
A View from the Boardroom—Volume IV



Marvin N. Schoenhals
Chairman of the Board



Charles G. Cheleden
Vice Chairman & Lead Director

Since beginning this practice of a Boardroom Letter a few years ago, our purpose has been to share key perspectives that guide us as representatives of your ownership of WSFS. Each of our three previous letters has emphasized various aspects of the fundamental principle that undergirds almost every decision your board makes: *behaving as owners investing in and managing for long-term performance that is superior to most of our peers*. If you are new to WSFS, we strongly encourage you to read the prior three View from the Boardroom letters and our statement of Board Principles located on the Investor Relations page of the Company's website. They provide a robust understanding of your board's philosophy.

Each year we remind fellow shareholders of this: ***As a result of our longer-term orientation and our commitment to being a high-performing Company, we believe investors in WSFS should be those with a long-term, high-performance orientation as well.***

This year we want to look back at some of those longer-term journeys, but we start with one in particular: The Path to High Performing. To do so, we need to set the context. In 2006 and 2007, WSFS reported earnings of about \$30 million, resulting in a Return on Assets (ROA) of approximately 1.00%. This was respectable but not exceptional. In 2008 earnings dropped by 45%, and in 2009 even went slightly negative (\$1.9 million) for common shareholders. This deterioration was due to the financial crisis. By 2011 we had worked back to a profit of approximately \$20 million and a 0.56% ROA—certainly nothing to boast about. It was about this time that our management team put forth its plan: The Path to

High Performing. That plan detailed the steps necessary to get back to being a high-performance Company. The goal was to be at a core and sustainable ROA (on a run-rate basis) of 1.20% by the fourth quarter of 2015. As previously reported, the actual run rate on a normalized basis was 1.24%.

Few other institutions have made this much improvement in their fundamental performance during the same time frame. As a board, we want to commend the management team for this accomplishment. It is a wonderful example of how “management makes a difference.” While management is accountable to the board, to be frank, management held itself accountable to achieving this standard much more aggressively than the board did. All shareholders are fortunate to have Mark Turner and the entire team working for them!

Since we emphasize our long-term orientation, we thought it would be appropriate to look at some of the other, more significant long-term decisions we have made (not all of which worked as planned). We also included a couple upon which we are now executing.

- In 1995 the Company announced that it would explore a possible sale of the Company. An exit at the then-current prices would have produced a strong return for those investors who had participated in the 1992 recapitalization of the Company. By early 1996 we had received indications of interest from potential acquirers. While one of those came close to what we had determined the Company to be worth, it did not reach that threshold. Had we taken that offer, it would have produced a very nice short-term result for shareholders, but at the expense of missing the returns of the last 20 plus years (a compounded growth rate of 22%). Furthermore, that bidding company had subsequent subpar performance and ceased to exist.
- In 1993 and 1994, WSFS acquired two different reverse mortgage portfolios. Few understood the financial aspects of reverse mortgages, and the Company was criticized for such a “speculative” endeavor. After those two acquisitions, the book value of all of our reverse mortgages was \$32 million. In the 21 years since, we have booked over \$205 million in gains from this and related assets. Furthermore, at December 31, 2015, the minimum expected net benefit from this asset is still \$38 million.

W S F S F I N A N C I A L C O R P O R A T I O N

- Our expertise in reverse mortgages has enabled us to make several very successful investment decisions. But they were not all that way. In 2008 we acquired a majority interest in First Reverse, a reverse mortgage origination company. While we clearly understand the financial aspects of reverse mortgages, we badly misjudged the origination market at that time. That cost us approximately \$1.9 million pre-tax and meaningful management distraction, before First Reverse was closed in 2009.
- WSFS began investing in our Associate Engagement Culture in the late 1990s. We could lower our expenses today by reducing those efforts. Yet our engagement culture is the cornerstone of our brand—We Stand For Service® and a primary competitive advantage. That only comes from an Associate Engagement Culture. It is priceless.
- In approximately 2002, we began efforts to start a trust and wealth business so that we might become a more complete “full service” bank. We stumbled on this one. We did not make appropriate staffing decisions or sufficient infrastructure investments. It might have been the right decision, but it was poorly implemented and resulted in several years of operating losses.
- The financial crisis of 2008 had a devastating impact on our industry. Our own numbers quoted above confirm that. As a result, many financial institutions sharply reduced forward-looking investments in the 2008–2010 period. In contrast, your board made the deliberate decision to continue significant investments for the future. **Two of those investments were as follows:**
 - Continuing the expansion of our branch network in Delaware and Southeast Pennsylvania. These investments allowed us to accelerate our growth and enabled us to leverage our strengths in the wake of the sale of one of our major competitors. Just as importantly, the Pennsylvania expansion became a platform for the acquisitions of Alliance and Penn Liberty (pending). These acquisitions are long-term decisions that we are in the midst of executing. Both were done at a price level that many analysts have labeled a “full market price.” We agree, but believe that they are very strategic moves that will enhance our franchise and provide excellent returns.
 - Another move was the acquisition of Christiana Bank and Trust in 2010. CB&T has become a key contributor to your Company’s more diversified revenue stream, and it significantly enhances our full-service banking capabilities. It has been a very significant “strategic” acquisition for WSFS.

