WSFS FINANCIAL CORPORATION

Moderator: Mark A. Turner
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1:00 p.m. ET

Operator: Good day, ladies and gentlemen, and welcome to the WSFS Financial First Quarter Earnings Conference Call. At this time, all lines are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. If you should require assistance during the conference, you may press star and then zero on your touch-tone telephone. As a reminder, today's conference call is being recorded.

I would now like to turn the conference over to your host, Steve Fowle, Chief Financial Officer. Please begin.

Stephen Fowle: Thank you, Shaun, and thank you all for taking the time to participate on this call. With me today, participating, are Mark Turner, President and CEO; Paul Geraghty, Chief Wealth Officer; Rodger Levenson, Chief Commercial Banking Officer; and Rick Wright, Chief Retail Officer.

But before Mark begins with his opening comments, I'd like to read our safe harbor statement. Our discussion today will include information about our management's view of our future expectations, plans and prospects that constitute forward-looking statements. Actual results may differ materially from historical results, or those indicated by these forward-looking statements due to risks and uncertainties including, but not limited to the risks factors included in our annual report on Form 10-K and our most recent quarterly reports on Form 10-Q as well as other documents we periodically file with the Securities and Exchange Commission.

And with that, I'll turn it over to Mark Turner.

Mark Turner: Thanks, Steve, and thanks to everyone on the call. I am pleased to report net income of $9.7 million and earnings per share of $1.02 for the first quarter; both were over 50 percent improvements from the same quarter last year and were an even greater percentage annualized increase from the fourth quarter of 2012. Return on assets climbed to 91 basis points and return on tangible common equity improved to double-digits, just shy of 11 percent.

In my letter from the CEO in last month's annual report, I described 2012 as a watershed year and said that we continue to see market share opportunities, and combined with momentum and world class levels of Associate and Customer engagement, we believe we are well positioned for 2013 and beyond.

2012 indeed proved to be a watershed year. We cleaned up the balance sheet of lower performing assets (both loans and investments) and higher-cost funding (both wholesale and retail); we reduced discretionary costs; and critically, we improved our regulatory standing. Notably, this was all done while continuing to improve on our excellent market reputation, hone our business model, build our team, take fundamental market share, and grow valuable fee-based income.

The hard work of investing in our Associates and business model over many years, especially the well-timed investments of the past few years, and the balance sheet changes in 2012, have combined to position WSFS as a positive outlier among our peers in many important areas. That is despite economic and industry headwinds:

- We are growing core accounts and improving the mix of our deposits;
- lower cost, stickier and less price-sensitive core deposits are now a full 80 percent of our customer funding; with no-interest demand and low-interest demand making up almost one half of that.
- we are growing commercial loans and taking good market share in a tough and competitive environment;
- and because of several successful initiatives, we are also improving the net interest margin.

- we are increasing fee income, which, even excluding securities gains is now consistently a robust more-than one-third of total revenue;
- we are improving our efficiency ratio, both from this revenue growth and cost containment (despite much higher operating costs that naturally come after a financial crisis).
- and last but not least, we are markedly reducing total credit costs since we cleaned up our balance sheet last year; and as the economy improves, albeit modestly.

Absent a dramatic change in the economy and notwithstanding the naturally uneven flow of credit costs over the course of any year, we expect to maintain or improve on these positive trends through 2013.

Why do we believe this? Well, for the first time in a long-time, we expect many more tailwinds than headwinds. These tailwinds include:

- a good loan pipeline (including $16 million in commercial loans that closed just after the first quarter end);
- a net interest margin that is on a path to still expand a few basis point;
- strong momentum in our wealth business; and large new ATM contracts booked in our Cash Connect business; and the related fee income from both, which will inure to us over the remainder of the year;
- a bounce in retail fee income from the seasonally slow winter months; and new products, services and client-focused systems for Retail banking customers that are being rolled out in 2013;
- continued much lower total credit costs prior years (and still expected to be in-line with our prior guidance for all of 2013);
- reduced regulatory and related costs as we have shed our MOU and regained our regulatory standing; and
- lower compensation costs from the traditionally higher first quarter costs associated with incentive payouts, payroll taxes, and option grants;
- and importantly ample capital and liquidity at the holding company that allows us to be option-rich with respect to pursuing good

opportunities both in organic growth and larger strategic opportunities and/or redemptions of higher-cost capital, or possible share repurchases or some combination, as we continually evaluate opportunities in what we believe will be a dynamic landscape in 2013.

Of course, there are still headwinds, and there will always be challenges and even a few surprises. However, fundamentally, we are in a very good place.

Finally, we remain vigilant, humble and hardworking, and look forward to the challenges ahead, serving our customers and communities, taking and managing good risks, and providing good returns to our owners.

Thank you. And at this time the team and I would be happy to take questions.

