Letter from Management

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President & Chief Executive Officer

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To our Associates, Customers, Owners, Community Partners and Friends…

Your Company had a very, very good year in 2016.

Despite and including a couple of medium-sized credit losses (they are an unfortunate part of our business, even in good times), we posted record operating earnings of $64.1 million, a 20% increase over the prior year, and earnings per share of $2.06, an 11% increase over 2015.

In addition, we successfully integrated four acquisitions. Two of these were in more traditional banking, which helped us solidify our presence in Southeastern Pennsylvania banking; and two were in wealth management, which complimented both our fee income and our offerings in that important business line. We heartily welcome all our new Associates and are excited to have Pat Ward, a longtime, distinguished local Pennsylvania banker, join both our Board and our Executive Management team as our Pennsylvania Market President.

Most importantly, we grew well organically. Loans and deposits grew at mid-single digit percentage rates, and fee income grew at low double digit percentage rates—all well above the local economy's growth rate. As I have said before, organic growth is the "proof of the pudding." Indeed, if you cannot persuade talented Associates and healthy Customers (who both have many good choices) to join you for the right reasons, you should not be growing, and especially not growing in big chunks, as you do through acquisitions.

Our recipe for success lies in our now 15-year strong strategy, which is, "Engaged Associates delivering stellar experiences growing Customer Advocates and value for our Owners."

We measure and manage engagement and advocacy as much as or more than we do any business metric, because they are our sustainable competitive advantage, and the leading indicators of our success.

In 2016 we were proud again to be named a "Top Workplace" (#2) in our local Delaware market. This is our 11th straight year to be highly ranked and honored. We were also named a "Top Workplace" for the 2nd consecutive year by philly.com. We are relatively new to the Southeastern Pennsylvania market; this recognition tells us that our business model is working and that our strategy is portable. We were also honored to receive the Gallup "Great Workplace" Award and to rank in the 97th percentile of their global database for companies that take up the hard work and journey of Associate engagement. Combined, these awards are proof that we take a healthy, productive workplace and the wellbeing and success of our Associates extremely seriously. We were also very pleased to be named the "#1 Bank" in our local market for the 6th straight year. We are excited to bring our differentiating strategy and ethos to our new Communities, Associates and Customers, and as noted above, we are starting to see early evidence of good traction in those markets as well.

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2016 also included many other important highlights. These included: obtaining the Company's first-ever public debt rating from Kroll (A-); using that to issue well-structured, well-priced debt to help fund our growth and manage our capital; making a small, yet strategic investment in Spring EQ, a local startup in the digital delivery of home equity loans; and rolling out to two locations our new Customer experience-focused branch design. In addition as we were closing the year: we helped shepherd our earlier investment in digital deposit and payments company, Zenbanx, to a new relationship with SoFi, where we expect even better growth and learning opportunities in the fintech space and our dotAlert product was issued the first-ever U.S. patent to Cash Connect. These highlights and others demonstrate our commitment to innovation while growing, and that concept was publicly recognized in 2016 as we were a finalist in the Most Innovative Community-Based Banking Organization category for BAI's Global Banking Innovation Awards.

We are also excited that Dominic Canuso joined us in June as our Executive Vice President and Chief Financial Officer (CFO). His deep insight, broad experience and mature leadership bring increased strength to our Executive Management team.

2017 marks the second year of our current 3-Year Strategic Plan. In it we plan to optimize our recent gains, including our recent acquisitions and innovations. Of course we plan to continue to grow and innovate, and we look forward to getting much closer to our Strategic Plan goal of generating a core and sustainable Return on Assets (ROA) of 1.30% by Q4 2018, and with good capital management generating a commensurate Return on Tangible Common Equity (ROTCE) in the mid-to-high teens percentage rate range. If we do so, we believe we will rank as a very high performer in our space and hope to continue to earn your trust and confidence. (Note, these return goals exclude any tailwinds that might be coming out of changes from Washington, DC, which we do not count on but certainly would make sure we handle well.)

I encourage you, as always, to read the accompanying letter, A View from the Boardroom. The letter presents a complementary view of our Company from our dedicated and hardworking Board of Directors.

Our sincere thanks go out to all our many constituents, but especially to our talented Board, Management and Associates who are fully dedicated to the challenging and rewarding work of service to each other, our Customers and Communities.