

WSFS FINANCIAL CORP
Form 10-K
March 16, 2015
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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, 2014

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, 2014 was \$641,771,858. For purposes of this calculation only, affiliates are deemed to be directors, executive officers and beneficial owners of greater than 10% of the outstanding shares.

As of March 5, 2015, there were issued and outstanding 9,412,395 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 30, 2015 are incorporated by reference in Part III hereof.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, and exhibits thereto, contain 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 our financial goals, management's plans and objectives for future operations, financial and business trends, business prospects, strategic goals, and management's outlook or expectations for earnings, revenues, expenses, capital levels, liquidity levels, asset quality or other future financial or business performance, strategies or expectations. Such forward-looking statements are based on various assumptions (some of which may be beyond our control) and are subject to risks and uncertainties (which change over time) and other factors which could cause actual results to differ materially from those currently anticipated. Such risks and uncertainties include, but are not limited to:

difficult market conditions and unfavorable economic trends in the United States generally, and particularly in the market areas in which we operate and in which our loans are concentrated, including the effects of declines in housing markets, elevated unemployment levels and slowdowns in economic growth;

our level of nonperforming assets and the costs associated with resolving any problem loans including litigation and other costs;

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

additional loan losses and impairment of the collectability of loans;

possible changes in the speed of loan prepayments by our customers and loan originations 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;

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

our 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;

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any impairment of our goodwill or other intangible assets;

failure of the financial and operational controls of our Cash Connect division;

conditions in the financial markets that may limit our access to additional funding to meet our liquidity needs;

the success of our growth plans, including the successful integration of past and future acquisitions;

negative perceptions or publicity with respect to our trust and wealth management business

system failure or cybersecurity breaches of our network security;

our ability to recruit and retain key employees;

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

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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;

regulatory limits on our ability to receive dividends from our subsidiaries and pay dividends to our shareholders; and

the effects of any reputational, credit, interest rate, market, operational, legal, liquidity, regulatory and compliance risk resulting from developments related to any of the items identified above.

Such risks and uncertainties may be, discussed herein, including under the heading Risk Factors, and in other documents filed by us with the Securities and Exchange Commission from time to time. Forward looking statements are as of the date they are made, and we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of us.

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PART I

ITEM 1. BUSINESS

OUR BUSINESS

WSFS Financial Corporation (WSFS, the Company or, as a consolidated institution, we) 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 nearly \$5 billion in assets and \$9.4 billion in fiduciary assets, WSFS Bank is also the largest bank and trust company headquartered in the Delaware Valley. WSFS Bank has been in operation for 183 years. In addition to its focus on stellar customer service, the Bank has continued to fuel growth and remain a leader in our community. We are a relationship-focused, locally-managed, community banking institution. For the ninth consecutive year, our Associates (what we call our employees) ranked us a Top Workplace in Delaware and for the fourth 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 core banking business is commercial lending funded by customer-generated deposits. We have built a \$2.6 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 in our 55 offices located in Delaware (45), Pennsylvania (8), Virginia (1) and Nevada (1). We also offer a broad variety of consumer loan products, retail securities and insurance brokerage services through our retail branches and mortgage and title services through those branches and through Pennsylvania-based Array Financial Group, Inc., and Arrow Land Transfer Company.

We offer trust and wealth management services through our wealth businesses, Christiana Trust, Cypress Capital Management, LLC (Cypress), WSFS Wealth Investment brokerage and our Private Banking group. The Christiana Trust division of WSFS Bank provides investment, fiduciary, agency, bankruptcy and commercial domicile services from locations in Delaware and Nevada and has \$8.8 billion in assets under administration. These services are provided to individuals and families as well as corporations and institutions. Christiana Trust provides these services to customers locally, nationally and internationally. Cypress is an investment advisory firm that manages more than \$660 million of portfolios for individuals, trusts, retirement plans and endowments. WSFS Investment Group, Inc. markets various investment and insurance products through the Bank's retail banking system. Our Private Banking group offers credit and deposit products to high net-worth individuals, and partners with our other trust and wealth management units to offer the most appropriate fee-based products to these clients.

Our Cash Connect division is a leading provider of ATM Vault Cash and related services in the United States. Cash Connect manages more than \$486 million in vault cash in more than 15,000 ATMs nationwide. It also provides online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing and equipment sales. Cash Connect also operates over 450 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 Sigma model, identified by Gallup, Inc., begins with Associates who have taken ownership of their jobs and therefore

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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 2014 our engagement ratio was 13.2:1, which means there were 13.2 engaged Associates for every disengaged Associate. This compares to a 2.6:1 ratio in 2003 and a national average of 1.53:1. Gallup, Inc. defines "world-class" as 11.7:1.

Our customer advocacy scores rank in the top 15% of all companies. In 2014, 44% of our customers ranked us a "five" out of "five," strongly agreeing with the statement "I can't imagine a world without WSFS" and 69% 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 2014, for the ninth 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 2014, and for the fourth 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 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 2014</i>) ⁽¹⁾	5.4%	5.6%
Median Household Income (<i>2009-2013</i>) ⁽²⁾	\$ 59,878	\$ 53,046
Population Growth (<i>2010-2014</i>) ⁽²⁾	4.2%	3.3%

(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, 2014 our tangible capital ratio was 9.00%. All regulatory capital levels for WSFS Bank maintained a meaningful cushion above well-capitalized levels. WSFS Bank’s Tier 1 capital ratio was 12.79% as of December 31, 2014 more than \$230 million in excess of the 6% well-capitalized level, under the banking agencies’ prompt corrective action framework then in effect and our total risk-based capital ratio was 13.83%, more than \$147 million above the well-capitalized level of 10.00%.

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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 21.5% of Tier 1 capital plus Allowance for Loan Losses (ALLL) at December 31, 2014 from 29.7% at December 31, 2013. We diversify our loan portfolio to limit our exposure to any single type of credit. Such discipline supplements careful underwriting and the benefits of knowing our customers.

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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 (except for the well documented SASCO Reverse Mortgage 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 earnings per share (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 2015 annual meeting of stockholders.

