

WSFS Financial Corporation – First Quarter 2020 Earnings Conference Call
Tuesday, April 28, 2020, 1:00 PM ET

Company Participants:

Rodger Levenson, Chairman, President, Chief Executive Officer
Dominic Canuso, Chief Financial Officer
Art Bacci, Chief Wealth Officer
Steve Clark, Chief Commercial Banking Officer
Rick Wright, Chief Retail Banking Officer

Analysts:

Frank Schiraldi; Piper Sandler
Michael Perito; Keefe, Bruyette & Woods
Russell Gunther; D.A. Davidson & Co.
Brody Preston; Stephens, Inc.
Erik Zwick; Boenning & Scattergood

Presentation:

Operator: Ladies and gentlemen, thank you for standing by and welcome to the WSFS Financial Corporation First Quarter 2020 Earnings Call. [Operator Instructions]

Please be advised that today's conference call is being recorded. [Operator Instructions]

I would now like to turn the call over to your host for today, Mr. Dominic Canuso, Chief Financial Officer. Sir, you may begin.

Dominic Canuso: Thank you, Towanda, and thanks to all of you for taking the time to participate on our call today. We hope you are all well and safe.

With me on this call are Rodger Levenson, Chairman, President and CEO, Art Bacci, Chief Wealth Officer, Steve Clark, Chief Commercial Banking Officer and Rick Wright, Chief Retail Banking Officer.

Before Rodger begins with his remarks, I would 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 risk 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. All comments made during today's call are subject to the Safe Harbor Statement. With that read, I'll turn the discussion over to Rodger Levenson.

Rodger Levenson: Thanks, Dominic, and thanks, everyone, for joining us on the call today.

As we come together this afternoon, we are in the middle of the most significant health crisis in our nations' history. Before I begin my comments, on behalf of our over 1,800 Associates, I want to offer our thoughts and best wishes to our entire community and everyone who is listening today as we manage through this unprecedented period.

Although we could not have predicated the exact circumstances of the COVID-19 pandemic, WSFS was well prepared to operate effectively through this challenging situation. Recent technology investments combined with our business continuity planning have allowed us to serve our customers and communities while maintaining our top priority of the safety and wellbeing of our Associates. Since March 16th, we have had over 1,000 Associates across the entire company working from home, supporting each other, and serving our customers including our national businesses of Institutional Trust, Cash Connect and NewLane Finance. At the same time, we have been providing drive through access and appointments with appropriate preventative protocol in our retail banking offices.

We have also seen increased usage and adoption of our digital products including our MyWSFS mobile communication tool. While we are still very early into this environment, it is highly likely that we will continue to see an acceleration of the recent trends towards these channels. This is additional confirmation of the strategic rationale of our Delivery Transformation initiative which commenced last year.

Turning to our first quarter results, our operating performance was solid. Obviously, the adoption of CECL and the impact of the current and forecasted economic environment led to elevated credit costs in the quarter. I will provide additional comments on credit and asset quality in a moment.

Core pre-provision net revenue increased 7% on a linked quarter basis and 32% versus the first quarter of 2019 reflecting the closing of Beneficial on March 1, 2019. This performance was driven by a 10% annualized loan growth in the quarter, excluding the impact of the allowance for credit losses and continued run-off from the non-relationship portfolios. Approximately 39% of this growth was a result of increased line of credit usage. Total core deposits also grew nicely during the quarter at a 9% annualized rate.

Excluding several non-recurring items, Core fee income decreased 3% on a linked quarter basis reflecting lower seasonal banking related transaction volumes and lower bailment revenue in Cash Connect. The decline in bailment revenue was fully offset by reduced funding costs. Cash Connect continued its trend of improved performance recording an accretive ROA of 1.84%.

Expenses were well managed and resulted in a core efficiency ratio of 54% as we continue to see the benefits from prior acquisitions and disciplined growth.

