

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-35638

WSFS FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

22-2866913

(State or other jurisdiction of Incorporation or organization)

(I.R.S. Employer Identification Number)

500 Delaware Ave,
Wilmington, Delaware, 19801
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (302) 792-6000

Not Applicable
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	WSFS	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the issuer's common stock, as of the latest practicable date: 47,535,215 shares as of July 31, 2021.

WSFS FINANCIAL CORPORATION

FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and exhibits hereto, contains estimates, predictions, opinions, projections and other “forward-looking statements” as that phrase is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, references to the Company’s predictions or expectations of future business or financial performance as well as its goals and objectives for future operations, financial and business trends, business prospects and management’s outlook or expectations for earnings, revenues, expenses, capital levels, liquidity levels, asset quality or other future financial or business performance, strategies or expectations. The words “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project” and similar expressions, among others, generally identify forward-looking statements. Such forward-looking statements are based on various assumptions (some of which may be beyond the Company’s control) and are subject to risks and uncertainties (which change over time) and other factors which could cause actual results to differ materially from those currently anticipated. Such risks and uncertainties include, but are not limited to:

- difficult market conditions and unfavorable economic trends in the United States generally, and particularly in the markets in which the Company operates and in which its loans are concentrated, including possible declines in housing markets, an increase in unemployment levels and slowdowns in economic growth, including as a result of the novel coronavirus and its variants (COVID-19) pandemic;
- possible additional loan losses and impairment of the collectability of loans, particularly as a result of the COVID-19 pandemic and the policies and programs implemented by the Coronavirus Aid, Relief, and Economic Security Act, as amended (CARES Act), including its automatic loan forbearance provisions and the Company’s Paycheck Protection Program (PPP) lending activities;
- additional credit, fraud and litigation risks associated with our PPP lending activities;
- the economic and financial impact of federal, state and local emergency orders and other actions taken in response to the COVID-19 pandemic;
- the continuation of these conditions related to the COVID-19 pandemic, including whether due to a resurgence or additional waves of COVID-19 infections, particularly as the geographic areas in which we operate continue to re-open, and how quickly and to what extent normal economic and operating conditions can resume, especially as a vaccine becomes widely available;
- the Company’s level of nonperforming assets and the costs associated with resolving problem loans including litigation and other costs and complying with government-imposed foreclosure moratoriums;
- changes in market interest rates, which may increase funding costs and reduce earning asset yields and thus reduce margin;
- the impact of changes in interest rates and the credit quality and strength of underlying collateral and the effect of such changes on the market value of the Company’s investment securities portfolio;
- the credit risk associated with the substantial amount of commercial real estate, construction and land development and commercial and industrial loans in the Company’s loan portfolio;
- the extensive federal and state regulation, supervision and examination governing almost every aspect of the Company’s operations and potential expenses associated with complying with such regulations;
- the Company’s ability to comply with applicable capital and liquidity requirements (including the effect of the transition to the Current Expected Credit Losses (CECL) methodology for allowances and related adjustments), including its ability to generate liquidity internally or raise capital on favorable terms;
- possible changes in trade, monetary and fiscal policies and stimulus programs, laws and regulations and other activities of governments, agencies, and similar organizations, and the uncertainty of the short- and long-term impacts of such changes;
- any impairments of the Company’s goodwill or other intangible assets;
- conditions in the financial markets, including the destabilized economic environment caused by the COVID-19 pandemic, that may limit the Company’s access to additional funding to meet its liquidity needs;
- the intention of the United Kingdom’s Financial Conduct Authority (FCA) to cease support of London Inter-Bank Offered Rate (LIBOR) and the transition to an alternative reference interest rate, such as the Secured Overnight Funding Rate (SOFR), including methodologies for calculating the rate that are different from the LIBOR methodology and changed language for existing and new floating or adjustable rate contracts;
- the success of the Company’s growth plans, including its plans to grow the commercial small business leasing portfolio and residential mortgage, small business and Small Business Administration (SBA) portfolios;
- the Company’s ability to successfully integrate and fully realize the cost savings and other benefits of its acquisitions, manage risks related to business disruption following those acquisitions, and post-acquisition Customer acceptance of the Company’s products and services and related Customer disintermediation, including its pending acquisition of Bryn Mawr Bank Corporation (Bryn Mawr);

- the Company’s ability to complete the pending merger with Bryn Mawr on the terms proposed, which are subject to a number of conditions, risks and uncertainties, including the possibility that the proposed acquisition does not close when expected or at all because all conditions to closing are not received or satisfied on a timely basis or at all, the failure to close for any other reason, diversion of management time on merger-related issues, risks relating to the potential dilutive effect of shares of the Company’s common stock to be issued in the acquisition of Bryn Mawr, and the reaction to the acquisition of Bryn Mawr of the companies’ customers, employees and counterparties;
- negative perceptions or publicity with respect to the Company generally and, in particular, the Company’s trust and wealth management business;
- failure of the financial and operational controls of the Company’s Cash Connect[®] division;
- adverse judgments or other resolution of pending and future legal proceedings, and cost incurred in defending such proceedings;
- the Company’s reliance on third parties for certain important functions, including the operation of its core systems, and any failures by such third parties;
- system failures or cybersecurity incidents or other breaches of the Company’s network security, particularly given widespread remote working arrangements;
- the Company’s ability to recruit and retain key Associates;
- the effects of problems encountered by other financial institutions that adversely affect the Company or the banking industry generally;
- the effects of weather and natural disasters such as floods, droughts, wind, tornadoes and hurricanes as well as effects from geopolitical instability, public health crises and man-made disasters including terrorist attacks;
- the effects of regional or national civil unrest (including any resulting branch or ATM closures or damage);
- possible changes in the speed of loan prepayments by the Company’s Customers and loan origination or sales volumes;
- possible changes in the speed of prepayments of mortgage-backed securities due to changes in the interest rate environment, particularly as a result of the COVID-19 pandemic, and the related acceleration of premium amortization on prepayments in the event that prepayments accelerate;
- regulatory limits on the Company’s ability to receive dividends from its subsidiaries and pay dividends to its stockholders;
- any reputation, credit, interest rate, market, operational, litigation, legal, liquidity, regulatory and compliance risk resulting from developments related to any of the risks discussed above; and
- other risks and uncertainties, including those discussed herein under the heading “Risk Factors” and in other documents filed by the Company with the Securities and Exchange Commission (SEC) from time to time.

The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. The Company disclaims any duty to revise or update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company for any reason, except as specifically required by law.

As used in this Quarterly Report on Form 10-Q, the terms “WSFS”, “the Company”, “registrant”, “we”, “us”, and “our” mean WSFS Financial Corporation and its subsidiaries, on a consolidated basis, unless the context indicates otherwise.

The following are registered trademarks of the Company: Cash Connect[®], Christiana Trust Company of Delaware[®], NewLane Finance[®], Powdermill[®] Financial Solutions, West Capital Management[®], WSFS Institutional Services[®], WSFS Mortgage[®] and WSFS Wealth[®] Investments. Any other trademarks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders.

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)

(Dollars in thousands, except per share and share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest income:				
Interest and fees on loans and leases	\$ 98,645	\$ 112,260	\$ 207,497	\$ 231,462
Interest on mortgage-backed securities	12,506	12,549	23,210	25,768
Interest and dividends on investment securities:				
Taxable	702	102	1,403	117
Tax-exempt	681	907	1,429	1,818
Other interest income	368	65	644	573
	<u>112,902</u>	<u>125,883</u>	<u>234,183</u>	<u>259,738</u>
Interest expense:				
Interest on deposits	3,778	9,832	8,274	24,469
Interest on Federal Home Loan Bank advances	—	625	5	1,455
Interest on senior debt	2,053	1,180	4,319	2,359
Interest on federal funds purchased	—	1	—	471
Interest on trust preferred borrowings	317	484	641	1,070
Interest on other borrowings	5	5	10	8
	<u>6,153</u>	<u>12,127</u>	<u>13,249</u>	<u>29,832</u>
Net interest income	<u>106,749</u>	<u>113,756</u>	<u>220,934</u>	<u>229,906</u>
(Recovery of) provision for credit losses	<u>(67,563)</u>	<u>94,754</u>	<u>(87,723)</u>	<u>151,400</u>
Net interest income after (recovery of) provision for credit losses	<u>174,312</u>	<u>19,002</u>	<u>308,657</u>	<u>78,506</u>
Noninterest income:				
Credit/debit card and ATM income	7,567	9,306	14,372	20,665
Investment management and fiduciary income	15,360	10,929	29,613	21,891
Deposit service charges	5,319	4,175	10,779	9,822
Mortgage banking activities, net	4,453	8,494	13,053	11,965
Loan and lease fee income	1,730	1,097	5,215	2,216
Securities gains, net	—	1,908	329	2,601
Unrealized gains on equity investments, net	5,261	(11)	5,261	657
Realized gain on sale of equity investment	—	22,052	—	22,052
Bank owned life insurance income	695	445	900	420
Other income	8,633	5,980	17,318	12,933
	<u>49,018</u>	<u>64,375</u>	<u>96,840</u>	<u>105,222</u>
Noninterest expense:				
Salaries, benefits and other compensation	52,408	48,757	105,546	94,103
Occupancy expense	8,083	8,296	16,543	15,962
Equipment expense	7,338	5,759	14,729	10,723
Data processing and operations expenses	3,444	3,061	6,829	6,139
Professional fees	3,401	4,423	7,257	9,023
Marketing expense	1,286	1,215	2,278	2,166
Loss on debt extinguishment	1,087	—	1,087	—
FDIC expenses	1,056	305	2,125	251
Loan workout and other credit costs	(552)	4,587	568	5,040
Corporate development expense	2,543	2,801	4,638	4,142
Restructuring expense	(144)	—	(409)	—
Other operating expense	16,082	14,231	30,460	34,382
	<u>96,032</u>	<u>93,435</u>	<u>191,651</u>	<u>181,931</u>
Income (loss) before taxes	<u>127,298</u>	<u>(10,058)</u>	<u>213,846</u>	<u>1,797</u>
Income tax provision (benefit)	<u>31,687</u>	<u>(2,247)</u>	<u>53,094</u>	<u>(959)</u>
Net income (loss)	<u>\$ 95,611</u>	<u>\$ (7,811)</u>	<u>\$ 160,752</u>	<u>\$ 2,756</u>
Less: Net income (loss) attributable to noncontrolling interest	<u>(56)</u>	<u>(700)</u>	<u>3</u>	<u>(1,060)</u>
Net income (loss) attributable to WSFS	<u>\$ 95,667</u>	<u>\$ (7,111)</u>	<u>\$ 160,749</u>	<u>\$ 3,816</u>
Earnings (loss) per share:				
Basic	\$ 2.01	\$ (0.14)	\$ 3.38	\$ 0.08
Diluted	\$ 2.01	\$ (0.14)	\$ 3.37	\$ 0.07
Weighted average shares of common stock outstanding:				
Basic	47,529,143	50,655,154	47,519,229	50,870,735
Diluted	47,691,709	50,655,154	47,675,223	50,910,790

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 95,611	\$ (7,811)	\$ 160,752	\$ 2,756
Less: Net (loss) income attributable to noncontrolling interest	(56)	(700)	3	(1,060)
Net income (loss) attributable to WSFS	95,667	(7,111)	160,749	3,816
Other comprehensive income (loss):				
Net change in unrealized gains (losses) on investment securities available-for-sale				
Net unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$7,615, 1,169, \$(14,361), and 15,707, respectively	24,104	3,703	(45,485)	49,739
Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of \$0, \$458, \$79, and \$624, respectively	—	(1,450)	(250)	(1,977)
	24,104	2,253	(45,735)	47,762
Net change in securities held-to-maturity				
Amortization of unrealized gain on securities reclassified to held-to-maturity, net of tax expense of \$9, \$18, \$14, and \$38, respectively	(28)	(57)	(44)	(122)
Net change in unfunded pension liability				
Change in unfunded pension liability related to unrealized loss, prior service cost and transition obligation, net of tax (benefit) expense of \$(8), \$8, \$(13), and \$7, respectively	(24)	(26)	(40)	(22)
Pension settlement, net of tax expense of \$—, \$67, \$—, and \$67, respectively	—	212	—	212
	(24)	186	(40)	190
Net change in cash flow hedge				
Net unrealized (loss) gain arising during the period, net of tax expense of \$—, \$(8) \$—, and \$493 respectively	—	(25)	—	1,560
Amortization of unrealized gain on terminated cash flow hedges, net of tax benefit of \$35, \$35, \$70, and \$35 respectively	(112)	(111)	(223)	(111)
	(112)	(136)	(223)	1,449
Net change in equity method investments				
Net change in other comprehensive income of equity method investments, net of tax expense of \$—, \$—, \$86, and \$—, respectively	—	—	273	—
Total other comprehensive income (loss)	23,940	2,246	(45,769)	49,279
Total comprehensive income (loss)	\$ 119,607	\$ (4,865)	\$ 114,980	\$ 53,095

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

(Dollars in thousands, except per share and share data)	June 30, 2021	December 31, 2020
Assets:		
Cash and due from banks	\$ 1,944,059	\$ 1,244,705
Cash in non-owned ATMs	470,157	402,339
Interest-bearing deposits in other banks including collateral (restricted cash) of \$6,110 at June 30, 2021 and \$7,390 December 31, 2020	6,897	7,691
Total cash, cash equivalents, and restricted cash	2,421,113	1,654,735
Investment securities, available-for-sale (amortized cost of \$3,347,966 at June 30, 2021 and \$2,450,265 at December 31, 2020)	3,366,579	2,529,057
Investment securities, held-to-maturity, net of allowance for credit losses of \$5 at June 30, 2021 and \$6 at December 31, 2020 (fair value \$99,266 at June 30, 2021 and \$116,421 at December 31, 2020)	95,126	111,741
Other investments	15,648	9,541
Loans, held for sale at fair value	113,173	197,541
Loans and leases, net of allowance for credit losses of \$132,418 at June 30, 2021 and \$228,804 at December 31, 2020	8,131,846	8,795,935
Bank owned life insurance	32,759	32,051
Stock in Federal Home Loan Bank (FHLB) of Pittsburgh at cost	6,090	5,771
Other real estate owned	1,044	3,061
Accrued interest receivable	40,275	44,335
Premises and equipment	92,559	96,556
Goodwill	472,828	472,828
Intangible assets	79,123	84,558
Other assets	280,698	296,204
Total assets	\$ 15,148,861	\$ 14,333,914
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 4,328,060	\$ 3,415,021
Interest-bearing	8,398,785	8,441,643
Total deposits	12,726,845	11,856,664
FHLB advances	—	6,623
Trust preferred borrowings	67,011	67,011
Senior debt	147,823	246,617
Other borrowed funds	21,636	20,390
Accrued interest payable	1,977	1,450
Other liabilities	301,758	345,679
Total liabilities	13,267,050	12,544,434
Stockholders' Equity:		
Common stock \$0.01 par value, 90,000,000 shares authorized; issued 57,622,151 at June 30, 2021 and 57,575,783 at December 31, 2020	577	576
Capital in excess of par value	1,054,276	1,053,022
Accumulated other comprehensive income	10,238	56,007
Retained earnings	1,126,284	977,414
Treasury stock at cost, 10,086,936 shares at June 30, 2021 and 9,819,627 shares at December 31, 2020	(307,321)	(295,293)
Total stockholders' equity of WSFS	1,884,054	1,791,726
Noncontrolling interest	(2,243)	(2,246)
Total stockholders' equity	1,881,811	1,789,480
Total liabilities and stockholders' equity	\$ 15,148,861	\$ 14,333,914

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

Six Months Ended June 30, 2021

<i>(Dollars in thousands, except per share and share amounts)</i>	Shares	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity of WSFS	Non-controlling Interest	Total Stockholders' Equity
Balance, December 31, 2020	57,575,783	\$ 576	\$ 1,053,022	\$ 56,007	\$ 977,414	\$ (295,293)	\$ 1,791,726	\$ (2,246)	\$ 1,789,480
Net income	—	—	—	—	160,749	—	160,749	3	160,752
Other comprehensive loss	—	—	—	(45,769)	—	—	(45,769)	—	(45,769)
Cash dividend, \$0.25 per share	—	—	—	—	(11,879)	—	(11,879)	—	(11,879)
Issuance of common stock including proceeds from exercise of common stock options	46,368	1	175	—	—	—	176	—	176
Stock-based compensation expense	—	—	2,262	—	—	—	2,262	—	2,262
Repurchases of common stock ⁽¹⁾	—	—	(1,183)	—	—	(12,028)	(13,211)	—	(13,211)
Balance, June 30, 2021	57,622,151	\$ 577	\$ 1,054,276	\$ 10,238	\$ 1,126,284	\$ (307,321)	\$ 1,884,054	\$ (2,243)	\$ 1,881,811

Three Months Ended June 30, 2021

<i>(Dollars in thousands, except per share and share amounts)</i>	Shares	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity of WSFS	Non-controlling Interest	Total Stockholders' Equity
Balance, March 31, 2021	57,589,330	\$ 576	\$ 1,054,291	\$ (13,702)	\$ 1,036,797	\$ (307,321)	\$ 1,770,641	\$ (2,187)	\$ 1,768,454
Net income (loss)	—	—	—	—	95,667	—	95,667	(56)	95,611
Other comprehensive income	—	—	—	23,940	—	—	23,940	—	23,940
Cash dividend, \$0.13 per share	—	—	—	—	(6,180)	—	(6,180)	—	(6,180)
Issuance of common stock including proceeds from exercise of common stock options	32,821	1	60	—	—	—	61	—	61
Stock-based compensation expense	—	—	1,107	—	—	—	1,107	—	1,107
Repurchases of common shares ⁽¹⁾	—	—	(1,182)	—	—	—	(1,182)	—	(1,182)
Balance, June 30, 2021	57,622,151	\$ 577	\$ 1,054,276	\$ 10,238	\$ 1,126,284	\$ (307,321)	\$ 1,884,054	\$ (2,243)	\$ 1,881,811

⁽¹⁾ Repurchase of common stock includes 267,309 shares repurchased in connection with the Company's share repurchase program approved by the Board of Directors, and 17,732 shares withheld to cover tax liabilities.

Six Months Ended June 30, 2020

<i>(Dollars in thousands, except per share and share amounts)</i>	Shares	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity of WSFS	Non-controlling Interest	Total Stockholders' Equity
Balance, December 31, 2019	57,435,658	\$ 575	\$ 1,049,064	\$ 23,501	\$ 917,377	\$ (140,211)	\$ 1,850,306	\$ (815)	\$ 1,849,491
Cumulative change in accounting principle	—	—	—	—	(30,368)	—	(30,368)	—	(30,368)
Balance, January 1, 2020 (as adjusted for change in accounting principle)	57,435,658	575	1,049,064	23,501	887,009	(140,211)	1,819,938	(815)	1,819,123
Net income (loss)	—	—	—	—	3,816	—	3,816	(1,060)	2,756
Other comprehensive income	—	—	—	49,279	—	—	49,279	—	49,279
Cash dividend, \$0.24 per share	—	—	—	—	(12,240)	—	(12,240)	—	(12,240)
Issuance of common stock including proceeds from exercise of common stock options	97,578	1	990	—	—	—	991	—	991
Stock-based compensation expense	—	—	1,294	—	—	—	1,294	—	1,294
Repurchases of common shares ⁽²⁾	—	—	(670)	—	—	(38,739)	(39,409)	—	(39,409)
Balance, June 30, 2020	<u>57,533,236</u>	<u>\$ 576</u>	<u>\$ 1,050,678</u>	<u>\$ 72,780</u>	<u>\$ 878,585</u>	<u>\$ (178,950)</u>	<u>\$ 1,823,669</u>	<u>\$ (1,875)</u>	<u>\$ 1,821,794</u>

Three Months Ended June 30, 2020

<i>(Dollars in thousands, except per share and share amounts)</i>	Shares	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity of WSFS	Non-controlling Interest	Total Stockholders' Equity
Balance, March 31, 2020	57,506,298	\$ 576	\$ 1,050,658	\$ 70,534	\$ 891,776	\$ (178,950)	\$ 1,834,594	\$ (1,175)	\$ 1,833,419
Net income (loss)	—	—	—	—	(7,111)	—	(7,111)	(700)	(7,811)
Other comprehensive income	—	—	—	2,246	—	—	2,246	—	2,246
Cash dividend, \$0.12 per share	—	—	—	—	(6,080)	—	(6,080)	—	(6,080)
Issuance of common stock including proceeds from exercise of common stock options	26,938	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	690	—	—	—	690	—	690
Repurchases of common shares ⁽²⁾	—	—	(670)	—	—	—	(670)	—	(670)
Balance, June 30, 2020	<u>57,533,236</u>	<u>\$ 576</u>	<u>\$ 1,050,678</u>	<u>\$ 72,780</u>	<u>\$ 878,585</u>	<u>\$ (178,950)</u>	<u>\$ 1,823,669</u>	<u>\$ (1,875)</u>	<u>\$ 1,821,794</u>

⁽²⁾ Repurchase of common stock includes 1,004,348 shares repurchased in connection with the Company's share repurchase program approved by the Board of Directors and 22,531 shares withheld to cover tax liabilities.

