, become nonperforming assets in future periods. The amount of such loans at December 31, 2014 was \$67.4 million. The majority of these loans are secured by commercial real estate, with others being secured by residential real estate, inventory and receivables.

Allowance for Loan Losses

We maintain an allowance for loan losses and charge losses to this allowance when such losses are realized. We established our loan loss allowance in accordance with guidance provided in the Securities and Exchange Commission's Staff Accounting Bulletin 102 (SAB 102), and FASB ASC 450, *Contingencies* (ASC 450). When we have reason to believe it is probable that we will not be able to collect all contractually due amounts of principal and interest, loans are evaluated for impairment on an individual basis and a specific allocation of the allowance is assigned in accordance with ASC 310-10. We also maintain an allowance for loan losses on acquired loans when: (i) there is deterioration in credit quality subsequent to acquisition for loans accounted for under ASC 310-30, and, (ii) for loans accounted for under ASC 310-20 the inherent losses in the loans exceed the remaining credit discount recorded at the time of acquisition. The determination of the allowance for loan losses requires significant judgment reflecting our best estimate of impairment related to specifically identified impaired loans as well as probable loan losses in the remaining loan portfolio. Our evaluation is based upon a continuing review of these portfolios. For additional information regarding the allowance for loan losses, see Note 6 to the Consolidated Financial Statements.

The allowance for loan losses of \$37.1 million at December 31, 2015 decreased \$2.3 million from \$39.4 million at December 31, 2014 and decreased from \$41.2 million at December 31, 2013. The allowance for loan losses to total gross loans ratio was 0.98% at December 31, 2015, compared to 1.23% at December 31, 2014 and 1.40% at December 31, 2013. The following points reflect the status of key credit quality metrics and the impact of acquired loans:

Total problem loans (all criticized, classified, and non-performing loans) were 24.1% of Tier 1 Capital plus allowance for loan losses at December 31, 2015, compared to 26.2% at December 31, 2014 and 33.6% at December 31, 2013.

Nonperforming loans decreased to \$21.2 million as of December 31, 2015 from \$24.1 million as of December 31, 2014 and from \$31.0 million as of December 31, 2013.

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Loans acquired with the Alliance acquisition were recorded at fair value. As a result, loans increased with no corresponding increase in the allowance. This served to lower the allowance for the loan losses to total gross loans. Excluding acquired loans, our allowance for loan losses to total gross loans was 1.11%.

Total loan delinquency increased to \$43.7 million and was 1.17% of total loans as of December 31, 2015, compared to \$17.5 million and 0.55% of total loans as of December 31, 2014 and \$22.4 million and 0.76% of total loans as of December 31, 2013.

Net charge-offs were \$10.1 million for the twelve months ended December 31, 2015 compared to \$5.4 million for the twelve months ended December 31, 2014 and \$9.9 million for the twelve months ended December 31, 2013.

The table below represents a summary of changes in the allowance for loan losses during the periods indicated:

(In Thousands)	2015	2014	2013	2012	2011
Year Ended December 31,					
Beginning balance	\$ 39,426	\$ 41,244	\$ 43,922	\$ 53,080	\$ 60,339
Provision for loan losses	7,790	3,580	7,172	32,053	27,996
Charge-offs:					
Commercial Mortgage	1,135	425	1,915	6,517	7,446
Construction	146	88	1,749	10,820	11,602
Commercial	6,303	3,587	2,636	12,806	9,419
Owner-occupied Commercial ⁽¹⁾	738	1,085	1,225	5,076	
Residential real estate	548	811	1,226	3,857	3,165
Consumer	2,555	1,982	3,905	5,613	5,332
Overdrafts	670	873	1,008	1,113	869
Total charge-offs ⁽²⁾	12,095	8,851	13,664	45,802	37,833
Recoveries:					
Commercial Mortgage	222	202	685	405	334
Construction	185	242	989	1,761	582
Commercial	301	1,611	1,003	1,536	897
Owner-occupied Commercial ⁽¹⁾	77	249	128	13	
Residential real estate	226	168	122	176	211
Consumer	680	528	483	337	206
Overdrafts	277	453	404	363	348
Total recoveries	1,968	3,453	3,814	4,591	2,578
Net charge-offs	10,127	5,398	9,850	41,211	35,255
Ending balance	\$ 37,089	\$ 39,426	\$ 41,244	\$ 43,922	\$ 53,080
Net charge-offs to average gross loans outstanding, net of unearned income	0.29%	0.18%	0.33%	1.49%	1.32%

(1) Prior to 2012, owner-occupied loans were included in commercial loan balances.

(2) Total Charge-Offs for 2012 include \$16.4 million related to our Asset Strategies completed during 2012.

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The allowance for loan losses is allocated by major portfolio type. As these portfolios have seasoned, they have become a source of historical data in projecting delinquencies and loss exposure. However, such allocations are not a guarantee of when future losses may occur and/or the actual amount of losses. While we have allocated the allowance for loan losses by portfolio type in the following table, the entire reserve is available for any loan category to utilize. The allocation of the allowance for loan losses by portfolio type at the end of each of the last five years and the percentage of outstanding loans in each category to total gross loans outstanding at such dates is shown in the table below:

(In Thousands)	2015		2014		At December 31, 2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial mortgage	\$ 6,487	0.17	\$ 7,266	0.23%	\$ 6,932	0.24%	\$ 8,079	0.29%	\$ 7,556	0.27%
Construction	3,521	0.09	2,596	0.08	3,326	0.11	6,456	0.24	4,074	0.15
Commercial	11,156	0.30	12,837	0.40	12,751	0.43	13,663	0.49	24,302	0.88
Owner-Occupied Commercial ⁽¹⁾	6,670	0.18	6,643	0.20	7,638	0.26	6,108	0.22		
Residential real estate	2,281	0.06	2,523	0.08	3,078	0.10	3,124	0.11	6,544	0.24
Consumer	5,964	0.16	6,041	0.19	6,494	0.22	5,631	0.20	10,604	0.38
Complexity Risk	1,010	0.03	1,520	0.05	1,025	0.04	861	0.03		
Total	\$ 37,089	0.99%	\$ 39,426	1.23%	\$ 41,244	1.40%	\$ 43,922	1.58%	\$ 53,080	1.92%

(1) Prior to 2012, owner-occupied commercial loans were included in commercial loan balances.