Turning to credit, we adopted CECL in the quarter consistent with our original plans. Asset quality improved modestly during the quarter, yet we purposefully tried to get ahead of the oncoming deterioration in our CECL assumptions with a significant reserve build. The total reserves increased \$92 million, reflecting both the day one increase and the quarterly Provision. The corresponding ACL reserve to total loans ratio was 1.60% as compared to 0.56% at 12/31/19. Including the marks on the acquired loan book, our total coverage was 2.19% at 3/31/20.

As outlined in the Supplemental Materials, our Provision incorporated an economic outlook of a GDP decline of 15% and unemployment of 9% in the second quarter. Economic models for both the second quarter and the remainder of the year continue to fluctuate. Assuming deterioration from our assumptions from when we closed the books, we would expect to continue to build reserves in the second quarter.

Our loan portfolio continues to be very well diversified and granular. It reflects our long held philosophy of concentration management. As we learned during the Great Recession, even with high quality underwriting, concentrations represent the highest potential risk to any loan portfolio. Since that time, our concentration risk management has been governed by 20 Board approved concentration limits, each of which remain in compliance. In addition, over the past year we continued to execute our strategy of repositioning the loan portfolio post-Beneficial while continuing to improve asset quality. This included \$343 million of intentional payoffs of non-relationship loans, as well as an 11% reduction in Problem Assets and a 23% reduction in NPAs.

We have provided information on the overall loan portfolio, along with additional details on our Retail, Hotel and Food Service portfolios in the Supplement.

In addition to the strategic benefits of the Beneficial combination, it also significantly improved our capital levels. Including the impact of CECL, our Common Equity Tier 1 Capital stood at 13.41% at the end of the quarter. This provides us with significant capacity to absorb future potential credit losses. In our most recently completed stress testing, we utilized the Federal Reserve assumptions for a Severely Adverse scenario which are generally consistent with the current environment. Under this scenario, WSFS can absorb almost \$600 million of losses over 2 years while maintaining a Tier 1 Common Equity Capital ratio of 11.20% at the end of that period.

This capital cushion provides us with additional flexibility as we move through this environment. During the quarter we completed our previous share buyback authorization repurchasing just over 1 million shares. Although our board has approved a new buyback authorization of 15% of outstanding shares, we have decided to take a pause until at least the end of the second quarter for both routine and incremental share buybacks. We also maintained our cash dividend at \$0.12 per share. Our resumption of buybacks and potential future increases in the dividend will be evaluated based upon our updated economic outlook and corresponding modeling.

In addition to focusing on adjusting our business to adapt to the current situation, we continue to serve our customers and communities. In terms of customers, through April 17 we have provided over \$770 million in PPP loans throughout our footprint to help sustain businesses, and we are in the process of filing another 1,500 applications in the second phase of funding that commenced yesterday.

We have also provided cash relief via \$1.6 billion of loan modifications in both our commercial and consumer portfolios through April 17th. Almost 60% of these modifications came from our C&I businesses which include owner-occupied real estate and NewLane and reflect the full or partial closure of these customers in late March and early April. We know many of these customers well and remain in contact with them so that we can collectively assess the best path forward at the end of the 90-day (or in some cases less) deferral period.

We also recognize the significant need to support in our communities particularly the not-for-profit organizations who serve those most in need. To enhance our impact, we made a \$3 million grant to the WSFS Community Foundation.

As we look ahead to our future performance, we will benefit from the significant investments we have made over the past decade. In addition to becoming the largest locally headquartered bank in the demographically rich Philadelphia and Delaware Region, we added significant capacity to our mortgage and wealth management businesses, established our national leasing company and, most importantly have very strong talent throughout our organization. These and other investments have provided a much greater, healthier and diverse pre-provision net revenue stream.

Our Core pre-provision net revenue of \$71.5 million for the quarter included \$3.6 million in accelerated loan accretion as a result of a restructuring of the largest loan acquired from Beneficial. We expect that our second quarter Core pre-provision net revenue will be in the range of \$50 million to \$55 million, primarily as a result of the 150 basis-point decline in the Fed Funds rate during the first quarter. Our core Pre-Provision Net Revenue Estimate also assumes that our region would remain in the current stay at home protocol through the end of the quarter and does not include the impact of PPP loans.

