

WSFS FINANCIAL CORP  
Form 10-Q  
May 10, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from            to

Commission File Number 0-16668

**WSFS FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

<b>Delaware</b> (State or other jurisdiction of Incorporation or organization)	<b>22-2866913</b> (I.R.S. Employer Identification Number)
<b>500 Delaware Avenue, Wilmington, Delaware</b> (Address of principal executive offices)	<b>19801</b> (Zip Code)

(302) 792-6000

Registrant's telephone number, including area code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically 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 such shorter period that the registrant was required to submit and post such files). Yes  No

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 the 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  (Do not check if smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 4, 2012:

<b>Common Stock, par value \$.01 per share</b> (Title of Class)	<b>8,705,389</b> (Shares Outstanding)
--	--

**Table of Contents**

**WSFS FINANCIAL CORPORATION**

**FORM 10-Q**

**INDEX**

	Page
<b>PART I. Financial Information</b>	
Item 1.	
<u>Financial Statements (Unaudited)</u>	
<u>Consolidated Statements of Operations for the Three Months Ended March 31, 2012 and 2011</u>	3
<u>Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2012 and 2011</u>	4
<u>Consolidated Statements of Condition as of March 31, 2012 and December 31, 2011</u>	5
<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011</u>	6
<u>Notes to the Consolidated Financial Statements for the Three Months Ended March 31, 2012 and 2011</u>	7
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
Item 4.	
<u>Controls and Procedures</u>	44
<b><u>PART II. Other Information</u></b>	
Item 1.	
<u>Legal Proceedings</u>	44
Item 1A.	
<u>Risk Factors</u>	44
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 3.	
<u>Defaults upon Senior Securities</u>	45
Item 4.	
<u>Mine Safety Disclosures</u>	45
Item 5.	
<u>Other Information</u>	45
Item 6.	
<u>Exhibits</u>	45
<u>Signatures</u>	46
Exhibit 31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	Instance Document
Exhibit 101.SCH	Schema Document
Exhibit 101.CAL	Calculation Linkbase Document
Exhibit 101.LAB	Labels Linkbase Document
Exhibit 101.PRE	Presentation Linkbase Document

**Table of Contents**

**WSFS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended March 31, 2012	2011 (Unaudited)
	(In Thousands, Except Per Share Data)	
<b>Interest income:</b>		
Interest and fees on loans	\$ 33,395	\$ 31,956
Interest on mortgage-backed securities	5,718	7,026
Interest and dividends on investment securities	101	170
Other interest income	9	
	<b>39,223</b>	39,152
<b>Interest expense:</b>		
Interest on deposits	4,015	5,223
Interest on Federal Home Loan Bank advances	1,937	2,727
Interest on trust preferred borrowings	375	336
Interest on other borrowings	366	612
	<b>6,693</b>	8,898
Net interest income	<b>32,530</b>	30,254
Provision for loan losses	<b>8,245</b>	5,908
Net interest income after provision for loan losses	<b>24,285</b>	24,346
<b>Noninterest income:</b>		
Credit/debit card and ATM income	5,422	4,740
Deposit service charges	4,014	3,564
Fiduciary & investment management income	3,031	2,827
Security gains, net	2,036	415
Loan fee income	610	685
Mortgage banking activities, net	516	547
Bank owned life insurance income	185	179
Other income	944	682
	<b>16,758</b>	13,639
<b>Noninterest expenses:</b>		
Salaries, benefits and other compensation	16,235	14,816
Occupancy expense	3,048	2,838
Equipment expense	1,667	1,614
FDIC expenses	1,437	1,764
Data processing and operations expenses	1,322	1,417
Professional fees	1,164	1,123
Loan workout and OREO expenses	836	2,483
Marketing expense	779	951
Acquisition integration costs		334
Other operating expense	4,501	4,047

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

	<b>30,989</b>	31,387
Income before taxes	<b>10,054</b>	6,598
Income tax provision	<b>3,610</b>	2,392
<b>Net income</b>	<b>6,444</b>	4,206
Dividends on preferred stock and accretion of discount	<b>692</b>	692
<b>Net income allocable to common stockholders</b>	<b>\$ 5,752</b>	<b>\$ 3,514</b>
<b>Earnings per share:</b>		
Basic	<b>\$ 0.66</b>	\$ 0.41
Diluted	<b>\$ 0.66</b>	\$ 0.40

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

Table of Contents

## WSFS FINANCIAL CORPORATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31, 2012      2011 (Unaudited) (In Thousands)	
Net Income	\$ 6,444	\$ 4,206
Other comprehensive income (loss):		
Unrealized gains on securities available for sale	540	142
Tax expense	(224)	(54)
Net of tax amount	316	88
Reclassification adjustment for gains included in net income	(2,036)	(415)
Tax expense	774	157
Net of tax amount	(1,262)	(258)
Total other comprehensive loss	(946)	(170)
Total comprehensive income	\$ 5,498	\$ 4,036

**Table of Contents**

**WSFS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CONDITION**

	Mar 31, 2012	Dec 31, 2011
	(Unaudited)	
	(In Thousands, Except Per Share Data)	
<b>Assets</b>		
Cash and due from banks	\$ 67,517	\$ 70,889
Cash in non-owned ATMs	391,939	397,119
Interest-bearing deposits in other banks	239	9
<b>Total cash and cash equivalents</b>	<b>459,695</b>	468,017
Investment securities, available-for-sale	890,865	859,362
Investment securities, trading	12,465	12,432
Loans held-for-sale	8,173	10,185
Loans, net of allowance for loan losses of \$55,798 at March 31, 2012 and \$53,080 at December 31, 2011	2,723,863	2,702,589
Bank owned life insurance	63,577	63,392
Stock in Federal Home Loan Bank of Pittsburgh, at cost	33,968	35,756
Assets acquired through foreclosure	6,708	11,695
Premises and equipment	36,637	35,964
Goodwill	28,146	28,146
Intangible assets	5,932	6,139
Accrued Interest receivable	11,582	11,743
Other assets	45,543	43,588
<b>Total assets</b>	<b>\$ 4,327,154</b>	<b>\$ 4,289,008</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities:</b>		
Deposits:		
Noninterest-bearing demand	\$ 542,176	\$ 525,444
Interest-bearing demand	416,550	389,495
Money market	775,729	805,570
Savings	400,310	368,390
Time	395,768	412,027
Jumbo certificates of deposit customer	361,871	346,568
<b>Total customer deposits</b>	<b>2,892,404</b>	2,847,494
Brokered deposits	297,104	287,810
<b>Total deposits</b>	<b>3,189,508</b>	3,135,304
Federal funds purchased and securities sold under agreements to repurchase	75,000	50,000
Federal Home Loan Bank advances	527,973	538,682
Trust preferred borrowings	67,011	67,011
Other borrowed funds	33,113	67,927
Accrued interest payable	3,817	1,910
Other liabilities	34,194	36,041
<b>Total liabilities</b>	<b>3,930,616</b>	3,896,875

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

**Stockholders Equity:**

Serial preferred stock \$.01 par value, 7,500,000 shares authorized; issued 52,625 at March 31, 2012 and December 31, 2011	1	1
Common stock \$.01 par value, 20,000,000 shares authorized; issued 18,285,720 at March 31, 2012 and 18,258,714 at December 31, 2011	183	182
Capital in excess of par value	220,800	220,163
Accumulated other comprehensive income	10,256	11,202
Retained earnings	413,578	408,865
Treasury stock at cost, 9,580,569 shares at March 31, 2012 and December 31, 2011	(248,280)	(248,280)
<b>Total stockholders equity</b>	<b>396,538</b>	<b>392,133</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 4,327,154</b>	<b>\$ 4,289,008</b>

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



**Table of Contents**

**WSFS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended March 31,	
	2012	2011
	(Unaudited)	
	(In Thousands)	
<b>Operating activities:</b>		
Net Income	\$ 6,444	\$ 4,206
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	8,245	5,908
Depreciation, accretion and amortization	3,988	2,349
Decrease in accrued interest receivable	161	284
(Increase) decrease in other assets	(1,401)	2,201
Origination of loans held-for-sale	(30,406)	(27,761)
Proceeds from sales of loans held-for-sale	33,205	40,817
Gain on mortgage banking activities, net	(516)	(547)
Security gains, net	(2,036)	(415)
Stock-based compensation expense	608	306
Excess tax benefits from share-based payment arrangements	(7)	(55)
Increase in accrued interest payable	1,907	1,979
Decrease in other liabilities	(1,827)	(2,513)
Loss on sale of assets acquired through foreclosure and valuation adjustments, net	595	2,100
Increase in value of bank-owned life insurance	(185)	(179)
(Increase) decrease in capitalized interest, net	(165)	44
<b>Net cash provided by operating activities</b>	<b>\$ 18,610</b>	<b>\$ 28,724</b>
<b>Investing activities:</b>		
Maturities of investment securities	4,524	7,557
Sale of investment securities available for sale	84,808	46,116
Purchase of investment securities available-for-sale	(162,404)	(72,789)
Repayments of investment securities available-for-sale	40,376	49,817
Disbursements for reverse mortgages	(17)	(43)
Net increase in loans	(33,311)	(38,481)
Net decrease in stock of Federal Home Loan Bank of Pittsburgh	1,788	1,877
Sales of assets acquired through foreclosure, net	7,310	2,253
Investment in premises and equipment, net	(1,933)	(1,884)
<b>Net cash used for investing activities</b>	<b>\$ (58,859)</b>	<b>\$ (5,577)</b>
<b>Financing activities:</b>		
Net increase in demand and saving deposits	41,052	76,688
Net decrease in time deposits	(956)	(5,567)
Net increase (decrease) in brokered deposits	9,244	(84,764)
Receipts from FHLB advances	4,349,754	4,500,000
Repayments of FHLB advances	(4,360,463)	(4,500,000)
Receipts from federal funds purchased and securities sold under agreement to repurchase	3,765,000	5,577,871
Repayments of federal funds purchased and securities sold under agreement to repurchase	(3,740,000)	(5,568,665)
Repayment of unsecured debt	(30,000)	

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Dividends paid	(1,700)	(1,686)
Issuance of common stock and exercise of common stock options	(11)	435
Excess tax benefits from share-based payment arrangements	7	55

<b>Net cash provided by (used for) financing activities</b>	<b>\$ 31,927</b>	<b>\$ (5,633)</b>
---	------------------	-------------------

(Decrease) increase cash and cash equivalents	(8,322)	17,514
Cash and cash equivalents at beginning of period	468,017	376,759

Cash and cash equivalents at end of period	<b>\$ 459,695</b>	<b>\$ 394,273</b>
--	-------------------	-------------------

**Supplemental Disclosure of Cash Flow Information:**

Cash paid for interest during the period	\$ 4,786	\$ 6,920
Cash paid for income taxes, net	4,221	214
Loans transferred to assets acquired through foreclosure	2,918	3,641
Net change in other comprehensive income	(946)	(170)

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

**Table of Contents**

**WSFS FINANCIAL CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2012**

**(UNAUDITED)**

**1. BASIS OF PRESENTATION**

Our Consolidated Financial Statements include the accounts of WSFS Financial Corporation ( the Company , our Company , we , our or us ), Wilmington Savings Fund Society, FSB ( WSFS Bank or the Bank ) and Montchanin Capital Management, Inc. ( Montchanin ). We also have one unconsolidated affiliate, WSFS Capital Trust III ( the Trust ). WSFS Bank has two wholly owned subsidiaries, WSFS Investment Group, Inc. ( WIG ) and Monarch Entity Services LLC ( Monarch ) and Montchanin has one wholly owned subsidiary, Cypress Capital Management, LLC ( Cypress ).

Founded in 1832, we are the seventh oldest bank and trust company in the United States continuously operating under the same name. We provide residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services. In addition, we offer a variety of wealth management and trust services to personal and corporate customers through our Trust and Wealth Management division. Lending activities are funded primarily with customer deposits and borrowings. The Federal Deposit Insurance Corporation ( FDIC ) insures our customers' deposits to their legal maximums. We serve our customers primarily from our 49 offices located in Delaware (39), Pennsylvania (8), Virginia (1) and Nevada (1) and through our website at [www.wsfsbank.com](http://www.wsfsbank.com).

Amounts subject to significant estimates are items such as the allowance for loan losses and reserves for lending related commitments, goodwill, intangible assets, post-retirement benefit obligations, the fair value of financial instruments and other-than-temporary impairments. Among other effects, changes to such estimates could result in future reserves for impairments of investment securities, goodwill and intangible assets and increases of allowances for loan losses and lending related commitments as well as increased post-retirement benefits expense.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles and prevailing practices within the banking industry for interim financial information and Rule 10-01 of the Securities and Exchange Commission ( SEC ) Regulation S-X. Rule 10-01 of Regulation S-X does not require us to include all information and notes for complete financial statements and prevailing practices within the banking industry. Operating results for the three month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for any future quarters or for the year ending December 31, 2012. For further information, refer to the consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC.

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

**Table of Contents****Accounting for Stock-Based Compensation**

Stock-based compensation is accounted for in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 718, *Stock Compensation*. After shareholder approval in 2005, the 1997 Stock Option Plan ( 1997 Plan ) was replaced by the 2005 Incentive Plan ( 2005 Plan ). No future awards may be granted under the 1997 Plan. The 2005 Plan will terminate on the tenth anniversary of its effective date, after which no awards may be granted. We have stock options outstanding under both plans (collectively, Stock Incentive Plans ). The number of shares reserved for issuance under the 2005 Plan is 1,197,000. At March 31, 2012, there were 194,579 shares available for future grants under the 2005 Plan.