During 2014, our performance reflected continued progress on our path towards becoming a sustainably high performing company. In 2014, WSFS reported ROA of 1.17% and core ROA exceeding 1% for the year, and improving during the year so that core ROA stood at 1.17% in the final quarter of 2014. We continued to track and report progress towards our target of a core ROA of at least 1.20% by the end of 2015.

Growth

We have achieved success over the long term in lending and deposit gathering, growing the Trust and Wealth Management group'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 and Cash Connect (ATM services) businesses.

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) and on March 10, 2015, we signed a definitive agreement to acquire Alliance Bancorp, Inc. of Pennsylvania and its wholly-owned subsidiary, Alliance Bank. 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

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Our focus on these points of differentiation has allowed us to grow our core franchise and build value for our stockholders. Since 2008, our commercial loans have grown from \$1.8 billion to \$2.7 billion, a strong 7% compound annual growth rate (CAGR). Over the same period, customer funding has grown from \$1.5 billion to \$3.5 billion, a 15% 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 2004 would be worth \$141 at December 31, 2014. By comparison, \$100 invested in the Nasdaq Bank Index in 2004 would be worth \$105 at December 31, 2014.

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 two wholly-owned subsidiaries, WSFS Wealth Investments and Monarch Entity Services, LLC (Monarch). WSFS Wealth Investments markets various third-party investment and insurance products such as single-

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premium annuities, whole life policies and securities, primarily through our retail banking system and directly to the public. Monarch offers commercial domicile services which include providing employees, directors, sublease of office facilities and registered agent services in Delaware and Nevada.

Cypress is a Wilmington-based registered investment advisor servicing high net-worth individuals and institutions and has over \$660 million in assets under management at December 31, 2014.

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 Trust 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 Trust and 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, 2014, 2013 and 2012 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 2010, our commercial and industrial (C&I) loans have increased by \$469.6 million, or 37.9%. Our C&I loans, including owner-occupied commercial real estate loans, accounted for approximately 54.1% of our loan portfolio in 2014, compared to 48.1% in 2010. Based on current market conditions, we expect our focus on growing C&I loans and other relationship-based commercial loans to continue into 2015 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)	2014		2013		At December 31, 2012		2011		2010	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Types of Loans										
Commercial real estate:										
Commercial mortgage	\$ 805,459	25.5%	\$ 725,193	25.0%	\$ 631,365	23.2%	\$ 626,739	23.1%	\$ 625,379	24.2%
Construction	142,497	4.5	106,074	3.6	133,375	4.9	106,268	3.9	140,832	5.5
Total commercial real estate	947,956	30.0	831,267	28.6	764,740	28.1	733,007	27.0	766,211	29.7
Commercial ⁽¹⁾	920,072	29.1	810,882	27.9	704,491	25.9	1,460,812	53.9	1,239,102	48.1
Commercial owner occupied ⁽¹⁾	788,598	25.0	786,360	27.1	770,581	28.3				
Total commercial loans	2,656,626	84.1	2,428,509	83.6	2,239,812	82.3	2,193,819	80.9	2,005,313	77.8
Consumer loans:										
Residential real estate	218,329	6.9	221,520	7.6	243,627	8.9	274,105	10.5	308,857	12.6
Consumer	327,543	10.4	302,234	10.4	289,001	10.6	290,979	10.7	309,722	12.0
Total consumer loans	545,872	17.3	523,754	18.0	532,628	19.5	565,084	21.2	618,579	24.6
Gross loans	\$ 3,202,498	101.4	\$ 2,952,263	101.6	\$ 2,772,440	101.8	\$ 2,758,903	102.1	\$ 2,623,892	102.4
Less:										
Deferred fees (unearned income)	6,420	0.2	6,043	0.2	4,602	0.2	3,234	0.1	2,185	0.1
Allowance for loan losses	39,426	1.2	41,244	1.4	43,922	1.6	53,080	2.0	60,339	2.3
Net loans ⁽²⁾	\$ 3,156,652	100.0%	\$ 2,904,976	100.0%	\$ 2,723,916	100.0%	\$ 2,702,589	100.0%	\$ 2,561,368	100.0%

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

(2) Excludes \$28,508; \$31,491; \$12,758; \$10,185 and \$14,522 of residential mortgage loans held-for-sale at December 31, 2014, 2013, 2012, 2011, and 2010, 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	\$ 109,530	\$ 462,737	\$ 233,192	\$ 805,459
Construction loans	62,202	43,728	36,567	142,497
Commercial loans	323,800	328,917	267,355	920,072
Commercial owner occupied loans	43,674	299,025	445,899	788,598
Residential real estate loans ⁽¹⁾	2,577	4,622	211,130	218,329
Consumer loans	22,106	36,508	268,929	327,543
	\$ 563,889	\$ 1,175,537	\$ 1,463,072	\$ 3,202,498

Rate sensitivity:

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Fixed	\$ 48,559	\$ 502,069	\$ 538,149	\$ 1,088,777
Adjustable ⁽²⁾	515,330	673,468	924,923	2,113,721
Gross loans	\$ 563,889	\$ 1,175,537	\$ 1,463,072	\$ 3,202,498

(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 lending have higher levels of risk than residential mortgage lending. These loans typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties is typically dependent on the successful operation of the related real estate project and may be more subject to adverse conditions in the commercial real estate market or in the general economy. The majority of our commercial and commercial real estate loans are concentrated in Delaware, 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 \$805.5 million at December 31, 2014. 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 \$227.0 million. The average loan size of a loan in the commercial mortgage portfolio is \$685,000 and only eight loans are greater than \$8.0 million, with no loans greater than \$14.0 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, 2014, \$244.0 million was committed for construction loans, of which \$142.5 million was outstanding. Residential construction and land development (CLD) represented \$128.0 million, or 4%, of the loan portfolio and 24% of Tier 1 capital (Tier 1 + ALLL). Our commercial CLD portfolio was \$51.0 million, or 1.6%, of total loans, and our land hold loans, which are land loans not currently being developed, were \$30.0 million, or less than 1%, of total loans, at December 31, 2014.