Finally, some additional context. WSFS has served this community for 188 years. We are a very resilient company and when faced with periods of adversity, we stay true to our values and manage the company for the long term. We are prepared and ready to do so once again.

Thank you and please stay safe.

I will now turn it over to Dominic to facilitate Q&A with our team.

Questions & Answers:

Dominic Canuso: Thank you, Rodger. I will be facilitating the Q&A session, so if you could, Towanda, please let the questions come through.

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Frank Schiraldi with Piper Sandler.

Frank Schiraldi: Good afternoon, I hope you are all well, I wanted to ask about the deferral or forbearance levels, or modifications, whatever we're going to call them, in terms of a percentage of some of the sensitive loan concentrations. So you break out plenty of which I think you do every quarter, plenty of loan concentrations in the CRE and C&I books. And just wondering, I obviously would assume hotel and restaurant there's a heavy level of deferrals, but where else are you seeing those deferral requests come from? And have requests overall begun to moderate here?

Dominic Canuso: Sure. Thanks, Frank. Steve, would you like to address that question?

Steve Clark: Sure, Dominic. So I would say the other two segments that we received deferral requests is Retail CRE and then a little bit in the healthcare social assistance segments. Those are the other two besides kind of the two obvious, hotel and food service. And I would also say, Frank, the requests really have kind of leveled off and are kind of trickling in at this point. We've received, we believe, the majority, the vast bulk of deferral requests at this point.

Frank Schiraldi: Okay. And are you providing, or able to provide, specific levels within some of these concentrations in terms of this percentage of hotel loans are in deferral?

Steve Clark: Yes. I think in the supplement on Page 5 you can see percentages for each portfolio. So hotel is clearly the biggest, 65% of that portfolio we have approved a 90-day deferral. A couple of 120-day deferrals. And the next biggest segment is really the restaurant/food service, which is 48% of that portfolio that we've approved deferrals for.

Frank Schiraldi: Okay. Thanks. And then just as a follow-up, wondered if you could talk about the NIM guide for next quarter. Since the PPNR guide doesn't include PPP, I'm assuming the NIM guide doesn't either. But maybe if you could just talk a little bit about the contraction quarter over quarter and what some of the assumptions are in that contraction in terms of deposit datas and so forth. Thanks.

Dominic Canuso: Sure, Frank. Thanks. First I'd point out, as Rodger mentioned, the first-quarter elevated purchase loan accretion was primarily from one large customer that paid off and refinanced within WSFS. Excluding that, the PLA would have been in the range that we had guided at the beginning of the year. And consistent with, as we've laid out on Slide 11 of the supplement, what we expect in the second quarter of about 30 basis points of modeled accretion and then up to 10 basis points of additional, depending on payoffs. And, again, obviously all of that is a function of the paydown rate, which this environment could affect.

Secondarily, the decrease from the first-quarter of NIM of 3.84%, excluding PLA, to the second quarter of 3.55% is all interest rate driven. And very consistent with not only our IRR assumptions, but what we expected this year, given the original plan of 2020 assuming one rate cut, but obviously we received a 150-basis-point reduction at the end of March. This assumes in the second quarter a 25% beta for our deposits as we are able to, given our significantly high loan-to-deposit ratio, affect our funding costs through lower CD rates as we've already put in play post the Fed rate actions managing our exception pricing and to continue to drive the appropriate mix within our portfolio.

Frank Schiraldi: Okay. I appreciate it. Thank you.

Dominic Canuso: Thank you Frank.

Operator: Our next question comes from the line of Michael Perito with KBW.

Michael Perito: Hey, glad to hear everyone is doing well. I wanted to double down on the credit conversation a little bit. I think the one book I'm struggling with a little bit is the hotel book, not just for you guys, just more broadly. Because it seems to be an area where, even if there's some type of recovery as we move into the summer, that it might take a bit longer to kind of return to something close to full revenue or occupancy or however you want to measure it. And I'm just curious. How do you think about that dynamic as we move forward here? I mean, obviously initially there's probably just trying to get the CECL and the COVID qualitative reserves up, given the uncertainty. But as we kind of drill down specifically on that portfolio, how are you kind of thinking about those trends? And what do you think you're looking to see that could drive either additional reserves or hopefully kind of a return to normal operation as this plays out?