CAPITAL RESOURCES

Under new guidelines issued by banking regulators to reflect the requirements of the Dodd-Frank Act and the Basel III international capital standards, beginning January 1, 2015, savings institutions such as WSFS Bank must maintain a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5%, a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, a minimum ratio of total capital to risk-weighted assets of 8.0%, and a minimum Tier 1 leverage ratio of 4.0%. Failure to meet minimum capital requirements can initiate certain mandatory actions and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements.

Regulators have established five capital tiers: well-capitalized, adequately-capitalized, under-capitalized, significantly under-capitalized, and critically under-capitalized. A depository institution's capital tier depends upon its capital levels in relation to various relevant capital measures, which include leveraged and risk-based capital measures and certain other factors. Depository institutions that are not classified as well-capitalized are subject to various restrictions regarding capital distributions, payment of management fees, acceptance of brokered deposits and other operating activities. Under the Prompt Corrective Action framework of the Federal Deposit Insurance Corporation Act, institutions that are not classified as well-capitalized are subject to various restrictions regarding capital distributions, payment of management fees, acceptance of brokered deposits and other operating activities.

At December 31, 2015, WSFS Bank was in compliance with regulatory capital requirements and all of its regulatory ratios exceeded well-capitalized regulatory benchmarks. WSFS Bank's December 31, 2015 common equity Tier 1 capital ratio of 12.31%, Tier 1 capital ratio of 12.31%, total capital ratio of 13.11% and Tier 1 leverage capital ratio of 10.88%, all remain substantially in excess of well-capitalized regulatory benchmarks, the highest regulatory capital rating. In addition, and not included in Bank capital, the holding company held \$24.4 million in cash to support potential dividends, acquisitions and strategic growth plans.

The revised capital rules also establishes a new capital conservation buffer, comprised of common equity Tier 1 capital, above the regulatory minimum capital requirements. This capital conservation buffer will be phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increase each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. The revised capital rules also increase the risk-based measures for a savings institution to be considered well-capitalized under the Prompt Corrective Action framework.

Since 1996, the Board of Directors has approved several stock repurchase programs to acquire common stock outstanding. In 2015 we repurchased 1,152,233 shares of common stock and in 2014 we repurchased 105,564 shares of

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common stock and acquired 243,699 common share equivalents. We held 26.2 million shares and 27.5 million shares of our common stock as treasury shares at December 31, 2015 and 2014, respectively. At December 31, 2015, we had 1,400,565 shares remaining under our current share repurchase authorization.

In 2009 we completed a private placement of stock to Peninsula Investment Partners, L.P. (Peninsula), pursuant to which the Company issued and sold 2,586,207 shares of common stock for a total purchase price of \$25.0 million, and a 10-year warrant to purchase 387,930 shares of common stock at an exercise price of \$9.67 per share. The warrant was immediately exercisable. Total proceeds of \$25.0 million were allocated, based on the relative fair value of common stock and common stock warrants, to common stock for \$23.5 million and common stock warrants for \$1.5 million. During 2014, we entered into an agreement in which the Company repurchased the warrants for \$6.3 million. We redeemed the preferred stock in 2013.

All share and per share information has been retroactively adjusted to reflect the Company's three-for-one stock split in May 2015. See Note 1 of the Consolidated Financial Statements for additional information.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. For a description of certain financial instruments to which we are party which expose us to certain credit risk not recognized in our financial statements, see Note 17 to the Consolidated Financial Statements included in this report.

CONTRACTUAL OBLIGATIONS

At December 31, 2015, we had contractual obligations relating to operating leases, long-term debt, data processing and credit obligations. These obligations are summarized below. See Notes 8, 11 and 17 to the Consolidated Financial Statements for further discussion.

(In Thousands)	Total	Less than One Year	One to Three Years	Three to Five Years	Over 5 Years
Operating lease obligations	\$ 203,021	\$ 9,178	\$ 17,902	\$ 17,891	\$ 158,050
Long-term debt obligations	669,514	597,400	72,114		
Data processing contracts	19,294	4,962	7,474	6,858	
Credit obligations	959,621	959,621			
Total	\$ 1,851,450	\$ 1,571,161	\$ 97,490	\$ 24,749	\$ 158,050

IMPACT OF INFLATION AND CHANGING PRICES

Our Consolidated Financial Statements have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without consideration of the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased costs of our operations. Unlike most industrial companies, nearly all of our assets and liabilities are monetary. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or the same extent as the price of goods and services.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the financial condition and results of operations are based on the Consolidated Financial Statements, which are prepared in conformity with GAAP. The preparation of these Consolidated Financial Statements requires us to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue and expenses. We regularly evaluate these estimates and assumptions including those related to the allowance for loan losses,

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deferred taxes, fair value measurements, other-than-temporary impairment, goodwill and other intangible assets. We base our estimates on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances. These form the basis for making judgments on the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The following are critical accounting policies that involve more significant judgments and estimates. For additional information on these policies, see Note 1 to the Consolidated Financial Statements.