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(Dollars in thousands)</i>	Six Months Ended June 30,	
	2021	2020
Operating activities:		
Net income	\$ 160,752	\$ 2,756
Adjustments to reconcile net income to net cash provided by operating activities:		
(Recovery of) provision for credit losses	(87,723)	151,400
Depreciation of premises and equipment, net	6,575	7,933
Accretion of fees and discounts, net	(26,820)	(27,442)
Amortization of intangible assets	5,302	5,528
Amortization of right of use lease asset	5,988	6,356
Decrease in operating lease liability	(6,688)	(7,008)
Income from mortgage banking activities, net	(13,053)	(11,965)
Gain on sale of securities, net	(329)	(2,601)
(Loss) gain on sale of other real estate owned and valuation adjustments, net	(45)	10
Stock-based compensation expense	2,262	1,294
Unrealized gain on equity investments, net	(5,261)	(657)
Realized gain on sale of equity investment	—	(22,052)
Deferred income tax expense (benefit)	30,162	(38,596)
Decrease (increase) in accrued interest receivable	4,060	(15,128)
Increase in other assets	(8,046)	(3,743)
Origination of loans held for sale	(510,421)	(404,036)
Proceeds from sales of loans held for sale	569,341	377,786
Increase in value of bank owned life insurance	(708)	(97)
Increase in capitalized interest, net	(1,551)	(1,909)
Increase in accrued interest payable	527	2,946
(Decrease) increase in other liabilities	(35,248)	59,651
Net cash provided by operating activities	\$ 89,076	\$ 80,426
Investing activities:		
Repayments, maturities and calls of investment securities held-to-maturity	\$ 16,240	\$ 9,675
Sale of investment securities available-for-sale	9,332	109,605
Purchases of investment securities available-for-sale	(1,267,988)	(535,146)
Repayments of investment securities available-for-sale	354,265	232,426
Net proceeds from sale of Visa Class B shares	—	85,850
Net decrease (increase) in loans	826,059	(839,620)
Purchases of stock of Federal Home Loan Bank of Pittsburgh	(585)	(145,399)
Redemptions of stock of Federal Home Loan Bank of Pittsburgh	266	156,724
Sales of other real estate owned	2,402	875
Investment in premises and equipment	(3,005)	(2,830)
Sales of premises and equipment	427	45
Net cash used in investing activities	\$ (62,587)	\$ (927,795)

(Dollars in thousands)	Six Months Ended June 30,	
	2021	2020
Financing activities:		
Net increase in demand and saving deposits	\$ 1,133,691	\$ 1,580,924
Decrease in time deposits	(106,803)	(128,170)
(Decrease) increase in brokered deposits	(155,462)	30,568
Receipts from FHLB advances	—	5,037,296
Repayments of FHLB advances	(6,623)	(5,043,576)
Receipts from federal funds purchased	—	8,025,475
Repayments of federal funds purchased	—	(8,220,475)
Cash dividend	(11,879)	(12,240)
Issuance of common stock including proceeds from exercise of common stock options	176	991
Redemption of senior debt	(100,000)	—
Repurchases of common shares	(13,211)	(39,409)
Net cash provided by financing activities	\$ 739,889	\$ 1,231,384
Increase in cash, cash equivalents, and restricted cash	766,378	384,015
Cash, cash equivalents, and restricted cash at beginning of period	1,654,735	571,752
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 2,421,113</u>	<u>\$ 955,767</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 12,722	\$ 26,886
Income taxes	21,999	3,610
Non-cash information:		
Loans transferred to other real estate owned	606	2,503
Loans transferred to portfolio from held-for-sale at fair value	24,782	11,065
Impact of ASC 326 Adoption:		
Allowance for credit losses on held-to-maturity debt securities	—	(8)
Allowance for credit losses on loans and leases	—	(35,855)
Deferred tax assets	—	8,461
Allowance for credit losses on unfunded lending commitments	—	(2,966)
Retained earnings	—	30,368

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

WSFS FINANCIAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021
(UNAUDITED)

1. BASIS OF PRESENTATION

General

These unaudited Consolidated Financial Statements include the accounts of WSFS Financial Corporation (the Company or WSFS), Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), WSFS Wealth Management, LLC (Powdermill[®]), WSFS Capital Management, LLC (West Capital), Cypress Capital Management, LLC (Cypress), Christiana Trust Company of Delaware[®] (Christiana Trust DE) and WSFS SPE Services, LLC. The Company also has one unconsolidated subsidiary, WSFS Capital Trust III. WSFS Bank has two wholly owned subsidiaries: Beneficial Equipment Finance Corporation (BEFC) and 1832 Holdings, Inc., and one majority-owned subsidiary, NewLane Finance Company (NewLane Finance[®]).

Overview

Founded in 1832, the Bank is one of the ten oldest bank and trust companies continuously operating under the same name in the United States (U.S.). The Company provides residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services. The banking business is commercial lending funded primarily by customer-generated deposits. In addition, the Company offers a variety of wealth management and trust services to personal and corporate customers. The Federal Deposit Insurance Corporation (FDIC) insures the customers' deposits to their legal maximums. The Company serves its customers primarily from 112 offices located in Pennsylvania (52), Delaware (42), New Jersey (16), Virginia (1) and Nevada (1), its ATM network, website at www.wsfsbank.com and mobile app. Information on the website is not incorporated by reference into this Quarterly Report on Form 10-Q.

The Company's leasing business is conducted by NewLane Finance[®]. NewLane Finance[®] originates small business leases and provides commercial financing to businesses nationwide, targeting various equipment categories including technology, software, office, medical, veterinary and other areas. In addition, NewLane Finance[®] offers captive insurance through its subsidiary, Prime Protect.

Basis of Presentation

In preparing the unaudited Consolidated Financial Statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Amounts subject to significant estimates include the allowance for credit losses (including loans and leases held for investment, investment securities available-for-sale and held-to-maturity), lending-related commitments, goodwill, intangible assets, post-retirement benefit obligations, the fair value of financial instruments, and income taxes. Among other effects, changes to these estimates could result in future impairments of investment securities, goodwill and intangible assets, the establishment of additional allowance and lending-related commitment reserves as well as increased post-retirement benefits expense.

The Company's accounting and reporting policies conform to Generally Accepted Accounting Principles in the U.S. (GAAP), prevailing practices within the banking industry for interim financial information and Rule 10-01 of SEC Regulation S-X (Rule 10-01). Rule 10-01 does not require us to include all information and notes that would be required in audited financial statements. Certain prior period amounts have been reclassified to conform with current period presentation. Operating results for the periods presented are not necessarily indicative of the results that may be expected for any future quarters or for the year ending December 31, 2021. These unaudited, interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Annual Report on Form 10-K) that was filed with the SEC on March 1, 2021 and is available at www.sec.gov or on the website at www.wsfsbank.com. All significant intercompany accounts and transactions were eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies used in preparation of the Consolidated Financial Statements are disclosed in the Company's 2020 Annual Report on Form 10-K. Those significant accounting policies remain unchanged at June 30, 2021.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Guidance Adopted in 2021

ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes: In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The guidance adds new amendments to simplify income tax accounting and removes certain exceptions and modifies the accounting for certain income tax transactions. The guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. Adoption is required on a prospective, modified-retrospective or retrospective basis, depending on the amendment. The Company adopted this standard on January 1, 2021, on a prospective basis with no impact to the Consolidated Financial Statements at the time of adoption.

ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815: In January 2020, the FASB issued ASU No. 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The new guidance clarifies that observable transactions under the measurement alternative method (ASC 321) should be considered when applying or discontinuing the equity method of accounting (ASC 323). The guidance also clarifies that certain non-derivative forward contracts and purchase call options to acquire securities, should be measured at fair value before settlement or exercise. The guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. Use of the prospective method is required. The Company adopted this standard on January 1, 2021, on a prospective basis with no impact to the Consolidated Financial Statements at the time of adoption.

ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope: In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. The new guidance expands and clarifies the scope of ASU No. 2020-04 to include derivatives affected by changes in interest rates used for margining, discounting, or contract price alignment, commonly referred to as the “discounting transaction.” Derivatives impacted by the discounting transaction will be eligible for certain optional expedients and exceptions related to contract modifications and hedge accounting as defined in Topic 848. The guidance is effective upon issuance through December 31, 2022 and there was no impact to the Company at the time the guidance became effective. The Company will apply this guidance to any derivatives affected by the discounting transaction due to reference rate reform.

There was no accounting guidance pending adoption at June 30, 2021.

3. NONINTEREST INCOME

Credit/debit card and ATM income

The following table presents the components of credit/debit card and ATM income:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Bailment fees	\$ 3,320	\$ 3,080	\$ 6,379	\$ 8,161
Interchange fees	3,485	5,631	6,540	11,247
Other card and ATM fees	762	595	1,453	1,257
Total credit/debit card and ATM income	\$ 7,567	\$ 9,306	\$ 14,372	\$ 20,665

Credit/debit card and ATM income is composed of bailment fees, interchange fees, and other card and ATM fees. Bailment fees are earned from bailment arrangements with customers. Bailment arrangements are legal relationships in which property is delivered to another party without a transfer of ownership. The party who transferred the property (the bailor) retains ownership interest of the property. In the event that the bailee files for bankruptcy protection, the property is not included in the bailee's assets. The bailee pays an agreed-upon fee for the use of the bailor's property in exchange for the bailor allowing use of the assets at the bailee's site. Bailment fees are earned from cash that is made available for customers' use at an offsite location, such as cash located in an ATM at a customer's place of business. These fees are typically indexed to a market interest rate. This revenue stream generates fee income through monthly billing for bailment services.

Credit/debit card and ATM income also includes interchange fees. Interchange fees are paid by a merchant's bank to a bank that issued a debit or credit card used in a transaction to compensate the issuing bank for the value and benefit the merchant receives from accepting electronic payments. These revenue streams generate fee income at the time a transaction occurs and are recorded as revenue at the time of the transaction. Interchange income decreased due to the impact of the Durbin Amendment on 2021 results. The Durbin Amendment is a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that established a cap on interchange fees with respect to debit transactions for banks that, together with their affiliates, have over \$10 billion in assets, and became effective for the Company on July 1, 2020.

Investment management and fiduciary income

The following table presents the components of investment management and fiduciary income:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Trust fees	\$ 10,808	\$ 7,308	\$ 20,572	\$ 14,262
Wealth management and advisory fees	4,552	3,621	9,041	7,629
Total investment management and fiduciary income	\$ 15,360	\$ 10,929	\$ 29,613	\$ 21,891

Investment management and fiduciary income is composed of trust fees and wealth management and advisory fees. Trust fees are based on revenue earned from custody, escrow and trustee services on structured finance transactions; indenture trustee, administrative agent and collateral agent services to institutions and corporations; commercial domicile and independent director services; and investment and trustee services to families and individuals across the U.S. Most fees are flat fees, except for a portion of personal and corporate trustee fees where the Company earns a percentage on the assets under management. This revenue stream primarily generates fee income through monthly, quarterly and annual billings for services provided.

Wealth management and advisory fees consists of fees from Cypress, West Capital, Powdermill® and WSFS Wealth® Investments. Wealth management and advisory fees are based on revenue earned from services including asset management, financial planning, family office, and brokerage. The fees are based on the market value of assets, are assessed as a flat fee, or are brokerage commissions. This revenue stream primarily generates fee income through quarterly and annual billing for the services.

Deposit service charges

The following table presents the components of deposit service charges:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Service fees	\$ 3,553	\$ 2,919	\$ 6,975	\$ 6,130
Return and overdraft fees	1,504	1,134	3,082	3,466
Other deposit service fees	262	122	722	226
Total deposit service charges	\$ 5,319	\$ 4,175	\$ 10,779	\$ 9,822

Deposit service charges includes revenue earned from core deposit products, certificates of deposit, and brokered deposits. The Company generates fee revenues from deposit service charges primarily through service charges and overdraft fees. Service charges consist primarily of monthly account maintenance fees, cash management fees, foreign ATM fees and other maintenance fees. All of these revenue streams generate fee income through service charges for monthly account maintenance and similar items, transfer fees, late fees, overlimit fees, and stop payment fees. Revenue is recorded at the time of the transaction.

Other income

The following table presents the components of other income:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Managed service fees	\$ 4,504	\$ 3,724	\$ 8,113	\$ 7,755
Currency preparation	1,160	919	2,108	1,759
ATM loss protection	628	571	1,250	1,218
Miscellaneous products and services	2,341	766	5,847	2,201
Total other income	\$ 8,633	\$ 5,980	\$ 17,318	\$ 12,933

Other income consists of managed service fees, which are primarily courier fees related to cash management, currency preparation, ATM loss protection and other miscellaneous products and services offered by the Bank. These fees are primarily generated through monthly billings or at the time of the transaction.

Arrangements with multiple performance obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers.

Practical expedients and exemptions

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

See Note 15 for further information about the disaggregation of noninterest income by segment.

4. EARNINGS (LOSS) PER SHARE

The following table shows the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(Dollars and shares in thousands, except per share data)</i>				
Numerator:				
Net income (loss) attributable to WSFS	\$ 95,667	\$ (7,111)	\$ 160,749	\$ 3,816
Denominator:				
Weighted average basic shares	47,529	50,655	47,519	50,871
Dilutive potential common shares ⁽¹⁾	163	—	156	40
Weighted average fully diluted shares	47,692	50,655	\$ 47,675	\$ 50,911
Earnings (loss) per share:				
Basic	\$ 2.01	\$ (0.14)	\$ 3.38	\$ 0.08
Diluted	\$ 2.01	\$ (0.14)	\$ 3.37	\$ 0.07
Outstanding common stock equivalents having no dilutive effect	—	48	1	15

⁽¹⁾ For the three months ended June 30, 2020, the effect of 14 thousand dilutive potential common shares were excluded from the computation of diluted net loss per common share, as these shares would have been antidilutive due to the net loss reported in this period

Basic earnings per share is calculated by dividing *Net income attributable to WSFS* by the weighted-average basic shares outstanding. Diluted earnings per share is calculated by dividing *Net income attributable to WSFS* by the weighted-average fully diluted shares outstanding, using the treasury stock method. Fully diluted shares include the adjustment for the dilutive effect of common stock awards, which include outstanding stock options and unvested restricted stock units from the 2013 Incentive Plan and the 2018 Incentive Plan.

5. INVESTMENTS

Debt Securities

The following tables detail the amortized cost, allowance for credit losses and the estimated fair value of the Company's investments in available-for-sale and held-to-maturity debt securities. None of the Company's investments in debt securities are classified as trading.

	June 30, 2021				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Allowance for Credit Losses	Fair Value
<i>(Dollars in thousands)</i>					
Available-for-Sale Debt Securities					
Collateralized mortgage obligation (CMO)	\$ 620,242	\$ 7,532	\$ 9,355	\$ —	\$ 618,419
Fannie Mae (FNMA) MBS	2,310,453	36,274	16,940	—	2,329,787
Freddie Mac (FHLMC) MBS	163,691	8,529	222	—	171,998
Ginnie Mae (GNMA) MBS	21,713	736	47	—	22,402
Government-sponsored enterprises (GSEs) agency notes	231,867	—	7,894	—	223,973
	\$ 3,347,966	\$ 53,071	\$ 34,458	\$ —	\$ 3,366,579
Held-to-Maturity Debt Securities⁽¹⁾					
State and political subdivisions	\$ 94,630	\$ 4,140	\$ —	\$ 5	\$ 98,765
Foreign bonds	501	—	—	—	501
	\$ 95,131	\$ 4,140	\$ —	\$ 5	\$ 99,266

⁽¹⁾ Held-to-maturity securities transferred from available-for-sale are included in held-to-maturity at amortized cost basis at the time of transfer. The amortized cost of transferred held-to-maturity securities included net unrealized gains of \$0.3 million at June 30, 2021, which are offset in *Accumulated other comprehensive income*. At the time of transfer, there was no allowance for credit loss on the available-for-sale securities. Subsequent to transfer, the securities were evaluated for credit loss.

	December 31, 2020				
<i>(Dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Allowance for Credit Losses	Fair Value
Available-for-Sale Debt Securities					
CMO	\$ 461,819	\$ 9,949	\$ 443	\$ —	\$ 471,325
FNMA MBS	1,544,105	55,747	882	—	1,598,970
FHLMC MBS	190,856	12,142	105	—	202,893
GNMA MBS	22,716	1,046	—	—	23,762
GSE agency notes	230,769	1,987	649	—	232,107
	<u>\$ 2,450,265</u>	<u>\$ 80,871</u>	<u>\$ 2,079</u>	<u>\$ —</u>	<u>\$ 2,529,057</u>
Held-to-Maturity Debt Securities⁽¹⁾					
State and political subdivisions	\$ 111,246	\$ 4,678	\$ —	\$ 6	\$ 115,918
Foreign bonds	501	2	—	—	503
	<u>\$ 111,747</u>	<u>\$ 4,680</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ 116,421</u>

⁽¹⁾ Held-to-maturity securities transferred from available-for-sale are included in held-to-maturity at fair value at the time of transfer. The amortized cost of transferred held-to-maturity securities included net unrealized gains of \$0.4 million at December 31, 2020, which are offset in *Accumulated other comprehensive income*. At the time of transfer, there was no allowance for credit loss on the available-for-sale securities. Subsequent to transfer, the securities were evaluated for credit loss.

The scheduled maturities of available-for-sale debt securities at June 30, 2021 and December 31, 2020 are presented in the table below:

<i>(Dollars in thousands)</i>	Available-for-Sale	
	Amortized Cost	Fair Value
June 30, 2021⁽¹⁾		
Within one year	\$ —	\$ —
After one year but within five years	70,221	73,851
After five years but within ten years	227,815	232,840
After ten years	3,049,930	3,059,888
	<u>\$ 3,347,966</u>	<u>\$ 3,366,579</u>
December 31, 2020⁽¹⁾		
Within one year	\$ —	\$ —
After one year but within five years	37,852	39,985
After five years but within ten years	239,845	251,874
After ten years	2,172,568	2,237,198
	<u>\$ 2,450,265</u>	<u>\$ 2,529,057</u>

⁽¹⁾ Actual maturities could differ from contractual maturities.

The scheduled maturities of held-to-maturity debt securities at June 30, 2021 and December 31, 2020 are presented in the table below:

	Held-to-Maturity	
	Amortized Cost	Fair Value
<i>(Dollars in thousands)</i>		
June 30, 2021 ⁽¹⁾		
Within one year	\$ 1,126	\$ 1,126
After one year but within five years	1,948	1,999
After five years but within ten years	40,620	42,066
After ten years	51,437	54,075
	<u>\$ 95,131</u>	<u>\$ 99,266</u>
December 31, 2020 ⁽¹⁾		
Within one year	\$ 1,144	\$ 1,154
After one year but within five years	972	990
After five years but within ten years	35,967	37,317
After ten years	73,664	76,960
	<u>\$ 111,747</u>	<u>\$ 116,421</u>

⁽¹⁾ Actual maturities could differ from contractual maturities.

MBS may have expected maturities that differ from their contractual maturities. These differences arise because issuers may have the right to call securities and borrowers may have the right to prepay obligations with or without prepayment penalty. The estimated weighted average duration of MBS was 4.6 years at June 30, 2021.

The held-to-maturity debt securities are not collateral-dependent securities as these are general obligation bonds issued by cities, states, counties, or other local and foreign governments.

Investment securities with fair market values aggregating \$1.8 billion and \$1.3 billion were pledged as collateral for retail customer repurchase agreements, municipal deposits, and other obligations as of June 30, 2021 and December 31, 2020, respectively.

During the six months ended June 30, 2021, the Company sold \$9.3 million of debt securities categorized as available-for-sale, resulting in \$0.3 million of realized gains and no realized losses. During the six months ended June 30, 2020, the Company sold \$109.6 million of debt securities categorized as available-for-sale resulting in \$2.6 million of realized gains and no realized losses.

As of June 30, 2021 and December 31, 2020, the Company's debt securities portfolio had remaining unamortized premiums of \$65.8 million and \$60.4 million, respectively, and unaccreted discounts of \$5.2 million and \$2.6 million, respectively.

For debt securities in an unrealized loss position and an allowance has not been recorded, the table below shows the gross unrealized losses and fair value by investment category and length of time that individual debt securities were in a continuous unrealized loss position at June 30, 2021.

	Duration of Unrealized Loss Position				Total	
	Less than 12 months		12 months or longer		Fair Value	Unrealized Loss
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss		
<i>(Dollars in thousands)</i>						
Available-for-sale debt securities:						
CMO	\$ 240,709	\$ 9,355	\$ —	\$ —	\$ 240,709	\$ 9,355
FNMA MBS	1,234,215	16,939	1,547	1	1,235,762	16,940
FHLMC MBS	10,340	214	3,152	8	13,492	222
GNMA MBS	2,204	47	—	—	2,204	47
GSE agency notes	223,973	7,894	—	—	223,973	7,894
	<u>\$ 1,711,441</u>	<u>\$ 34,449</u>	<u>\$ 4,699</u>	<u>\$ 9</u>	<u>\$ 1,716,140</u>	<u>\$ 34,458</u>

For debt securities in an unrealized loss position, the table below shows the gross unrealized losses and fair value by investment category and length of time that individual debt securities were in a continuous unrealized loss position at December 31, 2020.

	Duration of Unrealized Loss Position				Total	
	Less than 12 months		12 months or longer		Fair Value	Unrealized Loss
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss		
<i>(Dollars in thousands)</i>						
Available-for-sale debt securities:						
CMO	\$ 183,983	\$ 443	\$ —	\$ —	\$ 183,983	\$ 443
FNMA MBS	289,338	879	4,355	3	293,693	882
FHLMC MBS	5,191	105	—	—	5,191	105
GSE agency notes	101,016	649	—	—	101,016	649
	<u>\$ 579,528</u>	<u>\$ 2,076</u>	<u>\$ 4,355</u>	<u>\$ 3</u>	<u>\$ 583,883</u>	<u>\$ 2,079</u>

At June 30, 2021, available-for-sale debt securities for which the amortized cost basis exceeded fair value totaled \$1.7 billion. Total unrealized losses on these securities were \$34.5 million at June 30, 2021. The Company does not have the intent to sell, nor is it more likely than not it will be required to sell these securities before it is able to recover the amortized cost basis. The unrealized losses are the result of changes in market interest rates subsequent to purchase, not credit loss, as these are highly rated agency securities with no expected credit loss, in the event of a default. As a result, there is no allowance for credit losses recorded for available-for-sale debt securities as of June 30, 2021.