Dominic Canuso: Sure. Thanks for the question, Mike. And, for reference, we do have some additional detail on the hotel segment of our portfolio on Slide 16 in the supplement. Steve, if you'd like to address that question?

Steve Clark: Yes. So I guess the first, as we mentioned, that is definitely the biggest percentage of portfolio that's in deferral, so about 65%, as I had said. With the exception of a couple customers, these are all 90-day deferrals. So the plan really is -- it really gives us an opportunity over the next 30 to 60 days to sit down with each of these customers and really work with them to develop a plan for the second half of the year. We're very confident in the sponsorship and very confident in the original underwriting of these credits. So it's unclear whether this will be a V or a U or a longer recovery in this space. But the fact that we kept deferrals to 90 days gives us the chance to really work with all of our customers for a longer-term plan.

Dominic Canuso: And, Mike, this is Dominic. Just to add on, obviously we've been in constant dialogue with all of our customers, particularly in this area, and will continue to work with them to develop the go-forward plan over the next 30 to 60 days and for the remainder of the year.

Michael Perito: Okay. Helpful additional color. Thanks. Switching over the conversation to capital, obviously it's a pretty large -- it's kind of unique, all the timing, the way this came together, I guess, but a fairly large new authorization, although it's kind of temporarily paused. But I guess as we think about your appetite, I know you said you're on pause until at least the end of the quarter, but I guess less respective of the time frame, more respective of -- what are you guys kind of looking for that would bring you back to market? Is it just clarity on the recovery? Or is it other economic factors? Or how should we be thinking about that dynamic as we move forward?

Dominic Canuso: Sure. Thanks, Mike. I would say our approach continues to be the same as we've laid out and consistent with how we've communicated our capital management. First and foremost, we look at our capital as protection and for reserves in cases like this. And when we feel comfortable with that environment then we look to invest that capital into the organic growth of the business or inorganic growth as we've done so in recent history. And then beyond those two uses we would return that capital, where appropriate, to our stakeholders through our routine share buybacks and then incrementally based on the share price at the time relative to an IRR model demonstrating positive accretion.

What I would say is that is no different than how we are approaching it today. Clearly that first tranche, recognizing we want to evaluate and ensure that the Bank continues to have the capital needed so that we can focus on our customers. As that subsides or we get more certainty around that, and that will likely take two to three quarters, we will continue to evaluate. And quarter by quarter, as we observe the performance of our PPNR and the macro-economic factors affecting our provision through CECL, we will make a determination.

Michael Perito: Sounds good. So I mean, I don't know if you're willing to comment this far, but it sounds like it's fair to think that over the next two quarters there's probably not much as you guys kind of sort out minimally what's going on on the credit side and making sure that the Bank is as strong as it can be positioned from a capital perspective?

Dominic Canuso: Yes. I don't think we can say for certain, but obviously in this environment there's a lot of volatility in the macro-economic environment and therefore its impact on our customers and potentially our credit position. And so we will continue to monitor and do what's right for the long-term health of the Bank and our shareholders.

Michael Perito: Okay. And then just one more and then I'll hop back. But on loan growth, any updated thoughts about how the current environment could impact maybe any of the planned runoff you had? Or just pipelines in general, is there any kind of updated maybe second-quarter view you can give us on how you think kinda net growth could trend, just given there are already quite a few moving pieces kind of before the macro uncertainty?

Dominic Canuso: Sure. Thanks. I'll first speak to the runoff portfolio, and that detail is in the supplemental material on Slide 17. When we purchased Beneficial a year ago now, about 19% of the total loan portfolio was considered in this run-off non-relationship-based portfolio and that is down to \$1.3 billion, or 15%, and we do expect that to continue. The largest portion of that book is residential mortgage at just under \$1 billion. And obviously that is clearly affected by the interest rate environment. And we had seen significant rundown in that portfolio, along with some refinancing and participation in leveraged loans throughout the year.