Allowance for Loan Losses

We maintained an allowance for loan losses (allowance) and charged losses to this allowance when such losses were realized. We established our allowance for loan losses in accordance with guidance provided in the SEC's Staff Accounting Bulletin 102 (SAB 102) and FASB ASC 450, *Contingencies* (ASC 450). When we have reason to believe it is probable that it will not be able to collect all contractually due amounts of principal and interest loans are evaluated for impairment on an individual basis and a specific allocation of the allowance is assigned in accordance with ASC 310-10. We also maintained an allowance for loan losses on acquired loans when: (i) there was deterioration in credit quality subsequent to acquisition for loans accounted for under ASC 310-30, and (ii) the inherent losses in the loans exceed the remaining credit discount recorded at the time of acquisition for loans accounted for under ASC 310-20. We consider the determination of the allowance for loan losses to be critical because it requires significant judgment reflecting our best estimate of impairment related to specifically evaluated impaired loans as well as the inherent risk of loss for those in the remaining loan portfolio. Our evaluation is based upon a continuing review of the portfolio, with consideration given to evaluations resulting from examinations performed by regulatory authorities.

Investment in Reverse Mortgages

We account for our investment in reverse mortgages in accordance with the instructions provided by the staff of the Securities and Exchange Commission entitled *Accounting for Pools of Uninsured Residential Reverse Mortgage Contracts* which requires grouping the individual reverse mortgages into pools and recognizing income based on the estimated effective yield of the pool. We consider our accounting policies on our investment in reverse mortgages to be critical because when computing the effective yield we must project the cash inflows and outflows of the pool including actuarial projections of the life expectancy of the individual contract holder and changes in the collateral values of the residence. At each reporting date, a new economic forecast is made of the cash inflows and outflows of each pool of reverse mortgages; the effective yield of each pool is recomputed, and income is adjusted retroactively and prospectively to reflect the revised rate of return. Accordingly, because of this market-value based accounting the recorded value of reverse mortgage assets include significant risk associated with estimations and income recognition can vary significantly from reporting period to reporting period.

Deferred Taxes

We account for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, *Income Taxes* (ASC 740), which requires the recording of deferred income taxes that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We consider our accounting policies on deferred taxes to be critical because we regularly assess the need for valuation allowances on deferred income tax assets that may result from, among other things, limitations imposed by Internal Revenue Code and uncertainties, including the timing of settlement and realization of these differences. A valuation allowance was not required as of December 31, 2015. See Note 15, Taxes on Income to the Consolidated Financial Statements, for further discussion of the valuation allowance.

Fair Value Measurements

We adopted FASB ASC 820-10 *Fair Value Measurements and Disclosures* (ASC 820), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements.

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We consider our accounting policies related to fair value measurements to be critical because they are important to the portrayal of our financial condition and results, and they require our subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. See Note 18, Fair Value Disclosures to our Consolidated Financial Statements.

Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with FASB ASC 805, *Business Combinations* (ASC 805) and FASB ASC 350, *Intangibles-Goodwill and Other* (ASC 350). Intangible assets resulting from acquisitions under the purchase method of accounting consist of goodwill and other intangible assets. We consider our accounting policies on goodwill and other intangible assets to be critical because they require the Company to make significant judgments, particularly with respect to estimating the fair value of each reporting unit and when required, estimating the fair value of net assets. The estimates utilize historical data, cash flows, and market and industry data specific to each reporting unit as well as projected data. Industry and market data are used to develop material assumptions such as transaction multiples, required rates of return, control premiums, transaction costs and synergies of a transaction, and capitalization.

Goodwill is not amortized and is subject to at least annual assessments for impairment by applying a fair value based test. We review goodwill annually and again at any quarter-end if a material event occurs during the quarter that may affect goodwill. This review evaluates potential impairment by determining if our fair value has fallen below carrying value.

Other intangible assets consist mainly of core deposits and covenants not to compete obtained through acquisitions and are amortized over their estimated lives using the present value of the benefit of the core deposits and straight-line methods of amortization. Core deposit intangibles are evaluated for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. See Notes 1 and 9 to our Consolidated Financial Statements for further discussion on Goodwill and Other Intangible Assets.

Recent Accounting Pronouncements

For information on Recent Accounting Pronouncements see Note 1 to our Consolidated Financial Statements

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The matching of maturities or repricing periods of interest rate-sensitive assets and liabilities to promote a favorable interest rate spread and mitigate exposure to fluctuations in interest rates is our primary tool for achieving our asset/liability management strategies. We regularly review our interest-rate sensitivity and adjust the sensitivity within our acceptable tolerance ranges. At December 31, 2015 interest-earning assets exceeded interest-bearing liabilities that mature or reprice within one year (interest-sensitive gap) by approximately \$109.2 million. Our interest-sensitive assets as a percentage of interest-sensitive liabilities within one-year increased from 101.2% at December 31, 2014 to 103.9% at December 31, 2015. Likewise, the one-year interest-sensitive gap as a percentage of total assets changed to 1.96% at December 31, 2015 from 0.63% at December 31, 2014. The change in sensitivity since December 31, 2014 was the result of the current interest rate environment and our continuing effort to effectively manage interest rate risk.

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Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from interest rate risk inherent in our lending, investing and funding activities. To that end, we actively monitor and manage our interest rate risk exposure. The following table is the estimated impact of immediate changes in interest rates on our net interest margin and economic value of equity at the specified levels at December 31, 2015 and December 31, 2014.

Change in Interest Rate (Basis Points)	December 31, 2015		December 31, 2014	
	% Change in Net Interest Margin ⁽¹⁾	Economic Value of Equity ⁽²⁾	% Change in Net Interest Margin ⁽¹⁾	Economic Value of Equity ⁽²⁾
300	6%	13.96%	4%	13.76%
200	3%	13.99%	2%	13.81%
100	%	13.81%	-1%	13.59%
	%	13.56%	%	13.37%
-100	-1%	12.72%	-2%	12.51%
-200 ⁽³⁾	NMF	NMF	NMF	NMF
-300 ⁽³⁾	NMF	NMF	NMF	NMF

(1) The percentage difference between net interest income in a stable interest rate environment and net interest margin as projected under the various rate change environments.

