A View from the Boardroom—Volume V

Marvin N. Schoenhals
Chairman of the Board

We start this year's letter by pausing to pay tribute to Charles G. "CG" Cheleden. In August CG stepped down as a director of the Company. He will continue as an Advisor to the board until 2018. CG has been Chairman or Lead Director of WSFS since 1990. His involvement with the Company, however, began in 1989. At that point he was the only person who saw that WSFS was in need of a significant change in direction and that the then current board and management were not capable of or willing to provide the needed change. *Without CG identifying the problem and having the resourcefulness, courage and tenacity to pursue a solution at a very early stage, there would not be over 1,100 Associates working for WSFS, or 77 offices serving over 113,000 households in hundreds of communities. There would not be a Company with a market capitalization of over $1.5 billion as of year-end 2016.*

CG was one of the earlier "activist" investors, long before the term became what it is today in the lexicon of investment strategies. In mid-1990, he led a proxy challenge that resulted, without even a shareholder vote, in the election of two new Directors to the board of WSFS (then Star States Corporation): Wilmington attorney Tom Preston and CG. That began a journey that has served the shareholders of WSFS incredibly well. Perhaps the best proof point of that is that from September 1992 when the bank was recapitalized (in which all then current stockholders could participate), through December 31, 2016, the stock price was 122 times higher! For you finance people, that is a compounded annual return of 22%, ignoring dividends.

CG would be the first to point out that the Company's success is the result of a team effort by many. He would certainly be right. But the fact remains, had he not begun the effort when he did, those people would have never had the chance to help him create a great Company.

CG—Your fellow board members, WSFS Associates and thousands of WSFS shareholders are deeply indebted to you. We salute your many years of incredibly insightful leadership of WSFS.

Frederick McNabb, III, Chairman and President of The Vanguard Group said, "Sometimes [shareholder] engagement can mean just being crystal clear about your expectations—and how you think through certain issues." That perfectly explains why, five years ago, the board began the practice of writing "A View From the Boardroom" to our shareholders. It is our desire that every shareholder have the opportunity to know the philosophical underpinnings of the board as it works with the management team to continue growing a truly great Company.

Each year we divide this letter into two sections. The first dwells on a specific aspect of those philosophical underpinnings and the second on the consistent reporting of actual performance. If you are new to WSFS, we encourage you to read the prior years' letters and our statement of Board Principles. These principles are located on our Investor Relations website page, investors.wsfsbank.com/corporate-governance.cfm. They provide a robust understanding of your board's philosophy.

Each year we remind fellow shareholders of this fundamental part of our philosophy: **We are committed to being a high performing Company over the long term. As a result, investors in WSFS should be those with a long-term, high performance orientation as well.** Our goal is long-term, superior value creation for our shareholders.

Larry Fink, CEO of BlackRock, has said that boards and management should lay out their strategic framework for long-term value creation. That is what we are going to do in the next few paragraphs of this letter. Recognize that while this discussion is contained in this "board letter," it could just have easily been in Mark Turner's CEO letter. Our strategic framework is the result of a collaboration between management and the board in which management does the heavy lifting. Mark's letter contains discussions of some of the specific outcomes of this strategic framework.

That framework starts with the recognition that the financial services industry has a long history of serving Customers well. Like many "traditional" industries, however, we face dramatically changing Customer expectations for the delivery of our products and the impact of the technological revolution facing every segment of society. Our framework recognizes that we have to use the best of our legacy while aggressively meeting the changing expectations of Customers, deploying proven technology and adopting disruptive technology where appropriate. This will not always be a straight-line process.

The core of our strategic framework is the fundamental belief, "Culture eats strategy for lunch." This starts with our vision of the future: ***We envision a day when all of our constituents say, "I can't imagine a world without WSFS."*** From that flows our mission: We Stand For Service®. Our core strategy for achieving these lofty goals is: ***Engaged Associates delivering stellar experiences growing Customer Advocates and value for our Owners.*** This happens when there is a culture that above all else treasures and promotes engaged Associates in an atmosphere of absolute integrity. In short, we leverage our culture to provide our Customers an exceptional banking experience—every time they touch WSFS. We routinely measure our culture using surveys conducted by reputable outside organizations. We are proud to say our Associate engagement results place us in the 97th percentile of the Gallup organization's global database on such matters.

Culture obviously needs strategy as well. Our strategy starts with the core described above—engaged Associates. In each planning cycle (every 2-3 years) we identify the focus areas that are essential for that period. Most are evolutions of what we have been doing. Our current strategic plan defines the primary focus areas of the Company as follows:

- Deepen relationships and deliver seamless Customer experiences across Wealth, Private Banking, Mortgage, Commercial and Retail Banking.
- Optimize and innovate across the organization for increased synergy, efficiency, revenue and market share. Specifically, we want to generate fee revenue of at least 40% of total revenue by year end 2018.
- Develop a cohesive omni-channel delivery structure and strategy to include engagement, pricing and best practices.
- Improve our sustainable financial performance and rank solidly in the top quintile of our peers.

That last focus area is a direct link to the previous plan of 2013–2015. In that plan, we identified our "Path to High Performance" goal of achieving a core and sustainable Return on Assets (ROA) of 1.20% by the 4th quarter of 2015, which coincided with the end of that planning period. Not only did we track that internally, we reported our progress in achieving this goal in each of our regular quarterly investor presentations, which are also posted on our Company website.

For our current 2016–2018 Plan, we established a goal of achieving a core and sustainable ROA of 1.30% by the 4th quarter of 2018, and we will continue to report our performance on this metric in a similar manner.