It will obviously be interest rate dependent. We would expect it to continue, but the rate of pace will be a function of particularly the refinancing in the residential mortgage market. And, Steve, if you'd like to talk about the pipeline?

Steve Clark: Yes. So as Rodger had indicated in his opening comments, we were really pleased with this first quarter, kind of 10% annualized growth, excluding the allowance and the run-off portfolios. Presently, as we ended March our pipeline was fairly strong. We had a 90-day weighted average of just over \$200 million of new opportunities, what we expect to fund as a weighted average probability over the next 90 days. But clearly all the focus right now is on the PPP activity and on the loan deferral activity. And while our pipeline is good, we really would anticipate a lot of this opportunity moving to the latter half of the year. In the near term, it's really hard to forecast any type of loan growth with any type of accuracy. But, assuming some recovery the latter part of the year, end of third quarter, early fourth quarter, we should see some activity pick up.

Michael Perito: Okay. Really helpful. Thank you. Stay well and appreciate you taking my questions.

Operator: Our next question comes from the line of Russell Gunther with D.A. Davidson.

Russell Gunther: Good afternoon guys. Dominic, wanted to follow up on comments you guys made with regard to some of the internal stress testing that you performed. Wondering if you could share with us what some of your assumptions are within those more potentially adversely exposed sections like retail, food service, hotel, just the type of [stressing] area you walk through there and potentially loss content assumed?

Dominic Canuso: Sure. While I can't speak to the sub-segment level around our stress testing assumption, we do flex all elements of the portfolio, including loan growth, net interest margin compression, our obviously credit costs, which is the main driver of the stress and then our cost base. I would say, as Rodger mentioned, the type of environment we're seeing now is in the acute impact to the macro-economic conditions particularly in the second quarter, are relatively consistent or somewhere between the adverse and severely adverse portfolio. As we know, not all economic environments are the same, so they affect the portfolio segments differently. Owner occupied is different than investor, which is different than C&I and then consumer. But we have stressed all those appropriately, given the macro-economic drivers. We look to our own performance, our distribution and segmentation and, as we've laid out in the material on Slide 9, you can see what our synthesized adverse stress would do based on a starting point of 4Q 2019.

Russell Gunther: Got it. That's very helpful there, Dominic. Thank you. And then I found Slide 8 to be particularly helpful, the reserve levels by loan bucket. But from the outside looking in, felt the CRE and both investor and owner-occupied looked a little bit lighter than I would have thought. But obviously that doesn't take into consideration the remaining credit mark. So I wonder if you could kind of speak to where those might shake out if you incorporate that or add any just broader comments on reserve levels within CRE today?

Dominic Canuso: Sure. And, first, I would remind everybody, as we saw in our quarter-end metrics within the portfolio, all of our credit metrics, both leading and lagging are incredibly strong. So all of the provision, or ACL, in the first quarter was driven by the macroeconomic factors through CECL modeling. And for the most part, our portfolio being outsized C&I, that's going to be driven by the macro interest rate environment and unemployment. Most of the other segments are driven by unemployment and then CRE in particular with forecasts around the real estate pricing indices, which have not yet moved as dramatically as what we're seeing in unemployment and GDP. So to the extent those macro-economic conditions or forecasts change as the severity and/or the duration of the economic forecast extends, then it's likely that CRE and some of those subsegments would be more impacted. But at this point in time, again, we haven't seen any indication within our portfolio and some of those macro-economic drivers aren't indicating that stress.

Russell Gunther: Okay. That's very helpful. I appreciate that, Dominic. Last question for me guys. Appreciate the ring-fence of PPNR for 2Q. Just wondering if you could, within that, touch on the expense outlook for the second quarter, maybe just discuss some of the puts and takes there relative to 1Q and in anticipation of guided lower fee income.

