
A View from the Boardroom—Volume II



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Marvin N. Schoenhals and Charles G. Cheleden

Dear Fellow Shareholders:

Your Board is pleased to share more of our perspective on WSFS in this second edition of "A View from the Boardroom."

Our *Board Principles and Guidelines* document states, "The WSFS Board is committed to being a high-performance Board and to ensuring that WSFS is a high-performing Company." [Document available at investors.wsfsbank.com/governance.cfm.] Last year we wrote about some of the steps we had taken regarding being a high-performance Board as well as CEO compensation. This year we want to focus on the second part—being a high-performance Company.

We define high performance as being in the top quintile of results of similar banking organizations over a five to seven year horizon. This period is representative of typical business cycles and also an appropriate planning period. We compare our performance to other institutions with respect to return on assets (ROA), return on equity (ROE) and growth in earnings per share (GEPS). While we cannot control how the market values WSFS at any point in time, we believe that if we achieve these metrics, appropriate valuations will follow.

To answer the question, *Are we creating value for our shareholders?*, we compare our total shareholder return (TSR) over several different time frames compared to several bank stock indices.

Before discussing results, we want to share more of the Board's philosophical framework. It is our goal to constantly behave as "Owners." That means decisions should be based upon what is best for the Company on a longer-term view, even if it is not optimal for current results. We believe that being a locally managed, super-community bank is an outstanding business model. The model works best as an **independent**, locally managed bank. However, we must consistently **earn the right to remain independent**. That leads to the top-quintile metrics mentioned above.

It is also important for you to know that we consider your capital one of the dearest resources we have. As a result, we manage it extremely carefully, while recognizing the tension that our regulators would like us to have very high capital levels, but having "too much" capital will dilute returns for shareholders.

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.

At 182 years old, WSFS has the distinction of being the seventh oldest bank in the United States operating under the same name and charter. That longevity bleeds into our corporate DNA, and we want to continue to be an integral part of our communities for many more generations. Our

communities depend on us to thrive and we depend on them for our success. With that in mind, we strive to make decisions that are more consistent with the fabric of our communities. This leads to our longer-term, relationship-oriented actions including volunteer and philanthropic activities which are a win-win for everyone.

It is our belief that if we execute well, we can achieve consistently above average returns for our Owners over the long term. Our primary market has evolved so that almost 90% of the traditional bank market share is held by only six institutions: WSFS and five large regional, national or international banks, all of which are good competitors and good banks. However, they use a regional or national banking 'commodity' playbook. It is based on relatively rigid products and prices and depends on scale and brand recognition. Our goal is to be competitive on all access points, products and prices, but to differentiate ourselves by offering a much higher degree of reliability, flexibility, creativity, local knowledge and decision making, including access to decision makers. If one wants these attributes, there is only one real choice of size and sophistication in our market—WSFS Bank.

Our primary task is therefore to be undeniably different from our competitors and deliver on that difference with excellence. That is the business model we have pursued for the last generation of the WSFS Board and Management. That is the "moat" around our business, to use Warren Buffett's imagery, which we work to make wider every year.

So with that philosophy and context, how was performance compared to our top quintile goals and what has been our TSR performance? To keep this letter to a reasonable length, we will not include all the data here on ROA, ROE and GEPS. It is available at investors.wsfsbank.com/presentations.cfm. However, we have not met the top quintile tests for the last several years for these three metrics as we invested heavily in our business in a down economy. Over the last two years we have moved from the low middle ranges of ROA to the high middle at December 31, 2013 (68th percentile) as we've optimized these prior investments. In ROE and GEPS we moved to the 80th and 90th percentiles respectively.

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' 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' 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.

We are pleased to report that as of December 31, 2013, WSFS had outperformed all five peer indices over all four time frames and all eight starting points, 158 times out of a possible total of 160, or 98.8%. Note that in some of these time frames, TSR was negative for all indices, but WSFS was down less than those indices.

We would not expect to do this well all of the time. Certainly 2013 was a very good year for us, both in terms of financial performance and TSR. However, it is our pledge to 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 will end on a more humble and forward-looking note, and one that is a challenge to ourselves and our industry. While we compare extremely well to our peer competitors, when compared to broader market indexes, like the Dow Jones Industrial and the S&P 500, we do not do quite as well (78% outperformance). This is obviously a commentary on how difficult the 2008 Financial Crisis and natural regulatory response has been on the banking industry.

Finally, we encourage you to read this letter in tandem with the letter from Management, and especially that letter's focus on how we apply WSFS' Stellar Service Strategy to achieve our Mission and produce high-performing results.

On behalf of the entire WSFS Board, we would encourage any shareholder who would like to discuss this letter or any matter pertaining to the performance of WSFS to contact us 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