But there is a back story that highlights our disciplined approach to decision-making. Though acquiring CB&T has proven to be the right strategic decision, we had the opportunity to acquire the company approximately four years earlier. We passed because the price was too high, even though it was a very strategic opportunity that we had pursued for years. When we were given a second opportunity, we were able to acquire a larger and more profitable operation at a much lower price. So while we are willing to pay a full price for strategic opportunities like the Pennsylvania acquisitions, we are not willing to compromise our financial performance expectations solely to achieve coveted objectives.

Now for the performance reporting we provide every year in this letter: **Financial Performance** and **Total Shareholder Return (TSR)** over multiple periods.

Financial Performance

The three financial measures we focus on are as follows: Return on Assets (ROA), Return on Equity (ROE) and Growth in EPS (GEPS)—compared to our peers. This chart shows the 2015 percentile position of each of these three measures compared to the peer group as explained in the footnote.

WSFS Percentile Compared to Peers¹			
	2013	2014	2015
ROA	69%	68%	72%
ROE	80%	83%	74%
GEPS	90%	30%	51%

Total Shareholder Return

To compute TSR, we use three-, five-, seven- and ten-year time frames. For each time window, we look at each of the trailing eight reporting quarters. This creates 32 separate time periods over which we calculate WSFS’s TSR performance. We compare those 32 data points to five different bank stock indices: Nasdaq Bank, KBW Bank, ABA Community Bank, SNL U.S. Bank and Thrift, and the SNL U.S. Bank \$1B–\$5B. At the end of this process, we have 160 data points against which to evaluate WSFS’s performance. We acknowledge that many of the data points are correlated, but believe it is an informative analysis, especially when performed and reported consistently over time. **WSFS outperformed all five peer indices in 159 out of the 160 comparisons.**

2015 ANNUAL REPORT

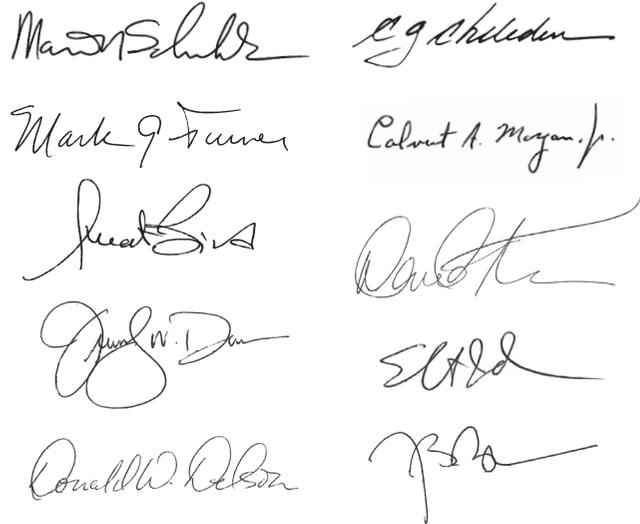
We also think it is appropriate to broaden the comparison to include non-banking firms. We do that by including TSR of the broader DJI and S&P 500 indices in the mix. This increases the number of data points to 224. While not quite as strong within our industry, WSFS still outperformed 195 times, or 87% of the data points.

While our performance has been strong, we have no intention of resting on it. We know that we have to consistently earn the right to lead your Company.

We began this letter by emphasizing that our long-term orientation means investors in WSFS should also be long-term in their orientation. We want to remind you of an outgrowth of that orientation that we have discussed in detail in the past:

“This long-term view, coupled with a highly disciplined focus on performance, continues to bring us to the conclusion that a “classified” or staggered board is the appropriate board structure for WSFS.”

In closing, we refer you to the management letter on previous pages that should be read in conjunction with this letter. As always, please feel free to contact your board at chairman@wsfsbank.com or 302-571-7294.



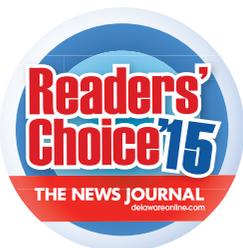
¹ Reflects the average WSFS percentile rank for ROA, ROE and growth in EPS in the Nasdaq Bank Index, the SNL U.S. Bank \$1B-\$5B Index, the KBW Bank Index, the Nasdaq OMX, ABA Community Bank Index and the SNL U.S. Bank and Thrift Index. WSFS' results for 2014 exclude the one-time SASCO-related tax benefit of \$6.6 million, or \$0.24 per share.

Additional 2015 Notable Achievements

For the tenth consecutive year, WSFS Bank was named a **Top Workplace in Delaware**. In our inaugural year of participation, WSFS Bank was also recognized as a **Top Workplace in Philadelphia**.



WSFS Mobile Cash was chosen by Networkd, the publisher of *ATM Marketplace* and *Mobile Payments Today*, as the winner of the **“Most Innovative ATM Technology” Award** for 2015.



For the fifth year in a row, WSFS Bank was voted the #1 Bank in Delaware by the readers of *The News Journal*.



In 2015, Team WSFS Associates **volunteered over 10,000 hours** in the communities we serve.