(2) The economic value of equity ratio in a stable interest rate environment and the economic value of equity projected under the various rate change environments.

(3) Sensitivity indicated by a decrease of 200 and 300 basis points is deemed not meaningful (NMF) given the low absolute level of interest rates at that time. Our primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on net interest income and capital, while maximizing the yield/cost spread on our asset/liability structure. We rely primarily on our asset/liability structure to control interest rate risk.

We also engage in other business activities that are sensitive to changes in interest rates. For example, mortgage banking revenues and expenses can fluctuate with changing interest rates. These fluctuations are difficult to model and estimate.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

WSFS Financial Corporation:

We have audited the accompanying consolidated statements of condition of WSFS Financial Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WSFS Financial Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), WSFS Financial Corporation and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 29, 2016

Table of Contents**CONSOLIDATED STATEMENTS OF OPERATIONS**

Year Ended December 31, (Dollars in Thousands, Except per Share Data)	2015	2014	2013
Interest Income			
Interest and fees on loans	\$ 157,220	\$ 137,048	\$ 129,138
Interest on mortgage-backed securities	14,173	13,511	12,834
Interest and dividends on investment securities			
Taxable	241	238	315
Tax-exempt	3,431	3,047	1,377
Interest on reverse mortgage related assets	5,299	5,129	2,867
Other interest income	2,212	1,364	391
	182,576	160,337	146,922
Interest Expense			
Interest on deposits	7,165	7,151	7,180
Interest on Federal Home Loan Bank advances	3,008	2,427	1,874
Interest on federal funds purchased and securities sold under agreements to repurchase	360	1,051	994
Interest on trust preferred borrowings	1,362	1,321	1,342
Interest on bonds payable		15	60
Interest on senior debt	3,766	3,766	3,771
Interest on other borrowings	115	99	113
	15,776	15,830	15,334
Net interest income	166,800	144,507	131,588
Provision for loan losses	7,790	3,580	7,172
Net interest income after provision for loan losses	159,010	140,927	124,416
Noninterest Income			
Credit/debit card and ATM income	25,702	24,129	24,350
Deposit service charges	16,684	17,071	17,208
Wealth management income	21,884	17,364	15,528
Mortgage banking activities, net	5,896	3,994	3,980
Reverse mortgage consolidation gain			3,801
Security gains, net	1,478	1,037	3,516
Loan fee income	1,834	1,921	1,959
Bank owned life insurance income	776	700	270
Other income	14,001	12,062	9,539
	88,255	78,278	80,151
Noninterest Expense			
Salaries, benefits and other compensation	83,908	76,387	70,866
Occupancy expense	15,121	14,192	13,486
Equipment expense	8,448	7,705	8,322
Data processing and operations expenses	5,949	6,105	5,924
Professional fees	7,737	6,797	4,016
FDIC expenses	2,853	2,653	3,492
Loan workout and OREO expenses	1,108	2,542	2,536
Marketing expense	3,002	2,403	2,428
Corporate development costs	7,620	4,031	717

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Early extinguishment of debt costs	651		
Other operating expense	27,062	23,830	19,968
	163,459	146,645	131,755
Income before taxes	83,806	72,560	72,812
Income tax provision	30,273	18,803	25,930
Net Income	53,533	53,757	46,882
Dividends on preferred stock and accretion of discount			1,633
Net income allocable to common stockholders	\$ 53,533	\$ 53,757	\$ 45,249
Basic	\$ 1.88	\$ 1.98	\$ 1.71
Diluted	\$ 1.85	\$ 1.93	\$ 1.69

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	2015	2014	2013
Net Income	\$ 53,533	\$ 53,757	\$ 46,882
Other comprehensive income:			
Net change in unrealized (losses) gains on investment securities available-for-sale			
Net unrealized (losses) gains arising during the period, net of tax (benefit) expense of (\$868), \$14,781, and (\$19,478), respectively ⁽¹⁾	(1,417)	24,118	(32,057)
Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of \$562, \$393, and \$1,336, respectively	(916)	(643)	(2,180)
Net change in securities held-to-maturity	(2,333)	23,475	(34,237)
Amortization of unrealized gain on securities reclassified to held-to-maturity, net of tax (benefit) of \$234, \$0, and \$0, respectively	(412)		
Net change in unfunded pension liability	(412)		
Change in unfunded pension liability related to unrealized (loss) gain, prior service cost and transition obligation, net of tax (benefit) expense of (\$37), \$808, and \$0, respectively	(59)	1,319	
Total other comprehensive (loss) income	(2,804)	24,794	(34,237)
Total comprehensive income	\$ 50,729	\$ 78,551	\$ 12,645

(1) 2014 includes \$3.6 million (net of tax expense of \$2.2 million) of other comprehensive income related to the transfer of available-for-sale securities to held-to-maturity.