At June 30, 2021 and December 31, 2020, held-to-maturity debt securities had an amortized cost basis of \$95.1 million and \$111.7 million, respectively. The held-to-maturity debt security portfolio primarily consists of highly rated municipal bonds. The Company monitors credit quality of its debt securities through credit ratings. The following table summarizes the amortized cost of debt securities held-to-maturity as of June 30, 2021, aggregated by credit quality indicator:

<i>(Dollars in thousands)</i>	State and political subdivisions	Foreign bonds
A+ rated or higher	\$ 94,504	\$ 501
Not rated	126	—
Ending balance	<u>\$ 94,630</u>	<u>\$ 501</u>

The following table summarizes the amortized cost of debt securities held-to-maturity as of December 31, 2020, aggregated by credit quality indicator:

<i>(Dollars in thousands)</i>	State and political subdivisions	Foreign bonds
A+ rated or higher	\$ 110,959	\$ 501
Not rated	287	—
Ending balance	<u>\$ 111,246</u>	<u>\$ 501</u>

The Company reviewed its held-to-maturity debt securities by major security type for potential credit losses. There was no activity in the allowance for credit losses for foreign bond debt securities for the six months ended June 30, 2021 and 2020. The following table presents the activity in the allowance for credit losses for state and political subdivisions debt securities for the six months ended June 30, 2021 and 2020:

<i>(Dollars in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Allowance for credit losses:				
Beginning balance	\$ 5	\$ —	\$ 6	\$ —
Impact of adoption ASC 326	—	8	—	8
Provision for credit losses	—	—	(1)	—
Charge-offs, net	—	—	—	—
Ending balance	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ 8</u>

Accrued interest receivable of \$1.0 million and \$1.1 million as of June 30, 2021 and December 31, 2020, respectively, for held-to-maturity debt securities were excluded from the evaluation of allowance for credit losses. There were no nonaccrual or past due held-to-maturity debt securities as of June 30, 2021 and December 31, 2020.

Equity Investments

The Company had equity investments with a fair value of \$15.6 million and \$9.5 million as of June 30, 2021 and December 31, 2020, respectively. During the three and six months ended June 30, 2021, the Company recorded an unrealized gain on its remaining investment in Visa Class B shares of \$0.2 million and an unrealized gain of \$5.1 million on its investment in Social Finance, Inc. (SoFi). During the three months ended June 30, 2020, the Company recorded a net realized gain on sale of Visa Class B shares of \$22.1 million, which was recorded in *Realized gain on equity investment, net* in the Consolidated Statements of Income. During the six months ended June 30, 2020, the Company recorded unrealized gains on its remaining investment in Visa Class B shares of \$0.1 million and an impairment loss of \$2.3 million in the investment of Spring EQ LLC, which were recorded in *Unrealized gain on equity investment, net* in the Consolidated Statements of Income.

6. LOANS

The following table shows the Company's loan and lease portfolio by category:

<i>(Dollars in thousands)</i>	June 30, 2021	December 31, 2020
Commercial and industrial ⁽¹⁾	\$ 2,088,040	\$ 2,700,418
Owner-occupied commercial	1,360,681	1,332,727
Commercial mortgages	2,024,684	2,086,062
Construction	779,601	716,275
Commercial small business leases	291,657	248,885
Residential ⁽²⁾	614,432	774,455
Consumer ⁽³⁾	1,105,169	1,165,917
	8,264,264	9,024,739
Less:		
Allowance for credit losses	132,418	228,804
Net loans and leases	\$ 8,131,846	\$ 8,795,935

⁽¹⁾ Includes PPP loans of \$222.9 million at June 30, 2021 and \$751.2 million at December 31, 2020.

⁽²⁾ Includes reverse mortgages at fair value of \$8.4 million at June 30, 2021 and \$10.1 million at December 31, 2020.

⁽³⁾ Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

Accrued interest receivable on loans and leases was \$32.7 million and \$37.6 million at June 30, 2021 and December 31, 2020, respectively. Accrued interest receivable on loans and leases was excluded from the evaluation of allowance for credit losses.

7. ALLOWANCE FOR CREDIT LOSSES AND CREDIT QUALITY INFORMATION

The following tables provide the activity of allowance for credit losses and loan balances for the three and six months ended June 30, 2021 and 2020. During the first half of 2021, the decrease to the allowance for credit losses was primarily due to positive economic developments in our forecasts and improved credit quality metrics with declines in our problem assets, nonperforming assets and delinquencies.

<i>(Dollars in thousands)</i>	Commercial and Industrial⁽¹⁾	Owner-occupied Commercial	Commercial Mortgages	Construction	Residential⁽²⁾	Consumer⁽³⁾	Total
Three months ended June 30, 2021							
Allowance for credit losses							
Beginning balance	\$ 125,870	\$ 9,617	\$ 30,545	\$ 14,287	\$ 5,702	\$ 18,797	\$ 204,818
Charge-offs	(6,512)	(45)	—	—	—	(521)	(7,078)
Recoveries	1,379	15	30	—	455	362	2,241
Provision (credit)	(33,534)	(3,406)	(14,476)	(10,775)	(2,864)	(2,508)	(67,563)
Ending balance	<u>\$ 87,203</u>	<u>\$ 6,181</u>	<u>\$ 16,099</u>	<u>\$ 3,512</u>	<u>\$ 3,293</u>	<u>\$ 16,130</u>	<u>\$ 132,418</u>
Six months ended June 30, 2021							
Allowance for credit losses							
Beginning balance	\$ 150,875	\$ 9,615	\$ 31,071	\$ 12,190	\$ 6,893	\$ 18,160	\$ 228,804
Charge-offs	(11,564)	(45)	—	—	—	(945)	(12,554)
Recoveries	2,519	105	44	—	595	628	3,891
Provision (credit)	(54,627)	(3,494)	(15,016)	(8,678)	(4,195)	(1,713)	(87,723)
Ending balance	<u>\$ 87,203</u>	<u>\$ 6,181</u>	<u>\$ 16,099</u>	<u>\$ 3,512</u>	<u>\$ 3,293</u>	<u>\$ 16,130</u>	<u>\$ 132,418</u>
Period-end allowance allocated to:							
Loans evaluated on an individual basis	\$ 1	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ 11
Loans evaluated on a collective basis	87,202	6,181	16,089	3,512	3,293	16,130	132,407
Ending balance	<u>\$ 87,203</u>	<u>\$ 6,181</u>	<u>\$ 16,099</u>	<u>\$ 3,512</u>	<u>\$ 3,293</u>	<u>\$ 16,130</u>	<u>\$ 132,418</u>
Period-end loan balances:							
Loans evaluated on an individual basis	\$ 14,446	\$ 3,868	\$ 3,962	\$ 72	\$ 4,994	\$ 2,608	\$ 29,950
Loans evaluated on a collective basis	2,365,251	1,356,813	2,020,722	779,529	601,064	1,102,561	8,225,940
Ending balance	<u>\$ 2,379,697</u>	<u>\$ 1,360,681</u>	<u>\$ 2,024,684</u>	<u>\$ 779,601</u>	<u>\$ 606,058</u>	<u>\$ 1,105,169</u>	<u>\$ 8,255,890</u>

⁽¹⁾ Includes commercial small business leases and PPP loans.

⁽²⁾ Period-end loan balance excludes reverse mortgages at fair value of \$8.4 million.

⁽³⁾ Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

(in thousands)	Commercial and Industrial ⁽¹⁾	Owner - occupied Commercial	Commercial Mortgages	Construction	Residential ⁽²⁾	Consumer ⁽³⁾	Total
months ended June 30, 2020							
Provision for credit losses							
Beginning balance	\$ 65,771	\$9,541	\$6,600	\$5,198	\$1,593	\$0,370	139,073
Charge-offs	(2,072)	(53)	—	—	(32)	(667)	(2,824)
Recoveries	968	—	3	—	24	194	1,189
Provision (credit)	79,558	(532)	11,794	4,928	(2,414)	1,420	94,754
Ending balance	\$ 144,225	\$8,956	\$8,397	\$0,126	\$9,171	\$1,317	232,192
months ended June 30, 2020							
Provision for loan losses							
Beginning balance, prior to adoption of ASC 326	\$ 2,849	\$4,616	\$7,452	\$3,891	\$1,381	\$7,387	47,576
Impact of adopting ASC 326 ⁽⁴⁾	19,747	(1,472)	1,662	681	7,522	7,715	35,855
Charge-offs	(5,136)	(336)	(51)	—	(175)	(1,581)	(7,279)
Recoveries	3,815	125	32	5	115	548	4,640
Provision	102,950	6,023	29,302	5,549	328	7,248	151,400
Ending balance	\$ 144,225	\$8,956	\$8,397	\$0,126	\$9,171	\$1,317	232,192
Initial allowance allocated to:							
Valued on an individual basis	\$ 18	\$ —	\$ —	\$ —	\$ —	\$ —	18
Valued on a collective basis	144,207	8,956	8,397	10,126	9,171	21,317	232,174
Ending balance	\$ 144,225	\$8,956	\$8,397	\$0,126	\$9,171	\$1,317	232,192
End loan balances:							
Valued on an individual basis	\$ 5,634	\$5,425	\$4,470	\$ 88	\$5,452	\$2,464	33,533
Valued on a collective basis	3,151,200	1,331,828	2,161,077	638,416	889,408	1,130,907	9,302,836
Ending balance	\$ 3,156,834	\$1,337,253	\$2,165,547	\$638,504	\$894,860	\$1,133,371	9,336,369

(1) Includes commercial small business leases and PPP loans.

(2) Period-end loan balance excludes reverse mortgages at fair value of \$16.1 million.

(3) Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

(4) Includes \$0.1 million for the initial allowance on loans purchased with credit deterioration.

The following tables show nonaccrual and past due loans presented at amortized cost at the date indicated:

	June 30, 2021					
<i>(Dollars in thousands)</i>	30-89 Days Past Due and Still Accruing	Greater Than 90 Days Past Due and Still Accruing	Total Past Due And Still Accruing	Accruing Current Balances	Nonaccrual Loans ⁽¹⁾	Total Loans
Commercial and industrial ⁽²⁾	\$ 8,160	\$ 482	\$ 8,642	\$ 2,356,794	\$ 14,261	\$ 2,379,697
Owner-occupied commercial	3,817	—	3,817	1,354,083	2,781	1,360,681
Commercial mortgages	3,000	—	3,000	2,020,069	1,615	2,024,684
Construction	7,383	—	7,383	772,218	—	779,601
Residential ⁽³⁾	1,260	1,093	2,353	600,979	2,726	606,058
Consumer ⁽⁴⁾	7,971	6,958	14,929	1,087,599	2,641	1,105,169
Total	\$ 31,591	\$ 8,533	\$ 40,124	\$ 8,191,742	\$ 24,024	\$ 8,255,890
% of Total Loans	0.38 %	0.10 %	0.48 %	99.23 %	0.29 %	100 %

(1) Nonaccrual loans with an allowance totaled \$10 thousand.

(2) Includes commercial small business leases and PPP loans.

(3) Residential accruing current balances excludes reverse mortgages at fair value of \$8.4 million.

(4) Includes \$13.6 million of delinquent, but still accruing, U.S. government-guaranteed student loans that carry little risk of credit loss.

	December 31, 2020					
<i>(Dollars in thousands)</i>	30-89 Days Past Due and Still Accruing	Greater Than 90 Days Past Due and Still Accruing	Total Past Due And Still Accruing	Accruing Current Balances	Nonaccrual Loans ⁽¹⁾	Total Loans
Commercial and industrial ⁽²⁾	\$ 7,313	\$ 3,652	\$ 10,965	\$ 2,924,522	\$ 13,816	\$ 2,949,303
Owner-occupied commercial	3,120	892	4,012	1,323,355	5,360	1,332,727
Commercial mortgages	5,944	1,090	7,034	2,061,853	17,175	2,086,062
Construction	371	—	371	715,904	—	716,275
Residential ⁽³⁾	3,049	25	3,074	758,072	3,247	764,393
Consumer ⁽⁴⁾	8,355	11,035	19,390	1,144,217	2,310	1,165,917
Total⁽⁴⁾	\$ 28,152	\$ 16,694	\$ 44,846	\$ 8,927,923	\$ 41,908	\$ 9,014,677
% of Total Loans	0.31 %	0.19 %	0.50 %	99.04 %	0.46 %	100 %

(1) Nonaccrual loans with an allowance totaled \$13 thousand

(2) Includes commercial small business leases and PPP loans.

(3) Residential accruing current balances excludes reverse mortgages, at fair value of \$10.1 million.

(4) Includes \$18.2 million of delinquent, but still accruing, U.S. government-guaranteed student loans that carry little risk of credit loss.

The following table presents the amortized cost basis of nonaccruing collateral-dependent loans by class at June 30, 2021 and December 31, 2020:

	June 30, 2021		December 31, 2020	
<i>(Dollars in thousands)</i>	Property	Equipment and other	Property	Equipment and other
Commercial and industrial ⁽¹⁾	\$ 11,498	\$ 2,763	\$ 10,646	\$ 3,170
Owner-occupied commercial	2,781	—	5,360	—
Commercial mortgages	1,615	—	17,175	—
Construction	—	—	—	—
Residential ⁽²⁾	2,726	—	3,247	—
Consumer ⁽³⁾	2,641	—	2,294	16
Total	\$ 21,261	\$ 2,763	\$ 38,722	\$ 3,186

(1) Includes commercial small business leases.

(2) Excludes reverse mortgages at fair value.

(3) Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

Interest income recognized on individually reviewed loans was \$0.2 million during the three months ended June 30, 2021 and 2020, respectively, and \$0.4 million during the six months ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, there were 23 residential loans and 23 commercial loans in the process of foreclosure. The total outstanding balance on these loans was \$1.3 million and \$11.8 million, respectively. As of December 31, 2020, there were 27 residential loans and 23 commercial loans in the process of foreclosure. The total outstanding balance on these loans was \$1.9 million and \$12.8 million, respectively. Loan workout and OREO expenses were \$0.2 million and \$0.7 million during the three and six months ended June 30, 2021, and \$1.1 million and \$1.8 million during three and six months ended June 30, 2020. Loan workout and OREO expenses are included in *Loan workout and other credit costs* on the Consolidated Statement of Income (Loss).

Credit Quality Indicators

Below is a description of each of the risk ratings for all commercial loans:

- *Pass*. These borrowers currently show no indication of deterioration or potential problems and their loans are considered fully collectible.
- *Special Mention*. These borrowers have potential weaknesses that deserve management's close attention. Borrowers in this category may be experiencing adverse operating trends, for example, declining revenues or margins, high leverage, tight liquidity, or increasing inventory without increasing sales. These adverse trends can have a potential negative effect on the borrower's repayment capacity. These assets are not adversely classified and do not expose the Bank to significant risk that would warrant a more severe rating. Borrowers in this category may also be experiencing significant management problems, pending litigation, or other structural credit weaknesses.
- *Substandard or Lower*. These borrowers have well-defined weaknesses that require extensive oversight by management. Borrowers in this category may exhibit one or more of the following: inadequate debt service coverage, unprofitable operations, insufficient liquidity, high leverage, and weak or inadequate capitalization. Relationships in this category are not adequately protected by the sound financial worth and paying capacity of the obligor or the collateral pledged on the loan, if any. A distinct possibility exists that the Bank will sustain some loss if the deficiencies are not corrected. In addition, some borrowers in this category could have the added characteristic that the possibility of loss is extremely high. Current circumstances in the credit relationship make collection or liquidation in full highly questionable. Such impending events include: perfecting liens on additional collateral, obtaining collateral valuations, an acquisition or liquidation preceding, proposed merger, or refinancing plan.

Residential and Consumer Loans

The residential and consumer loan portfolios are monitored on an ongoing basis using delinquency information and loan type as credit quality indicators. These credit quality indicators are assessed in the aggregate in these relatively homogeneous portfolios. Loans that are greater than 90 days past due are generally considered nonperforming and placed on nonaccrual status.

The following tables provide an analysis of loans by portfolio segment based on the credit quality indicators used to determine the allowance for credit losses as of June 30, 2021.

Term Loans Amortized Cost Basis by Origination Year

	2021	2020	2019	2018	2017	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
<i>(Dollars in thousands)</i>									
Commercial and industrial⁽¹⁾:									
Risk Rating									
Pass ⁽²⁾	\$ 270,308	\$ 698,723	\$ 347,351	\$ 236,657	\$ 144,007	\$ 172,211	\$ 5,500	\$ 135,762	\$ 2,010,519
Special mention	13,738	659	28,717	10,786	943	15,035	—	51,343	121,221
Substandard or Lower	12,307	25,261	65,445	49,864	49,931	36,968	27	8,154	247,957
	<u>\$ 296,353</u>	<u>\$ 724,643</u>	<u>\$ 441,513</u>	<u>\$ 297,307</u>	<u>\$ 194,881</u>	<u>\$ 224,214</u>	<u>\$ 5,527</u>	<u>\$ 195,259</u>	<u>\$ 2,379,697</u>
Owner-occupied commercial:									
Risk Rating									
Pass	\$ 145,214	\$ 223,752	\$ 207,609	\$ 75,082	\$ 131,905	\$ 317,070	\$ —	\$ 130,649	\$ 1,231,281
Special mention	763	1,124	3,138	482	10,692	10,418	—	14,105	40,722
Substandard or Lower	—	7,157	13,918	14,330	19,617	25,676	—	7,980	88,678
	<u>\$ 145,977</u>	<u>\$ 232,033</u>	<u>\$ 224,665</u>	<u>\$ 89,894</u>	<u>\$ 162,214</u>	<u>\$ 353,164</u>	<u>\$ —</u>	<u>\$ 152,734</u>	<u>\$ 1,360,681</u>
Commercial mortgages:									
Risk Rating									
Pass	\$ 264,232	\$ 314,468	\$ 238,420	\$ 181,718	\$ 224,772	\$ 470,819	\$ —	\$ 230,137	\$ 1,924,566
Special mention	—	8,168	1,751	885	21,004	6,179	—	1,849	39,836
Substandard or Lower	—	13,190	22,470	2,217	1,562	19,797	—	1,046	60,282
	<u>\$ 264,232</u>	<u>\$ 335,826</u>	<u>\$ 262,641</u>	<u>\$ 184,820</u>	<u>\$ 247,338</u>	<u>\$ 496,795</u>	<u>\$ —</u>	<u>\$ 233,032</u>	<u>\$ 2,024,684</u>
Construction:									
Risk Rating									
Pass	\$ 137,727	\$ 208,583	\$ 149,019	\$ 142,891	\$ 11,236	\$ 9,283	\$ —	\$ 93,945	\$ 752,684
Special mention	7,931	—	—	—	3,515	—	—	—	11,446
Substandard or Lower	4,988	—	4,967	—	98	71	—	5,347	15,471
	<u>\$ 150,646</u>	<u>\$ 208,583</u>	<u>\$ 153,986</u>	<u>\$ 142,891</u>	<u>\$ 14,849</u>	<u>\$ 9,354</u>	<u>\$ —</u>	<u>\$ 99,292</u>	<u>\$ 779,601</u>
Residential⁽³⁾:									
Risk Rating									
Performing	\$ 11,589	\$ 35,330	\$ 17,243	\$ 43,732	\$ 61,268	\$ 431,902	\$ —	\$ —	\$ 601,064
Nonperforming ⁽⁴⁾	—	112	—	—	63	4,819	—	—	4,994
	<u>\$ 11,589</u>	<u>\$ 35,442</u>	<u>\$ 17,243</u>	<u>\$ 43,732</u>	<u>\$ 61,331</u>	<u>\$ 436,721</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 606,058</u>
Consumer⁽⁵⁾:									
Risk Rating									
Performing	\$ 65,016	\$ 231,337	\$ 98,951	\$ 214,502	\$ 47,934	\$ 75,185	\$ 362,142	\$ 7,147	\$ 1,102,214
Nonperforming ⁽⁶⁾	—	361	33	619	193	—	1,351	398	2,955
	<u>\$ 65,016</u>	<u>\$ 231,698</u>	<u>\$ 98,984</u>	<u>\$ 215,121</u>	<u>\$ 48,127</u>	<u>\$ 75,185</u>	<u>\$ 363,493</u>	<u>\$ 7,545</u>	<u>\$ 1,105,169</u>

⁽¹⁾ Includes commercial small business leases.

⁽²⁾ Includes \$222.9 million of PPP loans.

⁽³⁾ Excludes reverse mortgages at fair value.

⁽⁴⁾ Includes troubled debt restructured mortgages performing in accordance with the loans' modified terms and are accruing interest.

⁽⁵⁾ Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

⁽⁶⁾ Includes troubled debt restructured home equity installment loans performing in accordance with the loans' modified terms and are accruing interest.

The following tables provide an analysis of loans by portfolio segment based on the credit quality indicators used to determine the allowance for credit losses, as of December 31, 2020.