The Stock Incentive Plans provide for the granting of incentive stock options as defined in Section 422 of the Internal Revenue Code as well as non-incentive stock options (collectively, Stock Options ). Additionally, the 2005 Plan provides for the granting of stock appreciation rights, performance awards, restricted stock and restricted stock unit awards, deferred stock units, dividend equivalents, other stock-based awards and cash awards. All Stock Options are to be granted at not less than the market price of our Company's common stock on the date of the grant. All Stock Options granted during 2012 and 2011 vest in 25% per annum increments, start to become exercisable one year from the grant date and expire five years from the grant date. Generally, all awards become immediately exercisable in the event of a change in control, as defined within the Stock Incentive Plans. In addition, the Black-Scholes option-pricing model is used to determine the grant date fair value of stock options.

**Stock Options**

The following table provides information about our stock options outstanding for the three months ended March 31, 2012 and 2011:

	March 31, 2012		March 31, 2011	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
<b>Stock Options:</b>				
Outstanding at beginning of period	416,886	\$ 43.52	566,323	\$ 42.84
Granted (1)	32,830	40.89	50,723	44.91
Exercised	(1,815)	24.94	(7,161)	22.34
Forfeited			(14,348)	46.13
Outstanding at end of period	447,901	43.41	595,537	43.18
Exercisable at end of period	337,764	\$ 45.00	454,294	\$ 44.28
Weighted-average fair value of awards granted	\$ 12.38		\$ 14.29	

- (1) Options granted in the first quarter of 2012 are less than the first quarter of 2011 due to additional 2012 awards being granted in the second quarter of 2012.

The following table provides vesting information about our stock options outstanding for the three months ended March 31, 2012 and 2011:

	March 31, 2012		March 31, 2011	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
<b>Stock Options:</b>				
Unvested at beginning of period	112,258	\$ 36.08	123,486	\$ 45.04
Granted	32,830	40.89	50,723	44.91
Vested	(34,951)	32.89	(24,977)	26.96

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Forfeited			(7,989)	39.70
Unvested at end of period	<b>110,137</b>	<b>\$ 38.53</b>	141,243	\$ 39.66

**Table of Contents**

The total amount of compensation cost to be recognized relating to non-vested stock options as of March 31, 2012 was \$781,000. The weighted-average period over which it is expected to be recognized is 2.5 years. We issue new shares upon the exercise of options.

**Restricted Stock**

We issued 24,442 restricted stock units and awards during the first quarter of 2012 compared to 39,383 during the first quarter of 2011. These awards vest over a four year period. These stock awards were made to certain executive officers. The total amount of compensation cost to be recognized relating to non-vested restricted stock as of March 31, 2012, was \$1.8 million. The weighted-average period over which it is expected to be recognized is 2.2 years.

**Performance Stock Awards**

The Board approved a plan in which Marvin N. Schoenhals, Chairman of the Board, was granted 22,250 shares of restricted stock effective January 3, 2011, with a five-year performance vesting schedule starting at the end of the second year. These shares are subject to vesting in whole or in part based on whether Mr. Schoenhals plays a meaningful role in establishing new business relationships that, over a two year period of time achieve at least a 50% return on the investment of restricted stock cost.

For the three months ended March 31, 2012, the effect of stock-based compensation, including stock options, restricted stock, and performance stock, on salaries, benefits and other compensation was \$711,000 pre-tax (\$545,000 after tax) or \$0.06 per share. This compares to \$525,000 pre-tax (\$437,000 after tax) or \$0.05 per share during the three months ended March 31, 2011. The increase was mainly due to additional expense related to the performance stock awards.

**2. EARNINGS PER SHARE**

The following table shows the computation of basic and diluted earnings per share:

	For the three months ended March 31,	
	2012	2011
	(In Thousands, Except Per Share Data)	
<b><u>Numerator:</u></b>		
Net income allocable to common stockholders	\$ 5,752	\$ 3,514
<b><u>Denominator:</u></b>		
Denominator for basic earnings per share weighted average shares	8,687	8,576
Effect of dilutive employee stock options and warrants	73	154
Denominator for diluted earnings per share adjusted weighted average shares and assumed exercise	8,760	8,730
<b>Earnings per share:</b>		
Basic:		
Net income allocable to common shareholders	\$ 0.66	\$ 0.41
Diluted:		
Net income allocable to common shareholders	\$ 0.66	\$ 0.40
Outstanding common stock equivalents having no dilutive effect	480	304



**Table of Contents****3. INVESTMENT SECURITIES**

The following tables detail the amortized cost and the estimated fair value of the Company's investment securities held-to-maturity and securities available-for-sale (which include reverse mortgages):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
<b>Available-for-sale securities:</b>				
<b>March 31, 2012:</b>				
Reverse mortgages	\$ (630)	\$	\$	\$ (630)
U.S. Government and government sponsored enterprises ( GSE )	44,791	249	(29)	45,011
State and political subdivisions	3,635	39	(1)	3,673
Collateralized Mortgage Obligation ( CMO ) (1)	312,212	6,142	(2,261)	316,093
Federal National Mortgage Association ( FNMA )	363,949	8,905	(361)	372,493
Federal Home Loan Mortgage Corporation ( FHLMC )	92,485	1,711	(80)	94,116
Government National Mortgage Association ( GNMA )	57,141	3,047	(79)	60,109
	<b>\$ 873,583</b>	<b>\$ 20,093</b>	<b>\$ (2,811)</b>	<b>\$ 890,865</b>
<b>December 31, 2011:</b>				
Reverse mortgages	\$ (646)	\$	\$	\$ (646)
GSE	38,776	262	(13)	39,025
State and political subdivisions	4,159	39	(8)	4,190
CMO (1)	323,980	6,933	(2,527)	328,386
FNMA	320,019	9,379	(44)	329,354
FHLMC	93,305	1,781		95,086
GNMA	60,991	3,033	(57)	63,967
	<b>\$ 840,584</b>	<b>\$ 21,427</b>	<b>\$ (2,649)</b>	<b>\$ 859,362</b>
<b>Trading securities</b>				
<b>March 31, 2012:</b>				
CMO	\$ 12,465	\$	\$	\$ 12,465
<b>December 31, 2011:</b>				
CMO	\$ 12,432	\$	\$	\$ 12,432

(1) Includes agency CMO and SASCO 2002 RM-1 Class O securities classified as available-for-sale



**Table of Contents**

The scheduled maturities of investment securities available-for-sale at March 31, 2012 and December 31, 2011 were as follows:

	Available-for-Sale	
	Amortized Cost	Fair Value
	(In Thousands)	
<b>March 31, 2012</b>		
<b>Within one year (1)</b>	<b>\$ 3,765</b>	<b>\$ 3,795</b>
<b>After one year but within five years</b>	<b>42,274</b>	<b>42,503</b>
<b>After five years but within ten years</b>	<b>157,852</b>	<b>162,992</b>
<b>After ten years</b>	<b>669,692</b>	<b>681,575</b>
	<b>\$ 873,583</b>	<b>\$ 890,865</b>
<b>December 31, 2011</b>		
Within one year (1)	\$ 7,916	\$ 7,966
After one year but within five years	32,225	32,465
After five years but within ten years	129,597	135,649
After ten years	670,846	683,282
	\$ 840,584	\$ 859,362

(1) Reverse mortgages do not have contractual maturities. We have included reverse mortgages in maturities within one year. The portfolio of available-for-sale mortgage-backed securities includes 236 securities with an amortized cost of \$825.8 million comprised of \$513.6 million of GSE and \$312.2 million of non-GSE securities. All securities were AAA-rated at the time of purchase; only one security with an amortized cost of \$10.0 million was rated below AAA at March 31, 2012. All securities were re-evaluated for OTTI at March 31, 2012. The result of this evaluation showed no other-than-temporary impairment for the first quarter of 2012. The weighted average duration of the mortgage-backed securities was 3.3 years at March 31, 2012.

At March 31, 2012, investment securities with market values aggregating \$397.3 million were pledged as collateral for retail customer repurchase agreements, municipal deposits, and other obligations. From time to time, investment securities are also pledged as collateral for FHLB borrowings. There were no FHLB pledged investment securities at March 31, 2012.

During the first three months of 2012, we sold \$84.8 million of investment securities categorized as available-for-sale for net gains of \$2.0 million. In the first quarter of 2011, proceeds from the sale of investment securities available-for-sale were \$46.1 million and resulted in net gains of \$415,000. These sales were the result of ongoing portfolio management aimed at minimizing credit risk and decreasing prepayment/premium risk due to faster prepayments caused by declining mortgage interest rates in this historically-low rate environment. The cost basis of all mortgage-backed securities sales are based on the specific identification method.

MBS have expected maturities that differ from their contractual maturities. These differences arise because borrowers may have the right to call or prepay obligations with or without a prepayment penalty.

At March 31, 2012, we owned investment securities totaling \$205.4 million in which the amortized cost basis exceeded fair value. Total unrealized losses on those securities were \$2.8 million at March 31, 2012. The temporary impairment is the result of changes in market interest rates subsequent to the purchase of the securities. Securities with a fair value of \$24.8 million have been impaired for 12 months or longer. We have determined that these securities are not other than temporarily impaired. Our investment portfolio is reviewed each quarter for indications of impairment. This review includes analyzing the length of time and the extent to which the fair value has been lower than the cost, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in the market. We evaluate our intent and ability to hold debt securities based upon our investment strategy for the particular type of security and our cash flow needs, liquidity position, capital adequacy and interest rate risk position. In addition, we do not have the intent to sell, nor is it more likely-than-not we will be required to sell these securities before we are able to recover the amortized cost basis.



**Table of Contents**

The table below shows our investment securities' gross unrealized losses and fair value by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2012.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(In Thousands)						
<b>Available-for-sale</b>						
U.S Government and GSE	\$ 12,051	\$ 29	\$	\$	\$ 12,051	\$ 29
State and political subdivisions			135	1	135	1
CMO	92,728	1,468	24,665	793	117,393	2,261
FNMA	59,304	361			59,304	361
FHLMC	11,206	80			11,206	80
GNMA	5,316	79			5,316	79
<b>Total temporarily impaired investments</b>	<b>\$ 180,605</b>	<b>\$ 2,017</b>	<b>\$ 24,800</b>	<b>\$ 794</b>	<b>\$ 205,405</b>	<b>\$ 2,811</b>

The table below shows our investment securities' gross unrealized losses and fair value by investment category and length of time that individual securities were in a continuous unrealized loss position at December 31, 2011.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(In Thousands)						
<b>Available-for-sale</b>						
U.S Government and GSE	\$ 5,047	\$ 13	\$	\$	\$ 5,047	\$ 13
State and political subdivisions			440	8	440	8
CMO	78,955	2,194	9,933	333	88,888	2,527
FNMA	6,959	44			6,959	44
FHLMC						
GNMA	5,420	57			5,420	57
<b>Total temporarily impaired investments</b>	<b>\$ 96,381</b>	<b>\$ 2,308</b>	<b>\$ 10,373</b>	<b>\$ 341</b>	<b>\$ 106,754</b>	<b>\$ 2,649</b>

We own \$12.5 million par value of SASCO RM-1 2002 class B securities which are classified as trading, of which, \$1.4 million is interest paid in kind. We expect to recover all principal and interest due to seasoning and excess collateral. Based on FASB ASC 320, *Investments - Debt and Equity Securities* (ASC 320) (formerly SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*) when these securities were acquired they were classified as trading because it was our intent to sell them in the near term. We use the guidance under ASC 320 to provide a reasonable estimate of fair value. We estimated the value of these securities based on the pricing of BBB+ securities that have an active market through a technique which estimates the fair value of this asset using the income approach as of March 31, 2012.

During 2011, we purchased 100% of SASCO 2002-RM1 Class O certificates for \$2.5 million. The transaction closed on July 15, 2011. As of March 31, 2012, the market value of the SASCO 2002-RM1 O securities was determined in accordance with FASB ASC 820-10 (ASC 820), to be \$3.5 million. These securities have been included in CMO since their purchase.

**4. ALLOWANCE FOR LOAN LOSSES AND CREDIT QUALITY INFORMATION****Allowance for Loan Losses**

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



## **Table of Contents**

We established our loan loss allowance in accordance with guidance provided in the Securities and Exchange Commission's Staff Accounting Bulletin 102 (SAB 102). Its methodology for assessing the appropriateness of the allowance consists of several key elements which include: specific allowances for identified problem loans; formula allowances for commercial and commercial real estate loans; and allowances for pooled homogeneous loans.

Specific reserves are established for certain impaired loans in cases where we have identified significant conditions or circumstances related to a specific credit that indicate the probability that a loss has been incurred.

The formula allowances for commercial, commercial real estate and construction loans are calculated by applying estimates of default and loss severity to outstanding loans based on the risk grade of loans. Default rates are determined through a past twelve quarter migration analysis. Loss severity is based on a three year historical analysis. As a result, changes in risk grades affect the amount of the formula allowance.

Pooled loans are usually smaller, not-individually-graded and homogeneous in nature, such as consumer installment loans and residential mortgages. Loan loss allowances for pooled loans are first based on a five-year net charge-off history. The average loss allowance per homogeneous pool is based on the product of average annual historical loss rate and the homogeneous pool balances. These separate risk pools are then assigned a reserve for losses based upon this historical loss information.

Qualitative and environmental adjustment factors are taken into consideration when determining the above described reserve estimates. These adjustment factors are based upon our evaluation of various current conditions, including those listed below.

General economic and business conditions affecting the Bank's key lending areas,

Credit quality trends,

Recent loss experience in particular segments of the portfolio,

Collateral values and loan-to-value ratios,

Loan volumes and concentrations, including changes in mix,

Seasoning of the loan portfolio,

Specific industry conditions within portfolio segments,

Bank regulatory examination results, and

Other factors, including changes in quality of the loan origination, servicing and risk management processes.