The accompanying notes are an integral part of these Consolidated Financial Statements

Table of Contents**CONSOLIDATED STATEMENTS OF CONDITION**

Year Ended December 31, (Dollars in Thousands, Except Per Share Data)	2015	2014
Assets:		
Cash and due from banks	\$ 83,065	\$ 93,717
Cash in non-owned ATMs	477,924	414,188
Interest-bearing deposits in other banks	190	134
Total cash and cash equivalents	561,179	508,039
Investment securities, available-for-sale (book value \$724,072 and \$739,404 for 2015 and 2014, respectively)	721,029	740,124
Investment securities, held-to-maturity (fair value \$167,743 and \$126,171 for 2015 and 2014, respectively)	165,862	126,168
Loans held-for-sale at fair value	41,807	28,508
Loans, net of allowance for loan losses of \$37,089 at December 31, 2015 and \$39,426 at December 31, 2014	3,729,050	3,156,652
Reverse mortgage related assets	24,284	29,298
Bank-owned life insurance	90,208	76,509
Stock in Federal Home Loan Bank of Pittsburgh, at cost	30,519	23,278
Assets acquired through foreclosure	5,080	5,734
Accrued interest receivable	14,040	11,782
Premises and equipment	39,569	35,074
Goodwill	85,212	48,651
Intangible assets	10,083	8,942
Other assets	68,040	54,561
Total assets	\$ 5,585,962	\$ 4,853,320
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 958,238	\$ 804,678
Interest-bearing demand	784,619	688,370
Money market	1,090,050	1,066,224
Savings	439,918	402,032
Time	333,000	253,302
Jumbo certificates of deposit customer	254,011	247,671
Total customer deposits	3,859,836	3,462,277
Brokered deposits	156,730	186,958
Total deposits	4,016,566	3,649,235
Federal funds purchased and securities sold under agreements to repurchase	128,200	128,225
Federal Home Loan Bank advances	669,514	405,894
Trust preferred borrowings	67,011	67,011
Senior debt	55,000	55,000
Other borrowed funds	14,486	11,645
Accrued interest payable	801	1,004
Other liabilities	53,913	46,255
Total liabilities	5,005,491	4,364,269
Stockholders Equity:		
Common stock \$0.01 par value, 65,000,000 shares authorized; issued 55,945,245 at December 31, 2015 and 55,697,124 at December 31, 2014	560	557

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Capital in excess of par value	256,435	201,130
Accumulated other comprehensive income	696	3,500
Retained earnings	570,630	523,099
Treasury stock at cost, 26,182,401 shares at December 31, 2015 and 27,489,288 shares at December 31, 2014	(247,850)	(239,235)
Total stockholders equity	580,471	489,051
Total liabilities and stockholders equity	\$ 5,585,962	\$ 4,853,320

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

	Serial Preferred Stock	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Total Stockholders Equity
(In Thousands, except per share amounts)							
Balance, December 31, 2012	\$ 1	\$ 555	\$ 222,607	\$ 12,943	\$ 433,228	\$ (248,280)	\$ 421,054
Net income					46,882		46,882
Other comprehensive loss				(34,237)			(34,237)
Cash dividend, \$0.16 per share					(4,224)		(4,224)
Issuance of common stock including proceeds from exercise of common stock options		1	4,352				4,353
Stock-based compensation expense			2,938				2,938
Excess tax benefit from exercises of common stock options ⁽¹⁾			683				683
Preferred stock cash dividends					(1,774)		(1,774)
Preferred stock discount accretion			150		(150)		
Redemption of preferred stock	(1)		(52,624)				(52,625)
Balance, December 31, 2013	\$	\$ 556	\$ 178,106	\$ (21,294)	\$ 473,962	\$ (248,280)	\$ 383,050
Net income					53,757		53,757
Other comprehensive income				24,794			24,794
Cash dividend, \$0.17 per share					(4,620)		(4,620)
Issuance of common stock including proceeds from exercise of common stock options		1	3,612				3,613
Stock-based compensation expense			3,738				3,738
Excess tax benefit from exercises of common stock options ⁽¹⁾			797				797
Acquisition of FNBW			21,177			11,731	32,908
Repurchase of Warrant			(6,300)				(6,300)
Repurchases of common stock, 105,564 shares						(2,686)	(2,686)
Balance, December 31, 2014	\$	\$ 557	\$ 201,130	\$ 3,500	\$ 523,099	\$ (239,235)	\$ 489,051
Net income					53,533		53,533
Other comprehensive loss				(2,804)			(2,804)
Cash dividend, \$0.21 per share					(6,002)		(6,002)
Issuance of common stock including proceeds from exercise of common stock options		3	3,157				3,160
Stock-based compensation expense			2,957				2,957
Excess tax benefit from exercises of common stock options ⁽¹⁾			890				890
Acquisition of Alliance			48,301			23,044	71,345
Repurchase of common stock, 1,152,233 shares						(31,659)	(31,659)
Balance, December 31, 2015	\$	\$ 560	\$ 256,435	\$ 696	\$ 570,630	\$ (247,850)	\$ 580,471

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(1) Net of deferred tax adjustments for expired options.

The accompanying notes are an integral part of these Consolidated Financial Statements

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, (In Thousands)	2015	2014	2013
Operating activities:			
Net income	\$ 53,533	\$ 53,757	\$ 46,882
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	7,790	3,580	7,172
Depreciation of premises and equipment	6,333	5,951	6,007
Amortization of fees and discounts, net	18,490	10,836	10,367
Amortization of intangible assets	1,847	1,263	962
Increase in accrued interest receivable	(1,334)	(984)	(1,146)
Increase (decrease) in other assets	(1,643)	(1,455)	5,470
Origination of loans held-for-sale	(573,703)	(230,841)	(250,083)
Proceeds from sales of loans held-for-sale	563,588	235,908	254,135
Gain on mortgage banking activity, net	(5,896)	(3,994)	(3,980)
Gain on mark to market adjustment on trading securities			125
Gain on sale of securities, net	(1,478)	(1,037)	(3,641)
Reverse mortgage consolidation gain			(3,801)
Stock-based compensation expense	4,095	4,535	3,621
Excess tax benefits from share based payment arrangements	(890)	(797)	(683)
Decrease in accrued interest payable	(203)	(65)	(261)
Increase (decrease) in other liabilities	6,502	2,054	(12,465)
Loss on sale of assets acquired through foreclosure and valuation adjustments, net	319	144	868
Increase in value of bank-owned life insurance	(776)	(700)	(270)
Deferred income tax expense (benefit)	2,231	(5,664)	755
Increase in capitalized interest, net	(5,518)	(5,435)	(2,653)
Net cash provided by operating activities	73,287	67,056	57,381
Investing activities:			
Maturities and calls of investment securities	5,551	4,572	770
Sales of investment securities available for sale	192,933	229,515	274,070
Purchases of investment securities available for sale	(277,963)	(286,915)	(335,584)
Repayments of investment securities available for sale	100,485	79,006	90,041
Purchases of investment securities held-to-maturity	(48,184)	(1,295)	
Repayments on reverse mortgages	11,393	14,677	4,929
Disbursements for reverse mortgages	(861)	(1,212)	(391)
Cash received in consolidation of reverse mortgage securitization trust			5,833
Investment in non-marketable securities	(3,589)		
Net Cash for Business Combinations	40,863	8,660	(4,029)
Net increase in loans	(285,694)	(86,618)	(207,043)
Net (increase) decrease in stock of Federal Home Loan Bank of Pittsburgh	(7,241)	12,591	(4,704)
Sales of assets acquired through foreclosure, net	4,828	5,191	6,511
Investment in premises and equipment, net	(8,362)	(4,736)	(2,863)
Net cash used for investing activities	(275,841)	(26,564)	(172,460)