Term Loans Amortized Cost Basis by Origination Year									
	2020	2019	2018	2017	2016	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
<i>(Dollars in thousands)</i>									
Commercial and industrial⁽¹⁾:									
Risk Rating									
Pass ⁽²⁾	\$ 1,250,528	\$ 448,704	\$ 296,594	\$ 157,359	\$ 97,036	\$ 125,361	\$ 6,182	\$ 136,110	\$ 2,517,874
Special mention	3,040	26,470	28,636	8,482	2,577	16,993	—	34,403	120,601
Substandard or Lower	82,868	60,227	57,880	50,446	15,151	35,150	63	9,043	310,828
	\$ 1,336,436	\$ 535,401	\$ 383,110	\$ 216,287	\$ 114,764	\$ 177,504	\$ 6,245	\$ 179,556	\$ 2,949,303
Owner-occupied commercial:									
Risk Rating									
Pass	\$ 220,165	\$ 225,766	\$ 90,515	\$ 135,903	\$ 123,897	\$ 271,086	\$ —	\$ 123,194	\$ 1,190,526
Special mention	1,525	5,885	1,838	17,578	4,125	1,997	—	14,467	47,415
Substandard or Lower	3,703	13,426	15,272	19,883	11,581	19,331	—	11,590	94,786
	\$ 225,393	\$ 245,077	\$ 107,625	\$ 173,364	\$ 139,603	\$ 292,414	\$ —	\$ 149,251	\$ 1,332,727
Commercial mortgages:									
Risk Rating									
Pass	\$ 379,592	\$ 283,004	\$ 240,924	\$ 257,809	\$ 254,780	\$ 375,473	\$ —	\$ 148,210	\$ 1,939,792
Special mention	8,324	1,774	21,762	21,269	1,274	6,507	—	1,870	62,780
Substandard or Lower	26,343	25,402	2,253	1,950	3,242	24,300	—	—	83,490
	\$ 414,259	\$ 310,180	\$ 264,939	\$ 281,028	\$ 259,296	\$ 406,280	\$ —	\$ 150,080	\$ 2,086,062
Construction:									
Risk Rating									
Pass	\$ 189,257	\$ 214,956	\$ 208,981	\$ 11,414	\$ 7,414	\$ 3,645	\$ —	\$ 66,018	\$ 701,685
Special mention	—	—	—	3,515	—	—	—	—	3,515
Substandard or Lower	—	8,648	—	—	—	79	—	2,348	11,075
	\$ 189,257	\$ 223,604	\$ 208,981	\$ 14,929	\$ 7,414	\$ 3,724	\$ —	\$ 68,366	\$ 716,275
Residential⁽³⁾:									
Risk Rating									
Performing	\$ 42,475	\$ 26,309	\$ 71,410	\$ 85,277	\$ 149,643	\$ 383,358	\$ —	\$ —	\$ 758,472
Nonperforming ⁽⁴⁾	113	—	—	—	283	5,525	—	—	5,921
	\$ 42,588	\$ 26,309	\$ 71,410	\$ 85,277	\$ 149,926	\$ 388,883	\$ —	\$ —	\$ 764,393
Consumer⁽⁵⁾:									
Risk Rating									
Performing	\$ 235,948	\$ 134,064	\$ 251,087	\$ 63,713	\$ 44,700	\$ 53,717	\$ 371,842	\$ 8,287	\$ 1,163,358
Nonperforming ⁽⁶⁾	—	—	636	232	—	—	1,396	295	2,559
	\$ 235,948	\$ 134,064	\$ 251,723	\$ 63,945	\$ 44,700	\$ 53,717	\$ 373,238	\$ 8,582	\$ 1,165,917

⁽¹⁾ Includes commercial small business leases.

⁽²⁾ Includes \$751.2 million of PPP loans.

⁽³⁾ Excludes reverse mortgages at fair value.

⁽⁴⁾ Includes troubled debt restructured mortgages performing in accordance with the loans' modified terms and are accruing interest.

⁽⁵⁾ Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

⁽⁶⁾ Includes troubled debt restructured home equity installment loans performing in accordance with the loans' modified terms and are accruing interest.

Troubled Debt Restructurings (TDRs)

The following table presents the balance of TDRs as of the indicated dates:

(Dollars in thousands)	June 30, 2021	December 31, 2020
Performing TDRs	\$ 14,997	\$ 15,539
Nonperforming TDRs	2,694	4,601
Total TDRs	\$ 17,691	\$ 20,140

Approximately \$0.2 million and less than \$0.1 million in related reserves have been established for these loans at June 30, 2021 and December 31, 2020, respectively. The following tables present information regarding the types of loan modifications made for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30, 2021					Six months ended June 30, 2021				
	Contractual payment reduction and term extension	Maturity Date Extension	Discharged in bankruptcy	Other ⁽¹⁾	Total	Contractual payment reduction and term extension	Maturity Date Extension	Discharged in bankruptcy	Other ⁽¹⁾	Total
Commercial and industrial	—	—	—	—	—	—	—	—	—	—
Owner-occupied commercial	—	—	—	—	—	—	—	—	—	—
Commercial mortgages	—	—	—	—	—	—	—	—	—	—
Construction	—	—	—	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—	2	—	2
Consumer	—	—	3	1	4	—	—	20	1	21
Total	—	—	3	1	4	—	—	22	1	23

	Three months ended June 30, 2020					Six months ended June 30, 2020				
	Contractual payment reduction and term extension	Maturity Date Extension	Discharged in bankruptcy	Other ⁽¹⁾	Total	Contractual payment reduction and term extension	Maturity Date Extension	Discharged in bankruptcy	Other ⁽¹⁾	Total
Commercial and industrial	—	—	—	—	—	1	—	—	—	1
Owner-occupied commercial	2	—	—	—	2	3	—	—	—	3
Commercial mortgages	—	—	—	—	—	—	1	—	—	1
Residential	—	—	3	1	4	—	—	4	2	6
Consumer	—	—	4	1	5	—	—	7	3	10
Total	2	—	7	2	11	4	1	11	5	21

⁽¹⁾ Includes underwriting exceptions.

Principal balances are generally not forgiven when a loan is modified as a TDR. Nonaccruing restructured loans remain in nonaccrual status until there has been a period of sustained repayment performance, which is typically six months, and repayment is reasonably assured. The following tables present loans modified as TDRs during the three and six months ended June 30, 2021 and 2020.

(Dollars in thousands)	Three Months Ended June 30, 2021		Six Months Ended June 30, 2021	
	Pre Modification	Post Modification	Pre Modification	Post Modification
Commercial	\$ —	\$ —	\$ —	\$ —
Owner-occupied commercial	—	—	—	—
Commercial mortgages	—	—	—	—
Residential	—	—	166	166
Consumer	155	155	839	839
Total ⁽¹⁾⁽²⁾	\$ 155	\$ 155	\$ 1,005	\$ 1,005

⁽¹⁾ During the three and six months ended June 30, 2021, the TDRs set forth in the table above resulted in a less than \$0.1 million increase in the allowance for credit losses for both periods, and no additional charge-offs in either period. During the three and six months ended June 30, 2021, no TDRs defaulted that had received troubled debt modification during the past twelve months.

⁽²⁾ The TDRs set forth in the table above did not occur as a result of the loan forbearance program under the CARES Act.

(Dollars in thousands)	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	Pre Modification	Post Modification	Pre Modification	Post Modification
Commercial	\$ —	\$ —	\$ 31	\$ 31
Owner-occupied commercial	567	567	1,216	1,216
Commercial mortgages	—	—	104	104
Residential	905	905	1,126	1,126
Consumer	245	245	459	459
Total ⁽¹⁾⁽²⁾	\$ 1,717	\$ 1,717	\$ 2,936	\$ 2,936

⁽¹⁾ During the three and six months ended June 30, 2020 the TDRs set forth in the table above resulted in a less than \$0.1 million increase and a \$0.1 million increase in the allowance for credit losses, respectively, and no additional charge-offs in either period. During the three and six months ended June 30, 2020, no TDRs defaulted that had received troubled debt modification during the past twelve months.

⁽²⁾ The TDRs set forth in the table above did not occur as a result of the loan forbearance program under the CARES Act.

8. LEASES

As a lessee, the Company enters into leases for its bank branches, corporate offices, and certain equipment. As a lessor, the Company primarily provides financing through its equipment leasing business.

Lessee

The Company's ongoing leases have remaining lease terms of less than 1 year to 41 years, which includes renewal options that are exercised at its discretion. The Company's lease terms to calculate the lease liability and right of use asset include options to extend the lease when it is reasonably certain that the Company will exercise the option. The lease liability and right of use asset is included in *Other liabilities* and *Other assets*, respectively, in the unaudited Consolidated Statement of Financial Condition. Leases with an initial term of 12 months or less are not recorded on the unaudited Consolidated Statement of Financial Condition. Lease expense is recognized on a straight-line basis over the lease term. Operating lease expense is included in *Occupancy expense* in the unaudited Consolidated Statement of Income. The Company accounts for lease components separately from nonlease components. The Company subleases certain real estate to third parties.

The components of operating lease cost were as follows:

(Dollars in thousands)	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating lease cost ⁽¹⁾	\$ 4,789	\$ 4,950	\$ 9,443	\$ 9,500
Sublease income	(90)	(93)	(197)	(186)
Net lease cost	\$ 4,699	\$ 4,857	\$ 9,246	\$ 9,314

⁽¹⁾ Includes variable lease cost and short-term lease cost.

Supplemental balance sheet information related to operating leases was as follows:

<i>(Dollars in thousands)</i>	June 30, 2021	December 31, 2020
Right of use assets	\$ 150,291	\$ 150,985
Lease liabilities	\$ 165,057	\$ 166,451
Lease term and discount rate		
Weighted average remaining lease term (in years)	19.16	19.36
Weighted average discount rate	4.26 %	4.26 %

Maturities of operating lease liabilities were as follows:

<i>(Dollars in thousands)</i>	June 30, 2021
Remaining in 2021	\$ 8,780
2022	17,569
2023	17,692
2024	16,467
2025	16,478
After 2025	183,244
Total lease payments	260,230
Less: Interest	(95,173)
Present value of lease liabilities	\$ 165,057

Supplemental cash flow information related to operating leases was as follows:

<i>(Dollars in thousands)</i>	Six months ended	
	June 30, 2021	June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 9,074	\$ 9,328

Lessor Equipment Leasing

The Company provides equipment and small business lease financing through its leasing subsidiary, NewLane Finance[®]. Interest income from direct financing leases where the Company is a lessor is recognized in *Interest and fees on loans and leases* on the Consolidated Statements of Income. The allowance for credit losses on finance leases is included in *(Recovery of) provision for credit losses* on the Consolidated Statements of Income.

The components of direct finance lease income are summarized in the table below:

<i>(Dollars in thousands)</i>	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Direct financing leases:				
Interest income on lease receivable	\$ 5,102	\$ 3,813	\$ 9,726	\$ 7,379
Interest income on deferred fees and costs, net	(438)	93	(756)	188
Total direct financing lease net interest income	\$ 4,664	\$ 3,906	\$ 8,970	\$ 7,567

Equipment leasing receivables relate to direct financing leases. The composition of the net investment in direct financing leases was as follows:

<i>(Dollars in thousands)</i>	June 30, 2021	December 31, 2020
Lease receivables	\$ 329,718	\$ 281,601
Unearned income	(43,808)	(36,669)
Deferred fees and costs	5,747	3,953
Net investment in direct financing leases	<u>\$ 291,657</u>	<u>\$ 248,885</u>

Future minimum lease payments to be received for direct financing leases were as follows:

<i>(Dollars in thousands)</i>	June 30, 2021
Remaining in 2021	\$ 53,731
2022	96,910
2023	78,809
2024	56,668
2025	34,903
After 2025	8,697
Total lease payments	<u>\$ 329,718</u>

9. GOODWILL AND INTANGIBLE ASSETS

In accordance with ASC 805, *Business Combinations* (ASC 805) and ASC 350, *Intangibles - Goodwill and Other* (ASC 350), all assets acquired and liabilities assumed in purchase acquisitions, including goodwill, indefinite-lived intangibles and other intangibles are recorded at fair value as of acquisition date.

WSFS performs its annual goodwill impairment test on October 1 or more frequently if events and circumstances indicate that the fair value of a reporting unit is less than its carrying value. In between annual tests, management performs a qualitative review of goodwill quarterly as part of the Company's review of the overall business to ensure no events or circumstances have occurred that would impact its goodwill evaluation. During the six months ended June 30, 2021, management determined based on its qualitative assessment that it is not more likely than not that the fair values of our reporting units are less than their carrying values. No goodwill impairment exists during the six months ended June 30, 2021.

The following table shows the allocation of goodwill to the reportable operating segments for purposes of goodwill impairment testing:

<i>(Dollars in thousands)</i>	WSFS Bank	Cash Connect	Wealth Management	Consolidated Company
December 31, 2020	\$ 452,629	\$ —	\$ 20,199	\$ 472,828
Goodwill adjustments	—	—	—	—
June 30, 2021	\$ 452,629	\$ —	\$ 20,199	\$ 472,828

ASC 350 requires that an acquired intangible asset be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. The following table summarizes the Company's intangible assets:

<i>(Dollars in thousands)</i>	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Amortization Period
June 30, 2021				
Core deposits	\$ 93,811	\$ (25,469)	\$ 68,342	10 years
Customer relationships	15,281	(7,238)	8,043	7-15 years
Non-compete agreements	221	(212)	9	5 years
Loan servicing rights ⁽¹⁾	5,639	(2,910)	2,729	10-25 years
Total intangible assets	\$ 114,952	\$ (35,829)	\$ 79,123	
December 31, 2020				
Core deposits	\$ 95,711	\$ (22,727)	\$ 72,984	10 years
Customer relationships	15,281	(6,600)	8,681	7-15 years
Non-compete agreements	221	(190)	31	5 years
Loan servicing rights ⁽²⁾	5,302	(2,440)	2,862	10-25 years
Total intangible assets	\$ 116,515	\$ (31,957)	\$ 84,558	

⁽¹⁾ Includes impairment losses of \$0.1 million and less than \$0.1 million for the three and six months ended June 30, 2021.

⁽²⁾ Includes impairment losses of \$0.2 million for the year ended December 31, 2020

The Company recognized amortization expense on intangible assets of \$2.7 million and \$5.3 million for the three and six months ended June 30, 2021, compared to \$2.8 million and \$5.5 million for the three and six months ended June 30, 2020.

The following table presents the estimated future amortization expense on intangible assets:

<i>(Dollars in thousands)</i>	June 30, 2021
Remaining in 2021	\$ 5,647
2022	11,132
2023	10,980
2024	10,800
2025	10,544
Thereafter	30,020
Total	\$ 79,123

10. DEPOSITS

The following table shows deposits by category:

(Dollars in thousands)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Noninterest-bearing:		
Noninterest demand	\$ 4,328,060	\$ 3,415,021
Total noninterest-bearing	<u>\$ 4,328,060</u>	<u>\$ 3,415,021</u>
Interest-bearing:		
Interest-bearing demand	\$ 2,633,423	\$ 2,635,740
Savings	1,927,627	1,774,332
Money market	2,722,868	2,654,439
Customer time deposits	1,052,042	1,158,845
Brokered deposits	62,825	218,287
Total interest-bearing	<u>8,398,785</u>	<u>8,441,643</u>
Total deposits	<u>\$ 12,726,845</u>	<u>\$ 11,856,664</u>

11. ASSOCIATE BENEFIT PLANS

Postretirement Medical Benefits

The Company shares certain costs of providing health and life insurance benefits to eligible retired Associates (employees) and their eligible dependents. Previously, all Associates were eligible for these benefits if they reached normal retirement age while working for the Company. Effective March 31, 2014, the Company changed the eligibility of this plan to include only those Associates who have achieved ten years of service as of March 31, 2014. The Company uses the mortality table issued by the Office of the Actuary of the U.S. Bureau of Census in its calculation.

The Company accounts for its obligations under the provisions of ASC 715, *Compensation - Retirement Benefits* (ASC 715). ASC 715 requires the recognition of the costs of these benefits over an Associate's active working career. Amortization of unrecognized net gains or losses resulting from experience different from that assumed and from changes in assumptions is included as a component of net periodic benefit cost over the remaining service period of active employees to the extent that such gains and losses exceed 10% of the accumulated postretirement benefit obligation, as of the beginning of the year. The Company recognizes its service cost in *Salaries, benefits and other compensation* and the other components of net periodic benefit cost in *Other operating expenses* in the unaudited Consolidated Statements of Income.

The following table presents the components of net periodic benefit cost related to postretirement medical benefits plan.

<i>(Dollars in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Service cost	\$ 17	\$ 15	\$ 34	\$ 30
Interest cost	13	17	26	34
Prior service cost amortization	(19)	(19)	(38)	(38)
Net gain recognition	(5)	(9)	(10)	(18)
Net periodic cost (benefit)	\$ 6	\$ 4	\$ 12	\$ 8

Alliance Associate Pension Plan

During the fourth quarter of 2015, the Company completed the acquisition of Alliance Bancorp, Inc. of Pennsylvania (Alliance). At the time of the acquisition, the Company assumed the Alliance pension plan offered to its current Associates. In the first quarter of 2020, the Company received Internal Revenue Service and Pension Benefit Guaranty Corporation approval to terminate the plan. As of June 30, 2020, the Company completed the termination and contributed \$0.5 million to the plan to settle the obligation.

The following table presents the components of net periodic benefit cost related to the Alliance Associate Pension Plan. There was no net periodic benefit cost during the three and six months ended June 30, 2021.

<i>(Dollars in thousands)</i>	Three months ended	Six months ended
	June 30, 2020	June 30, 2020
Service cost	\$ 7	\$ 17
Interest cost	42	105
Expected return on plan assets	(79)	(196)
Plan settlement loss	1,431	1,431
Net periodic cost (benefit)	\$ 1,401	\$ 1,357

Beneficial Associate Pension and other postretirement benefits plans

On March 1, 2019, the Company closed its acquisition of Beneficial Bancorp, Inc. (Beneficial). At the time of the acquisition, the Company assumed the pension plan covering certain eligible Beneficial Associates. The plan was frozen in 2008. The following table presents the components of net periodic benefit cost related to the Beneficial pension benefits and other postretirement benefit plans.

(Dollars in thousands)	Three months ended June 30, 2021		Six months ended June 30, 2021	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Service cost	\$ —	\$ 15	\$ —	\$ 29
Interest cost	530	77	1,060	154
Expected return on plan assets	(1,705)	—	(3,410)	—
Prior service cost amortization	—	(3)	—	(6)
Net loss (gain) recognition	7	—	13	—
Net periodic (benefit) cost	<u>\$ (1,168)</u>	<u>\$ 89</u>	<u>\$ (2,337)</u>	<u>\$ 177</u>

(Dollars in thousands)	Three months ended June 30, 2020		Six months ended June 30, 2020	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Service cost	\$ —	\$ 29	\$ —	\$ 58
Interest cost	740	138	1,455	275
Expected return on plan assets	(1,588)	—	(3,182)	—
Net (gain) loss recognition	1	(16)	2	(32)
Net periodic (benefit) cost	<u>\$ (847)</u>	<u>\$ 151</u>	<u>\$ (1,725)</u>	<u>\$ 301</u>

12. INCOME TAXES

There were no unrecognized tax benefits as of June 30, 2021. The Company records interest and penalties on potential income tax deficiencies as income tax expense. The Company's federal and state tax returns for the 2017 through 2020 tax years are subject to examination as of June 30, 2021. The Company does not expect to record or realize any material unrecognized tax benefits during 2021.

As a result of the adoption of ASC 326 - *Credit Losses* on January 1, 2020, the tax impact relating to the incremental provision for expected credit losses from financial assets held at amortized cost has been reflected as a credit to retained earnings to reflect the tax impact of increased credit reserves. Accordingly, \$8.5 million of such impact has been reflected as an income tax credit and deferred tax asset on the Company's Consolidated Statements of Financial Condition.

Section 2303(b) of the CARES Act provides the Company with an opportunity to carry back net operating losses (NOLs) arising from 2018, 2019 and 2020 to the prior five tax years. The Company has such NOLs reflected on its balance sheet as a portion of its current tax receivables, which were previously valued at the federal corporate income tax rate of 21%. However, the provisions of the CARES Act provide for NOL carryback claims to be calculated based on a rate of 35%, which was the federal corporate tax rate in effect for the carryback years. Consequently, effective March 31, 2020, the Company has revalued the benefit from its NOLs to reflect a 35% tax rate, which resulted in the recognition of an additional \$1.7 million income tax benefit and deferred tax asset on the Company's Consolidated Statements of Financial Condition.

The amortization of the low-income housing credit investments has been reflected as income tax expense of \$0.9 million and \$0.8 million for the three months ended June 30, 2021 and 2020, respectively, and \$1.8 million and \$1.6 million of such amortization has been reflected as income tax expense for the six months ended June 30, 2021 and 2020, respectively.

The amount of affordable housing tax credits, amortization and tax benefits recorded as income tax expense for the six months ended June 30, 2021 were \$1.8 million, \$1.8 million and \$0.3 million, respectively. The carrying value of the investment in affordable housing credits is \$24.8 million at June 30, 2021, compared to \$26.6 million at December 31, 2020.

13. FAIR VALUE DISCLOSURES OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

ASC 820-10, *Fair Value Measurement* (ASC 820-10) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following tables present financial instruments carried at fair value as of June 30, 2021 and December 31, 2020 by level in the valuation hierarchy (as described above):

	June 30, 2021			
<i>(Dollars in thousands)</i>	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets measured at fair value on a recurring basis:				
Available-for-sale securities:				
CMO	\$ —	\$ 618,419	\$ —	\$ 618,419
FNMA MBS	—	2,329,787	—	2,329,787
FHLMC MBS	—	171,998	—	171,998
GNMA MBS	—	22,402	—	22,402
GSE agency notes	—	223,973	—	223,973
Other assets	—	8,606	—	8,606
Total assets measured at fair value on a recurring basis	\$ —	\$ 3,375,185	\$ —	\$ 3,375,185
Liabilities measured at fair value on a recurring basis:				
Other liabilities	\$ —	\$ 4,464	\$ 22,145	\$ 26,609
Assets measured at fair value on a nonrecurring basis:				
Other investments	\$ 5,604	\$ —	\$ 10,044	\$ 15,648
Other real estate owned	—	—	1,044	1,044
Loans held for sale	—	113,173	—	113,173
Total assets measured at fair value on a nonrecurring basis	\$ 5,604	\$ 113,173	\$ 11,088	\$ 129,865
	December 31, 2020			
<i>(Dollars in thousands)</i>	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets measured at fair value on a recurring basis:				
Available-for-sale securities:				
CMO	\$ —	\$ 471,325	\$ —	\$ 471,325
FNMA MBS	—	1,598,970	—	1,598,970
FHLMC MBS	—	202,893	—	202,893
GNMA MBS	—	23,762	—	23,762
GSE agency notes	—	232,107	—	232,107
Other assets	—	14,448	—	14,448
Total assets measured at fair value on a recurring basis	\$ —	\$ 2,543,505	\$ —	\$ 2,543,505
Liabilities measured at fair value on a recurring basis:				
Other liabilities	\$ —	\$ 8,218	\$ 24,039	\$ 32,257
Assets measured at fair value on a nonrecurring basis:				
Other investments	\$ —	\$ —	\$ 9,541	\$ 9,541
Other real estate owned	—	—	3,061	3,061
Loans held for sale	—	197,541	—	197,541
Total assets measured at fair value on a nonrecurring basis	\$ —	\$ 197,541	\$ 12,602	\$ 210,143

Fair value is based on quoted market prices, where available. If such quoted market prices are not available, fair value is based on internally developed models or obtained from third parties that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include unobservable parameters. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Company believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Available-for-sale securities

Securities classified as available-for-sale are reported at fair value using Level 2 inputs. The Company believes that this Level 2 designation is appropriate under ASC 820-10, as these securities are GSEs and GNMA securities with almost all fixed income securities, none are exchange traded, and all are priced by correlation to observed market data. For these securities the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors.

