
A View from the Boardroom—Volume III



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Marvin N. Schoenhals and Charles G. Cheleden

Dear Fellow Shareholders:

In keeping with the practice we began two years ago, we are pleased to provide our third perspective on selected thoughts of interest to the Owners of WSFS. We continue to view this letter as a companion piece to management's letter on the preceding pages. These letters recognize the partnership between an effective board and an effective management team that is critical to a successful company.

Our goal in these boardroom letters is to share the board's key philosophies that guide our oversight of the Company. Space limitations make it impossible to review all of those thoughts each year. Thus, to get a more complete picture, we urge Shareholders to read the previous letters, as well as our Board Principles and Guidelines document. They can be found at investors.wsfsbank.com.

The main subject of our first letter in the 2012 Report was about the process we had begun of "board renewal". We started that process in 2011. At that point we had 15 directors with an average age of 61. Today we have 10 with an average age of 56. More significantly, three new directors, with an average age of 49 have joined the board. The impact of this reduction in size and "new blood" has been significant. Discussions are more strategic, focused, engaged and with a sharing of perspectives where seasoned, intermediate and newer directors are learning and advancing together. While we will continue to actively manage the board, no changes are being proposed for this year. We would also like you to know that as part of the process of constantly seeking to improve our performance, we periodically perform an assessment of the performance of the board, evaluating ourselves collectively and the quality of individuals'

contributions. In most years we do this through a self-directed process. However, in early 2015 we utilized the resources of an outside firm to enhance the process.

In our 2013 letter we emphasized the commitment to being a high-performing Company. We explained how we hold ourselves accountable to that goal by asking: "Are we creating Total Shareholder Return (TSR) relative to our peers?" More pointedly, **we must continually earn the right to remain independent.** We explained that our goal is to behave as long-term Owners, which means we compare TSR over three, five, seven and 10 year time frames. The letter last year has significant detail on the mechanics of our calculations that result in 160 data points of comparison to our peers regarding TSR. That letter also explained that we cannot control how the market values WSFS at any point in time; however, if we maintain high performance metrics, appropriate valuations will follow. The expectations we have are to be in the top quintile of results of similar banking organizations for a combination of: Return on Assets (ROA), Return on Equity (ROE), and Growth in Earnings Per Share (GEPS). Our pledge is to report this data each year in this report (more later).

We want to share again a thought that we mention whenever we talk to investors about WSFS:

As a result of our longer-term orientation and our commitment to being high performing, we believe investors in WSFS should be those with a long-term, high performance orientation as well.

It is this long-term view, coupled with a highly disciplined focus on performance, that leads us to maintain a "classified" or "staggered" board structure. As a result, approximately one-third

of the directors stand for election each year. This practice is in contrast to what many corporate governance "experts" and some investors believe is best practice. As the largest independent community bank headquartered in the Delaware Valley, we do not want to allow your Company to be an easy target for opportunists who might seek to replace the entire board at one annual meeting. While the performance of the Company is the best defense in this regard, we also believe that any change of such magnitude should be done carefully and not in one winner takes all contest. We have discussed this with Shareholders in the past and welcome further discussions.

Now for the performance.

With respect to financial performance, the following table shows our performance on three key financial measures.

WSFS Percentile Compared to Peers¹			
	2012	2013	2014
ROA	38%	69%	82%
ROE	51%	80%	91%
GEPS	77%	90%	64%

With respect to TSR, as of December 31, 2014, WSFS had outperformed all five peer indices¹ over all four time frames and all eight starting points, 99% of the time. Note that in some of these time frames TSR was negative for all indices, but WSFS was down less than those indices. In fact, for 2014 the TSR for WSFS was flat but generally kept up with the performance of this industry.

This is the second year in a row where we have compared very well to the three, five, seven and 10 year peer averages. While we will strive to do so, we would not expect to do this well all of the time. Regardless of outcome, we will report this same, or similar data (e.g., if the indices change and we must substitute a new one) every year in this letter.

We close this discussion of performance with the same acknowledgement as last year. While we compare extremely well to our peers, when we also include the broader market indexes, the Dow Jones Industrials and the S&P 500, we do not do quite as well (80% outperformance). This is obviously a commentary on how difficult the 2008 Financial Crisis and natural regulatory reaction has been on the banking industry.

In September we announced a 25% increase in our quarterly dividend to \$0.15 per common share and the authorization of a stock repurchase program. This was the first dividend increase and buyback authorization since the 2008 Financial Crisis began.

Both actions are reflective of our success at moving through those difficult economic years. Further, the actions are in keeping with our philosophy of how we return capital to Shareholders. Our goal is to pay annual cash dividends that are approximately 10 – 15% of earnings and use approximately 30 – 40% of earnings (over time) for share buybacks. We believe this heavier reliance on buybacks for returning capital to Shareholders provides the Company with better flexibility (for example, in contrast to many banking organizations, we never reduced our cash dividend during the crisis years) and provides Shareholders versatility in how they receive their return on capital and is potentially more tax efficient.

One of the primary responsibilities of the board is to be advisors to and work with management on the strategic direction of the Company. While responding to ever increasing regulatory challenges are a significant part of our focus, the current environment is opportunity rich for strategic decisions. Our Customers are adapting to digital options at an accelerating pace, while the number of those options proliferate as well. In addition, management has taken strong steps to have an active and effective "Innovation Culture/Strategy." Strategic opportunities in the M&A arena are also more abundant. Welcoming the Associates, Customers, Communities and Shareholders of the First National Bank of Wyoming during 2014 is one example. These and other strategic thoughts are captured in the accompanying letter from WSFS' management.

During 2014 we increased board compensation by 14% and changed the timing of the payments. This was the first such change since 2009 – in effect, we have increased board compensation by only 2.2% per year. It was done after an outside comparison with the same peer group to which we compare our performance and management compensation. We continue to pay one-third of the board retainer in common stock.

Finally, we encourage you to read this letter in tandem with the Letter from Management, which discusses our overarching strategy and culture, and the key pillars of those. On behalf of the entire WSFS board, we would encourage any Shareholder that would like to discuss this letter or any matter pertaining to the performance of WSFS to contact us via email at chairman@wsfsbank.com or by phone at 302-571-7264. We would welcome the dialogue.

Sincerely



Marvin N. "Skip" Schoenhals
Chairman of the Board



Charles G. Cheleden
Vice Chairman & Lead Director

¹ Reflects the average of 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.