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 \$311,000 and terms ranging from less than one year to ten years. The loans generally carry variable interest rates indexed to our WSFS prime rate, national prime rate or LIBOR. As of December 31, 2014, our commercial and industrial and owner occupied commercial loan portfolios were \$1.7 billion and represented 53% of our total loan portfolio. These loans are diversified by industry, with no industry representing more than 16% of the portfolio.

Federal law limits the Bank's extensions of credit to any one borrower to 15% of our unimpaired capital (approximately \$80.0 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, 2014, no borrower had collective (relationship) outstanding balances exceeding these legal lending limits. Only two commercial relationships, when all loans related to the relationship are combined, reach outstanding balances 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, 2014, the balance of all such loans was approximately \$2.2 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 our risk to changes in interest rates. However, there are unquantifiable credit risks resulting from potential increased costs to the borrower as a result of re-pricing adjustable-rate mortgage loans. It is possible that during periods of rising interest rates, the risk of default on adjustable-rate mortgage loans may increase due to the upward adjustment of interest costs to the borrower. Further, although adjustable-rate mortgage loans allow us to increase the sensitivity of our asset base to changes in interest rates, the extent of this interest sensitivity is limited by the periodic and lifetime interest rate adjustment limitations. Accordingly, there can be no assurance that yields on our adjustable-rate mortgages will adjust sufficiently to compensate for increases to our cost of funds during periods of extreme interest rate increases.

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

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 were no such repurchases in 2013 and 2012, and two repurchases totaling \$354,000 in 2014.

We have a limited amount of loans originated as subprime loans, \$6.4 million, at December 31, 2014 (less than 0.3% of total loans) and no negative amortizing loans or interest-only first mortgage loans.

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, 2014, home equity lines of credit outstanding totaled \$218.7 million and

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equity-secured installment loans totaled \$73.0 million. In total, these product lines represented 89.1% of total consumer loans. Some home equity products grant a borrower credit availability of up to 100% of the appraised value (net of any senior mortgages) of their residence. Maximum loan to value (LTV) limits are 89% for primary residences and 75% for all other properties. At December 31, 2014, we had \$397.8 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 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)	2014		2013		At December 31, 2012		2011		2010	
	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	\$ 73,011	22.3%	\$ 69,230	22.9%	\$ 59,091	20.4%	\$ 74,721	25.7%	\$ 82,188	26.5%
Home equity lines of credit	218,652	66.8	193,255	63.9	195,936	67.8	192,917	66.3	205,244	66.3
Personal loans	16,082	4.9	16,397	5.4	12,408	4.3	7,192	2.5	6,834	2.2
Unsecured lines of credit	9,415	2.9	13,147	4.4	9,197	3.2	8,378	2.9	7,758	2.5
Other	10,383	3.1	10,205	3.4	12,369	4.3	7,771	2.6	7,648	2.5
Total consumer loans	\$ 327,543	100.0%	\$ 302,234	100.0%	\$ 289,001	100.0%	\$ 290,979	100.0%	\$ 309,722	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 2014, we originated \$316.1 million of residential real estate loans. This compares to originations of \$350.8 million in 2013. 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 2014 or 2013. Residential real estate loan sales totaled \$201.8 million in 2014 and \$194.8 million in 2013. 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, 2014, we serviced approximately \$125.2 million of residential mortgage loans for others, compared to \$121.9 million at December 31, 2013. We also serviced residential mortgage loans for our own portfolio totaling \$218.3 million and \$258.9 million at December 31, 2014 and 2013, respectively.

Our consumer lending activity is conducted mainly quarterly 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 2014, we originated and sold \$1.8 million in reverse mortgages compared to \$3.2 million during 2013.

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 2014, we originated \$925.6 million of commercial and commercial real estate loans compared to \$965.6 million in 2013. 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 \$39.9 million and \$4.4 million in 2014 and 2013, 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 \$35.2 million and \$23.3 million in 2014 and 2013, 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 Allowance for Loan Losses (ALLL). Currently, we have two relationships exceeding this limit. At December 31, 2014, the aggregate exposure over House Limit totaled 1.12% of Tier I Capital plus ALLL. Those two 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 U.S. generally accepted accounting principles (GAAP), and are reflected in interest income over the expected life of the loan. Those fees represented interest income of \$3.1 million, \$2.5 million, and \$2.1 million during 2014, 2013, and 2012, 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 during 2014 and 2013.

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, Asset/Liability Committee and Investment Committee. Historically, we have had success in growing our loan portfolio. For example, during the year

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ended December 31, 2014, net loan growth resulted in the use of \$85.7 million in cash. The loan growth was primarily due to the FNBW acquisition in the third quarter 2014 and our continued success increasing lending. We expect this trend to continue. As a result of increased deposit growth, our loan-to-total customer funding ratio at December 31, 2014 was 92%, better than our 2014 strategic goal of 103%. 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:

Deposit growth

Brokered deposits

Borrowing from the Federal Home Loan Bank of Pittsburgh (FHLB)

Federal Reserve Discount Window access

Other borrowings such as repurchase agreements

Cash flow from securities and loan sales and repayments

Net income

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 \$401.2 million during 2014 a 16% increase over 2013.

Deposits

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

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, we accept jumbo certificates of deposit with balances in excess of \$100,000 from individuals, businesses and municipalities in Delaware.

The following table shows the maturities of certificates of deposit of \$100,000 or more as of December 31, 2014:

(In Thousands)	December 31, 2014
Maturity Period	
Less than 3 months	\$ 91,434
Over 3 months to 6 months	55,896
Over 6 months to 12 months	59,040

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Over 12 months

41,301

\$ 247,671

Federal Home Loan Bank Advances

As a member of the FHLB, we are able to obtain FHLB advances. At December 31, 2014, we had \$405.9 million in FHLB advances with a weighted average rate of 0.52%. Outstanding advances from the FHLB had rates ranging from 0.27% to 1.12% at December 31, 2014. 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 4.60% of our borrowings from it, plus 0.35% of our member asset value. As of December 31, 2014, our FHLB stock investment totaled \$23.3 million.