Other investments

Other investments includes equity investments with and without readily determinable fair values and equity method investments, which are categorized as Level 1 and Level 3. The Company's equity investments with a readily determinable fair value are held at fair value. The Company's equity investments without readily determinable fair values are held at cost, and are adjusted for any observable transactions during the reporting period and its equity method investments are initially recorded at cost based on the Company's percentage ownership in the investee, and are adjusted to reflect the recognition of the Company's proportionate share of income or loss of the investee based on the investee's earnings.

Other real estate owned

Other real estate owned consists of loan collateral which has been repossessed through foreclosure or other measures. Initially, foreclosed assets are recorded at the fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically and the assets may be marked down further, reflecting a new cost basis. The fair value of other real estate owned was estimated using Level 3 inputs based on appraisals obtained from third parties.

Loans held for sale

The fair value of loans held for sale is based on estimates using Level 2 inputs. These inputs are based on pricing information obtained from wholesale mortgage banks and brokers and applied to loans with similar interest rates and maturities.

Other assets

Other assets include the fair value of interest rate products and derivatives on the residential mortgage held for sale loan pipeline. Valuation of interest rate products is obtained from an independent pricing service and also from the derivative counterparty. Valuation of the derivative related to the residential mortgage held for sale loan pipeline is based on valuation of the loans held for sale portfolio as described above in *Loans held for sale*.

Other liabilities

Other liabilities include the fair value of interest rate products, derivatives on the residential mortgage held for sale loan pipeline and derivative related to the sale of certain Visa Class B common shares. Valuation of interest rate products is obtained from an independent pricing service and also from the derivative counterparty. Valuation of the derivative related to the residential mortgage held for sale loan pipeline is based on valuation of the loans held for sale portfolio as described above in *Loans held for sale*. Valuation of the derivative related to the sale of certain Visa Class B common shares is based on: (i) the agreed upon graduated fee structure; (ii) the length of time until the resolution of the Visa covered litigation; and (iii) the estimated impact of dilution in the conversion ratio of Class B shares resulting from changes in the Visa covered litigation.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The reported fair values of financial instruments are based on a variety of factors. In certain cases, fair values represent quoted market prices for identical or comparable instruments. In other cases, fair values have been estimated based on assumptions regarding the amount and timing of estimated future cash flows that are discounted to reflect current market rates and varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of period-end or that will be realized in the future.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash, cash equivalents, and restricted cash

For cash and short-term investment securities, including due from banks, federal funds sold or purchased under agreements to resell and interest-bearing deposits with other banks, the carrying amount is a reasonable estimate of fair value.

Investment securities

Investment securities include debt securities classified as held-to-maturity or available-for-sale. Fair value is estimated using quoted prices for similar securities, which the Company obtains from a third party vendor. The Company uses one of the largest providers of securities pricing to the industry and management periodically assesses the inputs used by this vendor to price the various types of securities owned by the Company to validate the vendor's methodology as described above in available-for-sale securities.

Other investments

Other investments includes equity investments with and without readily determinable fair values (see discussion in "Fair Value of Financial Assets and Liabilities" section above).

Loans held for sale

Loans held for sale are carried at their fair value (see discussion in "Fair Value of Financial Assets and Liabilities" section above).

Loans and leases

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans and leases are segregated by portfolio segments. For loans that repriced frequently, the book value approximates fair value. The fair values of other types of loans, with the exception of reverse mortgages, are estimated by discounting expected cash flows using the current rates at which similar loans would be made to borrowers with comparable credit ratings and for similar remaining maturities. The fair values of reverse mortgages are based on the net present value of the expected cash flows using a discount rate specific to the reverse mortgages portfolio. The fair value of nonperforming loans is based on recent external appraisals of the underlying collateral, if the loan is collateral dependent. Estimated cash flows, discounted using a rate commensurate with current rates and the risk associated with the estimated cash flows, are used if appraisals are not available. This technique does contemplate an exit price.

Stock in the Federal Home Loan Bank (FHLB) of Pittsburgh

The fair value of FHLB stock is assumed to be equal to its cost basis, since the stock is non-marketable but redeemable at its par value.

Accrued interest receivable

The carrying amounts of interest receivable approximate fair value.

Other assets

Other assets include the fair value of interest rate products and derivatives on the residential mortgage held for sale loan pipeline (see discussion in "Fair Value of Financial Assets and Liabilities" section above).

Deposits

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, money market and interest-bearing demand deposits, is assumed to be equal to the amount payable on demand. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for deposits with comparable remaining maturities.

Borrowed funds

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Off-balance sheet instruments

The fair value of off-balance sheet instruments, including swap guarantees of \$13.0 million at June 30, 2021 and \$12.8 million at December 31, 2020, respectively, and standby letters of credit, approximates the recorded net deferred fee amounts. Because letters of credit are generally not assignable by either the Company or the borrower, they only have value to the Company and the borrower. In determining the fair value of the swap guarantees, the Company assesses the underlying credit risk exposure for each borrower in a paying position to the third-party financial institution.

Accrued interest payable

The carrying amounts of interest payable approximate fair value.

Other liabilities

Other liabilities include the fair value of interest rate products, derivatives on the residential mortgage held for sale loan pipeline, and derivative related to the sale of certain Visa Class B common shares (see discussion in “Fair Value of Financial Assets and Liabilities” section above).

Assets measured at fair value using significant unobservable inputs (Level 3)

The following table provides a description of the valuation technique and significant unobservable inputs for the Company's assets classified as Level 3 and measured at fair value on a nonrecurring basis:

June 30, 2021				
Financial Instrument	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Other investments	\$ 15,648	Observed market comparable transactions	Period of observed transactions	May 2021
Other real estate owned	1,044	Fair market value of collateral	Costs to sell	10.0%
Other liabilities	22,145	Discounted cash flow	Timing of Visa litigation resolution	2.25 - 7.25 years (5.00 years or 4Q 2025)

The book value and estimated fair value of the Company's financial instruments are as follows:

<i>(Dollars in thousands)</i>	Fair Value Measurement	June 30, 2021		December 31, 2020	
		Book Value	Fair Value	Book Value	Fair Value
Financial assets:					
Cash, cash equivalents, and restricted cash	Level 1	\$ 2,421,113	\$ 2,421,113	\$ 1,654,735	\$ 1,654,735
Investment securities available-for-sale	Level 2	3,366,579	3,366,579	2,529,057	2,529,057
Investment securities held-to-maturity, net	Level 2	95,126	99,266	111,741	116,421
Other investments	Levels 1, 3	15,648	15,648	9,541	9,541
Loans, held for sale	Level 2	113,173	113,173	197,541	197,541
Loans and leases, net ⁽¹⁾	Level 3	8,131,846	8,208,084	8,795,935	9,130,003
Stock in FHLB of Pittsburgh	Level 2	6,090	6,090	5,771	5,771
Accrued interest receivable	Level 2	40,275	40,275	44,335	44,335
Other assets	Level 2	8,606	8,606	14,448	14,448
Financial liabilities:					
Deposits	Level 2	12,726,845	12,734,333	11,856,664	11,868,897
Borrowed funds	Level 2	236,470	224,106	340,641	340,106
Standby letters of credit	Level 3	586	586	630	630
Accrued interest payable	Level 2	1,977	1,977	1,450	1,450
Other liabilities	Levels 2, 3	26,609	26,609	32,257	32,257

⁽¹⁾ Includes reverse mortgage loans.

At June 30, 2021 and December 31, 2020 the Company had no commitments to extend credit measured at fair value.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both economic conditions and its business operations. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

Fair Values of Derivative Instruments

The table below presents the fair value of derivative financial instruments as well as their location on the unaudited Consolidated Statements of Financial Condition as of June 30, 2021.

<i>(Dollars in thousands)</i>	Fair Values of Derivative Instruments		
	Notional	Balance Sheet Location	Derivatives (Fair Value)
Derivatives not designated as hedging instruments:			
Interest rate products	\$ 57,781	Other assets	\$ 3,754
Interest rate products	57,781	Other liabilities	(4,034)
Risk participation agreements	4,293	Other liabilities	(5)
Interest rate lock commitments with customers	182,616	Other assets	4,342
Interest rate lock commitments with customers	10,406	Other liabilities	(202)
Forward sale commitments	85,611	Other assets	510
Forward sale commitments	82,268	Other liabilities	(223)
Financial derivatives related to sales of certain Visa Class B shares	113,177	Other liabilities	(22,145)
Total derivatives	\$ 593,933		\$ (18,003)

The table below presents the fair value of derivative financial instruments as well as their location on the Consolidated Statements of Financial Condition as of December 31, 2020.

<i>(Dollars in thousands)</i>	Fair Values of Derivative Instruments		
	Notional	Balance Sheet Location	Derivatives (Fair Value)
Derivatives not designated as hedging instruments:			
Interest rate products	\$ 61,326	Other assets	\$ 5,369
Interest rate products	61,326	Other liabilities	(5,851)
Risk participation agreements	4,372	Other liabilities	(10)
Interest rate lock commitments with customers	244,037	Other assets	8,496
Interest rate lock commitments with customers	8,413	Other liabilities	(117)
Forward sale commitments	50,705	Other assets	583
Forward sale commitments	258,186	Other liabilities	(2,240)
Financial derivatives related to sales of certain Visa Class B shares	113,177	Other liabilities	(24,039)
Total derivatives	\$ 801,542		\$ (17,809)

Derivatives Designated as Hedging Instruments:

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of fixed amounts from a counterparty in exchange for the Company making variable-rate payments over the life of the agreements without exchange of the underlying notional amount.

Changes to the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecast transaction affects earnings. During the first half of 2020, such derivatives were used to hedge the variable cash flows associated with a variable rate loan pool.

In 2020, the Company terminated its three interest rate derivatives that were designated as cash flow hedges for a net gain of \$1.3 million, recognized in accumulated other comprehensive income (loss). Hedge accounting was discontinued, and the net gain in accumulated comprehensive income (loss) is reclassified into earnings when the transaction affects earnings. As the underlying hedged transaction continues to be probable, the \$1.3 million net gain will be recognized into earnings on a straight-line basis over each derivative's original contract term. During the next twelve months, the Company estimates that \$0.3 million will be reclassified as an increase to interest income. During the three and six months ended June 30, 2021, \$0.1 million and \$0.3 million, respectively, was reclassified into interest income.

The table below presents the effect of the cash flow hedges on the unaudited Consolidated Statements of Income for three and six months ended June 30, 2020.

	Amount of Gain Recognized in OCI on Derivative (Effective Portion)	Amount of Gain Recognized in OCI on Derivative (Effective Portion)	Location of Gain Reclassified from Accumulated OCI into Income (Effective Portion)
	Three Months Ended June 30,	Six Months Ended June 30,	
	2020	2020	
<i>(Dollars in thousands)</i>			
Derivatives in cash flow hedging relationships			
Interest rate products	\$ (25)	\$ 1,560	Interest income
Total	\$ (25)	\$ 1,560	

Derivatives Not Designated as Hedging Instruments:

Back-to-Back Swap Transactions

The Company entered into agreements with two unrelated financial institutions whereby the Company enters into an interest rate swap transaction with the customer and offsets that transaction with another counterparty. Derivative financial instruments related to back-to-back swaps are recorded at fair value and are not designated as accounting hedges.

Swap Guarantees

The Company entered into agreements with four unrelated financial institutions whereby those financial institutions entered into interest rate derivative contracts (interest rate swap transactions) directly with customers referred to them by the Company. Under the terms of the agreements, those financial institutions have recourse to us for any exposure created under each swap transaction, only in the event that the customer defaults on the swap agreement and the agreement is in a paying position to the third-party financial institution. This is a customary arrangement that allows us to provide access to interest rate swap transactions for our customers without creating the swap ourselves. These swap guarantees are accounted for as credit derivatives.

At June 30, 2021 and December 31, 2020, there were 248 and 234 variable-rate to fixed-rate swap transactions between the third-party financial institutions and the Company's customers, respectively. The initial notional aggregate amount was approximately \$1.1 billion at both June 30, 2021 and December 31, 2020. At June 30, 2021, the swap transactions remaining maturities ranged from under 1 year to 14 years. At June 30, 2021, 206 of these customer swaps were in a paying position to third parties for \$50.2 million, with our swap guarantees having a fair value of \$13.0 million. At December 31, 2020, 231 of these customer swaps were in a paying position to third parties for \$81.6 million, with the Company's swap guarantees having a fair value of \$12.8 million. However, for both periods, none of the Company's customers were in default of the swap agreements.

Derivative Financial Instruments from Mortgage Banking Activities

Derivative financial instruments related to mortgage banking activities are recorded at fair value and are not designated as accounting hedges. This includes commitments to originate certain fixed-rate residential mortgage loans to customers, also referred to as interest rate lock commitments. The Company may also enter into forward sale commitments to sell loans to investors at a fixed price at a future date and trade asset-backed securities to mitigate interest rate risk.

The table below presents the effect of the derivative financial instruments on the unaudited Consolidated Statements of Income for the three and six months ended June 30, 2021 and June 30, 2020.

<i>(Dollars in thousands)</i>	Amount of (Loss) or Gain Recognized in Income		Amount of (Loss) Recognized in Income		Location of Gain or (Loss) Recognized in Income
	Three Months Ended June 30,		Six Months Ended June 30,		
	2021	2020	2021	2020	
Derivatives not designated as hedging instruments					
Interest rate lock commitments with customers	\$ (823)	\$ 3,178	\$ (4,087)	\$ 6,227	Mortgage banking activities, net
Forward sale commitments	(2,742)	(2,439)	3,382	(6,484)	Mortgage banking activities, net
Total	\$ (3,565)	\$ 739	\$ (705)	\$ (257)	

Credit-risk-related Contingent Features

The Company has agreements with certain derivative counterparties that contain a provision under which, if it defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company has minimum collateral posting thresholds with certain of its derivative counterparties, and has posted collateral of \$6.5 million in securities and \$6.1 million in cash against its obligations under these agreements. If the Company had breached any of these provisions at June 30, 2021, it could have been required to settle its obligations under the agreements at the termination value.

15. SEGMENT INFORMATION

As defined in ASC 280, *Segment Reporting* (ASC 280), an operating segment is a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the enterprise's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company evaluates performance based on pretax net income relative to resources used, and allocate resources based on these results. The accounting policies applicable to the Company's segments are those that apply to its preparation of the accompanying unaudited Consolidated Financial Statements. Based on these criteria, the Company has identified three segments: WSFS Bank, Cash Connect[®], and Wealth Management.

The WSFS Bank segment provides financial products to commercial and retail customers. Retail and Commercial Banking, Commercial Real Estate Lending and other banking business units are operating departments of WSFS Bank. These departments share the same regulator, the same market, many of the same customers and provide similar products and services through the general infrastructure of the Bank. Accordingly, these departments are not considered discrete segments and are appropriately aggregated in the WSFS Bank segment.

The Company's Cash Connect[®] segment provides ATM vault cash, smart safe and other cash logistics services through strategic partnerships with several of the largest networks, manufacturers and service providers in the ATM industry. Cash Connect[®] services non-bank and WSFS-branded ATMs and retail safes nationwide. The balance sheet category *Cash in non-owned ATMs* includes cash from which fee income is earned through bailment arrangements with customers of Cash Connect[®].

The Wealth Management segment provides a broad array of planning and advisory services, investment management, trust services, and credit and deposit products to individual, corporate, and institutional clients through multiple integrated businesses. WSFS Wealth[®] Investments provides financial advisory services along with insurance and brokerage products. Cypress, a registered investment adviser, is a fee-only wealth management firm managing a "balanced" investment style portfolio focused on preservation of capital and generating current income. West Capital, a registered investment adviser, is a fee-only wealth management firm operating under a multi-family office philosophy to provide customized solutions to institutions and high-net-worth individuals. The trust division of WSFS, comprised of WSFS Institutional Services[®] and Christiana Trust DE, provides trustee, agency, bankruptcy administration, custodial and commercial domicile services to institutional and corporate clients. Christiana Trust DE also provides personal trust and fiduciary services to families and individuals across the U.S. Powdermill[®] is a multi-family office specializing in providing independent solutions to high-net-worth individuals, families and corporate executives through a coordinated, centralized approach. WSFS Wealth Client Management serves high-net-worth clients by delivering credit and deposit products and partnering with other Wealth Management units to provide comprehensive solutions to clients.

The following tables show segment results for the three and six months ended June 30, 2021 and 2020:

<i>(Dollars in thousands)</i>	Three Months Ended June 30, 2021				Three Months Ended June 30, 2020			
	WSFS Bank	Cash Connect®	Wealth Management	Total	WSFS Bank	Cash Connect®	Wealth Management	Total
Statements of Income								
External customer revenues:								
Interest income	\$ 110,725	\$ —	\$ 2,177	\$ 112,902	\$ 123,710	\$ —	\$ 2,173	\$ 125,883
Noninterest income	22,282	11,213	15,523	49,018	44,304	9,008	11,063	64,375
Total external customer revenues	133,007	11,213	17,700	161,920	168,014	9,008	13,236	190,258
Inter-segment revenues:								
Interest income	842	328	3,031	4,201	937	237	2,442	3,616
Noninterest income	3,790	316	515	4,621	3,542	188	347	4,077
Total inter-segment revenues	4,632	644	3,546	8,822	4,479	425	2,789	7,693
Total revenue	137,639	11,857	21,246	170,742	172,493	9,433	16,025	197,951
External customer expenses:								
Interest expense	5,983	—	170	6,153	11,659	—	468	12,127
Noninterest expenses	80,480	7,288	8,264	96,032	79,789	6,413	7,233	93,435
(Recovery of) provision for credit losses	(66,385)	—	(1,178)	(67,563)	93,819	—	935	94,754
Total external customer expenses	20,078	7,288	7,256	34,622	185,267	6,413	8,636	200,316
Inter-segment expenses:								
Interest expense	3,359	207	635	4,201	2,679	131	806	3,616
Noninterest expenses	831	1,104	2,686	4,621	535	899	2,643	4,077
Total inter-segment expenses	4,190	1,311	3,321	8,822	3,214	1,030	3,449	7,693
Total expenses	24,268	8,599	10,577	43,444	188,481	7,443	12,085	208,009
Income (loss) before taxes	\$ 113,371	\$ 3,258	\$ 10,669	\$ 127,298	\$ (15,988)	\$ 1,990	\$ 3,940	\$ (10,058)
Income tax provision (benefit)				31,687				(2,247)
Consolidated net income (loss)				95,611				(7,811)
Net loss attributable to noncontrolling interest				(56)				(700)
Net income (loss) attributable to WSFS				\$ 95,667				\$ (7,111)
Supplemental Information								
Capital expenditures for the period ended	\$ 1,735	\$ —	\$ —	\$ 1,735	\$ 155	\$ 45	\$ 99	\$ 299

<i>(Dollars in thousands)</i>	Six Months Ended June 30, 2021				Six Months Ended June 30, 2020			
	WSFS Bank	Cash Connect®	Wealth Management	Total	WSFS Bank	Cash Connect®	Wealth Management	Total
Statements of Income								
External customer revenues:								
Interest income	\$ 229,856	\$ —	\$ 4,327	\$ 234,183	\$ 255,019	\$ —	\$ 4,719	\$ 259,738
Noninterest income	45,630	20,915	30,295	96,840	62,376	20,687	22,159	105,222
Total external customer revenues	275,486	20,915	34,622	331,023	317,395	20,687	26,878	364,960
Inter-segment revenues:								
Interest income	1,686	597	5,726	8,009	2,880	237	5,291	8,408
Noninterest income	7,485	602	916	9,003	6,449	417	520	7,386
Total inter-segment revenues	9,171	1,199	6,642	17,012	9,329	654	5,811	15,794
Total revenue	284,657	22,114	41,264	348,035	326,724	21,341	32,689	380,754
External customer expenses:								
Interest expense	12,887	—	362	13,249	28,406	—	1,426	29,832
Noninterest expenses	161,024	14,586	16,041	191,651	152,874	14,636	14,421	181,931
(Recovery of) provision for credit losses	(85,978)	—	(1,745)	(87,723)	148,853	—	2,547	151,400
Total external customer expenses	87,933	14,586	14,658	117,177	330,133	14,636	18,394	363,163
Inter-segment expenses:								
Interest expense	6,323	387	1,299	8,009	5,528	1,085	1,795	8,408
Noninterest expenses	1,518	2,191	5,294	9,003	937	1,640	4,809	7,386
Total inter-segment expenses	7,841	2,578	6,593	17,012	6,465	2,725	6,604	15,794
Total expenses	95,774	17,164	21,251	134,189	336,598	17,361	24,998	378,957
Income (loss) before taxes	\$ 188,883	\$ 4,950	\$ 20,013	\$ 213,846	\$ (9,874)	\$ 3,980	\$ 7,691	\$ 1,797
Income tax provision (benefit)				53,094				(959)
Consolidated net income				160,752				2,756
Net income (loss) attributable to noncontrolling interest				3				(1,060)
Net income attributable to WSFS				160,749				3,816
Supplemental Information								
Capital expenditures for the period ended	\$ 3,005	\$ —	\$ —	\$ 3,005	\$ 2,437	\$ 256	\$ 137	\$ 2,830

The following table shows significant components of segment net assets as of June 30, 2021 and December 31, 2020:

<i>(Dollars in thousands)</i>	June 30, 2021				December 31, 2020			
	WSFS Bank	Cash Connect®	Wealth Management	Total	WSFS Bank	Cash Connect®	Wealth Management	Total
Statements of Financial Condition								
Cash and cash equivalents	\$ 1,945,167	\$ 465,667	\$ 10,279	\$ 2,421,113	\$ 1,246,394	\$ 397,878	\$ 10,463	\$ 1,654,735
Goodwill	452,629	—	20,199	472,828	452,629	—	20,199	472,828
Other segment assets	12,007,263	5,845	241,812	12,254,920	11,963,345	6,997	236,009	12,206,351
Total segment assets	\$ 14,405,059	\$ 471,512	\$ 272,290	\$ 15,148,861	\$ 13,662,368	\$ 404,875	\$ 266,671	\$ 14,333,914

16. COMMITMENTS AND CONTINGENCIES

Secondary Market Loan Sales

The Company typically sells newly originated residential mortgage loans in the secondary market to mortgage loan aggregators and on a more limited basis, to GSEs such as FHLMC, FNMA, and the FHLB. Loans held for sale are reflected on the unaudited Consolidated Statements of Financial Condition at fair value with changes in the value reflected in the unaudited Consolidated Statements of Income. Gains and losses are recognized at the time of sale. The Company periodically retains the servicing rights on residential mortgage loans sold which results in monthly service fee income. The mortgage servicing rights are included in *Intangible assets* in the unaudited Consolidated Statements of Financial Condition. Otherwise, the Company sells loans with servicing released on a nonrecourse basis. Rate-locked loan commitments that the Company intends to sell in the secondary market are accounted for as derivatives under ASC 815, *Derivatives and Hedging (ASC 815)*.