Our loan officers and risk managers meet at least quarterly to discuss and review these conditions and risks associated with individual problem loans. In addition, various regulatory agencies and loan review consultants periodically review our loan ratings and allowance for loan losses.

During the first quarter of 2012, we made certain improvements to the method in which we determine the allowance for loan loss. These improvements include:

## Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Used a three year loss migration analysis to determine the probability of default,

Segregated the commercial loan segment to more specifically analyze the risks associated with business, owner-occupied CRE, investor CRE and construction loan portfolios,

Improved the data used to determine qualitative adjustment factors,

Established a portion of the allowance for loan losses related to model and complexity risk,

Established a reserve for unfunded commitments (reflected in other liabilities on the Consolidated Statements of Condition), and

Revised our loan risk rating system based on recommendations from industry experts.

The above changes to the calculation of the allowance for loan losses did not have a material impact on the allowance for loan loss at March 31, 2012 or the amount of provision for loan losses recorded during the period.

**Table of Contents**

The following table provides the activity of the allowance for loan losses and loan balances for the three months ended March 31, 2012:

	Commercial	Owner Occupied Commercial	Commercial Mortgages	Construction	Residential	Consumer	Complexity Risk (1)	Total
	(In Thousands)							
<b>Three months ended March 31, 2012</b>								
Allowance for loan losses								
Beginning balance	\$ 15,067	\$ 9,235	\$ 7,556	\$ 4,074	\$ 6,544	\$ 10,604	\$	\$ 53,080
Charge-offs	(2,331)	(502)	(190)	(1,506)	(324)	(1,229)		(6,082)
Recoveries	53	6	313	28	25	130		555
Provision	(1,164)	(1,734)	2,851	6,321	155	748	1,068	8,245
Ending balance	\$ 11,625	\$ 7,005	\$ 10,530	\$ 8,917	\$ 6,400	\$ 10,253	\$ 1,068	\$ 55,798
<b>Period-end allowance allocated to:</b>								
Loans individually evaluated for impairment	\$ 1,615	\$ 2,191	\$ 1,156	\$ 2,750	\$ 869	\$ 96	\$	\$ 8,677
Loans collectively evaluated for impairment	10,010	4,814	9,374	6,167	5,531	10,157	1,068	47,121
Ending balance	\$ 11,625	\$ 7,005	\$ 10,530	\$ 8,917	\$ 6,400	\$ 10,253	\$ 1,068	\$ 55,798
<b>Period-end loan balances evaluated for:</b>								
Loans individually evaluated for impairment	\$ 6,526	\$ 21,760	\$ 11,625	\$ 24,246	\$ 15,723	\$ 2,912	\$	\$ 82,792(2)
Loans collectively evaluated for impairment	792,293	\$ 665,180	605,601	99,937	251,310	282,548		2,696,869
Ending balance	\$ 798,819	\$ 686,940	\$ 617,226	\$ 124,183	\$ 267,033	\$ 285,460	\$	\$ 2,779,661

- (1) Represents the portion of the allowance for loan losses established to account for the inherent complexity and uncertainty of estimates.  
(2) The difference between this amount and nonaccruing loans at March 31, 2012, represents accruing troubled debt restructured loans.

**Table of Contents****Non-Accrual and Past Due Loans**

The following tables show our nonaccrual and past due loans at the dates indicated:

	Still Accruing	Still Accruing	Still Accruing Greater Than	Still Accruing Total Past	Still Accruing	Still Accruing	Still Accruing
March 31, 2012	30 59 Days	60 89 Days	90 Days	Due	Accruing	Nonaccrual	Total
(In Thousands)	Past Due and Still Accruing	Past Due and Still Accruing	Past Due and Still Accruing	And Still Accruing	Current Balances	Loans	Loans
<b>Commercial</b>	\$ 14,209	\$ 65	\$ 614	\$ 14,888	\$ 777,405	\$ 6,526	\$ 798,819
<b>Owner-occupied commercial</b>	638	164		802	664,378	21,760	686,940
<b>Commercial mortgages</b>			240	240	605,361	11,625	617,226
<b>Construction</b>	850			850	99,087	24,246	124,183
<b>Residential</b>	5,830	655	111	6,596	251,850	8,587	267,033
<b>Consumer</b>	1,993	597		2,590	281,549	1,321	285,460
<b>Total</b>	\$ 23,520	\$ 1,481	\$ 965	\$ 25,966	\$ 2,679,630	\$ 74,065	\$ 2,779,661
<b>% of Total Loans</b>	<b>0.85%</b>	<b>0.05%</b>	<b>0.03%</b>	<b>0.93%</b>	<b>96.40%</b>	<b>2.67%</b>	<b>100%</b>

	Still Accruing	Still Accruing	Still Accruing Greater Than	Still Accruing Total Past	Still Accruing	Still Accruing	Still Accruing
December 31, 2011	30 59 Days	60 89 Days	90 Days	Due	Accruing	Nonaccrual	Total
(In Thousands)	Past Due and Still Accruing	Past Due and Still Accruing	Past Due and Still Accruing	And Still Accruing	Current Balances	Loans	Loans
<b>Commercial</b>	\$ 1,087	\$ 63	\$ 78	\$ 1,228	\$ 1,435,876	\$ 23,080	\$ 1,460,184
<b>Commercial mortgages</b>	479	243		722	605,764	15,814	622,300
<b>Construction</b>	3,727			3,727	80,074	22,124	105,925
<b>Residential</b>	5,501	1,238	887	7,626	258,820	9,057	275,503
<b>Consumer</b>	2,783	709		3,492	287,247	1,018	291,757
<b>Total</b>	\$ 13,577	\$ 2,253	\$ 965	\$ 16,795	\$ 2,667,781	\$ 71,093	\$ 2,755,669
<b>% of Total Loans</b>	<b>0.49%</b>	<b>0.08%</b>	<b>0.04%</b>	<b>0.61%</b>	<b>96.81%</b>	<b>2.58%</b>	<b>100%</b>

**Impaired Loans**

The following tables provide an analysis of our impaired loans at March 31, 2012 and December 31, 2011:

March 31, 2012	Ending Loan Balances	Loans with No Specific Reserve (1)	Loans with Specific Reserve	Related Specific Reserve	Contractual Principal Balances	Average Loan Balances
(In Thousands)						



Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

<b>Commercial</b>	<b>\$ 6,526</b>	<b>\$ 4,291</b>	<b>\$ 2,235</b>	<b>\$ 1,615</b>	<b>\$ 8,581</b>	<b>\$ 9,013</b>
<b>Owner-occupied commercial</b>	<b>21,760</b>	<b>14,071</b>	<b>7,689</b>	<b>2,191</b>	<b>23,736</b>	<b>14,705</b>
<b>Commercial mortgages</b>	<b>11,625</b>	<b>5,857</b>	<b>5,768</b>	<b>1,156</b>	<b>15,871</b>	<b>16,479</b>
<b>Construction</b>	<b>24,246</b>	<b>13,395</b>	<b>10,851</b>	<b>2,750</b>	<b>40,080</b>	<b>26,120</b>
<b>Residential</b>	<b>15,723</b>	<b>9,176</b>	<b>6,547</b>	<b>869</b>	<b>18,302</b>	<b>17,159</b>
<b>Consumer</b>	<b>2,912</b>	<b>1,674</b>	<b>1,238</b>	<b>96</b>	<b>3,343</b>	<b>3,477</b>
<b>Total</b>	<b>\$ 82,792</b>	<b>\$ 48,464</b>	<b>\$ 34,328</b>	<b>\$ 8,677</b>	<b>\$ 109,913</b>	<b>\$ 104,361</b>

**Table of Contents**

December 31, 2011	Ending Loan Balances	Loans with No Specific Reserve (1)	Loans with Specific Reserve	Related Specific Reserve	Contractual Principal Balances	Average Loan Balances
(In Thousands)						
Commercial	\$ 23,193	\$ 19,353	\$ 3,840	\$ 2,630	\$ 26,815	\$ 22,396
Commercial mortgages	15,814	13,602	2,212	295	21,278	16,237
Construction	22,124	14,166	7,958	723	34,862	27,323
Residential	16,227	9,649	6,578	964	19,312	17,480
Consumer	2,621	1,336	1,285	101	2,788	3,916
Total	\$ 79,979	\$ 58,106	\$ 21,873	\$ 4,713	\$ 105,055	\$ 87,352

(1) Reflects loan balances at their remaining book balance.

Interest income of \$93,000 was recognized on impaired loans during the three months ended March 31, 2012.

**Credit Quality Indicators**

Below is a description of each of our risk ratings for all commercial loans:

*Pass.* These borrowers presently show no current or potential problems and their loans are considered fully collectible.

*Special Mention.* Borrowers have potential weaknesses that deserve management's close attention. Borrowers in this category may be experiencing adverse operating trends, e.g.; declining revenues or margins, high leverage, tight liquidity, or increasing inventory without increasing sales. These adverse trends can have a potential negative effect on the borrower's repayment capacity. These assets are not adversely classified and do not expose the Bank to significant risk that would warrant a more severe rating. Borrowers in this category may also be experiencing significant management problems, pending litigation, or other structural credit weaknesses.

*Substandard.* Borrowers have well-defined weaknesses that require extensive oversight by management. Borrowers in this category may exhibit one or more of the following: inadequate debt service coverage, unprofitable operations, insufficient liquidity, high leverage, and weak or inadequate capitalization. Relationships in this category are not adequately protected by the sound financial net worth and paying capacity of the obligor or the collateral pledged on the loan, if any. The distinct possibility exists that the Bank will sustain some loss if the deficiencies are not corrected.

*Doubtful.* Borrowers have well-defined weaknesses inherent in the Substandard category with the added characteristic that the possibility of loss is extremely high. Current circumstances in the credit relationship make collection or liquidation in full highly questionable. A doubtful asset has some pending event that may strengthen the asset that defers the loss classification. Such impending events include: perfecting liens on additional collateral, obtaining collateral valuations, an acquisition or liquidation preceding, proposed merger, or refinancing plan.

*Loss.* Borrowers are uncollectible or of such negligible value that continuance as a bankable asset is not supportable. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical to defer writing off this asset even though partial recovery may be recognized sometime in the future.

**Residential and Consumer Loans**

The residential and consumer loan portfolios are monitored on an ongoing basis using delinquency information and loan type as credit quality indicators. These credit quality indicators are assessed in the aggregate in these relatively homogeneous portfolios. Loans that are greater than 90 days past due are generally considered nonperforming and placed in nonaccrual status.

**Table of Contents**

The following tables provide an analysis of problem loans as of March 31, 2012 and December 31, 2011:

Commercial credit exposure credit risk profile by internally assigned risk rating (in thousands):

	Commercial(1)		Owner-Occupied Commercial(1)		Commercial Mortgages		Construction		Total Commercial				
	Mar 31, 2012	Dec. 31, 2011	Mar 31, 2012	Dec. 31, 2011	Mar 31, 2012	Dec. 31, 2011	Mar 31, 2012	Dec. 31, 2011	March 31, 2012		December 31, 2011		
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Percent	Amount	Percent	Amount	Percent
<b>Risk Rating:</b>													
Special mention	\$ 20,328	\$ 85,848	\$ 5,446	\$ 33,524	\$ 50,044	\$ 2,963	\$ 9,747	\$ 62,261		\$ 145,639			
Substandard:													
Accrual	102,211	107,896	79,906	26,345	13,664	19,453	19,039	227,915		140,599			
Nonaccrual	6,526	23,193	21,760	11,625	15,814	24,246	22,124	64,157		61,131			
Total Special Mention and Substandard	129,065	216,937	107,112	71,494	79,522	46,662	50,910	354,333	16%	347,369	16%		
Pass	669,754	1,242,519	579,828	545,732	543,277	77,521	55,244	1,872,835	84	1,841,040	84		
<b>Total Commercial Loans</b>	<b>\$ 798,819</b>	<b>\$ 1,459,456</b>	<b>\$ 686,940</b>	<b>\$ 617,226</b>	<b>\$ 622,799</b>	<b>\$ 124,183</b>	<b>\$ 106,154</b>	<b>\$ 2,227,168</b>	<b>100%</b>	<b>\$ 2,188,409</b>	<b>100%</b>		

Consumer credit exposure credit risk profile based on payment activity (in thousands):

	Residential		Consumer		Total Residential and Consumer			
	Mar 31, 2012	Dec. 31, 2011	Mar 31, 2012	Dec. 31, 2011	March 31, 2012		December 31, 2011	
	Amount	Amount	Amount	Amount	Amount	Percent	Amount	Percent
Nonperforming	\$ 15,723(2)	\$ 16,227	\$ 2,912(2)	\$ 2,621	\$ 18,635	3%	\$ 18,848	3%
Performing	251,310	259,276	282,548	289,136	533,858	97	548,412	97
<b>Total</b>	<b>\$ 267,033</b>	<b>\$ 275,503</b>	<b>\$ 285,460</b>	<b>\$ 291,757</b>	<b>\$ 552,493</b>	<b>100%</b>	<b>\$ 567,260</b>	<b>100%</b>

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

(2) Includes \$8.7 million of troubled debt restructured mortgages and home equity installment loans performing in accordance with modified terms and are accruing interest.

**Table of Contents****Troubled Debt Restructurings (TDRs)**

Effective July 1, 2011, we adopted the provisions of Accounting Standards Update No. 2011-02, *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. In doing so, we reassessed all loan modifications occurring since January 1, 2011 for identification as TDRs, resulting in no newly identified TDRs.

The book balance of TDRs at March 31, 2012 and December 31, 2011 was \$32.0 million and \$27.7 million, respectively. The balances at March 31, 2012 include approximately \$23.1 million of TDRs in nonaccrual status and \$8.9 million of TDRs in accrual status compared to \$18.8 million of TDRs in nonaccrual status and \$8.9 million of TDRs in accrual status at December 31, 2011. Approximately \$1.4 million and \$1.2 million in specific reserves have been established for these loans as of March 31, 2012 and December 31, 2011, respectively.