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We received \$1.4 million in dividends from the FHLB during 2014. 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 2014 and 2013, we purchased federal funds as a short-term funding source. At December 31, 2014, we had purchased \$103.2 million in federal funds at an average rate of 0.29%, compared to \$72.0 million in federal funds at a rate of 0.28% at December 31, 2013.

As of December 31, 2014, we had securities under agreements to repurchase as a funding source. At both December 31, 2014 and 2013, 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 \$35.5 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, 2014, we had 841 full-time equivalent Associates (employees). Our Associates are not represented by a collective bargaining unit. We believe our relationship with our Associates is very good, as evidenced by being our named a Top Workplace by an independent survey of our Associates for the last nine 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, 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 Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank 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 an independent federal consumer protection bureau within the Federal Reserve. The following discussion summarizes significant aspects of the new law that may affect us. Certain significant 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 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.

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

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

Federal preemption of state laws applied to federal savings associations has been repealed. 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. State consumer financial laws are preempted whenever the state consumer financial law has a discriminatory intent or effect on a federal savings association compared to state-chartered institutions; the state consumer financial law prevents or significantly interferes with a federal savings association's federal powers; or the state consumer financial law 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 has been permanently increased to \$250,000.

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 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.

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

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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 will be 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. Many aspects of the Dodd-Frank Act continue to be subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us, our customers, or the financial industry in general.

RECENT LEGISLATION

Basel III

On July 2, 2013, the Board of Governors of the Federal Reserve System, FDIC and the OCC approved the final rules implementing the Basel Committee on Banking Supervision's (BCBS) capital guidelines for U.S. banks. Under the final rules, minimum requirements will increase for 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 rules also establish 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 revise 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. Management believes that our capital levels will remain characterized as well-capitalized under the new rules.

In October 2014 the BCBS published Basel III: The Net Stable Funding Ratio. The net stable funding ratio (NSFR) is a significant component of Basel III as it requires banks 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 bank'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 banks, but may also be applied to other banks. The U.S. banking regulators have not yet proposed a rule implementing the NSFR, and as such, it is not known whether the NSFR will apply to banks 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.

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Debit Card Interchange Fees

On June 29, 2011, the Federal Reserve issued a final rule (Regulation II Debit Card Interchange Fees and Routing) under the Durbin Amendment of the Dodd-Frank Act, establishing standards for debit card interchange fees, which limited the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction to the sum of 21 cents per transaction and five basis points multiplied by the value of the transaction. In addition, the Federal Reserve also approved a final rule on July 27, 2012 that allows 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. The provisions regarding debit card interchange fees became effective October 1, 2011, and the fraud prevention adjustment became effective October 1, 2012. On July 31, 2013, a U.S. District Court judge declared invalid provisions of the final rule, ruling that the Federal Reserve, when determining the amount of the fee cap, erred in using criteria outside the scope Congress intended to determine the fee cap, thereby causing the fee cap to be set higher than warranted. The court also ruled that the Durbin Amendment required merchants to be given a choice between multiple unaffiliated networks (signature and PIN networks) for each debit card transaction, as opposed to the Federal Reserve's rule allowing debit card networks and issuers to make only one network available for each type of debit transaction.

On March 21, 2014, a panel of the U.S. Court of Appeals for the District of Columbia (the Court) overturned the U.S. District Court's opinion, upholding the final rule as a reasonable interpretation of the statute. On January 20, 2015, the U.S. Supreme Court declined to hear the retailers appeal.

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.

The Volker Rule

On December 10, 2013, the OCC, the Federal Reserve, the FDIC and the SEC released their rule Prohibitions and Restrictions on Proprietary Trading and Certain Interests in and Relationships with Hedge Funds and Private Equity Funds also known as the Volker Rule. The Volcker Rule prohibits insured deposit institutions and companies affiliated with them from engaging in proprietary trading of certain securities, derivatives, commodity futures, and options. The Volcker Rule also prohibits, with certain exclusions banking entities from having an ownership interest in, sponsoring, or having certain other relationships with, hedge funds and private equity funds and numerous other types of covered funds. The compliance date for the proprietary trading and covered fund restrictions is July 21, 2015, and banking entities currently have until July 21, 2016 to divest certain legacy investments in covered funds.

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 United States Securities and Exchange Commission (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. 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

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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.

Safe and Sound Banking Practices

Savings and loan holding companies and their non-banking subsidiaries are prohibited from engaging in activities that represent unsafe and unsound banking practices or 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 \$1,000,000 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 has added additional guidance regarding the source of strength doctrine and has directed the regulatory agencies to promulgate regulations to increase the capital requirements for holding companies to a level that is not less than those applicable to depository institutions.

Dividends

The principal source of the holding company's cash is from dividends from the Bank. Our earnings and activities are affected by federal, state and local laws and regulations. For example, these include limitations on the ability of the Bank to pay dividends to the holding company and our ability to pay dividends to our stockholders. It is the policy of the Federal Reserve 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.

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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 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.

Regulation of WSFS Bank

General

As a federally chartered savings institution the Bank is subject to regulation 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

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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.

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 is 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 rule requires 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. At December 31, 2014, the Bank was in compliance with the minimum Tier 1 capital, total capital, tangible capital and leverage capital requirements then in effect.

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.

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.

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.

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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 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.

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Federal Reserve System

Pursuant to regulations of the Federal Reserve, a savings institution must maintain reserves against its transaction accounts. As of January 22, 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.

ITEM 1A. RISK FACTORS

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

Risks Related to WSFS

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

We are particularly exposed to downturns in the Delaware, mid-Atlantic and overall U.S. economy and housing markets. Beginning in 2007, declines in the housing market combined with a weak economy and elevated unemployment negatively impacted the credit performance of mortgage, construction and other loans and resulted in significant write-downs of assets by many financial institutions. In addition, the values of real estate collateral supporting many loans declined. While certain economic conditions in the United States have shown signs of improvement, 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 general economic trends, reduced availability of commercial credit and sustained high unemployment can negatively impact the credit performance of commercial and consumer credit, 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;

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, which 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, becomes less accurate and thus less reliable;;

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

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.