Dominic Canuso: Sure. The first thing I would note is the first-quarter PPNR was particularly strong, one, by the outsized PLA that Rodger mentioned. But we also had some one-timers in our cost base that also improved that number for the quarter. Going forward, the lower PPNR is primarily first of all driven by the 150-basis point rate decrease by the Fed, followed by the lagging trend of LIBOR, which was still over 100 basis points but just recently in the last 30 to 40 days has dropped over 50 basis points. So that obviously will play into our rate resets, particularly for May and June.

And then, as we discussed and Rodger mentioned, that our assumption when we laid this out -- obviously things move very quickly week to week -- we wanted to take the conservative approach to say what would impact to our fee businesses be if kind of the stay-at-home conditions in our region maintained. So most of the lower PPNR is driven by those two impacts. Our cost management continues to be disciplined, particularly in this environment where we're working from home and we're actually seeing some cost saves that are naturally occurring. There will be some increase throughout the year as we continue to invest in the business, including delivery transformation and some marketing dollars associated with our marketing technology investment for future growth. But for the most part they would be relatively consistent with our initial indications from a couple months ago and slightly above what I would say is the run rate from the first quarter, which is probably about \$2.5 million higher than kind of the core noninterest expense that was printed.

Russell Gunther: That's very helpful, Dominic. Thank you so much.

Dominic Canuso: Thank you.

Operator: [Operator Instructions] Our next question comes from the line of Brody Preston with Stephens.

Brody Preston: Good afternoon everyone how are you? I just wanted to circle back on the lease portfolio of NewLane. Could you remind us of the collateral that's backing those NewLane loans, Dominic?

Dominic Canuso: Sure. So primarily it's the products that the leases are providing from, so that whether it's the equipment for -- office equipment or big equipment or retail equipment -- but there is only a dollar residual at the end. So most of the product is paid for and then recovered through just managing working with the customer and channel partner.

Brody Preston: Okay. So that's -- I was sort of looking at on Slide 8 the ACL by segment. And the C&I portfolio is up near 3 but the least portfolio is only up 134 basis points. And so I just wanted to better understand what was driving some of the differences between I guess what your CECL model is spitting out for loss content between those two books. So on the hotel portfolio you have a bullet there that says the max LTD and debt service coverage ratio is 75% and 1.3x. I just wanted to clarify that that's the max LTD and the lowest debt service coverage ratio that you were underwriting to before this.

Dominic Canuso: Sure. Steve, you'd like to address that question?

Steve Clark: Yes, that is correct. That would be the max. So obviously we have LTDs that are lower and coverages that were higher at the time of origination.

Brody Preston: Yes. Okay. And then on the \$0.5 million decrease in third-party funding costs that you had in Cash Connect, just wanted to clarify, is there more to come here, Dominic, like as the costs move lower? And what's the average cost of the third-party funds?

Dominic Canuso: Sure. So a couple points. First, the first quarter's impact to Cash Connect was primarily rate environment driven. And we positioned that business to be rate neutral. So the decrease in funding costs was commensurate with primarily with the interest rate environment. We don't disclose that third-party funding pricing. But it is commensurate with and slightly above our internal cost of funds.

Brody Preston: Okay, great. And then, how much of the -- I guess just in terms of your mobile usage, it's up pretty dramatically. So I just wanted to better understand, are you thinking about potential branch rationalization in the aftermath of this?

Dominic Canuso: I think for certain what we've observed over the last month and a half is that what we had believed and were planning and are investing in with regard to delivery transformation is that customer behaviors will shift. Clearly this environment has accelerated that and reinforced kind of our position to do so. We are able, and as laid out in the supplement, service our customers in this environment through reduced branch count, increased use of our mobile product, along with supplemental MyWSFS mobile product, along with the call center. So I think we're all learning a lot on how to work in this environment. We are clearly seeing our customers able to adapt to this environment significantly. And we are actively evaluating all post-COVID realities and implications for our customers foremost, which is our priority, and how best to operationalize through the Bank.