(continued on next page)

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

Year Ended December 31, (In Thousands)	2015	2014	2013
Financing Activities:			
Net increase (decrease) in demand and savings deposits	\$ 159,587	\$ 226,400	\$ 63,498
(Decrease) in time deposits	(103,710)	(23,906)	(153,113)
(Decrease) increase in brokered deposits	(30,228)	18,231	(1,914)
Increase (decrease) in loan payable	61	(370)	(698)
Repayment of securities sold under agreement to repurchase	(25,000)		
Repayment of reverse mortgage trust bonds payable		(21,990)	(4,349)
Receipts from federal funds purchased and securities sold under agreement to repurchase	31,887,100	25,741,826	21,291,625
Repayments of federal funds purchased and securities sold under agreement to repurchase	(31,862,125)	(25,710,601)	(21,304,625)
Receipts from FHLB advances	63,310,841	78,831,426	48,790,848
Repayments of FHLB advances	(63,047,221)	(79,068,675)	(48,529,067)
Dividends paid	(6,002)	(4,644)	(5,998)
Issuance of common stock and exercise of common stock options	3,160	3,613	4,353
Redemption of preferred stock			(52,625)
Repurchase of common stock warrants		(6,300)	
Buy back of common stock	(31,659)	(2,686)	
Excess tax benefits from share-based payment arrangements	890	797	683
Net cash provided (used for) by financing activities	255,694	(16,879)	98,618
Increase (decrease) in cash and cash equivalents	53,140	23,613	(16,461)
Cash and cash equivalents at beginning of year	508,039	484,426	500,887
Cash and cash equivalents at end of year	\$ 561,179	\$ 508,039	\$ 484,426
Supplemental Disclosure of Cash Flow Information:			
Cash paid in interest during the year	\$ 15,978	\$ 15,664	\$ 15,696
Cash paid for income taxes, net	23,404	23,688	21,868
Loans transferred to assets acquired through foreclosure	3,725	4,896	7,289
Loans transferred to portfolio from held-for-sale at fair value	(1,499)	2,418	9,131
Net change in accumulated other comprehensive income (loss)	(2,804)	24,794	(34,237)
Fair value of assets acquired, net of cash received	340,238	244,836	12,817
Fair value of liabilities assumed	346,181	236,886	10,127
Fair value of assets consolidated			41,397
Fair value of liabilities consolidated			26,339
Reissuance of treasury stock for acquisitions, net	71,345	32,908	
Investment securities transferred from available-for-sale to held-to-maturity		124,873	
Non-cash goodwill adjustments, net	136	46	(160)

The accompanying notes are an integral part of these Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The acronyms and abbreviations identified below are used in the Notes to Consolidated Financial Statements as well as in the Management's Discussion and Analysis of Financial Condition and Results of Operations. You may find it helpful to refer back to this page as you read this report.

Allowance or ALLL: Allowance for loan losses	Federal Reserve: Board of Governors of the Federal Reserve System
Alliance: Alliance Bancorp, Inc. of Pennsylvania	Monarch: Monarch Entity Services, LLC
ASC: Accounting standard codification	FHLB: Federal Home Loan Bank
Associate: Employee	FHLMC: Federal Home Loan Mortgage Corporation
ASU: Accounting standard update	GAAP: U.S. Generally Accepted Accounting Principles
BCBS: Basel Committee on Banking Supervision	GNMA: Government National Mortgage Association
C&I: Commercial & Industrial (loans)	GSE: U.S. Government and government sponsored enterprises
CMO: Collateralized mortgage obligation	NSFR: Net stable funding ratio
Cypress: Cypress Capital Management, LLC	MBS: Mortgage-backed securities
Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	OCC: Office of the Comptroller of the Currency
DTA: Deferred tax asset	OREO: Other real estate owned
EPS: Earnings per share	OTTI: Other-than-temporary impairment
Exchange Act: Securities Exchange Act of 1934	TDR: Troubled debt restructuring
FASB: Financial Accounting Standards Board	
FDIC: Federal Deposit Insurance Corporation	
FNMA: Federal National Mortgage Association	

Organization

WSFS Financial Corporation (the Company or as a consolidated institution, we, our or us) is a savings and loan holding company organized under the laws of the State of Delaware. Our principal wholly-owned subsidiary, Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), is a federal savings bank organized under the laws of the United States which, at December 31, 2015, served customers primarily from our 63 offices located in Delaware (44), Pennsylvania (17), Virginia (1), and Nevada (1) and through our website at www.wsfsbank.com.