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 \$52.4 million at December 31, 2014. Our nonperforming assets adversely affect our net income in

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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 its overall supervision of operations and other income producing activities. Finally, if our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance for loan losses accordingly, which will have an adverse effect on our earnings.

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

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

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

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, 2014, we owned investment securities classified as available-for-sale with an aggregate historical cost of \$739.4 million and an estimated fair value of \$740.1 million. Future changes in interest rates may reduce the market value of these and other securities.

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

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

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

Our commercial loan portfolio, which includes commercial and industrial loans, commercial real estate loans and construction and land development loans, totaled \$2.7 billion at December 31, 2014, comprising 83% of net loans.

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Commercial and industrial loans generally carry larger loan balances and involve a greater degree of risk of nonpayment or late payment than home equity loans or residential mortgage loans. Any significant failure to pay or late payments by our customers would 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 size of loan balances, and the effects of general economic conditions on 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 real estate loans secured by owner-occupied properties are dependent upon the successful operation of the borrower's business. If the operating company suffers difficulties, 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.

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 our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable or incurred losses in our loan portfolio, resulting in additions to our allowance. While we believe that our allowance for loan losses was appropriate at December 31, 2014, 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.

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 aggressively 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

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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, 2014, 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) 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 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, not our noteholders or shareholders. 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.

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

In addition to changes resulting from the Dodd-Frank Act, in July 2013, the Board of Governors of the Federal Reserve System, 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 will increase for 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

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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 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 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 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 the 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.

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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, 2014, we had \$57.6 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 2014, a significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or other factors could result in impairment of goodwill or other intangible assets. If we were to conclude that a future write-down of the goodwill or intangible assets is necessary, then we would record the appropriate charge to earnings, which could be materially adverse to our results of operations and financial position.

Our Cash Connect division relies on multiple financial and operational controls to track and settle the cash it provides to its customers in the ATM industry. 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 Cash Connect is reliant upon its ability to accurately and efficiently distribute, track, and settle large amounts of cash to its customers' ATMs. This depends on the successful implementation and monitoring of a comprehensive series of financial and operational controls 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 transfer (EFT), funds from various ATM networks. It is possible for those associated with armored car companies, ATM networks and processors, ATM operators, or other parties to misappropriate funds belonging to Cash Connect. Cash Connect has experienced such occurrences in the past. 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 any insurance maintained by us, it could result in an adverse impact on our results of operations and financial condition.

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 would not materially and adversely affect our results of operations.

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

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

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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 portfolio 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 portfolio 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. 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.

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. If our ability to obtain funds from these sources becomes limited or the costs to us of those funds increases, whether due to factors that affect us specifically, including our financial performance or the imposition of regulatory restrictions on us, or due to factors that affect the capital markets or other events, including weakening economic conditions or negative views and expectations about the prospects for the financial services industry as a whole, then our ability to meet our obligations or grow our banking business would be adversely affected and our financial condition and results of operations could be harmed.

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

Our Trust and Wealth division is subject to a number of risks, including reputational risk.

Our Trust and Wealth division 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 Trust and Wealth division to attract new clients and maintain existing ones. Adverse developments with respect to the financial services industry may also, by association, negatively impact the division'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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System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

Failure in or breach 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. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us 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 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 though these mitigation activities may not prevent 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.

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.

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Our ability to receive dividends from our subsidiaries could 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 ability to receive dividends from our subsidiaries 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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The following table sets forth the location and certain additional information regarding our offices and other material properties as of December 31, 2014:

Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements ⁽¹⁾ (In Thousands)	Deposits
WSFS Bank Center Branch Main Office 500 Delaware Avenue Wilmington, DE 19801	Leased	2025	\$ 550	\$ 1,035,460
Union Street Branch 211 North Union Street Wilmington, DE 19805	Leased	2022	291	47,818
Fairfax Shopping Center 2005 Concord Pike Wilmington, DE 19803	Leased	2048	973	79,837
Prices Corner Shopping Center Branch 3202 Kirkwood Highway Wilmington, DE 19808	Leased	2023	306	85,556
Pike Creek Shopping Center Branch 4730 Limestone Road Wilmington, DE 19808	Leased	2015	118	113,068
University Plaza Shopping Center Branch 100 University Plaza Newark, DE 19702	Leased	2041	855	56,669
College Square Shopping Center Branch 115 College Square Drive Newark, DE 19711	Leased	2026	154	104,005
Airport Plaza Shopping Center Branch 144 N. DuPont Hwy. New Castle, DE 19720	Leased	2018	402	77,796
Glasgow Branch 2400 Peoples Plaza Routes 40 & 896 Newark, DE 19702	Leased	2022	3	49,454
Middletown Crossing Shopping Center 400 East Main Street Middletown, DE 19709	Leased	2027	340	68,025
Dover Branch Dover Mart Shopping Center 290 South DuPont Highway Dover, DE 19901	Leased	2060	327	53,511
West Dover Loan Office ⁽²⁾ Greentree Office Center 160 Greentree Drive Suite 103 & 105 Dover, DE 19904	Leased	2020	55	N/A
Glen Mills Branch 395 Wilmington-West Chester Pike Glen Mills, PA 19342	Leased	2040	1,181	24,754