During the three months ending March 31, 2012, the terms of 13 loans were modified in troubled debt restructurings, of which 11 were related to commercial loans that were already placed on nonaccrual. Nonaccruing restructured loans remain in nonaccrual status until there has been a period of sustained repayment performance for a reasonable period, usually six months. The remaining two loans represented residential loans. Our concessions on restructured loans consisted mainly of forbearance agreements, reduction in interest rates or extensions of maturities. Principal balances are generally not forgiven by us when a loan is modified as a TDR.

The following table presents loans identified as TDRs during the three months ended March 31, 2012:

(In Thousands)	Three Months Ended March 31, 2012
<b>Commercial</b>	<b>\$ 9,276</b>
<b>Construction</b>	<b>378</b>
<b>Residential</b>	<b>451</b>
<b>Total</b>	<b>\$ 10,105</b>

The troubled debt restructurings described above increased the allowance for loan losses by \$38,000 through allocation of a specific reserve, and resulted in charge offs of \$759,000 during the three months ending March 30, 2012, most of which had been previously identified and reserved for in prior periods.

There were no TDRs which defaulted (defined as past due 90 days) during the three months ended March 31, 2012 that were restructured within the last twelve months prior to December 31, 2011.

**Table of Contents****5. TAXES ON INCOME**

We account for income taxes in accordance with FASB ASC 740, *Income Taxes* ( ASC 740 ) (Formerly SFAS No. 109, *Accounting for Income Taxes* and FASB Interpretation No. 48, *Accounting for Uncertainty In Income Taxes, an Interpretation of FASB Statement 109*). ASC 740 requires the recording of deferred income taxes that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We exercise significant judgment in the evaluation of the amount and timing of the recognition of the resulting tax assets and liabilities. The judgments and estimates required for the evaluation are updated based upon changes in business factors and the tax laws. If actual results differ from the assumptions and other considerations used in estimating the amount and timing of tax recognized, there can be no assurance that additional expenses will not be required in future periods. No valuation allowance has been recorded on our deferred tax assets due to our history of prior earnings along with our expectations of future income. ASC 740 prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. We recognize, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the financial statements. Assessment of uncertain tax positions under ASC 740 requires careful consideration of the technical merits of a position based on our analysis of tax regulations and interpretations.

The total amount of unrecognized tax benefits as of March 31, 2012 and December 31, 2011 were both \$88,000, all of which would affect our March 31, 2012 effective tax rate if recognized. As of March 31, 2012 and December 31, 2011, the total amount of accrued interest included in such unrecognized tax benefits were both \$15,000. Penalties of \$6,000 are included in such unrecognized tax benefits. We record interest and penalties on potential income tax deficiencies as income tax expense. Our Federal and state tax returns for the 2008 through 2011 tax years are subject to examination as of March 31, 2012. There are currently no income tax audits in process.

**6. SEGMENT INFORMATION**

Under the definition of FASB ASC 280, *Segment Reporting* ( ASC 280 ) (Formerly SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*) we discuss our business in three segments. There is one segment for each of WSFS Bank, Cash Connect, (the ATM division of WSFS Bank), and Trust and Wealth Management. Trust and Wealth Management is comprised of Montchanin, Christiana Trust, Private Banking and WSFS Investment Group, Inc. in a single reportable segment because each has similar economic characteristics, products, customers and distribution methods. As required by ASC 280, all prior years' information has been updated to reflect this presentation.

The WSFS Bank segment provides financial products to commercial and retail customers through its 49 offices located in Delaware (39), Pennsylvania (8) and Virginia (1) and Nevada (1). Retail and Commercial Banking, Commercial Real Estate Lending and other banking business units are operating departments of WSFS. These departments share the same regulator, the same market, many of the same customers and provide similar products and services through the general infrastructure of the Bank. Because of these and other reasons, these departments are not considered discrete segments and are appropriately aggregated within the WSFS Bank segment in accordance with ASC 280.

Cash Connect provides turnkey ATM services through strategic partnerships with several of the largest networks, manufacturers and service providers in the ATM industry. The balance sheet category Cash in non-owned ATMs includes cash from which fee income is earned through bailment arrangements with customers of Cash Connect.

The Trust and Wealth Management segment is comprised of Christiana Trust, Montchanin, Private Banking and WSFS Investment Group, Inc. Christiana Trust was acquired in December 2010 and WSFS' Trust business was consolidated into Christiana Trust. Christiana Trust provides investment, fiduciary, agency and commercial domicile services from locations in Delaware and Nevada. These services are provided to individuals and families as well as corporations and institutions. Montchanin has one consolidated wholly owned subsidiary, Cypress Capital Management, LLC (Cypress). Cypress is a Wilmington-based investment advisory firm serving high net-worth individuals and institutions. WSFS Investment Group, Inc. markets various third-party insurance products and securities and Private Banking which specializes in meeting the needs of professionals and their practices, including deposit services and credit needs of existing and start-up practices.

**Table of Contents**

An operating segment is a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the enterprise's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. We evaluate performance based on pretax ordinary income relative to resources used, and allocate resources based on these results. The accounting policies applicable to our segments are those that apply to our preparation of the accompanying Consolidated Financial Statements. Segment information for the three months ended March 31, 2012 and 2011 follows:

**Table of Contents**

For the three months ended March 31, 2012

	WSFS Bank	Cash Connect	Trust & Wealth Management	Total
	(In Thousands)			
External customer revenues:				
Interest income	\$ 37,036	\$	\$ 2,187	\$ 39,223
Noninterest income	9,528	4,074	3,156	16,758
Total external customer revenues	46,564	4,074	5,343	55,981
Inter-segment revenues:				
Interest income	960		1,227	2,187
Noninterest income	2,061	173		2,234
Total inter-segment revenues	3,021	173	1,227	4,421
Total revenue	49,585	4,247	6,570	60,402
External customer expenses:				
Interest expense	6,475		218	6,693
Noninterest expenses	26,338	1,972	2,679	30,989
Provision for loan loss	8,296		(51)	8,245
Total external customer expenses	41,109	1,972	2,846	45,927
Inter-segment expenses				
Interest expense	1,227	334	626	2,187
Noninterest expenses	173	525	1,536	2,234
Total inter-segment expenses	1,400	859	2,162	4,421
Total expenses	42,509	2,831	5,008	50,348
Income before taxes	\$ 7,076	\$ 1,416	\$ 1,562	\$ 10,054
Provision for income taxes				3,610
Consolidated net income				\$ 6,444
Capital expenditures	\$ 1,713	\$ 156	\$ 64	\$ 1,933
<b>As of March 31, 2012</b>				
Cash and cash equivalents	\$ 51,520	\$ 405,053	\$ 3,122	\$ 459,695
Other segment assets	3,667,601	2,530	197,328	3,867,459
Total segment assets	\$ 3,719,121	\$ 407,583	\$ 200,450	\$ 4,327,154





**Table of Contents**

For the three months ended March 31, 2011

	WSFS Bank	Cash Connect	Trust & Wealth Management (In Thousands)	Total
<b>External customer revenues:</b>				
Interest income	\$ 36,787	\$	\$ 2,365	\$ 39,152
Noninterest income	7,318	3,416	2,905	13,639
Total external customer revenues	44,105	3,416	5,270	52,791
<b>Inter-segment revenues:</b>				
Interest income	830		1,651	2,481
Noninterest income	1,842	161		2,003
Total inter-segment revenues	2,672	161	1,651	4,484
Total revenue	46,777	3,577	6,921	57,275
<b>External customer expenses:</b>				
Interest expense	8,550		348	8,898
Noninterest expenses	27,371	1,765	2,251	31,387
Provision for loan loss	5,153		755	5,908
Total external customer expenses	41,074	1,765	3,354	46,193
<b>Inter-segment expenses</b>				
Interest expense	1,651	271	559	2,481
Noninterest expenses	161	451	1,391	2,003
Total inter-segment expenses	1,812	722	1,950	4,484
Total expenses	42,886	2,487	5,304	50,677
Income (loss) before taxes	\$ 3,891	\$ 1,090	\$ 1,617	\$ 6,598
Provision for income taxes				2,392
Consolidated net income				\$ 4,206
Capital expenditures	\$ 1,840	\$ 44	\$	\$ 1,884
<b>As of December 31, 2011</b>				
Cash and cash equivalents	\$ 48,107	\$ 416,949	\$ 2,961	\$ 468,017
Other segment assets	3,618,744	2,155	200,092	3,820,991
Total segment assets	\$ 3,666,851	\$ 419,104	\$ 203,053	\$ 4,289,008



**Table of Contents****7. FAIR VALUE DISCLOSURES OF FINANCIAL ASSETS****FAIR VALUE OF FINANCIAL ASSETS**

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

The table below presents the balances of assets measured at fair value as of March 31, 2012 (there are no material liabilities measured at fair value):

Description	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in Thousands)			
<b>Assets Measured at Fair Value on a Recurring Basis</b>				
Available-for-sale securities:				
Collateralized mortgage obligations	\$	\$ 312,593	\$ 3,500	\$ 316,093
FNMA		372,493		372,493
FHLMC		94,116		94,116
GNMA		60,109		60,109
U.S. Government and GSE		45,011		45,011
State and political subdivisions		3,673		3,673
Reverse mortgages			(630)	(630)
Trading Securities			12,465	12,465
<b>Total assets measured at fair value on a recurring basis</b>	<b>\$</b>	<b>\$ 887,995</b>	<b>\$ 15,335</b>	<b>\$ 903,330</b>
<b>Assets Measured at Fair Value on a Nonrecurring Basis</b>				
Other real estate owned	\$	\$	\$ 6,708	\$ 6,708
Impaired Loans (collateral dependent)			72,294	72,294
<b>Total assets measured at fair value on a nonrecurring basis</b>	<b>\$</b>	<b>\$</b>	<b>\$ 79,002</b>	<b>\$ 79,002</b>



**Table of Contents**

The table below presents the balances of assets measured at fair value as of December 31, 2011 (there are no material liabilities measured at fair value):

Description	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in Thousands)			
<b>Assets Measured at Fair Value on a Recurring Basis</b>				
Available-for-sale securities:				
Collateralized mortgage obligations	\$	\$ 324,450	\$ 3,936	\$ 328,386
FNMA		329,354		329,354
FHLMC		95,086		95,086
GNMA		63,967		63,967
U.S. Government and GSE		39,025		39,025
State and political subdivisions		4,190		4,190
Reverse mortgages			(646)	(646)
Trading Securities			12,432	12,432
<b>Total assets measured at fair value on a recurring basis</b>	<b>\$</b>	<b>\$ 856,072</b>	<b>\$ 15,722</b>	<b>\$ 871,794</b>
<b>Assets Measured at Fair Value on a Nonrecurring Basis</b>				
Other real estate owned	\$	\$ 11,695	\$	\$ 11,695
Impaired Loans (collateral dependent)		74,562		74,562
<b>Total assets measured at fair value on a nonrecurring basis</b>	<b>\$</b>	<b>\$ 86,257</b>	<b>\$</b>	<b>\$ 86,257</b>

Fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models or obtained from third parties that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include unobservable parameters. Our valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

*Available-for-sale securities.* As of March 31, 2012, securities classified as available for sale are reported at fair value using both Level 2 and Level 3 inputs. Included in the Level 2 total are approximately \$45.0 million in Federal Agency debentures, \$758.4 million in Federal Agency MBS, \$80.9 million of Private Label MBS, and \$3.7 million in municipal bonds. Agency and MBS securities are predominately AAA-rated. We believe that this Level 2 designation is appropriate for these securities under ASC 820-10 as, with almost all fixed income securities, none are exchange traded, and all are priced by correlation to observed market data. For these securities we obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. Included in the Level 3 total is a small equity tranche of a reverse mortgage security purchased on July 15, 2011. This security is Level 3 because there is no active market for this security and no observable inputs that reflect quoted prices for identical assets in active markets (Level 1) or inputs other than quoted prices that are observable for the asset through corroboration with observable market data (Level 2). In order to establish the fair value for a Level 3 asset a mark-to-model has been developed using the income approach described in ASC 820-10-35-32 and is similar to the methodology used to value our trading securities described below.

**Table of Contents**

*Trading securities.* The amount included in the trading securities category represents the fair value of a BBB-rated tranche of a reverse mortgage security. There has never been an active market for these securities. As such, we classify these trading securities as Level 3 under ASC 820-10. As prescribed by ASC 820-10 management used various observable and unobservable inputs to develop a range of likely fair value prices where this security would be exchanged in an orderly transaction between market participants at the measurement date. The unobservable inputs reflect management's assumptions about the estimates that market participants would use in pricing this asset. Included in these inputs were the median of a selection of other BBB-rated securities as well as quoted market prices from higher rated tranches of this asset class. As a result, the value assigned to this security is determined primarily through a discounted cash flow analysis. All of these assumptions require a significant degree of management judgment. The key inputs consist of prepayments, house price appreciation and interest rates. Management has completed a sensitivity analysis at March 31, 2012, which showed any increase or decrease in these inputs would not have a significant impact on the fair value of these assets.

*Reverse Mortgages.* The amount of our investment in reverse mortgages represents the estimated value of future cash flows of the reverse mortgages at a rate deemed appropriate for these mortgages, based on the market rate for similar collateral. The projected cash flows depend on assumptions about life expectancy of the mortgagor and the future changes in collateral values. Due to the significant amount of management judgment and the unobservable input calculations, these reverse mortgages have been classified as Level 3.