In preparing the Consolidated Financial Statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions in 2016 could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Amounts subject to significant estimates are items such as the allowance for loan losses and reserves for lending related commitments, goodwill, intangible assets, post-retirement benefit obligations, the fair value of financial instruments, reverse mortgage related assets, income taxes and OTTI. Among other effects, changes to such estimates could result in future impairments of investment securities, goodwill and intangible assets and establishment of the allowance and lending related commitments as well as increased post-retirement benefits expense.

Basis of Presentation

Our Consolidated Financial Statements include the accounts of the parent company and its wholly-owned subsidiaries, WSFS Bank and Cypress. We also have one unconsolidated affiliate, WSFS Capital Trust III (the Trust). WSFS Bank has three wholly-owned subsidiaries, WSFS Wealth Investments, 1832 Holdings, Inc. and Monarch.

WSFS Wealth Investments markets various third-party insurance and securities products to Bank customers through the Bank's retail banking system. 1832 Holdings, Inc. was formed to hold certain debt and equity investment securities. Monarch provides commercial domicile services which include providing employees, directors, subleases and registered agent services in Delaware and Nevada.

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Cypress was formed to provide asset management products and services. As a Wilmington-based investment advisory firm servicing high net worth individuals and institutions, it has approximately \$638 million in assets under management at December 31, 2015, compared to approximately \$661 million at December 31, 2014.

WSFS Capital Trust III (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. The proceeds from this issue were used to fund the redemption of \$51.5 million of Floating Rate WSFS Capital Trust I Preferred Securities (formerly, WSFS Capital Trust I). WSFS Capital Trust I invested all of the proceeds from the sale of the Pooled Floating Rate Capital Securities in our Junior Subordinated Debentures.

Whenever necessary, reclassifications have been made to the prior years' Consolidated Financial Statements to conform to the current year's presentation. All significant intercompany transactions were eliminated in consolidation.

Common Stock Split

In March 2015, the Company's Board of Directors adopted an amendment to the Company's Certificate of Incorporation, to increase the number of shares of common stock the Company is authorized to issue from 20,000,000, par value \$0.01 to 65,000,000, par value \$0.01. This amendment to the Company's Certificate of Incorporation was approved by the Company's stockholders at the 2015 Annual Meeting held on April 30, 2015.

In May 2015, the Company effected a three-for-one stock split in the form of a stock dividend to shareholders of record as of May 4, 2015. All share and per share information has been retroactively adjusted to reflect the stock split. We retroactively adjusted stockholders' equity to reflect the stock split by reclassifying an amount equal to the par value, \$0.01, of the additional shares arising from the split from capital in excess of par value to common stock, resulting in no net impact to stockholders' equity on our Consolidated Statements of Condition.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, cash in non-owned ATMs, amounts due from banks, federal funds sold and securities purchased under agreements to resell.

Debt and Equity Securities

Investments in equity securities that have a readily determinable fair value and investments in debt securities are classified into three categories and accounted for as follows:

Debt securities with the positive intention to hold to maturity are classified as held-to-maturity and reported at amortized cost.

Debt and equity securities purchased with the intention of selling them in the near future are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

Debt and equity securities not classified in either of the above are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, as a separate component of stockholders' equity. Debt and equity securities include MBS, municipal bonds, U.S. Government and agency securities and certain equity securities. Premiums and discounts on debt and equity securities, held-to-maturity and available-for-sale, are recognized in interest income using a level yield method over the period to expected maturity. The fair value of debt and equity securities is primarily obtained from third-party pricing services. Implicit in the valuation are estimated prepayments based on historical and current market conditions.

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We follow ASC 320-10-55 *Investments Debt and Equity Securities* that provides guidance related to accounting for recognition of other-than-temporary impairment for debt securities and expands disclosure requirements for other-than-temporarily impaired debt and equity securities. When we conclude an investment security is OTTI, a loss for the difference between the investment security's carrying value and its fair value may be recognized as a reduction to non-interest income in the Consolidated Statements of Operations. For an investment in a debt security, if we intend to sell the investment security or it is more likely than not that we will be required to sell it before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value. If we do not intend to sell the investment security and conclude that it is not more likely than not we will be required to sell the security before recovering the carrying value, which may be maturity, the OTTI charge is separated into credit and other components. The other component of the OTTI is included in other comprehensive income/loss, net of the tax effect, and the credit component of the OTTI is included as a reduction to non-interest income in the Consolidated Statements of Operations. We are required to use our judgment to determine impairment in certain circumstances. The specific identification method is used to determine realized gains and losses on sales of investment and mortgage-backed securities. All sales are made without recourse.

For additional detail regarding debt and equity securities, see Note 3 to the Consolidated Financial Statements.

Reverse Mortgage Loans

We account for our investment in reverse mortgages in accordance with the instructions provided by the staff of the SEC entitled *Accounting for Pools of Uninsured Residential Reverse Mortgage Contracts*, which requires grouping the individual reverse mortgages into pools based on similar characteristics and recognizing income based on the estimated effective yield of the pools. In computing the effective yield, we must project the cash inflows and outflows of the pool including actuarial projections of the life expectancy of the individual contract holder and changes in the collateral value of the residence. At each reporting date, a new economic forecast is made of the cash inflows and outflows of each pool of reverse mortgages. The effective yield of each pool is recomputed and income is adjusted to reflect the revised rate of return. Because of this highly specialized accounting, the recorded value of reverse mortgage assets can result in significant volatility associated with estimations. As a result, income recognition can vary significantly from reporting period to reporting period.

For additional detail regarding reverse mortgages, see Note 7 to the Consolidated Financial Statements.

Loans

Loans are stated net of deferred fees and costs. Interest income on loans is recognized using the level yield method. Loan origination fees, commitment fees and direct loan origination costs are deferred and recognized over the life of the related loans using a level yield method over the period to maturity.