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Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements ⁽¹⁾ (In Thousands)	Deposits
Brandywine Branch Inside Safeway Market 2522 Foulk Road Wilmington, DE 19810	Leased	2016	\$	\$ 32,607
Holly Oak Branch Inside Super Fresh 2105 Philadelphia Pike Claymont, DE 19703	Leased	2015		37,913
Hockessin Branch 7450 Lancaster Pike Wilmington, DE 19707	Leased	2030	376	92,233
Lewes LPO Southpointe Professional Center 1515 Savannah Road, Suite 103 Lewes, DE 19958	Leased	2018	16	93,560
Fox Run Shopping Center Branch 210 Fox Hunt Drive Route 40 & 72 Bear, DE 19701	Leased	2025	521	76,780
Camden Town Center Branch 4566 S. DuPont Highway Camden, DE 19934	Leased	2049	510	47,612
Rehoboth Branch Lighthouse Plaza 19335 Coastal Highway Rehoboth, DE 19771	Leased	2029	529	42,456
West Dover Branch 1486 Forest Avenue Dover, DE 19904	Owned		1,990	36,445
Longneck Branch 25926 Plaza Drive Millsboro, DE 19966	Leased	2026	805	36,644
Smyrna Branch Simon's Corner Shopping Center 400 Jimmy Drive Smyrna, DE 19977	Leased	2048	831	62,885
Oxford, LPO 59 South Third Street Suite 1 Oxford, PA 19363	Leased	2017	N/A	9,709
Greenville Branch 3908 Kennett Pike Greenville, DE 19807	Owned		1,711	567,856
WSFS Bank Center ⁽³⁾ 500 Delaware Avenue Wilmington, DE 19801	Leased	2025	2,122	N/A
Annandale, LPO 7010 Little River Tnpk. Suite 330 Annandale, VA 22003	Leased	2017	4	12,542

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Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements ⁽¹⁾ (In Thousands)	Deposits
Oceanview Branch 69 Atlantic Avenue Oceanview, DE 19970	Leased	2024	\$ 842	\$ 37,432
Selbyville Branch 38394 DuPont Boulevard Selbyville, DE 19975	Leased	2018	11	9,588
Lewes Branch 34383 Carpenters Way Lewes, DE 19958	Leased	2048	207	28,556
Millsboro Branch 26644 Center View Drive Millsboro, DE 19966	Leased	2029	849	13,336
Concord Square Branch 4401 Concord Pike Wilmington, DE 19803	Leased	2016	2	25,201
Delaware City Branch 145 Clinton Street Delaware City, DE 19706	Owned		5	13,527
West Newark Branch 201 Suburban Plaza Newark, DE 19711	Leased	2040	1,326	52,005
Lantana Shopping Center Branch 6274 Limestone Road Hockessin, DE 19707	Leased	2050	309	29,972
West Chester Branch 400 East Market Street West Chester, PA 19380	Leased	2047	68	26,141
Edgmont Branch 5000 West Chester Pike Newtown Square, PA 19073	Leased	2040	1,016	15,085
Branmar Branch 1712 Foulk Road Wilmington, DE 19810	Leased	2061	974	107,200
Trolley Square 9A Trolley Square Wilmington, DE 19806	Leased	2042	234	50,029
Milford 688 North DuPont Highway Milford, DE 19963	Leased	2015	8	7,687
Seaford 22820 Sussex Highway Sussex Commons Shopping Center Unit 19 Seaford, DE 19963	Leased	2036	43	5,375
Media 100 East State Street Media, PA 19063	Leased	2022	270	19,473

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Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements ⁽¹⁾ (In Thousands)	Deposits
Plymouth Meeting 450 Plymouth Road Suite 306 Plymouth Meeting, PA 19462	Leased	2016	\$ 10	\$ 8,172
Midway Shopping Center 4601 Kirkwood Highway Wilmington, DE 19808	Leased	2062	2,171	75,325
Kennett Square Branch 100 Old Forge Lane Kennett Square, PA 19348	Leased	2028	226	32,317
Cash Connect White Clay Mill 500 Creek View Road Suite 100 Newark, DE 19711	Leased	2021	35	N/A
Operations Center SILVERSIDE Carr Corporate Center 409 Silverside Road Wilmington, DE 19809	Leased	2027	263	N/A
Cypress Capital Management 1220 Market Street Suite 704 Wilmington, DE 19801	Leased	2015		N/A
Greenville Wealth Management Center 3801 Kennett Pike Suite C-200 Greenville, DE 19807	Leased	2032	2	N/A
Las Vegas Wealth Management Center ⁽⁴⁾ 101 Convention Center Drive Suite P109 Las Vegas, NV 89109	Leased	2015		N/A
Array Financial Group/Arrow Land Transfer Co. 510 West Lancaster Ave. Haverford, PA 19041	Leased	2017	64	N/A
FNBW Acquisition Canterbury Branch 105 Irish Hill Rd. Felton, DE 19943	Owned		360	19,851
Harrington Branch 7 Commerce St. Harrington, DE 19952	Owned		452	34,957
Camden Wyoming Branch 120 W. Camden-Wyoming Ave. Wyoming, DE 19934	Owned		780	92,811
Residential House ⁽⁵⁾ 115 Pine Street Camden-Wyoming, DE	Owned		89	N/A
Smyrna Branch ⁽⁵⁾ Deak Drive Smyrna, DE	Owned		289	N/A

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Location	Owned/ Leased	Date Lease Expires	Net Book Value of Property or Leasehold Improvements ⁽¹⁾ (In Thousands)	Deposits
Ops Center 108 East Water Street Dover, DE	Owned		\$ 799	\$ N/A
Commercial Lot East Side of Pine Street Camden-Wyoming, DE	Owned		145	N/A
			\$ 26,819	\$ 3,649,235

- (1) The net book value of all investments in premises and equipment total \$35.1 million at December 31, 2014.
(2) Location of Corporate Training Center.
(3) Location of Corporate Headquarters.
(4) Month to month while negotiating a lease extension.

Table of Contents**ITEM 3. LEGAL PROCEEDINGS**

As previously disclosed in 2011, we were served with a complaint, filed in U.S. Bankruptcy Court for the Eastern District of Pennsylvania, by a bankruptcy trustee relating to a former WSFS Bank customer. The complaint challenges the Bank's actions relating to the repayment of an outstanding loan and also seeks to avoid and recover the pre-bankruptcy repayment of that loan, approximately \$5.0 million. The matter has been captioned Goldstein v. Wilmington Savings Fund Society, FSB (In re: Universal Marketing, Inc.), Chapter 7, Case No. 09-15404 (ELF), Adv. Pro. No. 11-00512. We believe we acted appropriately and we are vigorously defending ourselves against the complaint.