The Company does not sell loans with recourse, except for standard loan sale contract provisions covering violations of representations and warranties and, under certain circumstances, early payment default by the borrower. These are customary repurchase provisions in the secondary market for residential mortgage loan sales. These provisions may include either an indemnification from loss or the repurchase of the loans. Repurchases and losses have been rare and no provision is made for losses at the time of sale. There were no repurchases during the six months ended June 30, 2021 and 2020.

Unfunded Lending Commitments

At June 30, 2021 and December 31, 2020, the allowance for credit losses of unfunded lending commitments were \$8.1 million and \$8.2 million, respectively. A provision release of \$0.8 million and \$0.2 million was recognized during the three and six months ended June 30, 2021, respectively, and a provision expense for unfunded lending commitments of \$3.4 million and \$3.3 million was recognized during the three and six months ended June 30, 2020, respectively.

17. CHANGE IN ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income includes unrealized gains and losses on available-for-sale investments, unrealized gains and losses on cash flow hedges, as well as unrecognized prior service costs, transition costs, and actuarial gains and losses on defined benefit pension plans. Changes to accumulated other comprehensive income are presented, net of tax, as a component of stockholders' equity. Amounts that are reclassified out of accumulated other comprehensive income are recorded on the unaudited Consolidated Statement of Income either as a gain or loss.

Changes to accumulated other comprehensive income by component are shown, net of taxes, in the following tables for the period indicated:

<i>(Dollars in thousands)</i>	Net change in investment securities available-for-sale	Net change in investment securities held-to-maturity	Net change in defined benefit plan	Net change in fair value of derivatives used for cash flow hedges ⁽¹⁾	Net change in equity method investments	Total
Balance, March 31, 2021	\$ (9,957)	\$ 260	\$ (4,804)	\$ 535	\$ 264	\$ (13,702)
Other comprehensive income (loss) before reclassifications	24,104	—	(9)	—	—	24,095
Less: Amounts reclassified from accumulated other comprehensive income	—	(28)	(15)	(112)	—	(155)
Net current-period other comprehensive income (loss)	24,104	(28)	(24)	(112)	—	23,940
Balance, June 30, 2021	<u>\$ 14,147</u>	<u>\$ 232</u>	<u>\$ (4,828)</u>	<u>\$ 423</u>	<u>\$ 264</u>	<u>\$ 10,238</u>
Balance, March 31, 2020	\$ 72,436	\$ 403	\$ (3,313)	\$ 1,008	\$ —	\$ 70,534
Other comprehensive income (loss) before reclassifications	3,703	—	7	(25)	—	3,685
Less: Amounts reclassified from accumulated other comprehensive loss	(1,450)	(57)	179	(111)	—	(1,439)
Net current-period other comprehensive income (loss)	2,253	(57)	186	(136)	—	2,246
Balance, June 30, 2020	<u>\$ 74,689</u>	<u>\$ 346</u>	<u>\$ (3,127)</u>	<u>\$ 872</u>	<u>\$ —</u>	<u>\$ 72,780</u>

(1) Cash flow hedges were terminated as of April 1, 2020

<i>(Dollars in thousands)</i>	Net change in investment securities available for sale	Net change in investment securities held to maturity	Net change in defined benefit plan	Net change in fair value of derivatives used for cash flow hedges ⁽¹⁾	Net change in equity method investments	Total
Balance, December 31, 2020	\$ 59,882	\$ 276	\$ (4,788)	\$ 646	\$ (9)	\$ 56,007
Other comprehensive (loss) income before reclassifications	(45,485)	—	(9)	—	273	(45,221)
Less: Amounts reclassified from accumulated other comprehensive income	(250)	(44)	(31)	(223)	—	(548)
Net current-period other comprehensive (loss) income	(45,735)	(44)	(40)	(223)	273	(45,769)
Balance, June 30, 2021	<u>\$ 14,147</u>	<u>\$ 232</u>	<u>\$ (4,828)</u>	<u>\$ 423</u>	<u>\$ 264</u>	<u>\$ 10,238</u>
Balance, December 31, 2019	\$ 26,927	\$ 468	\$ (3,317)	\$ (577)	\$ —	\$ 23,501
Other comprehensive income before reclassifications	49,739	—	43	1,560	—	51,342
Less: Amounts reclassified from accumulated other comprehensive (loss) income	(1,977)	(122)	147	(111)	—	(2,063)
Net current-period other comprehensive income (loss)	47,762	(122)	190	1,449	—	49,279
Balance, June 30, 2020	<u>\$ 74,689</u>	<u>\$ 346</u>	<u>\$ (3,127)</u>	<u>\$ 872</u>	<u>\$ —</u>	<u>\$ 72,780</u>

(1) Cash flow hedges were terminated as of April 1, 2020

The unaudited Consolidated Statements of Income were impacted by components of other comprehensive income (loss) as shown in the tables below:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Affected line item in unaudited Consolidated Statements of Income
	2021	2020	
Securities available for sale:			
Realized gains on securities transactions	\$ —	\$ (1,908)	Securities gains, net
Income taxes	—	458	Income tax provision
Net of tax	\$ —	\$ (1,450)	
Net unrealized holding gains on securities transferred between available-for-sale and held-to-maturity:			
Amortization of net unrealized gains to income during the period	\$ (37)	\$ (75)	Interest and dividends on investment securities
Income taxes	9	18	Income tax provision
Net of tax	\$ (28)	\$ (57)	
Amortization of defined benefit pension plan-related items:			
Prior service credits	\$ (22)	\$ (19)	
Actuarial losses (gains)	2	(24)	
Total before tax	\$ (20)	\$ (43)	Salaries, benefits and other compensation
Income taxes	5	10	Income tax provision
Net of tax	\$ (15)	\$ (33)	
Defined benefit pension plan settlement:			
Realized losses on plan settlement	\$ —	\$ 279	Other operating expense
Income taxes	—	(67)	Income tax provision
Net of tax	\$ —	\$ 212	
Net unrealized gains on terminated cash flow hedges:			
Amortization of net unrealized gains to income during the period	\$ (147)	\$ (146)	Interest and fees on loans and leases
Income taxes	35	35	Income tax provision
Net of tax	\$ (112)	\$ (111)	
Total reclassifications	\$ (155)	\$ (1,439)	

	Six Months Ended June 30,		Affected line item in unaudited Consolidated Statements of Operations
	2021	2020	
Securities available-for-sale:			
Realized gains on securities transactions	\$ (329)	\$ (2,601)	Securities gains, net
Income taxes	79	624	Income tax provision
Net of tax	\$ (250)	\$ (1,977)	
Net unrealized holding gains on securities transferred between available-for-sale and held-to-maturity:			
Amortization of net unrealized gains to income during the period	\$ (58)	\$ (160)	Interest and dividends on investment securities
Income taxes	14	38	Income tax provision
Net of tax	\$ (44)	\$ (122)	
Amortization of defined benefit pension plan-related items:			
Prior service credits	\$ (44)	\$ (38)	
Actuarial gains	3	(48)	
Total before tax	\$ (41)	\$ (86)	Salaries, benefits and other compensation
Income taxes	10	21	Income tax provision
Net of tax	\$ (31)	\$ (65)	
Defined benefit pension plan settlement:			
Realized losses on plan settlement	\$ —	\$ 279	Other operating expense
Income taxes	—	(67)	Income tax provision
Net of tax	\$ —	\$ 212	
Net unrealized gains on terminated cash flow hedges:			
Amortization of net unrealized gains to income during the period	\$ (293)	\$ (146)	Interest and fees on loans and leases
Income taxes	70	35	Income tax provision
Net of tax	\$ (223)	\$ (111)	
Total reclassifications	\$ (548)	\$ (2,063)	

18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, from time to time the Company enters into transactions with related parties, including, but not limited to, its officers and directors. These transactions are made on substantially the same terms and conditions, including interest rates and collateral requirements, as those prevailing at the same time for comparable transactions with other customers. They do not, in the opinion of management, involve greater than normal credit risk or include other features unfavorable to the Company. Any related party loans exceeding \$0.5 million require review and approval by the Board of Directors. During the three and six months ended June 30, 2021, there were no loans originated to related parties exceeding \$0.5 million. During the three and six months ended June 30, 2020, there were two loans originated to related parties exceeding \$0.5 million, both of which were sold during the second quarter of 2020.

The outstanding balances of loans to related parties at June 30, 2021 and December 31, 2020 were \$0.4 million and \$0.2 million, respectively. Total deposits from related parties at June 30, 2021 and December 31, 2020 were \$6.7 million and \$8.3 million, respectively. During the second quarter of 2021, there were no new loan and credit line advances to related parties and repayments were less than \$0.1 million.

19. LEGAL AND OTHER PROCEEDINGS

In accordance with the current accounting standards for loss contingencies, the Company establishes reserves for litigation-related matters that arise in the ordinary course of its business activities when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss can be reasonably estimated. Litigation claims and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. In addition, the Company's defense of litigation claims may result in legal fees, which it expenses as incurred.

As previously disclosed, on February 27, 2018, the Company entered into a settlement agreement with Universitas Education, LLC (Universitas) to resolve arbitration claims related to services provided by Christiana Bank and Trust Company (CB&T) prior to its acquisition by WSFS in December 2010. In accordance with the litigation settlement, the Company paid Universitas \$12.0 million to fully settle the claims. During the third quarter of 2018, WSFS recovered \$7.9 million in settlement and legal costs from insurance carriers that provided coverage relating to the Universitas matter. WSFS is pursuing all of its rights and remedies to recover the remaining amounts relating to the Universitas proceeding, including the Universitas settlement payment, legal fees and related costs, by enforcing the indemnity right in the 2010 purchase agreement by which WSFS acquired CB&T. During the second quarter of 2021, the court hearing WSFS' claim for indemnification granted WSFS' motion for summary judgement on the issue of liability against the counterparty to the purchase agreement. The court has not yet scheduled trial on damages owed to WSFS.

In March 2017, Nature's Healing Trust (NHT) filed a complaint against WSFS Bank in the Delaware Court of Chancery. NHT asserts that WSFS Bank failed to provide timely notice concerning the possible lapse of two life settlement policies (aggregate face amount of \$6.3 million) held in the trust. NHT asserts claims against WSFS Bank for breach of contract, breach of fiduciary duty, and negligence, and seeks the face value of the policies. WSFS Bank disputed the factual allegations and denied liability.

There were no material changes or additions to other significant pending legal or other proceedings involving the Company other than those arising out of routine operations.

20. SUBSEQUENT EVENTS

The Company evaluated subsequent events in accordance with ASC Topic 855 and determined that the following qualifies as a non-recognized subsequent event:

Resolution of NHT Legal Proceeding

On August 5, 2021, WSFS Bank reached a settlement with NHT. Under the settlement, WSFS will pay no damages, and the parties have agreed to dismiss and release all of their claims against each other. The parties will bear their own attorney's fees and costs.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

WSFS Financial Corporation (the Company or WSFS) is a savings and loan holding company headquartered in Wilmington, Delaware. Substantially all of our assets are held by our subsidiary, Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), one of the ten oldest bank and trust companies in the United States (U.S.) continuously operating under the same name. With \$15.1 billion in assets and \$26.7 billion in assets under management (AUM) and assets under administration (AUA) at June 30, 2021, WSFS Bank is the oldest and largest locally-managed bank and trust company headquartered in the Delaware and Greater Philadelphia region. As a federal savings bank that was formerly chartered as a state mutual savings bank, WSFS Bank enjoys a broader scope of permissible activities than most other financial institutions. A fixture in the community, we have been in operation for more than 189 years. In addition to our focus on stellar customer experience, we have continued to fuel growth and remain a leader in our community. We are a relationship-focused, locally-managed, community banking institution. Our mission is simple: "We Stand for Service." Our strategy of "Engaged Associates, living our culture, making a better life for all we serve" focuses on exceeding customer expectations, delivering stellar experiences and building customer advocacy through highly-trained, relationship-oriented, friendly, knowledgeable and empowered Associates.

We have six consolidated subsidiaries: WSFS Bank, WSFS Wealth Management, LLC (Powdermill[®]), WSFS Capital Management, LLC (West Capital), Cypress Capital Management, LLC (Cypress), Christiana Trust Company of Delaware[®] (Christiana Trust DE) and WSFS SPE Services, LLC. We also have one unconsolidated subsidiary, WSFS Capital Trust III. WSFS Bank has two wholly owned subsidiaries: Beneficial Equipment Finance Corporation (BEFC) and 1832 Holdings, Inc., and one majority-owned subsidiary, NewLane Finance Company (NewLane Finance[®]).

Our banking business had a total loan and lease portfolio of \$8.3 billion as of June 30, 2021, which was funded primarily through commercial relationships and retail and customer generated deposits. We have built a \$6.5 billion commercial loan and lease portfolio by recruiting seasoned commercial lenders in our markets, offering the high level of service and flexibility typically associated with a community bank and through acquisitions. We also offer a broad variety of consumer loan products, retail securities and insurance brokerage through our retail branches, in addition to mortgage and title services through our branches and WSFS Mortgage[®], our mortgage banking company specializing in a variety of residential mortgage and refinancing solutions. Our leasing business, conducted by NewLane Finance[®], originates small business leases and provides commercial financing to businesses nationwide, targeting various equipment categories including technology, software, office, medical, veterinary and other areas. In addition, NewLane Finance[®] offers captive insurance through its subsidiary, Prime Protect.

Our Cash Connect[®] business is a premier provider of ATM vault cash, smart safe (safes that automatically accept, validate, record and hold cash in a secure environment) and other cash logistics services through strategic partnerships with several of the largest networks, manufacturers and service providers in the ATM industry. Cash Connect[®] services non-bank and WSFS-branded ATMs and retail safes nationwide, Cash Connect[®] manages approximately \$1.8 billion in total cash and services approximately 28,100 non-bank ATMs and approximately 5,800 smart safes nationwide. Cash Connect[®] provides related services such as online reporting and ATM cash management, predictive cash ordering and reconciliation services, armored carrier management, loss protection, ATM processing equipment sales and deposit safe cash logistics. Cash Connect[®] also supports 614 branded ATMs for WSFS Bank Customers, which is one of the largest branded ATM networks in our market.

Our Wealth Management business provides a broad array of planning and advisory services, investment management, trust services, and credit and deposit products to individual, corporate, and institutional clients through multiple integrated businesses. Combined, these businesses had \$26.7 billion of AUM and AUA at June 30, 2021. WSFS Wealth[®] Investments provides financial advisory services along with insurance and brokerage products. Cypress, a registered investment adviser, is a fee-only wealth management firm managing a "balanced" investment style portfolio focused on preservation of capital and generating current income. West Capital, a registered investment adviser, is a fee-only wealth management firm operating under a multi-family office philosophy to provide customized solutions to institutions and high-net-worth individuals. The trust division of WSFS, comprised of WSFS Institutional Services[®] and Christiana Trust DE, provides trustee, agency, bankruptcy administration, custodial and commercial domicile services to institutional and corporate clients. Christiana Trust DE also provides personal trust and fiduciary services to families and individuals across the U.S. Powdermill[®] is a multi-family office specializing in providing independent solutions to high-net-worth individuals, families and corporate executives through a coordinated, centralized approach. WSFS Wealth Client Management serves high-net-worth clients by delivering credit and deposit products and partnering with other Wealth Management businesses to provide comprehensive solutions to clients.

As of June 30, 2021, we service our customers primarily from 112 offices located in Pennsylvania (52), Delaware (42), New Jersey, (16), Virginia (1) and Nevada (1), our ATM network, our website at www.wsfsbank.com and our mobile app.

Highlights for Second Quarter and First Six Months of 2021

Results and other notable items include the following:

- On March 9, 2021, WSFS signed an Agreement and Plan of Merger (the Merger Agreement) with Bryn Mawr, a Pennsylvania corporation and the parent holding company of The Bryn Mawr Trust Company, a Pennsylvania chartered bank and wholly owned subsidiary of Bryn Mawr (Bryn Mawr Bank). On June 10, 2021, the stockholders of both WSFS and Bryn Mawr approved the Merger. On July 21, 2021, we received a key regulatory approval from the Office of the Comptroller of the Currency. The Merger is subject to customary conditions and the remaining required regulatory approval, and is currently expected to close early in the fourth quarter of 2021. We recorded \$2.4 million of corporate development and restructuring expense primarily related to the pending Merger during the second quarter of 2021.
- On June 15, 2021, WSFS completed the redemption of \$100.0 million in aggregate principal amount of our 4.50% fixed-to-floating rate senior notes due 2026 (the 2026 Notes). We recorded a \$1.1 million loss of debt extinguishment to recognize the remaining unamortized debt issue costs associated with these notes.
- We recorded a reduction in the allowance for credit losses (ACL) of \$72.4 million and \$96.4 million during the three and six months ended June 30, 2021, respectively, as a result of continued improving credit trends and economic forecasts.
- During the quarter, we recorded a \$5.1 million unrealized gain on our investment in Social Finance, Inc. (SoFi), which was subsequently liquidated at a realized gain of approximately \$4.4 million in July 2021.
- Taking a portion of the SoFi proceeds, we contributed \$1.0 million to the WSFS CARES Foundation to further fund support to our expanded communities.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Financial Condition

Total assets increased \$814.9 million to \$15.1 billion at June 30, 2021 compared to December 31, 2020. This increase is primarily comprised of the following:

- Investment securities, available-for-sale increased \$837.5 million during the six months ended June 30, 2021 primarily due to \$1.3 billion in purchases partially offset by repayments of \$354.3 million, decreased market-values on available-for-sale securities of \$45.7 million and sales of \$9.3 million.
- Cash and cash equivalents increased \$766.4 million, primarily reflecting the continuation of excess cash held due to increased deposits related to PPP loans, additional government stimulus and reduced levels of customer spending during the COVID-19 pandemic.
- Net loans and leases, excluding loans held for sale, decreased \$664.1 million, reflecting a \$612.4 million decline in commercial and industrial loans that included a \$528.3 million decrease due to forgiveness of PPP loans, a \$221.4 million decline in residential and commercial real estate loans, largely due to non-relationship run-off portfolios acquired through the Beneficial acquisition, and lower commercial loan demand resulting from higher levels of borrower liquidity. Partially offsetting these decreases was \$134.1 million of growth across our owner-occupied, construction and commercial small business lease portfolios, and a decrease of \$96.4 million in our allowance for credit losses due to positive developments in our economic forecasts and continued stable and improved credit quality metrics with notable declines in our problem assets, nonperforming assets and delinquencies.
- Loans held for sale decreased \$84.4 million during the six months ended June 30, 2021 driven by a large commercial loan sale and a combination of lower origination volume and higher loans sales in our mortgage banking business during the six months ended June 30, 2021.

Total liabilities increased \$722.6 million to \$13.3 billion at June 30, 2021 compared to December 31, 2020. This increase is primarily comprised of the following:

- Total deposits increased \$870.2 million, due to an increase in customer funding, reflecting continued elevated deposits from our Customers who received PPP loans, the impact of government stimulus checks and reduced levels of customer spending during the COVID-19 pandemic. The increase also reflects a \$476.3 million increase in core deposits from our Trust business. The ratio of net loans and leases (including loans held for sale) to customer deposits was 65% at June 30, 2021 reflecting significant liquidity capacity.
- Senior debt decreased \$98.8 million due to the redemption of the 2026 Notes, as described above.

- Other liabilities decreased \$43.9 million primarily due to \$35.7 million in lower accrued expenses, reflecting the timing of settlement for debt security trades, payment of Associate incentives and taxes in 2021, and a \$3.1 million release of the unfunded commitments reserve, which is consistent with reductions in ACL based upon our stable and improving credit quality metrics.
- FHLB advances decreased \$6.6 million due to maturities during the first quarter of 2021.