*The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:*

(In Thousands)	Trading Securities	Reverse Mortgages	Available- for-sale Securities	Total
<b>Balance at December 31, 2010</b>	\$ 12,432	\$ (686)	\$	\$ 11,746
Total net income (losses) for the period included in net income		(137)	265	128
Purchases, sales, issuances, and settlements, net		177	2,755	2,932
Mark-to-market adjustment			916	916
<b>Balance at December 31, 2011</b>	\$ 12,432	\$ (646)	3,936	\$ 15,722
Total net income (losses) for the period included in net income	33	(29)		4
Purchases, sales, issuances, and settlements, net		45		45
Mark-to-market adjustment			(436)	(436)
<b>Balance at March 31, 2012</b>	<b>\$ 12,465</b>	<b>\$ (630)</b>	<b>\$ 3,500</b>	<b>\$ 15,335</b>

*Other real estate owned.* Other real estate owned consists of loan collateral which has been repossessed through foreclosure or other measures. Initially, foreclosed assets are recorded as held for sale at the lower of the loan balance or fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically and the assets may be marked down further, reflecting a new cost basis. The fair value of our real estate owned was estimated using Level 3 inputs based on appraisals obtained from third parties.

*Impaired loans.* We evaluate and value impaired loans at the time the loan is identified as impaired, and the fair values of such loans are estimated using Level 3 inputs in the fair value hierarchy. Each loan's collateral has a unique appraisal and management's discount of the value is based on the factors unique to each impaired loan. The significant unobservable input in determining the fair value is management's subjective discount on appraisals of the collateral securing the loan, which range from 10% - 50%. Collateral may consist of real estate and/or business assets including equipment, inventory and/or accounts receivable and the value of these assets is determined based on the appraisals by qualified licensed appraisers hired by us. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, estimated costs to sell, and/or management's expertise and knowledge of the client and the client's business.

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a gross amount of \$82.9 million and \$80.0 million at March 31, 2012 and December 31, 2011, respectively. The valuation allowance on impaired loans was \$8.7 million as of March 31, 2012 and \$4.7 million as of December 31, 2011.



---

**Table of Contents**

In light of the continuing slow-down in the real estate market, management is required to utilize a more significant level of unobservable inputs and, as such, we have reclassified the hierarchical levels of both Other Real Estate Owned and Impaired Loans to Level 3 as of March 31, 2012.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The reported fair values of financial instruments are based on a variety of factors. In certain cases, fair values represent quoted market prices for identical or comparable instruments. In other cases, fair values have been estimated based on assumptions regarding the amount and timing of estimated future cash flows that are discounted to reflect current market rates and varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of period-end or that will be realized in the future.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash and Short-Term Investments:* For cash and short-term investments, including due from banks, federal funds sold, securities purchased under agreements to resell and interest-bearing deposits with other banks, the carrying amount is a reasonable estimate of fair value.

*Loans:* Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type: commercial, commercial mortgages, construction, residential mortgages and consumer. For loans that reprice frequently, the book value approximates fair value. The fair values of other types of loans are estimated by discounting expected cash flows using the current rates at which similar loans would be made to borrowers with comparable credit ratings and for similar remaining maturities. The fair value of nonperforming loans is based on recent external appraisals of the underlying collateral. Estimated cash flows, discounted using a rate commensurate with current rates and the risk associated with the estimated cash flows, are utilized if appraisals are not available. This technique does not contemplate an exit price.

*Bank-Owned Life Insurance:* The estimated fair value approximates the carrying value for this investment.

*Stock in the Federal Home Loan Bank of Pittsburgh:* The fair value of FHLB stock is assumed to be essentially equal to its cost. We carry FHLB stock at cost, or par value, and evaluate FHLB stock for impairment based on the ultimate recoverability of par value rather than by recognizing temporary declines in value. As part of the impairment assessment of FHLB stock, management considers, among other things, (i) the significance and length of time of any declines in net assets of the FHLB compared to its capital stock, (ii) commitments by the FHLB to make payments required by law or regulations and the level of such payments in relation to its operating performance, (iii) the impact of legislative and regulatory changes on FHLB, the FHLB has access to the U.S. Government-Sponsored Enterprise Credit Facility, a secured lending facility that serves as a liquidity backstop, substantially reducing the likelihood that the FHLB would need to sell securities to raise liquidity and, thereby, cause the realization of large economic losses. On August 8, 2011, Standard & Poors ( S&P ) downgraded the FHLB from AAA to AA+, similar to their downgrade of the U.S. sovereign rating. The reduction in the FHLB credit rating was due to the belief, by S&P, that the FHLB system is certain to receive U.S. government support, if necessary, resulting from the important role the FHLB system plays as primary liquidity providers to U.S. mortgage and housing-market participants. Despite the downgrade, the FHLB continues to have a very high degree of government support and was in compliance with all regulatory capital requirements as of March 31, 2012. As a result, we have determined there was no other-than-temporary impairment related to our FHLB stock investment as of March 31, 2012.

*Demand Deposits, Savings Deposits and Time Deposits:* The fair value of demand deposits and savings deposits is determined by projecting future cash flows using an estimated economic life based on account characteristics. The resulting cash flow is discounted using rates available on alternative funding sources. The fair value of time deposits is estimated using the rate and maturity characteristics of the deposits to estimate their cash flow. The cash flow is discounted at rates for similar term wholesale funding.



**Table of Contents**

*Borrowed Funds:* Rates currently available to us for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

*Off-Balance Sheet Instruments:* The fair value of off-balance sheet instruments, including commitments to extend credit and standby letters of credit, is estimated using the fees currently charged to enter into similar agreements with comparable remaining terms and reflects the present creditworthiness of the counterparties.

The book value and estimated fair value of our financial instruments are as follows:

	Fair Value Measurement	March 31, 2012		December 31, 2011	
		Book Value	Fair Value	Book Value	Fair Value
<i>(In Thousands)</i>					
Financial assets:					
Cash and cash equivalents	Level 1	\$ 459,456	\$ 459,456	\$ 468,017	\$ 468,017
Investment securities	See previous table	903,330	903,330	871,794	871,794
Loans held for sale	Level 3	8,173	8,173	10,185	10,185
Loans, net	Level 3	2,723,863	2,744,491	2,702,589	2,721,804
Stock in Federal Home Loan Bank of Pittsburgh	Level 2	33,968	33,968	35,756	35,756
Accrued interest receivable	Level 2	11,582	11,582	11,743	11,743
Financial liabilities:					
Deposits	Level 2	3,189,508	3,090,097	3,135,304	3,087,464
Borrowed funds	Level 2	703,097	709,554	723,620	731,522
Standby letters of credit	Level 3	297	297	322	322
Accrued interest payable	Level 2	3,817	3,817	1,910	1,910

The estimated fair value of our off-balance sheet financial instruments is as follows:

	March 31, 2012	December 31, 2011
<i>(In Thousands)</i>		
Off-balance sheet instruments:		
Commitments to extend credit	\$ 4,414	\$ 4,445

**8. INDEMNIFICATIONS AND GUARANTEES**

**Secondary Market Loan Sales.** We generally do not sell loans with recourse except to the extent arising from standard loan sale contract provisions covering violations of representations and warranties and, under certain circumstances first payment defaults by borrowers. These are customary repurchase provisions in the secondary market for conforming mortgage loan sales. These indemnifications may include our repurchase of the loans. Repurchases and losses are rare, and no provision is made for the losses at the time of sale. During the first quarter of 2012, we had no repurchases under these indemnifications.

We typically sell fixed-rate, conforming first mortgage loans (including reverse mortgages) in the secondary market as part of our ongoing asset/liability management program. Loans held-for-sale are carried at the lower of cost or market of the aggregate or in some cases individual loans. Gains and losses on sales of loans are recognized at the time of the sale.

**Table of Contents**

**Swap Guarantees.** We entered into agreements with three unrelated financial institutions whereby those financial institutions entered into interest rate derivative contracts (interest rate swap transactions) with customers referred to them by us. By the terms of the agreements, those financial institutions have recourse to us for any exposure created under each swap transaction in the event the customer defaults on the swap agreement and the agreement is in a paying position to the third-party financial institution. This is a customary arrangement that allows smaller financial institutions like us to provide access to interest rate swap transactions for our customers without creating the swap ourselves.

At March 31, 2012 there were 81 variable-rate swap transactions between the third party financial institutions and our customers, compared to 79 at December 31, 2011. The initial notional amount aggregated approximately \$319.8 million at March 31, 2012 compared with \$318.1 million at December 31, 2011. At March 31, 2012 maturities ranged from approximately 4 months to 13 years. The aggregate market value of these swaps to the customers was a liability of \$30.7 million at March 31, 2012 and \$32.8 million at December 31, 2011.

**9. ASSOCIATE (EMPLOYEE) BENEFIT PLANS****Postretirement Benefits**

We share certain costs of providing health and life insurance benefits to retired Associates (and their eligible dependents). Substantially all Associates may become eligible for these benefits if they reach normal retirement age while working for us.

We account for our obligations under the provisions of FASB ASC 715, *Compensation - Retirement Benefits* ( ASC 715 ) (Formerly SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*). ASC 715 requires that the costs of these benefits be recognized over an Associate's active working career. Disclosures are in accordance with ASC 715.

The following disclosures of the net periodic benefit cost components of postretirement benefits were measured at January 1, 2012 and 2011:

(In Thousands)	Three months ended	
	2012	March 31, 2011
Service cost	\$ 72	\$ 52
Interest cost	44	42
Amortization of transition obligation	15	15
Net loss recognition	17	8
<b>Net periodic benefit cost</b>	<b>\$ 148</b>	<b>\$ 117</b>

**10. STOCK AND COMMON STOCK WARRANTS**

In August 2010, we completed an underwritten public offering of 1,370,000 shares of common stock. The offering priced at \$36.50 per share, a slight premium to the prior day's closing price, and raised \$47.1 million net of \$2.9 million of costs.

On September 24, 2009 we completed a private placement of stock to Peninsula Investment Partners, L.P. (Peninsula), pursuant to which we issued and sold 862,069 shares of common stock for a total purchase price of \$25.0 million, and a 10-year warrant to purchase 129,310 shares of common stock at an exercise price of \$29.00 per share. The warrant is immediately exercisable. During 2011 all shares were distributed on a pro-rata basis to the fund holders of Peninsula with the warrants being transferred to Peninsula's managing partner.

Total proceeds of \$25.0 million were allocated, based on the relative fair value of common stock and common stock warrants, to common stock for \$23.5 million and common stock warrants for \$1.5 million on September 24, 2009.

**Table of Contents**

On January 23, 2009, we entered into a purchase agreement with the U.S. Treasury pursuant to which we issued and sold 52,625 shares of our fixed-rate cumulative perpetual preferred stock for a total purchase price of \$52.6 million, and a 10-year warrant to purchase 175,105 shares of common stock at an exercise price of \$45.08 per share. On March 28, 2012, the U.S. Department of the Treasury held a public auction where it sold all 52,625 shares, which represented the Treasury's entire preferred stock holding in WSFS. Under the terms of the agreement, WSFS will continue to pay a five percent dividend annually for each of the first five years of the investment and a nine percent dividend thereafter until the shares are redeemed. The cumulative dividend for the preferred stock is accrued for and payable on February 15, May 15, August 15 and November 15 of each year. We have declared and paid \$658,000 preferred stock dividends during the three months ended March 31, 2012.

Total proceeds of \$52.6 million were allocated, based on the relative fair value of the preferred stock and common stock warrants, to preferred stock for \$51.9 million and common stock warrants for \$693,000 respectively, on January 23, 2009. The preferred stock discount is being accreted, on an effective yield method, to preferred stock over five years. We have accreted \$35,000 during the three months ended March 31, 2012, relating to the discount on preferred stock.

The preferred stock is nonvoting, except for class voting rights on certain matters that could adversely affect the shares. They may be redeemed by us for the liquidation preference (\$1,000 per share), plus accrued but unpaid dividends. The warrant is exercisable immediately and subject to certain anti-dilution and other adjustments.

**11. GOODWILL AND INTANGIBLES**

In accordance with FASB ASC 805, *Business Combinations*, and FASB ASC 350, *Intangibles – Goodwill and Other*, all assets and liabilities acquired in purchase acquisitions, including goodwill, indefinite-lived intangibles and other intangibles are recorded at fair value. We consider our accounting policies related to goodwill and other intangible assets to be critical because the assumptions and judgment used in determining the fair value of assets and liabilities acquired in past acquisitions are subjective and complex. As a result, changes in these assumptions and judgment could have a significant impact on our financial condition or results of operations.

The fair value of acquired assets and liabilities, including the resulting goodwill, was based either on quoted market prices or provided by other third-party sources, when available. When third-party information was not available we made good-faith estimates primarily through the use of internal cash flow modeling techniques. The assumptions used in the cash flow modeling are subjective and susceptible to significant changes.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least annually and charged to results of operations in periods in which the recorded value is more than the estimated fair value. Intangible assets that have finite useful lives will continue to be amortized over their useful lives and are periodically evaluated for impairment. Goodwill totaled \$28.1 million at both March 31, 2012 and December 31, 2011. The majority of this goodwill, or \$23.0 million, is in the WSFS Bank reporting unit and is the result of a branch acquisition in 2008 and the acquisition of CB&T during 2010. The remaining \$5.1 million is in the Trust and Wealth Management reporting unit and is mainly the result of the acquisition of CB&T.

Goodwill is tested for impairment using a two-step process that begins with an estimation of fair value. The first step compares the estimated fair value of our reporting units with their carrying amounts, including goodwill. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. However, if the carrying amount exceeds its estimated fair value, a second step is performed comparing the implied fair value to the carrying amount of goodwill. An impairment loss would be recorded to the extent that the carrying amount of goodwill exceeds its implied fair value.