Operator: Thank you. Ladies and gentlemen, if you have a question at this time, please press star then one on your touch-tone telephone. If your question has been answered and you wish to remove yourself from the queue, you may simply press the pound key. Again, ladies and gentlemen, if you have a question, please press star one on your touch-tone keypad.

Our first question comes from Frank Schiraldi with Sandler O'Neill. Please go ahead with your question.

Frank Schiraldi: Good afternoon guys.

Mark Turner: Good afternoon, Frank.

Frank Schiraldi: Everything sounds very positive. I wanted to ask just a couple of questions. And, Mark, you've already answered some of my questions in your remarks. I'm wondering if you could give us a little bit of insight into your expectations for the efficiency ratio going forward. And I know you expect an improvement and you have had some improvement just wondering where you think you could get to say by the end of the year?

Mark Turner: Sure, I will ask Steve to tackle that question. Steve?

Stephen Fowle: Yes. Hi, Frank.

Frank Schiraldi: Hi, Steve.

Stephen Fowle: This quarter, our efficiency ratio was 65 percent. Obviously, as you've mentioned, impacted by fundamental earnings improvement but also helped by securities gains, and a positive quarter for credit cost. But it was also negatively impacted by what's typically, as Mark mentioned, a slow revenue and heavy expense quarter. So, I'd expect moderate continued improvement from the level we saw this quarter to continue through the year with the full-year probably being 1 percent or 2 percent below where we were this quarter.

Frank Schiraldi: OK, got you, great. And then I just wanted to ask on loan growth. It sounds like the pipeline is pretty strong. I think you talked about some $60 million that may be closed after quarter end was that right?

Rodger Levenson: Frank, it's – hi it's Rodger.

Frank Schiraldi: Hey, Rodger.

Rodger Levenson: That number was – it was $16 million of new business. That was funded. That was specifically several transactions that we thought we are going to close right at the end of the quarter and they just tripped into the early part of April. But to answer your broader question, yes, we still have a strong pipeline and confirm our prior guidance in terms of full year loan growth of the high single digits.

Frank Schiraldi: OK. And I am just wondering – Mark, you talked about market share opportunities certainly. Is there a pickup you are seeing in outright demand in the footprint, or does it continue to be mostly taking market share?

Mark Turner: It's mostly the latter. Rodger can speak to the details. But I think, as we've seen across the industry, we saw a pickup in the fourth quarter post-election to the early part of the first quarter and then – general market demand slackened off in the latter part of the first quarter and continues slow today. But given the dynamics in our markets, we still are seeing good market share opportunities.

Rodger, anything you want to add to that?

Rodger Levenson: I would just say, you know, anecdotally, there still are more conversations that are positive with customers than negative including one that I was just one with the prospect this morning but it still has translated into what I would call relatively modest organic loan growth.

Frank Schiraldi: OK. And then can you just remind us – I know you talked about the margin already. Maybe, Steve, if you can just remind us the mechanics there that are allowing you to get a couple of more basis points of accretion sounds like through the end of the year?

Stephen Fowle: Yes. We actually ended this first quarter, with a higher margin than we reported for the entire quarter related in large part to the federal home loan bank prepayment and deleverage strategy we undertook late last year continuing into the first quarter. But it also combined with a number of other initiatives as well as active pricing and margin management. So, we expect upside opportunity in the low single-digits for the coming quarter and then moderate opportunities for increase over the rest of the year.

Mark Turner: And just a few of those things, Frank, to put some color to it; as you know, last year, we were very active in managing our securities portfolio harvesting gains there that brought the yield in our portfolio down much quicker than some of our peers. And as you saw this quarter, that stabilized. So, the fact that that's not a drag going forward will be helpful. And, in fact, we're putting on some muni securities now at a tax equivalent higher yield, which probably should help the overall investment portfolio going forward.

We continue to see a little bit of room on some higher cost CDs as they either roll off and out or roll into lower costing CDs in the institution. And then otherwise, you know, we have a large percentage of our loans at a variable rate that are, not re-pricing down. And some of those are converting to fixed rate at higher coupons, and that will be helping us as well. But we are still well-positioned in terms of a rate rise should it happen which we, like most people, don't expect for sometime yet.

Frank Schiraldi: Great, OK. Thank you very much.

Operator: Our next question comes from Jason O'Donnell with Merion Capital Group. Please go ahead with your question.

Jason O'Donnell: Good afternoon and congratulations on a good quarter.

Mark Turner: Thank you, Jason.

Jason O'Donnell: I wanted to just start off with a couple of questions on the credit quality front. I'm wondering how much you all had in the way of inflows into non-performing this quarter versus last quarter? And what are your expectations for formation over the next few quarters?

