
A View from the Boardroom—Volume VII



Mark A. Turner
Executive Chairman,
Board of Directors



Eleuthère I. du Pont
Lead Independent Director

The most forward-looking and insightful organizations in all industries are ***addressing the future of infrastructure and delivery in an increasingly digital age.***

Dear Fellow WSFS Owners:

2018 was a banner period for your Company in many respects.

A Record-Setting, Groundbreaking Year

Earnings in 2018 broke records, on both a reported and core basis. Core net revenues in the 4th quarter exceeded \$100 million for the first time ever.

Core Return on Assets (ROA), Return on Tangible Equity (ROTCE) and Earnings Per Share (EPS) all exceeded our lofty Strategic Plan and Annual Plan goals, as did most meaningful contributing factors like margin, asset quality, liquidity and efficiency. Combined Associate and Customer engagement scores also reached a record level since we began measuring and managing that vital metric over a generation ago. Following a series of well-executed and cohesive Strategic Planning cycles, WSFS has become a strong, well-diversified, sustainably high-performing organization.

Having built WSFS into a robust platform for serving all of our constituencies, we consider it not only an opportunity, but also our responsibility to grow WSFS prudently. As such, in 2018 the Company announced, and received overwhelming shareholder approval for, the largest merger in our history; and we also shared our plans for implementing better infrastructure and delivery to our combined communities. Finally, the Company also completed a smooth and thoughtful multi-year succession plan for both CEO and Board leadership. ***Details of these pursuits, and more, can be found in the companion letter before this one from President & CEO Rodger Levenson, which we encourage you to read in full.***

In this letter, your Board will discuss our involvement in Company strategy, M&A and succession planning, and we will show how all these components led to our full support for the groundbreaking and transformational Beneficial Bank merger and the associated “Delivery Transformation.”



Strategy, Business Combination and Delivery Transformation

In May 2018, after months of preparation, the Board and Management met offsite for the better part of three days to outline, broadly, “where we go next.”

In this pivotal Strategic Planning session, we left excited and unanimously focused on three objectives: (1) defining our next path for growth (and achieving better economies of scale in our chosen community banking niche); (2) transforming our infrastructure and delivery methods for the evolving digital age and the needs of our Associates and Customers; and (3) increasing our dedication to our inextricably intertwined free market and social purpose—serving our communities—which is the foundation of all of our success. ***This intertwined organizational purpose is detailed in the Corporate Responsibility and Sustainability section in the accompanying Proxy.***

Around that same time, Management of both WSFS and Beneficial Bank had engaged in some preliminary conversations regarding the potential of combining our similar and overlapping organizations. With intense evaluation and diligence, and steady guidance and counsel from both Boards over several months, it became abundantly clear that a combination of our two long-standing, local organizations would yield the immediate opportunity to address our strategic goals of greater growth, economies of scale and deeper commitment to our communities. In addition, a convergence of such size, scope, sophistication, talent and true local delivery within one banking organization has been absent from the Greater Delaware Valley market for over two decades. As a result, in addition to the immediate and obvious benefits, we also identified the long-term opportunity to further expand the largest, oldest premier local bank in our combined footprint, which includes a growing, top-10 US market. This position would ensure competitive and economic benefits for years to come.

Importantly, this combination also opens a pathway to address the challenge all banks face: **“How do we economically meld our physical and digital delivery for the future?”** As a result, after more careful evaluation, Management decided to consolidate or sell a full 25% of our combined physical locations, re-investing a large part of the savings in an expert and thoughtful way into updated digital infrastructure and delivery.

Since our announcement, a few large and small banks have issued organizational announcements reinforcing the soundness and power of using scale economies to invest in a similar Delivery Transformation. We believe this is neither coincidental nor “group think.” The most forward-looking and insightful organizations in all industries are addressing the future of infrastructure and delivery in an increasingly digital age. We believe most banks will make these changes incrementally, and take a generation or more to do so. In this transaction, we will be able to accomplish our transformation economically, in only a few short years, which will provide a huge benefit to our communities and a sizeable competitive advantage over our peers.

Our consistent and disciplined investment over almost 20 years in Associate engagement, Customer engagement and our unique culture has put us in a strong position to both grow and transform. We will continue this intense investment in our engagement culture, and we will also apply it to our new investments in infrastructure and delivery. Our engagement culture has been, and will continue to be, our differentiator. It is our “competitive moat” in a crowded marketplace (both physical and digital), and therefore the primary driver of our success.

Governing Transformation and Transitioning Leadership

With these significant endeavors ahead of us, we understand that “we are in for a big lift.” We believe we are up for it. The effort is necessary and the opportunity is great. The Board was focused on proper evaluation, diligence, negotiation and integration planning before the Beneficial merger was finalized, and since the announcement we have been equally focused on governing the successful integration and Delivery Transformation. These are discussed in almost every governance meeting we have, and we formed a special integration and transformation committee of the Board that meets at least monthly to oversee this “big lift.”