Fair value may be determined using market prices, comparison to similar assets, market multiples, discounted cash flow analyses and other variables. Estimated cash flows extend five years into the future and, by their nature, are difficult to estimate over such an extended period of time. Factors that may significantly affect estimates include, but are not limited to, balance sheet growth assumptions, credit losses in our investment and loan portfolios, competitive pressures in our market area, changes in customer base and customer product preferences, changes in revenue growth trends, cost structure, changes in discount rates, conditions in the banking sector and general economic variables.

As of December 31, 2011, we completed the Step One test of the analysis to determine potential goodwill impairment of the WSFS Bank and Trust and Wealth Management reporting units. The valuation incorporated a market-based analysis and indicated the fair values of our WSFS Bank and Trust and Wealth Management reporting units were above their carrying amounts. Therefore, in accordance with FASB ASC 350-20-35-6, the Step Two analysis was not required.

**Table of Contents**

FASB ASC 350, also requires that an acquired intangible asset be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so.

The following table summarizes other intangible assets:

	<b>Gross Intangible Assets</b>	<b>Accumulated Amortization (In Thousands)</b>	<b>Net Intangible Assets</b>
<b>March 31, 2012</b>			
<b>Core deposits</b>	<b>\$ 4,370</b>	<b>\$ (1,549)</b>	<b>\$ 2,821</b>
<b>Other</b>	<b>4,870</b>	<b>(1,759)</b>	<b>3,111</b>
<b>Total other intangible assets</b>	<b>\$ 9,240</b>	<b>\$ (3,308)</b>	<b>\$ 5,932</b>
<b>December 31, 2011</b>			
Core deposits	\$ 4,370	\$ (1,393)	\$ 2,977
Other	4,865	(1,703)	3,162
Total other intangible assets	\$ 9,235	\$ (3,096)	\$ 6,139

Core deposits are amortized over their expected lives using the present value of the benefit of the core deposits and straight-line methods of amortization. During the three months ended March 31, 2012, we recognized amortization expense on other intangible assets of \$212,000.

The following presents the estimated amortization expense of intangibles:

<b>(In Thousands)</b>	<b>Amortization of Intangibles</b>
Remaining in 2012	\$ 885
2013	916
2014	758
2015	711
2016	465
Thereafter	2,197
<b>Total</b>	<b>\$ 5,932</b>

For the three months ended March 31, 2012, we determined there were no events that would trigger impairment testing of goodwill and other intangible assets. Changing economic conditions that may adversely affect our performance and stock price could result in impairment, which could adversely affect earnings in the future.

**12. LEGAL PROCEEDINGS**

We were served with a complaint filed in U.S. Bankruptcy Court by a bankruptcy trustee relating to a former WSFS Bank customer. The complaint challenges the Bank's actions in exercising its rights concerning an outstanding loan and also seeks to avoid and recover the pre-bankruptcy repayment of that loan. Management of the Bank believes it acted appropriately and is vigorously defending itself against the complaint. No litigation reserve has been recorded as it is not yet possible to establish the probability of, or reasonably estimate, a potential loss. Our insurance carrier has determined our future litigation defense costs are covered by an insurance policy we have for such matters.



## **Table of Contents**

On November 18, 2011, a purported class action was filed in the Delaware Superior Court for New Castle County. The Complaint challenges WSFS Bank's practices relating to its assessment and collection of overdraft fees on checking accounts. Damages are sought for the statute of limitations period applicable to the claims made in the suit, and include restitution of overdraft fees paid to WSFS Bank, actual damages allegedly sustained by customers, punitive damages, and attorney's fees. This case is nearly identical to numerous other lawsuits that have been brought by a small handful of class action litigators. We have discovered more than 120 other overdraft suits that have been brought against U.S. banks. No litigation reserve has been recorded as it is not yet possible to establish the probability of, or reasonably estimate, a potential loss. We strongly believe that our overdraft practices are fair to our customers and comply fully with all applicable laws and regulations. We believe this suit is without merit and intend to vigorously defend the pending action.

There are no other significant pending legal 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.

### **13. SUBSEQUENT EVENTS**

In April, 2012, we began a process to sell in bulk sale transactions approximately \$52 million in unpaid principal balance, as of March 31, 2012, of criticized and nonperforming loans. Preliminary bids are due by June 7, 2012 and, assuming receipt of an acceptable bid, we anticipate that the closing of such a sale will be completed on or around June 30, 2012. We are not bound to complete these sales, and may choose to reject any and all bids based upon the terms of the bids received. Overall, bids are expected to reflect discounts from current asset carrying values and these discounts may be significant. The loans anticipated to be sold were reclassified as loans held for sale in April 2012.

Concurrently with the proposed bulk sale, we anticipate selling approximately \$300 million in mortgage-backed securities at a gain and reinvesting the proceeds in similar securities but with a shorter duration reducing the prepayment and interest-rate risk in the overall portfolio. We expect the gain from the securities sales may offset all, or a large part of the loss to be included in the bulk sale transactions. While future earnings may be negatively impacted by the decreased securities yield, we expect that the impact on 2012 earnings will be offset by an improvement in total credit costs from the bulk sales.

---

**Table of Contents**

**ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**GENERAL**

WSFS Financial Corporation is parent to Wilmington Savings Fund Society, FSB ( WSFS Bank or the Bank ), the seventh oldest bank and trust in the United States continuously operating under the same name. A permanent fixture in the community, WSFS has been in operation for more than 180 years. In addition to its focus on stellar customer service, the Bank has continued to fuel growth and remain a leader in our community. We are a relationship-focused, locally-managed, community banking institution that has grown to become the largest thrift holding company in the State of Delaware, one of the top commercial lenders in the state, the third largest bank in terms of Delaware deposits and one of the top trust companies in the country. We state our mission simply: We Stand for Service and Strengthening Our Communities.

Our core banking business is commercial lending funded by customer-generated deposits. We have built a \$2.1 billion commercial loan portfolio by recruiting the best seasoned commercial lenders in our markets and offering a high level of service and flexibility typically associated with a community bank. We fund this business primarily with deposits generated through commercial relationships and retail deposits. We service our customers primarily from our 49 offices located in Delaware (39), Pennsylvania (8), Virginia (1) and Nevada (1). We also offer a broad variety of consumer loan products, retail securities and insurance brokerage through our retail branches.

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

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

Our Cash Connect division is a premier provider of ATM Vault Cash and related services in the United States. Cash Connect manages nearly \$448 million in vault cash in more than 12,000 ATMs nationwide and also provides online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing and equipment sales. Cash Connect also operates over 400 ATMs for WSFS Bank, which has, by far, the largest branded ATM network in Delaware.

We offer trust and wealth management services through Christiana Trust, Cypress Capital Management, LLC (Cypress), WSFS Investment Group brokerage and our Private Banking group. The Christiana Trust division provides investment, fiduciary, agency and commercial domicile services from locations in Delaware and Nevada and has over \$11 billion in assets under administration. These services are provided to individuals and families as well as corporations and institutions. The Christiana Trust division of WSFS Bank provides these services to customers locally, nationally and internationally making use of the advantages of its branch facilities in Delaware and Nevada. Cypress is an investment advisory firm that manages more than \$500 million of portfolios for individuals, trusts, retirement plans and endowments. WSFS Investment Group, Inc. markets various third-party insurance products and securities through the Bank s retail banking system.

Until July 21, 2011, WSFS Financial Corporation and WSFS Bank were regulated by the Office of Thrift Supervision. As of July 21, 2011, WSFS Financial Corporation s primary federal regulator became the Federal Reserve and WSFS Bank s primary federal regulator became the Office of the Comptroller of the Currency. While we do not anticipate the change in primary regulators will have a material impact on our operations, there can be no assurance that the interpretation by these agencies of the regulations governing our business will not be different than that of the Office of Thrift Supervision which may affect the manner in which we conduct our business in the future.

---

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q, and exhibits thereto, contains estimates, predictions, opinions, projections and other statements that may be interpreted as forward-looking statements as that phrase is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, references to our financial goals, management's plans and objectives for future operations, financial and business trends, business prospects, and management's outlook or expectations for earnings, revenues, expenses, capital levels, liquidity levels, asset quality or other future financial or business performance, strategies or expectations. Such forward-looking statements are based on various assumptions (some of which may be beyond the Company's control) and are subject to risks and uncertainties (which change over time) and other factors which could cause actual results to differ materially from those currently anticipated. Such risks and uncertainties include, but are not limited to, the results of the Company's proposed bulk sale and investment securities transactions; those related to the economic environment, particularly in the market areas in which the Company operates; the volatility of the financial and securities markets, including changes with respect to the market value of financial assets; changes in market interest rates, changes in government regulation affecting financial institutions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules being issued in accordance with this statute and potential expenses associated therewith; and the costs associated with resolving any problem loans and other risks and uncertainties, discussed in documents filed by WSFS Financial Corporation with the Securities and Exchange Commission from time to time. Forward looking statements are as of the date they are made, and the Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

**CRITICAL ACCOUNTING POLICIES**

The discussion and analysis of the financial condition and results of operations are based on the Consolidated Financial Statements, which are prepared in conformity with U.S. generally accepted accounting principles. The preparation of these Consolidated Financial Statements requires us to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue and expenses. We regularly evaluate these estimates and assumptions including those related to the allowance for loan losses, deferred taxes, fair value measurements, goodwill and other intangible assets. We base our estimates on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances. These form the basis for making judgments on the carrying value of assets and liabilities that are not readily apparent from other sources. Although our current estimates contemplate current economic conditions and how we expect them to change in the future, for the remainder of 2012, it is reasonably possible that actual conditions may be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Actual results may differ from these estimates under different assumptions or conditions.

The following are critical accounting policies that involve more significant judgments and estimates. See further discussion of these critical accounting policies in the 2011 Annual Report on Form 10-K.

**Allowance for Loan Losses**

We maintain allowances for loan losses and charge losses to these allowances when realized. We consider the determination of the allowance for loan losses to be critical because it requires significant judgment reflecting our best estimate of impairment related to specifically evaluated impaired loans as well as the inherent risk of loss for those in the remaining loan portfolio. Our evaluation is based upon a continuing review of the portfolio, with consideration given to evaluations resulting from examinations performed by regulatory authorities.

**Deferred Taxes**

We account for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740), which requires the recording of deferred income taxes that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We consider our accounting policies on deferred taxes to be critical because we regularly assess the need for valuation allowances on deferred income tax assets that may result from, among other things, limitations imposed by Internal Revenue Code and uncertainties, including the timing of settlement and realization of these differences. No valuation allowance is required as of March 31, 2012.



## **Table of Contents**

### **Fair Value Measurements**

We adopted FASB ASC 820-10 *Fair Value Measurements and Disclosures* ( ASC 820 ), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. We consider our accounting policies related to fair value measurements to be critical because they are important to the portrayal of our financial condition and results, and they require our subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. See Note 7, Fair Value of Financial Assets to our Consolidated Financial Statements.

### **Goodwill and Other Intangible Assets**

In accordance with FASB ASC 805, *Business Combinations*, and FASB ASC 350, *Intangibles – Goodwill and Other*, all assets and liabilities acquired in purchase acquisitions, including goodwill, indefinite-lived intangibles and other intangibles are recorded at fair value. We consider our accounting policies related to goodwill and other intangible assets to be critical because the assumptions or judgment used in determining the fair value of assets and liabilities acquired in past acquisitions are subjective and complex. As a result, changes in these assumptions or judgment could have a significant impact on our financial condition or results of operations.

For additional information regarding our goodwill and other intangible assets, see Note 11 to the Consolidated Financial Statements.

## **FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY**

### **Financial Condition**

Our total assets increased \$38.1 million or 1% to \$4.3 billion as of March 31, 2012. Included in this increase was a \$21.3 million, or 1% increase in net loans, and a \$31.5 million, or 4%, increase in investment securities. The increase in loans was mainly in commercial and industrial (C&I) loans which grew \$25.6 million, or 2% during the first quarter of 2012. This growth occurred despite typically slower seasonal loan growth during the first quarter and was partially offset by a decrease in residential and consumer loans, generally reflecting a continuing purposeful change in the mix of our loan portfolios. In addition, and partially offsetting these increases, cash and cash equivalents decreased \$8.3 million or 2% during the quarter.

Total liabilities increased \$33.7 million during the quarter to \$3.9 billion as of March 31, 2012. This increase was primarily the result of increased deposits of \$54.2 million, or 2%, and an increase of \$25.0 million in federal funds purchased and securities sold under agreements to repurchase. Partially offsetting these increases was a \$34.8 million decrease in other borrowed funds, which includes customer sweep accounts.

### **Capital Resources**

Stockholders' equity increased \$4.4 million between December 31, 2011 and March 31, 2012. This increase was mainly due to net income of \$6.4 million. Partially offsetting this increase was a decrease of \$1.0 million in the value of our available-for-sale securities portfolio combined with the payment of common and preferred dividends of \$1.7 million during the three months ended March 31, 2012.

Book value per common share was \$45.55 at March 31, 2012 an increase of \$0.36 from \$45.19 reported at December 31, 2011. Tangible common book value per common share (a non-GAAP measurement) was \$35.62 at March 31, 2012, an increase of \$0.42, or 1% from \$35.20 reported at December 31, 2011.

**Table of Contents**

Below is a table comparing the Bank's consolidated capital position to the minimum regulatory requirements as of March 31, 2012:

(dollars in thousands)	Consolidated		For Capital		To be Well-Capitalized	
	Bank Capital		Adequacy Purposes		Under	
	Amount	% of Assets	Amount	% of Assets	Amount	% of Assets
Total Capital (to Risk-Weighted Assets)	\$ 441,162	13.57%	\$ 260,144	8.00%	\$ 325,180	10.00%
Core Capital (to Adjusted Total Assets)	400,317	9.34	171,497	4.00	214,371	5.00
Tangible Capital (to Tangible Assets)	400,317	9.34	64,311	1.50	N/A	N/A
Tier 1 Capital (to Risk-Weighted Assets)	400,317	12.31	130,072	4.00	195,108	6.00

Under guidelines issued by banking regulators, savings institutions such as the Bank must maintain tangible capital equal to 1.5% of adjusted total assets, core capital equal to 4.0% of adjusted total assets, Tier 1 capital equal to 4.0% of risk weighted assets and total or risk-based capital (a combination of core and supplementary capital) equal to 8.0% of risk-weighted assets. Failure to meet minimum capital requirements can initiate certain mandatory actions and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our bank's financial statements.