Brody Preston: Okay, great. And then one last one for me. It was nice to see the Wealth Management and Trust assets up. It's been down pretty much across the industry. And so wanted to know what drove that, if it was maybe one new big client coming in, or if anything was tied to bankruptcy? And can you just remind us of the timing in terms of inter-quarter, when those fees typically come in?

Dominic Canuso: Sure. Art Bacci, would you like to handle the question on Wealth?

Art Bacci: Sure. This is Art, and thanks for the question. I think we've continued through the first quarter with some pretty strong performance in both our Corporate Trust business -- we had a very solid fourth quarter on the Personal Trust business. In terms of AUM, it's not been any one customer. I think the referral program we've instituted working with the commercial bankers, we've seen an uptick in referrals from that. We've seen referrals coming in from existing clients, as well as just good strong market performance, through at least early March we've really contributed to the increase in AUM.

And I think there was one more question?

Brody Preston: Yes, just the timing of when those fees come in in the quarter.

Art Bacci: Yes. For the advisory businesses we usually go in advance at the beginning of the quarter. So March 31st would have been the billing for second quarter. And obviously that will be slightly down given the market through the end of March was down.

Brody Preston: Okay. Great. Thank you very much for taking my questions. I appreciate it.

Operator: Our next question comes from the line of Erik Zwick with Boenning & Scattergood.

Erik Zwick: Good afternoon, I apologize I had some connectivity issues there for a few minutes. So I apologize if some of my questions were already asked and answered. With regard to the PPP program, can you give us any color regarding the dollar amount of kind of remaining applications you have and how much of that you would expect to be funded during the second round of the program?

Dominic Canuso: Steve, if you'd like to address that? Steve?

Rodger Levenson: So this is --

Steve Clark: I apologize. I was on mute. I apologize.

Rodger Levenson: I was going to pitch hit for you Steve, but go ahead.

Steve Clark: The first round, as you saw in the information, processed around 2,400 applications for around \$770 million. All of that has been funded at this point except for a couple million dollars. We had teed up 1,800 applications for round two and through kind of late morning, midday today we had processed and received approval for 868 of those 1,800 for an additional \$86 million. I don't have the total of round two, what that 1,800 would have totaled. We can circle back with you on that question, unless someone else on the line on the team has that.

Rodger Levenson: Yes. So this is Rodger. So as Steve mentioned, in round one our average loan size was a little over \$300,000. We believe, based on the applications received that we're in the middle of processing, that the second round will be a little under \$100,000, which I think demonstrates the fact and the need for the second round so they could get to the smaller customers.

Erik Zwick: Great. That's helpful. And then just a last question from me. With regard to non-interest income and some of the line items that are potentially sensitive to the COVID environment and thinking about credit/debit card fees and deposit service charges, any kind of sense for is there additional pressure on those line items in 2Q relative to 1Q, just given that we'll likely see a full-quarter impact?

Dominic Canuso: Sure. Good question. I would say absolutely. If we think back, that really 10 of the 12 weeks in the first quarter was business as usual and it really wasn't until the end of March that I think most areas, particularly across the country, were in a stay at home situation for a period of time. So whether it's at Cash Connect or our own customers in our local footprint, transaction and ATM transactions are down, without a doubt. And that would extend through March and then likely recover as we see the re-opening of the economy in phases. But most likely we'll see it in that credit/debit card and ATM transaction line. Potentially in mortgage banking to the extent either from an interest rate environment and/or inability to do in-home appraisals, et cetera, would be impacted as well.

Erik Zwick: Great. Thank you for taking my questions.

Dominic Canuso: Thank you.

Operator: Thank you. And with no further questions in the queue, I would now like to turn the conference back over to Mr. Rodger Levenson.

Rodger Levenson: Thank you, Operator. Dominic and I will be participating in an investor conference via teleconferencing next week. And, as always, we are available for additional questions after the call. Thanks very much for your interest and support in WSFS and we wish everybody to have a good day. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference. Thank you for your participation. You may now disconnect. Everyone have a wonderful day.