For further information, see "Notes to the Consolidated Financial Statements (Unaudited)."

Capital Resources

Stockholders' equity of WSFS increased \$92.3 million between December 31, 2020 and June 30, 2021. This increase was primarily due to \$160.7 million of income attributable to WSFS for the six months ended June 30, 2021, partially offset by \$45.7 million from the effect of decreased market-values on available-for-sale securities, \$12.0 million for the repurchases of 267,309 shares of common stock under our stock repurchase plan in January 2021, and the payment of dividends on our common stock of \$11.9 million.

During the second quarter of 2021, our Board of Directors approved a quarterly cash dividend of \$0.13 per share of common stock. This dividend will be paid on August 19, 2021 to stockholders of record as of August 5, 2021.

Book value per share of common stock was \$39.63 at June 30, 2021, an increase of \$2.11 from \$37.52 at December 31, 2020. Tangible book value per share of common stock (a non-GAAP financial measure) was \$28.02 at June 30, 2021, an increase of \$2.17 from \$25.85 at December 31, 2020. These increases are due to the same drivers of the increase in stockholders' equity of WSFS described above. We believe tangible book value per common share helps management and investors better understand and assess changes from period to period in stockholders' equity exclusive of changes in intangible assets. This non-GAAP measure should be considered in addition to results prepared in accordance with Generally Accepted Accounting Principles in the U.S. (GAAP), and is not a substitute for, or superior to, GAAP results. For a reconciliation of tangible book value per common share to book value per share in accordance with GAAP, see "Reconciliation of Non-GAAP Measure to GAAP Measure."

The table below compares the Bank's and the Company's consolidated capital position to the minimum regulatory requirements as of June 30, 2021:

	Consolidated Capital		Minimum For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Percent	Amount	Percent	Amount	Percent
<i>(Dollars in thousands)</i>						
Total Capital (to Risk-Weighted Assets)						
Wilmington Savings Fund Society, FSB	\$ 1,561,568	15.41 %	\$ 810,934	8.00 %	\$ 1,013,667	10.00 %
WSFS Financial Corporation	1,542,475	15.14	814,845	8.00	1,018,556	10.00
Tier 1 Capital (to Risk-Weighted Assets)						
Wilmington Savings Fund Society, FSB	1,440,393	14.21	608,200	6.00	810,934	8.00
WSFS Financial Corporation	1,421,301	13.95	611,134	6.00	814,845	8.00
Common Equity Tier 1 Capital (to Risk-Weighted Assets)						
Wilmington Savings Fund Society, FSB	1,440,393	14.21	456,150	4.50	658,884	6.50
WSFS Financial Corporation	1,356,301	13.32	458,350	4.50	662,062	6.50
Tier 1 Leverage Capital						
Wilmington Savings Fund Society, FSB	1,440,393	10.11	569,876	4.00	506,834	5.00
WSFS Financial Corporation	1,421,301	9.96	570,601	4.00	713,251	5.00

Under the prompt corrective action regime, regulators have established five capital tiers: well-capitalized, adequately-capitalized, under-capitalized, significantly under-capitalized, and critically under-capitalized. A depository institution's capital tier depends on its capital levels in relation to various relevant capital measures, which include leveraged and risk-based capital measures and certain other factors. Depository institutions that are not classified as well-capitalized are subject to various restrictions, which may include restrictions on capital distributions, payment of management fees, acceptance of brokered deposits and other operating activities.

Regulatory capital requirements for the Bank and the Company include a minimum common equity Tier 1 capital ratio of 4.50% of risk-weighted assets, a Tier 1 capital ratio of 6.00% of risk-weighted assets, a minimum Total capital ratio of 8.00% of risk-weighted assets and a minimum Tier 1 leverage capital ratio of 4.00% of average assets. In order to avoid limits on capital distributions and discretionary bonus payments, the Bank and the Company must maintain a capital conservation buffer of 2.5% of common equity Tier 1 capital over each of the risk-based capital requirements. As of June 30, 2021, the Bank and the Company were in compliance with the regulatory capital requirements and met or exceeded the amounts required to be considered "well-capitalized" as defined in the regulations.

Not included in the Bank's capital, the Company separately held \$112.3 million in cash to support share repurchases, potential dividends, acquisitions, strategic growth plans and other general corporate purposes.

As part of our adoption of CECL in 2020, we elected the *Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations*, which permits the Company to phase in the day-one adverse effects on regulatory capital that may result from the adoption of CECL over a three-year period. In addition, the final rule revises the agencies' regulatory capital rule, stress testing rules, and regulatory disclosure requirements to reflect CECL, and makes conforming amendments to other regulations that reference allowance for credit losses.

Liquidity

We manage our liquidity and funding needs through our Treasury function and our Asset/Liability Committee. We have a policy that separately addresses liquidity, and management monitors our adherence to policy limits. Also, liquidity risk management is a primary area of examination by the banking regulators.

Funding sources to support growth and meet our liquidity needs include cash from operations, retail deposit programs, loan repayments, FHLB borrowings, repurchase agreements, access to the Federal Reserve Discount Window, and access to the brokered deposit market as well as other wholesale funding avenues. In addition, we have a large portfolio of high-quality, liquid investments, primarily short-duration mortgage-backed securities, that provide a near-continuous source of cash flow to meet current cash needs, or can be sold to meet larger discrete needs for cash. We believe these sources are sufficient to meet our funding needs as well as maintain required and prudent levels of liquidity over the next twelve months.

During the six months ended June 30, 2021, cash, cash equivalents and restricted cash increased \$766.4 million to \$2.4 billion from \$1.7 billion as of December 31, 2020. Cash provided by operating activities was \$89.1 million, primarily reflecting the cash impact of earnings and a \$58.9 million increase from the net activity for loans held for sale during the six months ended June 30, 2021. These increases were partially offset by a decrease of \$35.2 million in other liabilities from the settlement for debt security trades and payment of Associate incentives and taxes, as described above. Cash used in investing activities was \$62.6 million primarily due to net purchases of available-for-sale debt securities of \$913.7 million, partially offset by \$826.1 million from decreased lending activity related to PPP loan forgiveness, \$16.2 million in repayments, maturities and calls of held-to-maturity debt securities, and proceeds of \$9.3 million from sales of available-for-sale debt securities. Cash provided by financing activities was \$739.9 million, primarily due to a \$871.4 million net increase in deposits, as a result of the increase in customer funding discussed above, partially offset by \$100.0 million for the redemption of the 2026 Notes, \$13.2 million for repurchases of common stock under the previously announced stock repurchase plan, common stock dividends of \$11.9 million and \$6.6 million for repayment of FHLB advances.

NONPERFORMING ASSETS

Nonperforming assets include nonaccruing loans, other real estate owned (OREO) and restructured loans. Nonaccruing loans are those on which we no longer accrue interest. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and the value of the collateral is insufficient to cover principal and interest. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed and charged against interest income. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual status. Subsequent cash receipts are applied either to the outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collectability of principal and interest. Past due loans are defined as loans contractually past due 90 days or more as to principal or interest payments but which remain in accrual status because they are considered well secured and in the process of collection.

The following table shows our nonperforming assets and past due loans at the dates indicated:

<i>(Dollars in thousands)</i>	June 30, 2021	December 31, 2020
Nonaccruing loans:		
Commercial and industrial	\$ 14,261	\$ 13,816
Owner-occupied commercial	2,781	5,360
Commercial mortgages	1,615	17,175
Residential	2,726	3,247
Consumer	2,641	2,310
Total nonaccruing loans	24,024	41,908
Other real estate owned	1,044	3,061
Restructured loans ⁽¹⁾⁽⁶⁾	14,997	15,539
Total nonperforming assets	\$ 40,065	\$ 60,508
Past due loans:		
Commercial	\$ 482	\$ 5,634
Residential	1,093	25
Consumer ⁽²⁾	6,958	11,035
Total past due loans	\$ 8,533	\$ 16,694
Ratio of allowance for credit losses to total loans and leases ⁽³⁾	1.59 %	2.51 %
Ratio of nonaccruing loans to total gross loans and leases ⁽⁴⁾	0.29	0.46
Ratio of nonperforming assets to total assets	0.26	0.42
Ratio of allowance for credit losses to nonaccruing loans	551	546
Ratio of allowance for credit losses to total nonperforming assets ⁽⁵⁾	331	378

⁽¹⁾ Accruing loans only, which includes acquired nonimpaired loans. Nonaccruing Troubled Debt Restructurings (TDRs) are included in their respective categories of nonaccruing loans.

⁽²⁾ Includes U.S. government guaranteed student loans with little risk of credit loss.

⁽³⁾ Represents amortized cost basis for loans, leases and held-to-maturity securities.

⁽⁴⁾ Total loans exclude loans held for sale and reverse mortgages.

⁽⁵⁾ Excludes acquired impaired loans.

⁽⁶⁾ Balance excludes COVID-19 modifications of \$120.4 million at June 30, 2021 and \$114.8 million at December 31, 2020.

Nonperforming assets decreased \$20.4 million between December 31, 2020 and June 30, 2021. This decrease was primarily due to \$24.3 million of collection activity during the period, which included the payoff of one commercial real estate relationship of approximately \$15.1 million during the first quarter of 2021. The decrease was partially offset by the transfer to non-accrual of approximately \$3.0 million (net of charge-offs) in small commercial and retail loans and the move to non-accrual of one large commercial relationship during the first quarter of 2021 that was fully charged-off by June 30, 2021. The ratio of nonperforming assets to total assets decreased from 0.42% at December 31, 2020 to 0.26% at June 30, 2021.

The following table summarizes the changes in nonperforming assets during the periods indicated:

<i>(Dollars in thousands)</i>	Six Months Ended June 30,	
	2021	2020
Beginning balance	\$ 60,508	\$ 39,808
Additions	14,790	18,155
Collections	(24,286)	(8,171)
Transfers to accrual	(28)	—
Charge-offs	(10,919)	(4,914)
Ending balance	\$ 40,065	\$ 44,878

The timely identification of problem loans is a key element in our strategy to manage our loan portfolio. Problem loans are all criticized, classified and nonperforming loans and other real estate owned. Timely identification enables us to take appropriate action and accordingly, minimize losses. An asset review system established to monitor the asset quality of our loans and investments in real estate portfolios facilitates the identification of problem assets. In general, this system uses guidelines established by federal regulation.

INTEREST RATE SENSITIVITY

Our primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on net interest income and capital, while maximizing the yield/cost spread on our asset/liability structure. Interest rates are partly a function of decisions by the Federal Open Market Committee (FOMC) on the target range for the federal funds rate, and these decisions are sometimes difficult to anticipate. In response to the pandemic, in March 2020 the FOMC lowered the range 150 basis points to 0 to 1/4 percent. The FOMC recently indicated that the target range will remain at this level for some time, but the FOMC is not locked into this result. In order to manage the risks associated with changes or possible changes in interest rates, we rely primarily on our asset/liability structure.

Our primary tool for achieving our asset/liability management strategies is to match maturities or repricing periods of interest rate-sensitive assets and liabilities to promote a favorable interest rate spread and mitigate exposure to fluctuations in interest rates. We regularly review our interest rate sensitivity and adjust the sensitivity within acceptable tolerance ranges. At June 30, 2021, interest-earning assets exceeded interest-bearing liabilities that mature or reprice within one year (interest-sensitive gap) by \$2.2 billion. Our interest-sensitive assets as a percentage of interest-sensitive liabilities within the one-year window was 140.47% at June 30, 2021 compared with 133.10% at December 31, 2020. Likewise, the one-year interest-sensitive gap as a percentage of total assets was 14.38% at June 30, 2021 compared with 13.07% at December 31, 2020.

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from interest rate risk inherent in our lending, investing, and funding activities. To that end, we actively monitor and manage our interest rate risk exposure. One measure, which we are required to perform by federal regulation, measures the impact of an immediate change in interest rates in 100 basis point increments on the economic value of equity ratio. The economic value of the equity ratio is defined as the economic value of the estimated cash flows from assets and liabilities as a percentage of economic value of cash flows from total assets.

The following table shows the estimated impact of immediate changes in interest rates on our net interest margin and economic value of equity ratio at the specified levels at June 30, 2021 and December 31, 2020:

% Change in Interest Rate (Basis Points)	June 30, 2021		December 31, 2020	
	% Change in Net Interest Margin ⁽¹⁾	Economic Value of Equity ⁽²⁾	% Change in Net Interest Margin ⁽¹⁾	Economic Value of Equity ⁽²⁾
+300	24.2%	19.92%	19.7%	19.10%
+200	16.0%	19.45%	13.1%	18.69%
+100	7.9%	18.90%	6.5%	18.05%
+50	3.8%	18.06%	3.2%	17.59%
+25	1.9%	17.96%	1.5%	17.32%
—	—%	17.83%	—%	17.04%
-25	(1.8)%	17.56%	(1.5)%	16.62%
-50	(2.4)%	17.21%	(2.1)%	16.20%
-100	(3.6)%	16.38%	(2.8)%	15.16%
-200 ⁽³⁾	NMF	NMF	NMF	NMF
-300 ⁽³⁾	NMF	NMF	NMF	NMF

⁽¹⁾ The percentage difference between net interest margin in a stable interest rate environment and net interest margin as projected under the various rate change environments.

⁽²⁾ The economic value of equity ratio in a stable interest rate environment and the economic value of equity ratio as projected under the various rate change environments.

⁽³⁾ Sensitivity indicated by a decrease of 200 and 300 basis points is not deemed meaningful (NMF) given the low absolute level of interest rates in the periods presented.

We also engage in other business activities that are sensitive to changes in interest rates. For example, mortgage banking revenues and expenses can fluctuate with changing interest rates. These fluctuations are difficult to model and estimate.

RESULTS OF OPERATIONS

Three months ended June 30, 2021: Net income for the three months ended June 30, 2021 was \$95.7 million, compared to net loss of \$7.1 million for the three months ended June 30, 2020.

- Net interest income decreased \$7.0 million during the three months ended June 30, 2021 compared to the three months ended June 30, 2020, primarily due to a decrease in purchase accounting accretion and the purposeful run-off of acquired non-relationship loan portfolios, partially offset by PPP income. See “Net Interest Income” for further information.
- Our (recovery of) provision for credit losses for the three months ended June 30, 2021 decreased \$162.3 million compared to the three months ended June 30, 2020, primarily due to the positive economic outlook from our ACL modeling and improved credit quality metrics reflecting overall declines in problem assets, nonperforming assets and delinquencies, as compared to ACL reserve builds required during 2020 as a result of the economic uncertainty associated with the COVID-19 pandemic at that time. See “Allowance for Credit Losses” for further information.
- Noninterest income for the three months ended June 30, 2021 decreased \$15.4 million compared to the three months ended June 30, 2020, primarily due to the year-over-year impact from sale of Visa Class B shares in the prior year, a decline in our mortgage banking business and lower interchange fees from the impact of the Durbin Amendment on the second quarter of 2021 results, partially offset by unrealized gain in equity investments driven by our SoFi investment and higher revenues generated through our trust services in the current period compared to the prior period. See “Noninterest Income” for further information.
- Noninterest expense increased \$2.6 million during the three months ended June 30, 2021 compared to the three months ended June 30, 2020 due to increases in salaries and benefits, other operating expenses, equipment expense, and debt extinguishments costs from our 2026 Notes, partially offset loan workout and other credit costs. See “Noninterest Expense” for further information.
- Income tax provision (benefit) for the three months ended June 30, 2021 increased \$33.9 million compared to the three months ended June 30, 2020, primarily due to the \$137.4 million increase in pre-tax income.

Six months ended June 30, 2021: Net income for the six months ended June 30, 2021 was \$160.7 million, compared to net income of \$3.8 million for the six months ended June 30, 2020.

- Net interest income decreased \$9.0 million during the six months ended June 30, 2021 compared to the six months ended June 30, 2020, primarily due to lower loan volumes relating to purposeful run-off of acquired non-relationship loan portfolios, a lower interest rate environment and a decrease in purchase accounting accretion, partially offset by favorable customer funding and PPP income. See “Net Interest Income” for further information.
- Our (recovery of) provision for credit losses for the six months ended June 30, 2021 decreased \$239.1 million compared to the six months ended June 30, 2020, due to the reasons described above. See “Allowance for Credit Losses” for further information.
- Noninterest income for the six months ended June 30, 2021 decreased \$8.4 million compared to the six months ended June 30, 2020, primarily due to the Visa Class B sale in 2020 and lower interchange fees from the impact of the Durbin Amendment on the first half of 2021 results as described above. These decreases were offset by the higher revenues generated through our trust services, the unrealized gain in equity investments from SoFi, and higher traditional banking fees in the current period compared to the prior period. See “Noninterest Income” for further information.
- Noninterest expense increased \$9.7 million during the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to increases in salaries and benefits, equipment expense and debt extinguishment costs, as described above, partially offset by lower loan workout and other credit costs and other operating expenses. See “Noninterest Expense” for further information.
- Income tax provision for the six months ended June 30, 2021 increased \$54.1 million compared to the six months ended June 30, 2020, primarily due to the \$212.0 million increase in pre-tax income.

Net Interest Income

The following tables provide information concerning the balances, yields and rates on interest-earning assets and interest-bearing liabilities during the periods indicated:

	Three months ended June 30,					
	2021			2020		
	Average Balance	Interest	Yield/Rate ⁽¹⁾	Average Balance	Interest	Yield/Rate ⁽¹⁾
<i>(Dollars in thousands)</i>						
Assets:						
Interest-earning assets:						
Loans: ⁽²⁾						
Commercial loans and leases	\$ 3,900,612	\$ 46,039	4.74 %	\$ 4,291,301	\$ 53,390	5.01 %
Commercial real estate loans	2,791,438	28,277	4.06	2,841,231	31,230	4.42
Residential loans	647,442	11,271	6.96	933,854	13,679	5.86
Consumer loans	1,123,440	11,950	4.27	1,124,742	13,065	4.67
Loans held for sale	131,460	1,108	3.38	92,252	896	3.91
Total loans and leases	8,594,392	98,645	4.61	9,283,380	112,260	4.87
Mortgage-backed securities ⁽³⁾	2,978,331	12,506	1.68	2,048,357	12,549	2.45
Investment securities ⁽³⁾	318,415	1,383	1.97	130,671	1,009	3.82
Other interest-earning assets	1,414,264	368	0.10	220,801	65	0.12
Total interest-earning assets	\$ 13,305,402	\$ 112,902	3.41 %	\$ 11,683,209	\$ 125,883	4.34 %
Allowance for credit losses	(194,211)			(156,576)		
Cash and due from banks	176,015			108,463		
Cash in non-owned ATMs	468,136			319,154		
Bank-owned life insurance	32,329			29,965		
Other noninterest-earning assets	998,948			1,036,500		
Total assets	\$ 14,786,619			\$ 13,020,715		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing demand	\$ 2,560,283	\$ 531	0.08 %	\$ 2,213,369	\$ 882	0.16 %
Savings	1,922,342	149	0.03	1,681,587	877	0.21
Money market	2,754,895	801	0.12	2,262,737	2,311	0.41
Customer time deposits	1,078,296	1,842	0.69	1,242,730	4,954	1.60
Total interest-bearing customer deposits	8,315,816	3,323	0.16	7,400,423	9,024	0.49
Brokered deposits	63,407	455	2.88	286,655	808	1.13
Total interest-bearing deposits	8,379,223	3,778	0.18	7,687,078	9,832	0.51
Federal Home Loan Bank advances	—	—	—	106,694	625	2.36
Trust preferred borrowings	67,011	317	1.90	67,011	484	2.90
Senior debt	228,260	2,053	3.60	98,681	1,180	4.78
Other borrowed funds ⁽⁴⁾	21,661	5	0.09	25,580	6	0.09
Total interest-bearing liabilities	\$ 8,696,155	\$ 6,153	0.28 %	\$ 7,985,044	\$ 12,127	0.61 %
Noninterest-bearing demand deposits	3,963,476			2,882,999		
Other noninterest-bearing liabilities	329,341			311,697		
Stockholders' equity	1,799,839			1,842,525		
Noncontrolling interest	(2,192)			(1,550)		
Total liabilities and stockholders' equity	\$ 14,786,619			\$ 13,020,715		
Excess of interest-earning assets over interest-bearing liabilities	\$ 4,609,247			\$ 3,698,165		
Net interest and dividend income		\$ 106,749			\$ 113,756	
Interest rate spread			3.13 %			3.73 %
Net interest margin			3.23 %			3.93 %

⁽¹⁾ Weighted average yields for tax-exempt securities and loans have been computed on a tax-equivalent basis.

⁽²⁾ Average balances are net of unearned income and include nonperforming loans.

⁽³⁾ Includes securities available-for-sale at fair value.

⁽⁴⁾ Includes federal funds purchased.