Management obviously has many sub-strategies to make the focus areas drivers of behavior throughout the Company. They report on their progress to the board on a frequent basis. Most board meetings have time set aside for strategic discussions and review. In addition to reviewing the metrics, these discussions frequently look at the competitive landscape, innovation within WSFS and outside, adapting to technological disruptions, allocations of capital and developing talent/succession management.

On the subject of innovation, we took what we think was a very unique step in 2016. The board supported and commissioned Mark Turner to take a three month "Learning Tour." During that time he visited over 40 different organizations, most of them outside the banking space, to understand leading practices in many industries. Not only did he connect with many executives and learn much that will inform the leadership of WSFS, but it also gave others in the organization an opportunity to demonstrate additional leadership growth during his absence.

A critical part of strategic planning is capital management. How we think about capital could easily fill this entire letter. It is so important that immediately following this letter is an extensive discussion of how we think about capital. While we encourage you to read that, here are the critical points of our thought process:

- Shareholder capital is our most scarce "asset."
- We target a Tangible Common Equity (TCE) ratio between 7–8% of tangible assets.
- Internal Rate of Return (IRR) is the critical metric when considering discretionary investments. Our target range is in the mid-teens to low 20% range.
- Our target for Return on Tangible Common Equity (ROTCE) is in the mid-to-high teens percentage range. We believe in providing our Owners a good risk-adjusted return on their investment in WSFS.
- Return of capital to shareholders is done in three ways:
  - 10–15% of earnings in the form of dividends.
  - 10–15% of earnings in the form of stock buybacks executed routinely, almost regardless of stock price.
  - Return of capital in excess of 25% (when not needed to support growth)—we use opportunistic stock buybacks where the threshold required is an 18% IRR on our stock repurchase, with the Tangible Book Value (TBV) dilution of the repurchase being the initial outflow and the reasonably expected future annual Earnings Per Share (capital) accretion being the inflows in the IRR calculation.

So, as we do every year in this letter, we turn to our **Financial Performance** and **Total Shareholder Return (TSR).**

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 2016 percentile position of each of these measures compared to the peer group as explained in the footnote:

WSFS Percentile Compared to Peers[1]

	2016	2015	2014	3-Year Avg.	5-Year Avg.
ROA	69%	72%	79%	74%	65%
ROE	74%	78%	90%	81%	75%
GEPS	58%	18%	63%	46%	61%

TOTAL SHAREHOLDER RETURN

Given our long-term orientation, it is appropriate to look at TSR over multiple periods of time. So 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 quarters. This eliminates those one or two quarter special circumstances that can distort historical performance measurements. Using four different time horizons with eight trailing quarters creates 32 time periods over which we calculate WSFS' 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 $5B-$10B[2]. This produces 160 data points against which to evaluate WSFS' 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. As of December 31, 2016, WSFS outperformed all five peer indices in 100% of the 160 comparisons.

We also compare our performance to the broader market by including the DJI and S&P 500 indices. That increases the data points to 224. In that comparison, WSFS outperformed all of the indices 204 times, or 91% of the data points.

The above data indicates that the performance of WSFS in recent years has been exceptional. It is our goal to continue that. History teaches; however, that success of this magnitude is very difficult to maintain. So we include that famous investment phrase, past performance is no guarantee of future success… but be assured we are not resting on past accomplishments.

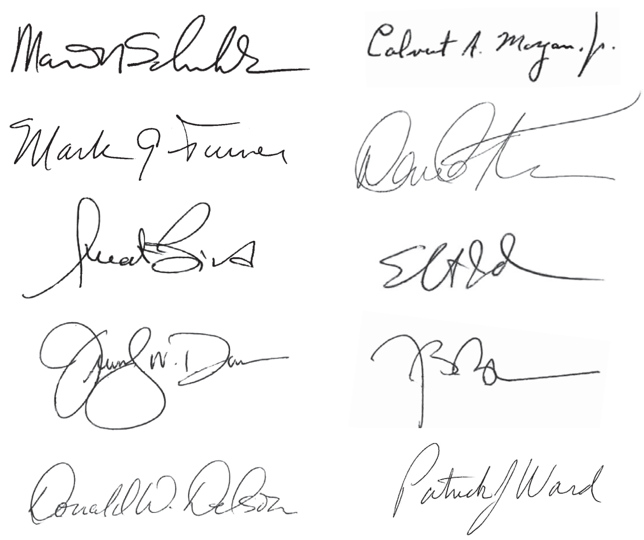
We return to the subject of our long-term, high performance orientation. Owners of WSFS should have the same orientation. We want to remind you of an outgrowth of that orientation that we have discussed in previous letters:

"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."

Classified boards are not in favor with corporate governance gurus and with many large investors. However, we believe it is right for WSFS. We have a board culture that is committed to "earning the right to oversee your Company" and remaining independent. We gave greater detail of our rationale for concluding that a staggered board is appropriate for WSFS in our 2012 and 2014 letters, which are available at investors.wsfsbank.com/corporate-governance.cfm. We believe our culture is such that we would be proactive to any performance issue long before any outsider.

In closing, we refer you to Mark Turner's CEO letter on the previous pages. It should be read in conjunction with this letter.

As always, please feel free to contact your board at chairman@wsfsbank.com or 302-571-7184.



[1] Reflects the average WSFS percentile rank for ROA, ROE and growth in EPS in the NASDAQ Bank index, the SNL U.S. Bank $5B–$10B index, the KBW Bank index, the NASDAQ OMX, the 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.

[2] With the growth of the Company we replaced the SNL U.S. Bank $1B–5B index with the SNL U.S. Bank $5B–10B index. The substitution did not change the resulting rank of WSFS performance.