A loan is impaired when, based on current information and events, it is probable we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future discounted cash flows, the market price of the loan or the fair value of the underlying collateral if the loan is collateral dependent. In addition, all loans restructured in a troubled debt restructuring are considered to be impaired. Impaired loans include loans within our commercial (investor and owner-occupied), commercial mortgage, commercial construction, residential mortgages and consumer portfolios. Our policy for recognition of interest income on impaired loans, excluding accruing loans, is the same as for nonaccrual loans discussed below.

In addition to originating loans, we occasionally acquire loans through mergers or loan purchase transactions. Some of these acquired loans may exhibit deteriorated credit quality that has occurred since origination and we may not expect to collect all contractual payments. Accounting for these purchased credit-impaired loans is done in accordance with ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. The loans are initially recorded at fair value on the acquisition date, reflecting the present value of the amounts expected to be collected. Income recognition on these loans is based on a reasonable expectation about the timing and amount of cash flows to be collected. Acquired loans are evaluated for impairment on a quarterly basis with a complete updating of the estimated cash flows on a semi-annual basis and if a loan is determined to be impaired but considered collateral dependent, it will have no accretable yield.

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For additional detail regarding impaired loans, see Note 6 to the Consolidated Financial Statements and for additional detail regarding purchased credit impaired loans see Note 4 to the Consolidated Financial Statements.

Past Due and Nonaccrual Loans

Past due loans are defined as loans contractually past due 90 days or more as to principal or interest payments but which remain in accrual status because they are considered well secured and in the process of collection.

Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and the loan is not well secured and in the process of collection. 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 management's assessment of the ultimate collectability of principal and interest. Loans are returned to an accrual status when we assess that the borrower has the ability to make all principal and interest payments in accordance with the terms of the loan (i.e. including a consistent repayment record, generally six consecutive payments, has been demonstrated).

For additional detail regarding past due and nonaccrual loans, see Note 6 to the Consolidated Financial Statements.

Allowance for Loan Losses

We maintain an allowance for loan losses and charge losses to this allowance when such losses are realized. The determination of the allowance for loan losses requires significant judgment reflecting our best estimate of impairment related to specifically identified loans as well as probable loan losses in the remaining loan portfolio. Our evaluation is based upon a continuing review of these portfolios.

We have established the loan loss allowance in accordance with guidance provided by the SEC's Staff Accounting Bulletin 102 (SAB 102) and FASB ASC 450, *Contingencies* (ASC 450). When we have reason to believe it is probable that it will not be able to collect all contractually due amounts of principal and interest loans are evaluated for impairment on an individual basis and a specific allocation of the allowance is assigned in accordance with ASC 310-10. We also maintain an allowance for loan losses on acquired loans when: (i) there is deterioration in credit quality subsequent to acquisition for loans accounted for under ASC 310-30 and (ii) the inherent losses in the loans exceed the remaining credit discount recorded at the time of acquisition for loans accounted for under ASC 310-20. Our methodology for assessing the appropriateness of the allowance consists of several key elements which include: a specific allowance for identified impaired loans, an allowance for pools of homogeneous loans, adjustments for qualitative and environmental factors and an allowance for model estimation and complexity risk. Impairment of troubled debt restructurings are measured at the present value of estimated future cash flows using the loan's effective rate at inception or the fair value of the underlying collateral if the loan is collateral dependent. Troubled debt restructures consist of concessions granted to borrowers facing financial difficulty.

For additional detail regarding the allowance for loan losses and the provision for loan losses, see Note 6 to the Consolidated Financial Statements.

Loans Held-for-Sale

Loans held-for-sale are carried at their fair value on a loan level.

Assets Acquired Through Foreclosure

Assets acquired through foreclosure are recorded at the lower of the recorded investment in the loans or their fair value less estimated disposal costs. Costs subsequently incurred to improve the assets are included in the carrying value provided that the resultant carrying value does not exceed fair value less estimated disposal costs. Costs relating to

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holding or disposing of the assets are charged to expense in the current period. We write-down the value of the assets when declines in fair value below the carrying value are identified. Loan workout and OREO expenses include costs of holding and operating the assets, net gains or losses on sales of the assets and provisions for losses to reduce such assets to fair value less estimated disposal costs. During 2015, we recorded \$276,000 in charges (including write-downs and net losses on sales of assets) related to assets acquired through foreclosure (REO). These charges were \$672,000 and \$592,000 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2015 we had \$5.7 million in residential real estate in process of foreclosure.

For additional detail regarding assets acquired through foreclosure, see Note 6 to the Consolidated Financial Statements.

Premises and Equipment

Premises and equipment is stated at cost less accumulated depreciation and amortization. Costs of major replacements, improvements and additions are capitalized. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets or, for leasehold improvements, over the effective life of the related lease if less than the estimated useful life. In general, computer equipment, furniture and equipment and building renovations are depreciated over three, five and ten years, respectively.

For additional detail regarding the provision for premises and equipment, see Note 8 to the Consolidated Financial Statements.

Goodwill and Other Intangible Assets

In accordance with FASB ASC 805, *Business Combinations* (ASC 805) and FASB ASC 350, *Intangibles-Goodwill and Other* (ASC 350), all assets and liabilities acquired in purchase acquisitions, including goodwill, indefinite-lived intangibles and other intangibles are recorded at fair value. ASU 2015-16, *Simplifying the Accounting for Measurement-Period Accounting* (ASU 2015-16), was adopted to transition our measurement period from December 31 to October 31 for goodwill and other intangible assets in 2015. The change was made to more closely align the impairment testing date with our long-range planning and forecasting process. We believe the change in our impairment testing date did not delay, accelerate or avoid an impairment charge.