Based upon available information we believe the estimate of the aggregate range of reasonably possible losses for this legal proceeding was from approximately \$0 to approximately \$5.0 million at December 31, 2014. Costs of litigation were covered by insurance; however, such costs have now exceeded the limits of insurance coverage for this case. Cross motions for summary judgment are currently pending before the court.

On November 25, 2014, we were served with a complaint from a vendor seeking damages of \$800,000 plus attorney's fees, due to an alleged breach of contract. The parties have agreed to mediate the dispute. We believe we acted appropriately and will vigorously defend ourselves against the complaint.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market for Registrant's Common Equity and Related Stockholder Matters**

Our common stock is traded on the NASDAQ Global Select Market under the symbol "WSFS". At December 31, 2014, we had 990 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, 2014 was \$76.89.

		Stock Price Range		Dividends
		Low	High	
2014	4th	\$ 70.14	\$ 79.97	\$ 0.15
	3rd	67.24	76.95	0.12
	2nd	63.74	74.20	0.12
	1st	67.32	78.32	0.12
				\$ 0.51
2013	4th	\$ 57.45	\$ 79.85	\$ 0.12
	3rd	52.35	63.66	0.12
	2nd	45.82	52.89	0.12
	1st	42.19	49.72	0.12
				\$ 0.48

Warrants and Share Repurchases:

Commencing in November, 2014, the Company's Board of Directors approved authorizations to purchase, in the aggregate, up to 469,800 shares of common stock.

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The following table provides information regarding our purchases of warrants and common stock during the fourth quarter of 2014.

	Total Number of Purchases	Average Price Per Share (\$)	Number of Shares Purchased under Program ⁽¹⁾	Open Authorizations Remaining (\$) ⁽¹⁾
November 1, 2014 - November 30, 2014	92,457	\$ 77.44	92,457	377,343
December 1, 2014 - December 31, 2014	23,964	76.18	23,964	353,379
Total	116,421	\$ 77.18	116,421	

- (1) Includes the purchase of 81,233 equivalent shares of WSFS stock through the purchase of 129,310 warrants outstanding for \$6,300,000, an average equivalent price per share of \$77.55. The Company may continue, discontinue or resume purchases of common stock under these or possible future authorizations in the open market, in privately negotiated transactions or otherwise at any time and from time to time without prior notice.

Table of Contents**COMPARATIVE STOCK PERFORMANCE GRAPH**

The graph and table which follow show the cumulative total return on our common stock over the last five years compared with the cumulative total return of the Dow Jones Total Market Index and the Nasdaq Bank Index over the same period as obtained from Bloomberg L.P. Cumulative total return on our common stock or the indices equals the total increase in value since December 31, 2009, 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, 2009 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, 2009 through December 31, 2014

	December 31, 2009 through December 31, 2014					
	Cumulative Total Return					
	2009	2010	2011	2012	2013	2014
WSFS Financial Corporation	\$ 100	\$ 186	\$ 143	\$ 171	\$ 315	\$ 315
Dow Jones Total Market Index	100	114	123	135	175	193
Nasdaq Bank Index	100	114	102	121	171	179

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

(In Thousands, Except Per Share Data)	2014	2013	2012	2011	2010
At December 31,					
Total assets	\$ 4,853,320	\$ 4,515,763	\$ 4,375,148	\$ 4,289,008	\$ 3,953,518
Net loans ⁽¹⁾⁽⁵⁾	3,185,159	2,936,467	2,736,674	2,712,774	2,575,890
Reverse mortgages	29,298	37,328	19,229	15,722	11,746
Investment securities ⁽²⁾	866,292	817,115	900,839	856,071	754,063
Other investments	23,412	36,201	31,796	35,765	37,790
Total deposits	3,649,235	3,186,942	3,274,963	3,135,304	2,810,774
Borrowings ⁽³⁾	545,764	759,830	515,255	656,609	680,595
Trust preferred borrowings	67,011	67,011	67,011	67,011	67,011
Senior Debt	55,000	55,000	55,000		
Stockholders' equity	489,051	383,050	421,054	392,133	367,822
Number of full-service branches	43	39	41	40	36
For the Year Ended December 31,					
Interest income	\$ 160,337	\$ 146,922	\$ 150,287	\$ 158,642	\$ 162,403
Interest expense	15,830	15,334	23,288	32,605	41,732
Net interest income	144,507	131,588	126,999	126,037	120,671
Noninterest income	78,278	80,151	86,693	63,588	50,115
Noninterest expenses	147,819	132,929	133,345	127,476	109,332
Provision for loan losses	3,580	7,172	32,053	27,996	41,883
Provision for income taxes	17,629	24,756	16,984	11,475	5,454
Net Income	53,757	46,882	31,311	22,677	14,117
Dividends on preferred stock and accretion of discount		1,633	2,770	2,770	2,770
Net income allocable to common stockholders	53,757	45,249	28,541	19,907	11,347
Earnings per share allocable to common stockholders:					
Basic	5.92	5.13	3.28	2.31	1.48
Diluted	5.78	5.06	3.25	2.28	1.46
Interest rate spread	3.62%	3.51%	3.39%	3.49%	3.47%
Net interest margin	3.68	3.56	3.46	3.60	3.62
Efficiency ratio	65.76	62.42	62.19	66.85	63.61
Noninterest income as a percentage of total revenue ⁽⁴⁾	34.82	37.64	40.43	33.34	29.16
Return on average assets	1.17	1.07	0.73	0.56	0.37
Return on average equity	12.21	11.60	7.66	5.96	4.21
Return on tangible common equity	13.80	13.60	9.15	7.03	4.35
Average equity to average assets	10.33	8.62	9.58	9.34	8.84
Tangible equity to assets	9.00	7.69	8.93	8.41	8.52
Tangible common equity to assets	9.00	7.69	7.72	7.18	7.18
Ratio of nonperforming assets to total assets	1.08	1.06	1.43	2.14	2.35
Ratio of allowance for loan losses to total gross loans	1.23	1.40	1.58	1.92	2.3
Ratio of allowance for loan losses to nonaccruing loans	164	133	92	75	79
Ratio of charge-offs to average gross loans	0.18	0.33	1.49	1.32	1.39

(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

The Company is a thrift holding company headquartered in Wilmington, Delaware. Substantially all of its assets are held by the Company's subsidiary, WSFS Bank, the seventh oldest bank continuously operating under the same name in the United States. At nearly \$5 billion in assets and \$9.9 billion in fiduciary assets, WSFS Bank is also the largest bank and trust company headquartered in 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, WSFS has been in operation for more than 183 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, community 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 \$2.6 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 55 offices located in Delaware (45), Pennsylvania (8), 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 Array Financial Group, Inc., and Arrow Land Transfer Company.