At March 31, 2012, the Bank was in compliance with regulatory capital requirements and was considered a well-capitalized institution. The Bank's core capital ratio of 9.34%, Tier 1 capital ratio of 12.31% and total risk based capital ratio of 13.57%, all remain substantially in excess of well-capitalized regulatory benchmarks, the highest regulatory capital rating. In addition, and not included in Bank capital, the holding company held \$12.0 million in cash to support dividends, acquisitions, strategic growth plans.

**Recently Issued Guidance on Federal Debt**

On August 5, 2011, Standard and Poor's rating agency lowered the long-term rating of the U.S. government and federal agencies from AAA to AA+. In a joint press release issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration and the Office of the Comptroller of the Currency, the following guidance was provided related to the downgrade: for risk-based capital purposes, the risk weights for U.S. Treasury securities and other securities issued or guaranteed by the U.S. government, government agencies and government-sponsored entities will not change. In addition, the treatment of U.S. Treasury securities and other securities issued or guaranteed by the U.S. government, government agencies and government-sponsored entities will be unaffected.

**Liquidity**

We manage our liquidity risk and funding needs through our Treasury function and our Asset/Liability Committee. We have a policy that separately addresses liquidity, and management monitors our adherence to policy limits. Also, liquidity risk management is a primary area of examination by the banking regulators.

As a financial institution, the Bank has ready access to several sources to fund growth and meet its liquidity needs. Among these are: net income, retail deposit programs, loan repayments, borrowing from the FHLB, repurchase agreements, access to the Fed Discount Window, and access to the brokered deposit market as well as other wholesale funding avenues. In addition, we have a large portfolio of high-quality, liquid investments, primarily short-duration mortgage-backed securities and government sponsored enterprises (GSE) notes that provide a near-continuous source of cash flow to meet current cash needs, or can be sold to meet larger discrete needs for cash. Management believes these sources are sufficient to maintain required and prudent levels of liquidity.

During the three months ended March 31, 2012, cash and cash equivalents decreased \$8.3 million to \$459.7 million. This decrease was primarily a result of the following: cash usages for a \$33.3 million increase in net loans; \$32.7 million purchases (net of sales and maturities) of available for sale securities; \$30.0 million repayment of unsecured bank debt, and a

**Table of Contents**

\$10.7 million decrease in federal home loan bank advances. Offsetting these decreases in cash were: \$40.1 million in cash provided through increases in demand, savings, and time deposits, \$25.0 million increase in proceeds in federal funds purchased and securities sold under repurchase agreements; \$18.6 million provided by funds related to operations and \$7.3 million from the sales of assets acquired through foreclosure.

**NONPERFORMING ASSETS**

The following table shows our nonperforming assets and past due loans at the dates indicated. Nonperforming assets include nonaccruing loans, nonperforming real estate, assets acquired through foreclosure and restructured mortgage and home equity consumer debt. Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and the value of the collateral is insufficient to cover principal and interest. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed and charged against interest income. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual status. Subsequent cash receipts are applied either to the outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collectability of principal and interest. Past due loans are loans contractually past due 90 days or more as to principal or interest payments but which remain on accrual status because they are considered well secured and in the process of collection.

	March 31, 2012	December 31, 2011
	(In Thousands)	
Nonaccruing loans:		
Commercial	\$ 6,526	\$ 23,080
Owner-occupied commercial (3)	21,760	
Consumer	1,321	1,018
Commercial mortgage	11,625	15,814
Residential mortgage	8,587	9,057
Construction	24,246	22,124
Total nonaccruing loans	74,065	71,093
Assets acquired through foreclosure	6,708	11,695
Troubled debt restructuring (accruing)	8,837	8,887
Total nonperforming assets	\$ 89,610	\$ 91,675
Past due loans (1):		
Residential Mortgages	111	887
Commercial and commercial mortgages	854	78
Total past due loans	\$ 965	\$ 965
Ratios:		
Allowance for loan losses to total loans (2)	2.01%	1.92%
Nonperforming assets to total assets	2.07%	2.14%
Nonaccruing loans to total loans (2)	2.66%	2.58%
Loan loss allowance to nonaccruing loans	75.34%	74.66%
Loan loss allowance to total nonperforming assets	62.27%	57.90%

(1) Past due loans are accruing loans which are contractually past due 90 days or more as to principal or interest. These loans are well secured and in the process of collection.

(2) Total loans exclude loans held for sale.

<sup>(3)</sup> Prior to 2012, owner-occupied loans were included in commercial loans.

**Table of Contents**

Nonperforming assets decreased \$2.1 million between December 31, 2011 and March 31, 2012. As a result, non-performing assets as a percentage of total assets decreased from 2.14% at December 31, 2011 to 2.07% at March 31, 2012. This decrease was mainly due to a \$5.0 million decrease in Other Real Estate Owned ( OREO ) assets, mainly due to the sale of OREO properties, including one large residential development for \$3.3 million and a bulk sale of smaller residential properties totaling \$2.6 million. These decreases were partially offset by the downgrade of two new relationships during the first quarter of 2012 to nonaccrual status.

The following table summarizes the changes in nonperforming assets during the period indicated:

	<b>For the three months ended March 31, 2012</b>	For the year ended December 31, 2011
	(In Thousands)	
Beginning balance	<b>\$ 91,675</b>	\$ 92,898
Additions	<b>18,377</b>	89,842
Collections	<b>(13,605)</b>	(40,695)
Transfers to accrual	<b>(269)</b>	(8,474)
Charge-offs / write-downs, net	<b>(6,568)</b>	(41,896)
Ending balance	<b>\$ 89,610</b>	\$ 91,675

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

**INTEREST SENSITIVITY**

The matching of maturities or repricing periods of interest rate-sensitive assets and liabilities to promote a favorable interest rate spread and mitigate exposure to fluctuations in interest rates is our primary tool for achieving our asset/liability management strategies. We regularly review our interest-rate sensitivity and adjust the sensitivity within acceptable tolerance ranges established by the Board of Directors. At March 31, 2012, interest-earning liabilities exceeded interest-bearing assets that mature or reprice within one year (interest-sensitive gap) by \$1.7 million. Our interest-sensitive assets as a percentage of interest-sensitive liabilities within the one-year window decreased from 102.84% at December 31, 2011, to 99.93% at March 31, 2012. Likewise, the one-year interest-sensitive gap as a percentage of total assets changed to -0.04% at March 31, 2012 from 1.54% at December 31, 2011. The change in sensitivity since December 31, 2011 reflects the current interest rate environment and our continuing effort to effectively manage interest rate risk.

**Table of Contents**

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from interest rate risk inherent in our lending, investing, and funding activities. To that end, we actively monitor and manage our interest rate risk exposure. One measure, required to be performed by federal regulation, measures the impact of an immediate change in interest rates in 100 basis point increments on the net portfolio value ratio. The net portfolio value ratio is defined as the net present value of the estimated cash flows from assets and liabilities as a percentage of net present value of cash flows from total assets (or the net present value of equity). The table below shows the estimated impact of immediate changes in interest rates on our net interest margin and net portfolio value ratio at the specified levels at March 31, 2012 and December 31, 2011:

% Change in Interest Rate (Basis Points)	March 31, 2012		December 31, 2011	
	% Change in Net Interest Margin (1)	Economic Value of Equity (2)	% Change in Net Interest Margin (1)	Economic Value of Equity (2)
+300	5%	12.02%	6%	11.17%
+200	1%	11.95%	3%	11.30%
+100	-3%	11.84%	-2%	11.21%
-	0%	11.74%	0%	10.97%
-100	2%	11.15%	-8%	10.19%
-200 (3)	NMF	NMF	NMF	NMF
-300 (3)	NMF	NMF	NMF	NMF

- (1) The percentage difference between net interest margin in a stable interest rate environment and net interest margin as projected under the various rate change environments.
- (2) The economic value of equity ratio of the Company in a stable interest rate environment and the economic value of equity ratio as projected under the various rate change environments.
- (3) Sensitivity indicated by a decrease of 200 or 300 basis points is not deemed meaningful at March 31, 2012 given the low absolute level of interest rates at that time.

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

**COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2012****Results of Operations**

We recorded net income of \$6.4 million for the quarter ended March 31, 2012, a 53% increase over net income of \$4.2 million for the quarter ended March 31, 2011. Income allocable to common stockholders (after preferred stock dividends) was \$5.8 million, or \$0.66 per diluted common share (a 65% increase in diluted EPS), for the quarter ended March 31, 2012, compared to income allocable to common shareholders of \$3.5 million, or \$0.40 per diluted common share, for the quarter ended March 31, 2011. Earnings for the first quarter of 2012 reflected strong revenue growth, while expenses decreased slightly during the same period. The improvement in earnings included an increase of \$3.1 million in noninterest income and an increase of \$2.3 million in net interest income. The increase in noninterest income was due in part to an increase in securities gains and credit/debit card and ATM fees during first quarter of 2012. These increases were partially offset by an increase in the provision for loan losses of \$2.3 million. Noninterest expenses decreased slightly year-over-year, as increases from the later stages of our heavy investment phase, were offset by lower loan workout and OREO expenses in the first quarter of 2012.

**Table of Contents****Net Interest Income**

The following tables provide information concerning the balances, yields and rates on interest-earning assets and interest-bearing liabilities during the periods indicated.

	Three Months Ended March 31,					
	2012			2011		
	Average Balance	Interest	Yield/ Rate (1)	Average Balance	Interest	Yield/ Rate (1)
(Dollars In Thousands)						
<b>Assets:</b>						
Interest-earning assets:						
Loans (2) (3):						
Commercial real estate loans	\$ 739,158	\$ 8,931	4.83%	\$ 755,256	\$ 8,860	4.69%
Residential real estate loans	279,480	3,199	4.58	314,677	3,862	4.91
Commercial loans	1,468,048	17,775	4.88	1,253,433	15,381	4.99
Consumer loans	289,230	3,490	4.85	307,873	3,853	5.08
Total loans	2,775,916	33,395	4.86	2,631,239	31,956	4.90
Mortgage-backed securities (4)	826,088	5,718	2.77	711,852	7,026	3.95
Investment securities (4) (5)	47,276	101	0.96	47,806	170	1.42
Other interest-earning assets	35,290	9	0.10	37,596		
Total interest-earning assets	3,684,570	39,223	4.30	3,428,493	39,152	4.60
Allowance for loan losses	(53,776)			(61,883)		
Cash and due from banks	68,354			59,527		
Cash in non-owned ATMs	361,508			312,580		
Bank-owned life insurance	63,458			64,303		
Other noninterest-earning assets	127,835			124,166		
Total assets	\$ 4,251,949			\$ 3,927,186		
<b>Liabilities and Stockholders Equity:</b>						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing demand	\$ 379,315	\$ 60	0.06%	\$ 301,563	\$ 120	0.16%
Money market	768,666	519	0.27	729,072	842	0.47
Savings	383,294	173	0.18	298,442	306	0.42
Customer time deposits	763,802	2,984	1.57	781,955	3,729	1.93
Total interest-bearing customer deposits	2,295,077	3,736	0.65	2,111,032	4,997	0.96
Brokered certificates of deposit	270,814	279	0.41	198,233	226	0.46
Total interest-bearing deposits	2,565,891	4,015	0.63	2,309,265	5,223	0.92
FHLB of Pittsburgh advances	530,518	1,937	1.44	515,600	2,727	2.12
Trust preferred borrowings	67,011	375	2.21	67,011	336	2.01
Other borrowed funds	136,480	366	1.07	175,726	612	1.39
Total interest-bearing liabilities	3,299,900	6,693	0.81	3,067,602	8,898	1.16
Noninterest-bearing demand deposits	520,044			468,022		
Other noninterest-bearing liabilities	33,571			20,911		

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Stockholders' equity	<b>398,434</b>	370,651
Total liabilities and stockholders' equity	<b>\$ 4,251,949</b>	\$ 3,927,186
Excess of interest-earning assets over interest-bearing liabilities	<b>\$ 384,670</b>	\$ 360,891
Net interest and dividend income	<b>\$ 32,530</b>	\$ 30,254
Interest rate spread	<b>3.49%</b>	3.44%
Net interest margin	<b>3.57%</b>	3.56%

- (1) Weighted average yields have been computed on a tax-equivalent basis using a 35% effective tax rate.
- (2) Nonperforming loans are included in average balance computations.
- (3) Balances are reflected net of unearned income.
- (4) Includes securities available-for-sale.
- (5) Includes reverse mortgages.

Net interest income for the first quarter of 2012 improved by \$2.3 million, or 8%, compared to the first quarter of 2011. The increase in net interest income reflects growth in both our average total loans which increased \$144.7 million from the prior year and our mortgage backed securities portfolio which increased \$114.2 million from the prior year.



## **Table of Contents**

The net interest margin for the first quarter of 2012 was 3.57% on a tax-equivalent basis, a one basis point increase compared to 3.56% for the first quarter of 2011. The increase in net interest margin benefited from the continued decline in our funding costs, particularly on core deposits. This was mostly offset by the decrease in the yield on our MBS portfolio as the yield continued to decline due to MBS prepayments and sales combined with low reinvestment rates.