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We are also fortunate and pleased that Gerard P. Cuddy, CEO of Beneficial, and two other seasoned Board members from Beneficial, Karen Dougherty Buchholz and Michael J. Donahue, have joined the WSFS Board. They bring a wealth of banking, operations and administrative skills and experience, as well as adding intense local market knowledge, all of which are needed to help make this transformational combination a success.

We also rightly honor and sincerely thank long-time WSFS Director Cal Morgan, who is retiring from the Board in April 2019. Cal has been a tireless, thorough, thoughtful Director for the last 15 years. He has continuously brought broad experience, keen insight and sound judgment on local markets, businesses and banking to Management and the Board during an especially critical period of crisis in the economy and growth at WSFS.

Moreover, over this last half decade, we deftly executed a CEO transition from Mark Turner to his long-time senior lieutenant, Rodger Levenson. These two events, the Beneficial combination/Delivery Transformation and Rodger's ascension, were unrelated, but they couldn't have been more well-timed. With the full support and guidance of the Board, Rodger has been on the CEO development path for over five years. His well-rounded banking expertise, personal and professional experience in the Greater Delaware Valley, new vision and energy, acute appreciation for our unique business model and culture, and adept execution and leadership skills all make him the perfect choice to undertake the organizational transformations we are pursuing, and to lead WSFS for the next generation. On top of Rodger's leadership and the new Board members we have added, Mark will be active as Executive Chairman to contribute his accumulated experience, knowledge, years of contacts and leadership talents to help ensure all these endeavors—the leadership transition, the business combination and the Delivery Transformation—are fully successful.



Financial Performance and Total Shareholder Returns

As we do each year, we are sharing with you our financial performance and Total Shareholder Return (TSR) performance versus peers. **As mentioned, 2018 was a record year for WSFS, not just absolutely, but relative to peers.** Our GAAP results placed us at an average 97th percentile versus our peer groups* in our three key metrics of ROA, ROE and growth in EPS. This is by far the best percentile performance since we have been reporting on these the last seven years. The average for the past six years was at the 60th percentile performance, and the best individual year previously was an average 80th percentile for these three critical metrics. 2018 will be a tough year to top, but you have our commitment that we will always do our best, and as a sustainable, high-performing organization, our goal is to be in the top quintile of peer performance over the course of a full business cycle.

On the other hand, 2018 was not a good year for bank stocks. Many peer bank index TSR averages were down from 16 to 18%. Despite our record-breaking performance, WSFS TSR was down 20% for the year. The small differential versus peers all emanated from the market's reaction to the combination with Beneficial and the associated Delivery Transformation. Since our announcement in early August, we have underperformed the Nasdaq Bank Index by approximately 12%. We are not alone. Other large banking mergers announced in 2018 saw similar sub-peer performance since their announcements. The market views big, complex, groundbreaking efforts as having meaningful risk, and rightly so. We do, too. However, we see much more the potential for many years of significant competitive advantage, outsized growth and high-performance profitability. We are convinced that this transaction and transformation are both necessary and compelling. Over time, as we perform, we are confident we will make believers of the market as well.

As a Company with a 187-year history and a focus on excellent long-term returns, we make these types of investments from time to time. Our three, five, seven and 10 year TSRs are very positive, reflecting the success of our long-view strategy, investments and execution. We routinely outperform our bank peer and broader market indexes, often by large margins. In fact, we outperformed the seven relevant indexes 96% of the

time* in the above four time periods (versus 97% of the time as of the end of 2017, and 91% the year before). Further, as of December 31, 2018, our seven-year and 10-year TSRs were 235% and 297%, respectively; in comparison, the average of the seven indexes we track returned 140% and 128% respectively; and the closest any combination of the index returns came to our WSFS returns were 175% and 178%, respectively.

Summary

In short, we have assembled a formidable combination: a unique culture and a sustainable, high-performance business model; good momentum and compelling opportunities; and strong leadership and robust governance. All of this was accomplished in order to be successful for our many communities, including you, our Owners, for years to come. Our talented Management team and Associates deserve the vast majority of credit for this desirable positioning, and we thank them immensely for their constant hard work and dedication.

Thank you for your continued ownership of, and confidence in, WSFS. As always, if you have any comments or questions, contact us directly, or send an email to chairman@wsfsbank.com.

Sincerely,

Your WSFS Board of Directors

Mark J. Turner

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Scott S. ...

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Chris T. ...

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Robert A. ...

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Patrick Ward

*Calculated consistently as compared to up to seven other relevant indexes, as discussed in detail in prior Board letters; which can be seen at: investors.wsfsbank.com/financial-information