Array Financial Group, Inc. (Array) and Arrow Land Transfer Company (Arrow) are business units that were acquired through an asset purchase, Array is a mortgage banking company specializing in a variety of residential mortgage and refinancing solutions, and a related entity, Arrow, is an abstract and title company.

On September 5, 2014 we completed the acquisition of First Wyoming Financial Corporation, the parent company of The First National Bank of Wyoming (FNBW). We expect this acquisition to build our market share, expand our customer base and enhance our fee income. The results of FNBW operations are included in our Consolidated Financial Statements since the date of the acquisition.

Our Cash Connect division manages over \$486 million in vault cash in over 15,000 ATMs nationwide and provides related services such as, online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing and equipment sales. Cash Connect also operates over 465 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 14-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 division 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 over \$660 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 current income. Christiana Trust, with \$8.8 billion in assets under administration, provides fiduciary and investment services to personal trust clients, and trustee, agency, 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 Cypress, Christiana Trust and WSFS Investment Group to deliver investment management and fiduciary products and services.

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

RESULTS OF OPERATIONS

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 \$5.78 per diluted common share for the year ended December 31, 2014, compared to income allocable to common shareholders of \$45.2 million, or \$5.06 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 which were previously consolidated on WSFS' balance sheet. 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 continued to see significant growth over the prior year. Partially offsetting these favorable 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 the year. Contributing to the year-over-year increase were growth in operating costs from two recent 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.

We recorded net income of \$46.9 million for the year ended December 31, 2013, a \$15.6 million, or 50%, increase compared to \$31.3 million for the year ended December 31, 2012, and a \$24.2 million increase from \$22.7 million for the year ended December 31, 2011. Income allocable to common stockholders (after preferred stock dividends) was \$45.2 million, or \$5.06 per diluted common share for the year ended December 31, 2013, compared to income allocable to common shareholders of \$28.5 million, or \$3.25 per diluted common share (a 55% increase in diluted EPS), and income of \$19.9 million, or \$2.28 per common share, for the years ended December 31, 2012 and 2011, respectively. Earnings for 2013 were impacted by a lower provision for loan losses which decreased \$24.9 million to \$7.2 million partially offset by securities gains which decreased by \$17.9 million to \$3.5 million. Net interest income increased during the year due to continued franchise loan growth and prudent balance sheet management. Additionally, we continue to have significant increases in wealth management income, credit/debit card and ATM income and mortgage banking activities. Noninterest expense decreased \$416,000 when compared to December 31, 2012 due to management's continued careful monitoring of operating expenses despite the growth in core revenue and corporate development costs. Salaries and benefits increased due to additional performance-driven incentive compensation costs, while loan workout and Other Real Estate Owned expenses continued to decrease due to our improved performance and the continued improvement in nonperforming assets and FDIC expenses from prior year levels.

Net Interest Income

Net interest income increased \$12.9 million, or 10%, to \$144.5 million in 2014, while net interest margin increased 12 basis points to 3.78% in 2014 compared to 3.56% in 2013. The increase in net interest income was due to lending growth during 2014, including the acquisition of FNBW, and improvement in our balance sheet mix, as well as additional income from reverse mortgage related assets.

Net interest income increased \$4.6 million, or 4%, to \$131.6 million in 2013 from \$127.0 million in 2012, while net interest margin increased 10 basis points to 3.56% in 2013 compared to 3.46% in 2012. The increase in net interest income was due to lending growth during 2013 and improvement in our balance sheet mix, combined with effective management of funding costs, such as the continued intentional reduction in higher-cost CDs and the prepayment of higher rate FHLB borrowings in late 2012. In addition, net interest income and net interest margin were favorably impacted by the consolidation of SASCO, a reverse mortgage securitization trust, in late 2013. Partially offsetting these increases in net interest income and net interest margin were the year-over-year reduced rates in our mortgage-backed securities (MBS) portfolio.

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

Year Ended December 31, (In Thousands)	2014 vs. 2013			2013 vs. 2012		
	Volume	Yield/Rate	Net	Volume	Yield/Rate	Net
Interest Income:						
Commercial real estate loans	\$ 3,945	\$ (1,669)	\$ 2,276	\$ 3,489	\$ (1,756)	\$ 1,733
Residential real estate loans	(589)	(475)	(1,064)	(944)	(1,034)	(1,978)
Commercial loans ⁽¹⁾	5,925	(315)	5,610	3,608	(4,450)	(842)
Consumer loans	1,323	(650)	673	106	(323)	(217)
Loans held for sale	100	315	415	72	(156)	(84)
Mortgage-backed securities	(296)	973	677	(2,207)	(3,082)	(5,289)
Investment securities ⁽²⁾	759	834	1,593	463	731	1,194
Reverse mortgages	947	1,315	2,262	67	1,720	1,787
FHLB Stock and deposits in other banks	149	824	973	4	327	331
Favorable (unfavorable)	12,263	1,152	13,415	4,658	(8,023)	(3,365)
Interest expense:						
Deposits:						
Interest-bearing demand	71	11	82	113	170	283
Money market	22	337	359	34	(670)	(636)
Savings	5	8	13	3	(217)	(214)
Customer time deposits	(568)	(85)	(653)	(2,343)	(2,476)	(4,819)
Brokered certificates of deposits	156	13	169	(340)	(195)	(535)
FHLB advances	89	464	553	1,183	(5,561)	(4,378)
Trust Preferred borrowings		(21)	(21)		(138)	(138)
Reverse mortgage bonds payable	(21)	21		60		60
Senior debt		(5)	(5)	2,462	13	