	Six months ended June 30,					
	2021			2020		
	Average Balance	Interest	Yield/Rate ⁽¹⁾	Average Balance	Interest	Yield/Rate ⁽¹⁾
<i>(Dollars in thousands)</i>						
Assets:						
Interest-earning assets:						
Loans: ⁽²⁾						
Commercial loans and leases	\$ 4,018,667	\$ 98,659	4.96 %	\$ 3,912,464	\$ 109,084	5.62 %
Commercial real estate loans	2,797,375	57,468	4.14	2,825,049	65,522	4.66
Residential loans	690,776	24,135	6.99	963,131	27,219	5.65
Consumer loans	1,141,414	24,786	4.38	1,127,483	28,000	4.99
Loans held for sale	146,291	2,449	3.38	81,068	1,637	4.06
Total loans and leases	8,794,523	207,497	4.76	8,909,195	231,462	5.23
Mortgage-backed securities ⁽³⁾	2,744,420	23,210	1.69	2,003,997	25,768	2.57
Investment securities	327,363	2,832	1.97	130,896	1,935	3.61
Other interest-earning assets	1,259,806	644	0.10	148,578	573	0.78
Total interest-earning assets	\$ 13,126,112	\$ 234,183	3.61 %	\$ 11,192,666	\$ 259,738	4.68 %
Allowance for credit losses	(210,471)			(120,816)		
Cash and due from banks	145,568			124,129		
Cash in non-owned ATMs	431,226			327,314		
Bank-owned life insurance	32,242			30,059		
Other noninterest-earning assets	998,202			1,036,767		
Total assets	\$ 14,522,879			\$ 12,590,119		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing demand	\$ 2,566,271	\$ 1,149	0.09 %	\$ 2,149,299	\$ 2,779	0.26 %
Savings	1,876,815	299	0.03	1,627,901	2,621	0.32
Money market	2,718,758	1,655	0.12	2,207,861	6,400	0.58
Customer time deposits	1,097,636	4,219	0.78	1,274,081	10,610	1.67
Total interest-bearing customer deposits	8,259,480	7,322	0.18	7,259,142	22,410	0.62
Brokered deposits	99,979	952	1.92	258,539	2,059	1.60
Total interest-bearing deposits	8,359,459	8,274	0.20	7,517,681	24,469	0.65
Federal Home Loan Bank advances	366	5	2.75	138,376	1,455	2.11
Trust preferred borrowings	67,011	641	1.93	67,011	1,070	3.21
Senior debt	237,406	4,319	3.64	98,654	2,359	4.78
Other borrowed funds ⁽⁴⁾	20,664	10	0.10	86,918	479	1.11
Total interest-bearing liabilities	\$ 8,684,906	\$ 13,249	0.31 %	\$ 7,908,640	\$ 29,832	0.76 %
Noninterest-bearing demand deposits	3,728,459			2,524,755		
Other noninterest-bearing liabilities	325,838			318,941		
Stockholders' equity	1,785,907			1,839,013		
Noncontrolling interest	(2,231)			(1,230)		
Total liabilities and stockholders' equity	\$ 14,522,879			\$ 12,590,119		
Excess of interest-earning assets over interest-bearing liabilities	\$ 4,441,206			\$ 3,284,026		
Net interest and dividend income		\$ 220,934			\$ 229,906	
Interest rate spread			3.30 %			3.92 %
Net interest margin			3.40 %			4.14 %

⁽¹⁾ Weighted average yields for tax-exempt securities and loans have been computed on a tax-equivalent basis.

⁽²⁾ Average balances are net of unearned income and include nonperforming loans.

⁽³⁾ Includes securities available-for-sale at fair value.

⁽⁴⁾ Includes federal funds purchased.

Three months ended June 30, 2021: During the three months ended June 30, 2021, net interest income decreased \$7.0 million from the three months ended June 30, 2020 primarily due to a \$4.9 million decrease in purchase accounting accretion and a \$3.0 million reduction, excluding PPP loans, primarily from lower loan balances due to purposeful run-off of acquired non-relationship loans. These decreases were partially offset by \$0.9 million of higher PPP income. Net interest margin was 3.23% for the second quarter of 2021, a 70 basis point decrease compared to 3.93% for the second quarter of 2020 reflecting 45 bps from the short-term liquidity increase in customer deposits, a 19 bps net decline from the lower interest rate environment and balance sheet mix, and 22 bps from lower purchase accounting accretion, partially offset by a 16 bps increase from the impact of PPP loans.

Six months ended June 30, 2021: During the six months ended June 30, 2021, net interest income decreased \$9.0 million from the six months ended June 30, 2020. This decrease included a \$26.1 million reduction from lower loan volumes due to purposeful run-off of acquired non-relationship loans and the net impact of a lower interest rate environment, and a \$7.8 million decrease in purchase accounting accretion. This was partially offset by a favorable increase of \$15.1 million from lower customer funding and \$10.2 million of net interest income from PPP loans. Net interest margin was 3.40% for the six months ended June 30, 2021, a 74 basis point decrease compared to 4.14% for the six months ended June 30, 2020 reflecting 70 bps net decline from the lower interest rate environment and balance sheet mix, 28 bps from the significant short-term liquidity increase in customer deposits, and 20 bps from lower purchase accounting accretion, partially offset by a 29 bps increase from the favorable impact from customer funding and a 14 bps increase from the impact of PPP loans.

Allowance for Credit Losses

We maintain the allowance for credit losses at an appropriate level based on our assessment of estimable and expected losses in the loan portfolio. Our allowance for credit losses is based on our historical loss experience that includes the inherent risk of our loans and various other factors including but not limited to, collateral values, trends in asset quality, level of delinquent loans and concentrations. Further, regional and national economic forecasts are considered in our expected credit losses. Our evaluation is based on a review of the portfolio and requires significant, complex and difficult judgments.

During the three months ended June 30, 2021, we recorded a recovery of credit losses of \$67.6 million, a net change of \$162.3 million as compared with the provision for credit losses of \$94.8 million for the three months ended June 30, 2020. During the six months ended June 30, 2021, we recorded a recovery of credit losses of \$87.7 million, a net change of \$239.1 million as compared with the provision for credit losses of \$151.4 million for the six months ended June 30, 2020. These improvements reflect the continued positive economic outlook from our ACL modeling and improved credit quality metrics reflecting overall declines in problem assets, nonperforming assets and delinquencies.

The allowance for credit losses decreased to \$132.4 million at June 30, 2021 from \$228.8 million at December 31, 2020, primarily due to the \$87.7 million recovery of credit losses during the six months ended June 30, 2021, as described above. The ratio of allowance for credit losses to total loans and leases was 1.59% at June 30, 2021 and 2.51% at December 31, 2020. Net charge-offs were \$4.8 million and \$8.7 million during the three and six months ended June 30, 2021, respectively, and were primarily driven by one commercial relationship, as described above in Nonperforming Assets.

When compared to the three and six months ended June 30, 2020, net charge-offs increased by \$3.2 million and \$6.0 million, respectively. The ratio of net charge-offs to average gross loans net of unearned income, which excludes loans held for sale and reverse mortgages, was 0.20% (annualized) and 0.09% at June 30, 2021 and December 31, 2020, respectively.

See Note 7 to the unaudited Consolidated Financial Statements and Nonperforming Assets above for further information.

Noninterest Income

Three months ended June 30, 2021: During the three months ended June 30, 2021, noninterest income was \$49.0 million, a decrease of \$15.4 million from \$64.4 million during the three months ended June 30, 2020. This decrease includes the impact of a \$22.1 million gain on sale of Visa Class B shares that occurred in June 2020, a \$4.0 million decrease in mortgage banking activities from the expected decline in pipeline volume compared to the historically higher levels in the prior period, and a \$1.7 million decrease in *Credit/debit card and ATM income*, which included a reduction in interchange fees of \$3.4 million resulting from the Durbin amendment (effective for us on July 1, 2020). Partially offsetting these decreases were \$5.3 million of unrealized gains on equity investments primarily driven by our investment in SoFi and an increase of \$4.4 million in *Investment management and fiduciary revenue* driven by our trust services.

Six months ended June 30, 2021: During the six months ended June 30, 2021, noninterest income was \$96.8 million, a decrease of \$8.4 million from \$105.2 million during the six months ended June 30, 2020. This decrease includes the \$22.1 million gain on sale of Visa Class B shares as described above, and a \$6.3 million decrease in *Credit/debit card and ATM income* primarily due to a reduction in interchange fees resulting from the Durbin Amendment, offset by an increase of \$7.7 million in *Investment management and fiduciary revenue* driven by trust services revenue, \$4.6 million of unrealized gains on equity investments driven primarily from the gains associated with SoFi, \$4.0 million from higher traditional banking fees, and \$4.4 million from other income, driven primarily by \$2.0 million from Cash Connect® and \$1.4 million from gains on SBA loans.

For further information, see Note 3 to the unaudited Consolidated Financial Statements.

Noninterest Expense

Three months ended June 30, 2021: During the three month ended June 30, 2021, noninterest expense was \$96.0 million, an increase of \$2.6 million from \$93.4 million for the three months ended June 30, 2020. The increase was primarily due to a \$3.7 million increase in *Salaries, benefits and other compensation* as a result of higher salaries and incentive compensation due to continued franchise growth, a \$1.9 million increase in *Other operating expenses* that included a \$1.0 million contribution to the WSFS CARES Foundation, a \$1.6 million increase in *Equipment expense* including higher third-party software expenses related to our ongoing delivery transformation initiatives, and \$1.1 million in debt extinguishment costs from the repayment of our 2026 Notes. These increases were partially offset by a \$5.1 million decrease in *Loan workout and other credit costs* due to the release of reserves on our unfunded commitments.

Six months ended June 30, 2021: During the six months ended June 30, 2021, noninterest expense was \$191.7 million, an increase of \$9.7 million from \$181.9 million for the six months ended June 30, 2020. The increase was primarily due to a \$11.4 million increase in *Salaries, benefits and other compensation* as a result of higher salaries and incentive compensation due to franchise growth, a \$4.0 million increase in *Equipment expense* including our ongoing delivery transformation initiatives as described above, and \$1.1 million in debt extinguishment costs. These increases were partially offset by a \$4.5 million decrease in *Loan workout and other credit costs* and \$3.9 million decrease in *Other operating expenses* primarily due to \$2.0 million in lower contributions to the WSFS CARES Foundation (formerly the WSFS Community Foundation) when compared to the prior year and \$1.4 million of plan settlement loss incurred from the termination of the Alliance Pension Plan in June 2020.

Income Taxes

We and our subsidiaries file a consolidated federal income tax return and separate state income tax returns. Income taxes are accounted for in accordance with ASC 740, *Income Taxes*, which requires the recording of deferred income taxes for tax consequences of temporary differences. We recorded income tax expense of \$31.7 million and \$53.1 million during the three and six months ended June 30, 2021, respectively, compared to income tax benefit of \$2.2 million and \$1.0 million for the same periods in 2020.

Our effective tax rate was 24.9% and 24.8% for the three and six months ended June 30, 2021, respectively, compared to 22.3% and 53.4% for the same periods in 2020. The effective tax rate for the six months ended June 30, 2021 increased primarily due to the \$1.7 million in tax benefits recognized during the six months ended June 30, 2020 related to tax law changes contained in the CARES Act, related to the ability to carry back certain acquired net operating losses to prior years where the statutory tax rate was higher than the current statutory tax rate. Further, we incurred \$0.2 million and \$0.6 million of tax expense related to nondeductible acquisition costs during the three and six months ended June 30, 2021 whereas none were incurred in the comparable periods in 2020.

The effective tax rate reflects the recognition of certain tax benefits in the financial statements including those benefits from tax-exempt interest income, federal low-income housing tax credits, and excess tax benefits from recognized stock compensation. These tax benefits are offset by the tax effect of stock-based compensation expense related to incentive stock options, nondeductible acquisition costs and a provision for state income tax expense.

We frequently analyze our projections of taxable income and make adjustments to our provision for income taxes accordingly.

Contractual Obligations

Our contractual obligations at June 30, 2021 did not significantly change from our contractual obligations at December 31, 2020, which are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

RECONCILIATION OF NON-GAAP MEASURE TO GAAP MEASURE

The following table provides a reconciliation of tangible book value per share of common stock to book value per share of common stock, the most directly comparable GAAP financial measure. We believe this measure helps management and investors better understand and assess changes from period to period in stockholders' equity exclusive of changes in intangible assets. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, and is not a substitute for, or superior to, GAAP results.

(Dollars and share amounts in thousands, except per share amounts)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Stockholders' equity of WSFS	\$ 1,884,054	\$ 1,791,726
Less: Goodwill and other intangible assets	551,951	557,386
Tangible common equity (numerator)	<u>\$ 1,332,103</u>	<u>\$ 1,234,340</u>
Shares of common stock outstanding (denominator)	47,535	47,756
Book value per share of common stock	\$ 39.63	\$ 37.52
Goodwill and other intangible assets	11.61	11.67
Tangible book value per share of common stock	<u>\$ 28.02</u>	<u>\$ 25.85</u>

CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited Consolidated Financial Statements in accordance with U.S. GAAP requires us to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue and expenses. We regularly evaluate these estimates and assumptions including those related to the allowance for credit losses, business combinations, deferred taxes, fair value measurements and goodwill and other intangible assets. We base our estimates on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances. These form the basis for making judgments on the carrying value of certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Although our current estimates contemplate current economic conditions and how we expect them to change in the future, for the remainder of 2021, it is possible that actual conditions may be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates at June 30, 2021 did not significantly change from our critical accounting estimates at December 31, 2020, which are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

RECENT REGULATORY DEVELOPMENTS

Recent regulatory developments at June 30, 2021 did not significantly change from our recent regulatory developments at December 31, 2020 and March 31, 2021, which are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 and our Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this Item is incorporated herein by reference to the information provided in Item 2 Part I (Interest Rate Sensitivity) of this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

- (a) **Evaluation of disclosure controls and procedures.** Based on their evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), our principal executive officer and principal financial officer have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q such disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
- (b) **Changes in internal control over financial reporting.** During the three months ended June 30, 2021, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to the information provided in Note 19 – Legal and Other Proceedings to the unaudited Consolidated Financial Statements.

Item 1A. Risk Factors

There have not been any material changes to the risk factors previously disclosed under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020, previously filed with the Securities and Exchange Commission, except noted as below.

Strategic Risk

Failure of the Merger to be completed, the termination of the Merger Agreement or a significant delay in the consummation of the Merger could negatively impact the Company and Bryn Mawr.

Although we anticipate closing the Merger during the fourth quarter of 2021, the Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the Merger. These conditions to the consummation of the Merger may not be fulfilled and, accordingly, the Merger may not be completed. In addition, if the Merger is not completed by March 9, 2022, either the Company or Bryn Mawr may choose to terminate the Merger Agreement at any time after that date if the failure to consummate the transactions contemplated by the Merger Agreement is not caused by any breach of the Merger Agreement by the party electing to terminate the Merger Agreement. Further, the outcomes of several lawsuits filed by stockholders of the Company and Bryn Mawr against the Company, Bryn Mawr and their respective boards of directors with respect to the Merger during the second quarter of 2021 are uncertain and could result in significant costs, management distraction, and/or a delay of or injunction against the Merger.

If the Merger is not consummated, the ongoing business, financial condition and results of operations of the Company may be adversely affected and the market price of our common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the Merger will be consummated. If the consummation of the Merger is delayed, including by the receipt of a competing acquisition proposal, our business, financial condition and results of operations may be adversely affected.

In addition, we have incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Merger Agreement. If the Merger is not completed, we would have to recognize these expenses without realizing the expected benefits of the Merger. Any of the foregoing, or other risks arising in connection with the failure of or delay in consummating the Merger, including the diversion of management attention from pursuing other opportunities and the constraints in the Merger Agreement on the ability to make significant changes to our ongoing business during the pendency of the Merger, could have a material adverse effect on our business, financial condition and results of operations.

Additionally, if the Merger is not completed, our business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger, and the market price of our common stock might decline to the extent that the current market price reflects a market assumption that the Merger will be completed. If the Merger Agreement is terminated and we seek another Merger or business combination, you cannot be certain that we will be able to find a party willing to engage in a transaction on more attractive terms than the Merger.

Combining the Company's and Bryn Mawr's businesses may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the Merger may not be fully realized.

The success of the Merger will depend on, among other things, the combined company's ability to combine the businesses of the Company and Bryn Mawr. If the combined company is not able to successfully achieve this objective, the anticipated benefits of the Merger may not be realized fully, or at all, or may take longer to realize than expected.

The Company and Bryn Mawr have operated and, until the completion of the Merger, will continue to operate, independently. The success of the Merger, including anticipated benefits and cost savings, will depend, in part, on the successful combination of the businesses of the Company and Bryn Mawr. To realize these anticipated benefits and cost savings, after the completion of the Merger, the Company expects to integrate Bryn Mawr's business into its own. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the Merger. The loss of key employees could have an adverse effect on the companies' financial results and the value of their common stock.

In addition, the impacts of the COVID-19 pandemic may make it more costly or more difficult to integrate the businesses of WSFS and Bryn Mawr. If the Company experiences difficulties with the integration process, the anticipated benefits of the Merger may not be realized fully, or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause Bryn Mawr or the Company to lose current customers or cause current customers to remove their accounts from Bryn Mawr or the Company and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Bryn Mawr and the Company during this transition period and on the Company for an undetermined period after consummation of the Merger.

The Company expects to incur substantial expenses related to the Merger.

The Company expects to incur substantial expenses in connection with consummation of the Merger and combining the business, operations, networks, systems, technologies, policies and procedures of the two companies. Although the Company and Bryn Mawr have assumed that a certain level of transaction and combination expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their combination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Due to these factors, the transaction and combination expenses associated with the Merger could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the combination of the businesses following the consummation of the Merger. As a result of these expenses, both the Company and Bryn Mawr expect to take charges against their earnings before and after the completion of the Merger. The charges taken in connection with the Merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the transactions contemplated by the Merger Agreement, including the Merger, may be completed, various approvals must be obtained from bank regulatory authorities. In determining whether to grant these approvals, the applicable regulatory authorities consider a variety of factors, including the competitive impact of the proposal in the relevant geographic markets; financial, managerial and other supervisory considerations of each party; convenience and needs of the communities to be served and the record of the insured depository institution subsidiaries under the Community Reinvestment Act of 1977 and the regulations promulgated thereunder; effectiveness of the parties in combating money laundering activities; and the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. These regulatory authorities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the Merger or of imposing additional costs or limitations on the combined company following the Merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, or may contain conditions on the completion of the Merger that are not anticipated or cannot be met. Furthermore, such conditions or changes may constitute a burdensome condition that may allow WSFS to terminate the Merger Agreement and WSFS may exercise its right to terminate the Merger Agreement. If the consummation of the Merger is delayed, including by a delay in receipt of necessary regulatory approvals, the business, financial condition and results of operations of each of WSFS and Bryn Mawr may also be adversely affected.

WSFS will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees, customers (including depositors and borrowers), suppliers and vendors may have an adverse effect on the business, financial condition and results of operations of WSFS and Bryn Mawr. These uncertainties may impair WSFS's and Bryn Mawr's ability to attract, retain and motivate key personnel and customers (including depositors and borrowers) pending the consummation of the Merger, as such personnel and customers may experience uncertainty about their future roles and relationships following the consummation of the Merger. Additionally, these uncertainties could cause customers (including depositors and borrowers), suppliers, vendors and others who deal with WSFS and/or Bryn Mawr to seek to change existing business relationships with WSFS and/or Bryn Mawr or fail to extend an existing relationship with WSFS and/or Bryn Mawr. In addition, competitors may target each party's existing customers by highlighting potential uncertainties and integration difficulties that may result from the Merger. The pursuit of the Merger and the preparation for the integration may place a burden on each company's management and internal resources. Any significant diversion of management attention away from ongoing business concerns and any difficulties encountered in the transition and integration process could have a material adverse effect on each company's business, financial condition and results of operations. In addition, the Merger Agreement restricts each party from taking certain actions without the other party's consent while the Merger is pending. These restrictions could have a material adverse effect on each party's business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the first quarter of 2020, the Board of Directors of the Company approved a share repurchase program authorizing the repurchase of 7,594,977 shares of common stock, or 15% of its outstanding shares as of March 31, 2020. Under the program, repurchases may be made from time to time in the open market or through negotiated transactions, subject to market conditions and other factors, and in accordance with applicable securities laws. The program is consistent with our intent to return a minimum of 25% of annual net income to stockholders through dividends and share repurchases while maintaining capital ratios in excess of “well-capitalized” regulatory benchmarks.

During the three months ended June 30, 2021, no repurchases of shares of common stock were made under the Company's share repurchase program. All share repurchases were temporarily suspended upon the announcement of the Company signing the Merger Agreement with Bryn Mawr on March 10, 2021, and we expect the repurchases will continue to be suspended until the close of the Merger, which is currently anticipated to close early in the fourth quarter of 2021.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger, dated March 9, 2021, by and between WSFS Financial Corporation and Bryn Mawr Bank Corporation is incorporated herein by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on March 10, 2021*
3.1	Registrant's Amended and Restated Certificate of Incorporation, as amended is incorporated herein by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K filed for the year ended December 31, 2019.
3.2	Amended and Restated Bylaws of WSFS Financial Corporation is incorporated herein by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on November 21, 2014.
10.1	WSFS Financial Corporation's 2018 Incentive Plan, as amended on March 23, 2021, is incorporated herein by reference to the Appendix of the Registrant's Definitive Proxy Statement on Schedule 14-A for the 2021 Annual Meeting of Stockholders
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document **
101.SCH	XBRL Schema Document **
101.CAL	XBRL Calculation Linkbase Document **
101.LAB	XBRL Labels Linkbase Document **
101.PRE	XBRL Presentation Linkbase Document **
101.DEF	XBRL Definition Linkbase Document **
104	The cover page of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, filed with the SEC on August 6, 2021, is formatted in Inline XBRL.

* Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the SEC upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any document so furnished.

** Submitted as Exhibits 101 to this Quarterly Report on Form 10-Q are documents formatted in XBRL (Extensible Business Reporting Language). Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WSFS FINANCIAL CORPORATION

Date: August 6, 2021

/s/ Rodger Levenson

Rodger Levenson
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2021

/s/ Dominic C. Canuso

Dominic C. Canuso
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

I, Rodger Levenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WSFS Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15-(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/s/ Rodger Levenson

Rodger Levenson
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

I, Dominic C. Canuso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WSFS Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15-(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/s/ Dominic C. Canuso

Dominic C. Canuso

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of WSFS Financial Corporation (the Company) for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the Report), we, Rodger Levenson, Chairman, President and Chief Executive Officer, and Dominic C. Canuso, Executive Vice President and Chief Financial Officer (Principal Accounting Officer), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rodger Levenson
Rodger Levenson
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Dominic C. Canuso
Dominic C. Canuso
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 6, 2021