Rodger Levenson: Yes, hi, Jason, it's Rodger. The inflow number was just over 5 million across all of our businesses. This is obviously much decreased from where we had been seeing it. It's really hard to predict quarters going forward. I would generally say to caveat this that these things can be a little bit lumpy. If you look at all of our leading indicators, primarily problem loans and delinquency, those continue to improve modestly. That should bode well as it relates to NPA inflow, but it would be very difficult to give specific guidance going forward.

Jason O'Donnell: OK, great. And in the press release, there is mention of charge-offs being impacted by the write-down of one large commercial credit in the first quarter. I'm wondering is the press release referring to the first quarter of this year or the first quarter of last year.

Rodger Levenson: It's this year. It was about half of the charge-offs, our total charge-offs, related to one credit this year.

Mark Turner: And it had been specifically reserved for in past quarters.

Jason O'Donnell: OK, about half. OK, great. That's helpful. And then just one final question. Thinking about the normalization here of your earning stream, can you just give us an update on the likelihood of seeing redemption of your preferred stock later this year, maybe any update you have. I know that you all sounded it pretty-optimistic earlier in the year about the prospect of some action here sometime later this year. Any update will be helpful.

Mark Turner: Yes. I think we have a meaningful update. We've recently submitted an application to our regulators, the Fed and the OCC for the repayment of the preferred and are waiting a response. While we don't control the regulatory process, I will tell you that we would not have even submitted the application where we are not optimistic that it would be fulfilled.

Our capital and liquidity make us, as I said in the call, option-rich. That includes the senior debt we raised last year with certainly one specific likely intent being the redemption. And over the course of 2013, you will likely see us do some very constructive things with the excess preferred shares and liquidity either redeeming it or swapping part of it for a longer-term, lower coupon instrument and then using that for good growth opportunity should we see it or for share repurchases or some combination depending on how opportunities present themselves to us over 2013.

We will take our time to do the right things. But have every confidence that before the step-up date, we will do some very constructive positive things with it.

Jason O'Donnell: Great. Thanks a lot.

Mark Turner: Thank you.

Operator: As a reminder, ladies and gentlemen, if you have a question, please press star then one on your touch-tone keypad. Our next question comes from Damon DelMonte with KBW. Please go ahead with your question. (Pause) Damon, your line is open....could you try pressing your mute button possibly?

Damon DelMonte: Hi, can you hear me now?

Operator: We can hear you.

Damon DelMonte: OK, great. Sorry about that. How are you, guys?

Mark Turner: Good. How are you, Damon?

Damon DelMonte: All right. I just wanted to ask just a quick question on expenses. Could you guys give a little more color on expectations for the remainder of the year? You know, this quarter came in more favorable than last quarter. Anything notable that we should, from a modeling perspective, take into consideration?

Stephen Fowle: You know, Mark had mentioned the fact that this quarter is typically a heavy quarter for salaries and benefits type costs, which it was. So, I would expect some relief from the levels we were at this quarter. I think you can probably look at prior years for some guidance on the amount. Otherwise, as you know, we are doing what we can to manage expenses. I don't have specific initiatives that will impact expenses, but again just a very managed approach to expenses as we move forward through the year and taking advantage of opportunities as we identify opportunities.

Damon DelMonte: OK, great.

Mark Turner: The other thing I would add to that, I made mention of this in my earlier comments, is now that we are out from under the MOU, that reduces certain direct and indirect costs associated with getting out from under that.

Damon DelMonte: Got you, OK. And most my other questions were answered. Just one other one, could you just give us an update on your view on the dividend policy. I know you may have been restricted because of participation in TARP, but if we are removed that from the equation, how do you look at your payout ratio? And is that something that you could see progressing to a higher level than where it currently is?

Mark Turner: Yes, our philosophy with respect to dividends has not changed, and that is – in terms of returning money to shareholders -- we much prefer buybacks both for the flexibility it gives us for growth and capital planning opportunities and also so our owners they can take their cash and their tax burden as they see fit. That's a general philosophy which has not changed. And also I'd say more practically, given the opportunities we see in our marketplace for growth either organic or strategic and other opportunities we have to use liquidity and capital redeem higher cost in capital, I would put practically dividends way down the list.

Damon DelMonte: Got it, understood. Very helpful. Thank you very much.

Operator: I'm not showing any other questions in the queue. I'd like to turn it back over to Mark Turner for closing comments.

Mark Turner: Thank you, everybody. As you can sense from the call, and from the tone of the call and the comments, we believe we had a very good first quarter fundamentally built on a lot of hard work and a lot of things that we did last year, and look forward to the rest of 2013, managing the year well and continuing to grow on the positive trends we exhibited in the first quarter. We wish everybody a good weekend, and we'll talk to you soon.

Operator: Thank you. Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the conference. You may now disconnect. Good day.

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