### **Allowance for Loan Losses**

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

We established our loan loss allowance in accordance with guidance provided in the Securities and Exchange Commission's Staff Accounting Bulletin 102 (SAB 102). Its methodology for assessing the appropriateness of the allowance consists of several key elements which include: specific allowances for identified problem loans; formula allowances for commercial and commercial real estate loans; and allowances for pooled homogeneous loans.

Specific reserves are established for certain impaired loans in cases where we have identified significant conditions or circumstances related to a specific credit that indicate the probability that a loss has been incurred.

The formula allowances for commercial, commercial real estate and construction loans are calculated by applying estimates of default and loss severity to outstanding loans based on the risk grade of loans. Default rates are determined through a past twelve quarter migration analysis. Loss severity is based on a three year historical analysis. As a result, changes in risk grades affect the amount of the formula allowance.

Pooled loans are usually smaller, not-individually-graded and homogeneous in nature, such as consumer installment loans and residential mortgages. Loan loss allowances for pooled loans are first based on a five-year net charge-off history. The average loss allowance per homogeneous pool is based on the product of average annual historical loss rate and the homogeneous pool balances. These separate risk pools are then assigned a reserve for losses based upon this historical loss information.

Qualitative and environmental adjustment factors are taken into consideration when determining the above described reserve estimates. These adjustment factors are based upon our evaluation of various current conditions, including those listed below.

General economic and business conditions affecting the Bank's key lending areas,

Credit quality trends,

Recent loss experience in particular segments of the portfolio,

Collateral values and loan-to-value ratios,

Loan volumes and concentrations, including changes in mix,

Seasoning of the loan portfolio,

Specific industry conditions within portfolio segments,

## Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Bank regulatory examination results, and

Other factors, including changes in quality of the loan origination, servicing and risk management processes.

Our loan officers and risk managers meet at least quarterly to discuss and review these conditions and risks associated with individual problem loans. In addition, various regulatory agencies and loan review consultants periodically review our loan ratings and allowance for loan losses.

During the first quarter of 2012, we made certain improvements to the method in which we determine the allowance for loan loss. These improvements include:

Used a three year loss migration analysis to determine the probability of default,

Segregated the commercial loan segment to more specifically analyze the risks associated with business, owner-occupied CRE, investor CRE and construction loan portfolios,

Improved the data used to determine qualitative adjustment factors,

Established a portion of the allowance for loan losses related to model and complexity risk,

**Table of Contents**

Established a reserve for unfunded commitments (reflected in other liabilities on the Consolidated Statements of Condition), and

Revised our loan risk rating system based on recommendations from industry experts.

The above changes to the calculation of the allowance for loan losses did not have a material impact on the allowance for loan loss at March 31, 2012 or the amount of provision for loan losses recorded during the period.

The provision for loan losses was \$8.2 million in the quarter ending March 31, 2012 compared to \$5.9 million in the same quarter of 2011. The provision for the first quarter of 2012 more than covered our net charge-offs of \$5.5 million. In addition, total credit costs (including the provision for loan losses, loan workout expense, OREO expense and other credit reserves) increased to \$9.2 million from \$8.4 million in the first quarter of 2011. The increase in credit costs is due primarily to risk rating migration arising from the implementation of a new risk rating policy and procedures.

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
	(Dollars in Thousands)	
Beginning balance	\$ 53,080	\$ 60,339
Provision for loan losses	8,245	5,908
<b>Charge-offs:</b>		
Residential real estate	324	406
Commercial real estate	190	247
Construction	1,506	5,226
Commercial	2,331	3,365
Owner occupied-commercial (1)	502	
Overdrafts	245	195
Consumer	984	1,561
<b>Total charge-offs</b>	<b>6,082</b>	<b>11,000</b>
<b>Recoveries:</b>		
Residential real estate	25	85
Commercial real estate	313	8
Construction	28	391
Commercial	53	127
Owner occupied-commercial (1)	6	
Overdrafts	94	106
Consumer	36	36
<b>Total recoveries</b>	<b>555</b>	<b>753</b>
<b>Net charge-offs</b>	<b>5,527</b>	<b>10,247</b>
Ending balance	\$ 55,798	\$ 56,000
<b>Net charge-offs to average gross loans outstanding, net of unearned income (2)</b>	<b>0.80%</b>	<b>1.56%</b>

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

- (1) Prior to 2012, owner-occupied commercial loans were included in commercial loans.
- (2) Ratios for the three months ended March 31, 2012 and 2011 are annualized.

---

## **Table of Contents**

### ***Noninterest Income***

Noninterest income increased \$3.2 million to \$16.8 million in the first quarter of 2012 from \$13.6 million in the first quarter of 2011. Excluding the impact of net securities gains in both periods, noninterest income increased by \$1.5 million, or 11%. Credit/debit card and ATM fees increased by \$682,000, or 14%, and deposit service charges increased by \$450,000, or 13%, over the prior year, reflecting franchise growth. In addition, fiduciary & investment management income increased \$204,000, or 7%, over the prior year, and represents continued growth in this business.

### ***Noninterest Expense***

Noninterest expense for the first quarter of 2012 decreased \$398,000 to \$31.0 million in the first quarter of 2012 from \$31.4 million in the first quarter of 2011. Included in this comparison was a \$1.6 million decrease in loan workout and OREO costs which was mostly offset by expenses associated with increased organic franchise growth during the last year. This growth, included the opening and renovation of several branches, the hiring of additional commercial relationship managers and related infrastructure costs as the Company reached the later stages of its recent heavy investment phase by the end of 2011, resulting in increased salaries, benefits and other compensation, occupancy and other operating expenses.

### **Income Taxes**

We and our subsidiaries file a consolidated Federal income tax return and separate state income tax returns. Income taxes are accounted for in accordance with ASC 740, which requires the recording of deferred income taxes for tax consequences of temporary differences. We recorded an income tax expense of \$3.6 million during the three months ended March 31, 2012 compared to an income tax expense of \$2.4 million for the same period in 2011. Our effective tax rate was 35.9% for the three months ended March 31, 2012 compared to 36.3% during the same period in 2011.

The effective tax rate reflects the recognition of certain tax benefits in the financial statements including those benefits from tax-exempt interest income (including a 50% interest income exclusion on a loan to an Employee Stock Ownership Plan) and BOLI income. These tax benefits are offset by the tax effect of stock-based compensation expense related to incentive stock options and a provision for state income tax expense.

We frequently analyze our projections of taxable income and make adjustments to our provision for income taxes accordingly.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

In April 2011, the FASB issued an update ( ASU No. 2011-02, *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*) which clarifies when creditors should classify loan modifications as troubled debt restructurings. The new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after January 1, 2011. A provision in Update 2011-02 also ends the FASB's deferral of the additional disclosures about troubled debt restructurings as required by Update 2010-20. The adoption of this amendment did not have a material effect on our Consolidated Financial Statements.

In April 2011, the FASB issued an update ( ASU No. 2011-03, *Reconsideration of Effective Control in Repurchase Agreements*) which removes from the assessment of effective control the criterion related to the transferor's ability to repurchase or redeem financial assets on substantially agreed terms, even in the event of default by the transferee. In addition, this guidance also eliminates the requirement to demonstrate that a transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The new guidance is effective for interim and annual periods beginning on or after December 15, 2011, and applies prospectively to transactions or modifications of existing transactions occurring on or after the effective date. The adoption of this amendment did not have a material effect on our Consolidated Financial Statements.

In May 2011, the FASB issued an update ( ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*) to achieve common fair value measurement and disclosure requirements between U.S. and International accounting principles. While the overall guidance is consistent with U.S. GAAP, the amendment includes additional fair value disclosure requirements. The amendments in the guidance are

---

## **Table of Contents**

effective for interim and annual periods beginning after December 15, 2011. The adoption of this amendment did not have a material effect on our Consolidated Financial Statements; however, the adoption did have an impact on our fair value disclosures.

In June 2011, the FASB issued an update ( ASU No. 2011-05, *Presentation of Comprehensive Income*) to eliminate the option to present the components of other comprehensive income as part of the statement of changes in shareholder s equity. The amendment requires that comprehensive income be presented in either a single continuous statement or in two separate consecutive statements. This amendment is effective for interim and annual periods beginning after December 15, 2011. The adoption of this amendment did not have a material effect on our Consolidated Financial Statements; however, the adoption did have an impact on our presentation of comprehensive income.

In September 2011, the FASB issued an update ( ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350) – Testing Goodwill for Impairment*) to give entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. This amendment is effective for interim and annual periods beginning after December 15, 2011. The adoption of this amendment did not have a material effect on our Consolidated Financial Statements.

In December 2011, the FASB issued an update ( ASU No. 2011-11, *Balance Sheet (Topic 350) – Offsetting*) to address balance sheet offsetting. An entity is required to disclose information about offsetting and related arrangements so that users of the financial statements can understand the effect of those arrangements on its financial position. Entities are required to disclose both gross information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. The instruments and transactions include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This amendment is effective for interim and annual reporting periods beginning on or after January 1, 2013. We do not expect the adoption of this guidance to have a material impact on our financial statements.

In December 2011, the FASB issued an update ( ASU No. 2011-12, *Presentation of Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*) which under ASU 2011-05 defers the effective date pertaining to reclassification adjustments out of other accumulated other comprehensive income (AOCI). Concerns were raised that reclassifications of items out of AOCI would be costly for prepares and may add unnecessary complexity to financial statements. All other requirements in ASU 2011-05 are not affected by this Update. This amendment is effective for interim and annual periods beginning after December 15, 2011. We have complied with the guidance for the period ended March 31, 2012.

## **RECENT LEGISLATION**

On July 21, 2010, the President signed the Dodd-Frank Act into law. This legislation makes extensive changes to the laws regulating financial services firms and requires significant rule-making. In addition, the legislation mandates multiple studies, which could result in additional legislative or regulatory action. While the full effects of the legislation on us cannot yet be determined, this legislation was opposed by the American Bankers Association and is generally perceived as negatively impacting the banking industry. This legislation may result in higher compliance and other costs, reduced revenues and higher capital and liquidity requirements, among other things, which could adversely affect our business. There are many parts of the Dodd-Frank Act that have yet to be determined and implemented however, as a direct result of the Act, the following rulings have been adopted or will be adopted in the coming years:

On August 10, 2010 the Board of Directors of the FDIC adopted a final ruling permanently increasing the standard maximum deposit insurance amount from \$100,000 to \$250,000, which became effective on July 22, 2010.

## **Table of Contents**

During January of 2011, a timeframe and preliminary implementation plan for the phase out of the Office of Thrift Supervision ( the OTS ), one of our current banking regulators was announced by the joint agencies, and its merger into the Office of the Comptroller of the Currency. The provisions of the plan include a transition from the Thrift Financial Report, which we file each quarter, to the Call Report, which began with the March 2012 reporting period.

On February 7, 2011, the Federal Reserve approved a final ruling that changed the Deposit Insurance Fund ( DIF ) assessment from domestic deposits to average assets minus tangible equity. The changes went into effect during the second quarter of 2011 and were payable at the end of September. It is the intent of the FDIC that banks with over \$10 billion in assets pay a larger share of the assessments into the DIF.

In June 2011, the Federal Reserve adopted the Durbin Amendment in which debit interchange fees would be capped at 21 cents plus 5 basis points of the transaction, with the possibility of an additional cent if the issuer implements certain fraud-prevention standards. This rule affects banks with \$10 billion or more in assets.

On July 21, 2011, the Federal Reserve repealed Federal prohibitions on the payment of interest on demand deposits.

On July 21, 2011, the Consumer Financial Protection Bureau ( CFPB ) was created to centralize responsibility for consumer financial protection. The bureau has been given the responsibility for implementing, examining and enforcing compliance with Federal consumer protection laws.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Incorporated herein by reference from Item 2, of this quarterly report on Form 10-Q.

### **Item 4. Controls and Procedures**

- (a) **Evaluation of disclosure controls and procedures.** Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act )), our principal executive officer and the principal financial officer have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q such disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.
- (b) **Changes in internal control over financial reporting.** During the quarter under report, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Part II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Incorporated herein by reference to Note 12 Legal Proceedings to the Consolidated Financial Statements

**Item 1A. Risk Factors**

Our management does not believe there have been any material changes to the risk factors previously disclosed under Item 1A. of the Company's Form 10-K for the year ended December 31, 2011, previously filed with the Securities and Exchange Commission.



**Table of Contents****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table represents information with respect to repurchases of common stock made by us during the three months ended March 31, 2012. These shares were delivered to us by employees as payment for taxes on the vesting of restricted stock or exercise of stock options.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicity Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
2012				
January		\$		
February	918	39.56		
March				
Total (1)	918	\$ 39.56		

- (1) The shares repurchased were not part of a publicly announced repurchase plan or program. These shares were owned and tendered by employees as payment for taxes on vesting of restricted stock or exercise of stock options. There were no treasury shares repurchased during the quarter ended March 31, 2012.

**Item 3. Defaults upon Senior Securities**

Not applicable

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

Not applicable

**Item 6. Exhibits**

- (a) Exhibit 31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (b) Exhibit 31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (c) Exhibit 32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

- (d) Exhibit 101.INS XBRL Instance Document\*
- (e) Exhibit 101.SCH XBRL Schema Document\*
- (f) Exhibit 101.CAL XBRL Calculation Linkbase Document\*
- (g) Exhibit 101.LAB XBRL Labels Linkbase Document\*
- (h) Exhibit 101.PRE XBRL Presentation Linkbase Document\*

\* Pursuant to Regulation 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and are otherwise not subject to liability.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**WSFS FINANCIAL CORPORATION**

Date: May 10, 2012

/s/ Mark A. Turner  
Mark A. Turner  
President and Chief Executive Officer

Date: May 10, 2012

/s/ Stephen A. Fowle  
Stephen A. Fowle  
Executive Vice President and  
Chief Financial Officer