

WSFS FINANCIAL CORP
Form 10-Q
November 06, 2015
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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 September 30, 2015

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 (State or other jurisdiction of	22-2866913 (I.R.S. Employer
Incorporation or organization)	Identification Number)

WSFS Bank Center, 500 Delaware Avenue, Wilmington, Delaware (Address of principal executive offices)	19801 (Zip Code)
(302) 792-6000	

Registrant's telephone number, including area code:

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files), Yes ☒ No ☐

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
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Non-accelerated filer <input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 31, 2015.

Common Stock, par value \$.01 per share (Title of Class)	29,853,215 (Shares Outstanding)
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WSFS FINANCIAL CORPORATION

FORM 10-Q

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Exhibit 101.INS	Instance Document
Exhibit 101.SCH	Schema Document
Exhibit 101.CAL	Calculation Linkbase Document
Exhibit 101.LAB	Labels Linkbase Document
Exhibit 101.PRE	Presentation Linkbase Document
Exhibit 101.DEF	Definition Linkbase Document

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WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2015 2014		Nine Months Ended September 30, 2015 2014	
	(Unaudited)			
	(In Thousands, Except Per Share Data)			
Interest income:				
Interest and fees on loans	\$ 38,437	\$ 34,850	\$ 111,771	\$ 100,371
Interest on mortgage-backed securities	3,588	3,317	10,544	10,130
Interest and dividends on investment securities	875	837	2,587	2,443
Interest on reverse mortgage loans	1,561	1,323	3,963	3,917
Other interest income	396	472	1,898	1,136
	44,857	40,799	130,763	117,997
Interest expense:				
Interest on deposits	1,587	1,823	5,354	5,193
Interest on Federal Home Loan Bank advances	868	663	2,332	1,850
Interest on trust preferred borrowings	343	332	1,009	988
Interest on senior debt	942	941	2,825	2,824
Interest on bonds payable				15
Interest on other borrowings	120	293	339	859
	3,860	4,052	11,859	11,729
Net interest income	40,997	36,747	118,904	106,268
Provision for loan losses	1,453	333	6,012	3,013
Net interest income after provision for loan losses	39,544	36,414	112,892	103,255
Noninterest income:				
Credit/debit card and ATM income	6,486	6,219	18,975	17,995
Deposit service charges	4,338	4,477	12,342	13,092
Investment management and fiduciary revenue	5,373	4,332	16,173	12,453
Mortgage banking activities, net	1,251	1,229	4,544	3,066
Loan fee income	405	466	1,337	1,406
Bank-owned life insurance income	162	185	544	467
Investment securities gains, net	76	36	1,004	979
Other income	3,574	3,360	10,299	8,833
	21,665	20,304	65,218	58,291

Noninterest expense:

Salaries, benefits and other compensation	20,784	19,292	62,139	56,434
Occupancy expense	3,757	3,456	11,272	10,754
Equipment expense	2,059	2,063	6,100	5,610
Data processing and operations expenses	1,570	1,609	4,451	4,611
Professional fees	2,039	1,762	5,264	5,083
FDIC expenses	786	666	2,142	2,011
Loan workout and OREO expenses	166	664	495	1,919
Marketing expense	619	643	2,210	1,584
Corporate development expense	855	2,620	2,137	3,032
Other operating expenses	6,070	6,388	20,062	17,234
	38,705	39,163	116,272	108,272
Income before taxes	22,504	17,555	61,838	53,274
Income tax provision	8,078	6,142	22,289	12,225
Net income	\$ 14,426	\$ 11,413	\$ 39,549	\$ 41,049

Earnings per share:

Basic	\$ 0.52	\$ 0.42	\$ 1.41	\$ 1.53
Diluted	\$ 0.51	\$ 0.41	\$ 1.39	\$ 1.49

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

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WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30, 2015 2014 (Unaudited) (In Thousands)		Nine Months Ended September 30, 2015 2014 (Unaudited) (In Thousands)	
Net Income	\$ 14,426	\$ 11,413	\$ 39,549	\$ 41,049
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 \$3,787, \$(477), \$2,892 and \$11,060, respectively	6,178	(778)	4,721	18,046
Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of (\$29), (\$13), (\$381) and (\$371), respectively	(47)	(23)	(623)	(608)
	6,131	(801)	4,098	17,438
Net change in securities held-to-maturity				
Amortization of unrealized gain on securities reclassified to held-to-maturity, net of tax benefit of (\$55), \$0, (\$175), \$0, respectively	(104)		(312)	
Net change in unfunded pension liability				
Change in unfunded pension liability related to unrealized (loss) gain, prior service cost and transition obligation, net of tax (benefit) expense of (\$9), \$3, (\$27) and \$39, respectively	(15)	5	(45)	65
Total other comprehensive income (loss)	6,012	(796)	3,741	17,503
Total comprehensive income	\$ 20,438	\$ 10,617	\$ 43,290	\$ 58,552

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

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WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CONDITION

	September 30, 2015	December 31, 2014
(In Thousands, Except Per Share Data)		
Assets		
Cash and due from banks	\$ 94,756	\$ 93,717
Cash in non-owned ATMs	434,044	414,188
Interest-bearing deposits in other banks	237	134
Total cash and cash equivalents	529,037	508,039
Investment securities, available-for-sale	756,731	740,124
Investment securities, held-to-maturity at cost	138,060	126,168
Loans held-for-sale at fair value	33,979	28,508
Loans, net of allowance for loan losses of \$36,412 at September 30, 2015 and \$39,426 at December 31, 2014	3,324,020	3,156,652
Reverse mortgage loans	24,476	29,298
Bank-owned life insurance	77,053	76,509
Stock in Federal Home Loan Bank of Pittsburgh, at cost	27,943	23,278
Other real estate owned	3,299	5,734
Accrued interest receivable	11,770	11,782
Premises and equipment	35,304	35,074
Goodwill	48,787	48,651
Intangible assets	7,552	8,942
Other assets	49,931	54,561
Total assets	\$ 5,067,942	\$ 4,853,320
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 904,896	\$ 804,678
Interest-bearing demand	727,816	688,370
Money market	1,015,985	1,066,224
Savings	388,213	402,032
Time	201,537	253,302
Jumbo certificates of deposit customer	182,573	247,671
Total customer deposits	3,421,020	3,462,277
Brokered deposits	223,582	186,958
Total deposits	3,644,602	3,649,235
Federal funds purchased and securities sold under agreements to repurchase	91,000	128,225

Federal Home Loan Bank advances	643,027	405,894
Trust preferred borrowings	67,011	67,011
Senior debt	55,000	55,000
Other borrowed funds	12,341	11,645
Accrued interest payable	1,760	1,004
Other liabilities	47,584	46,255
Total liabilities	4,562,325	4,364,269

Stockholders' Equity:

Common stock \$0.01 par value, 65,000,000 shares authorized; issued 55,933,152 at September 30, 2015 and 55,697,124 at December 31, 2014	559	557
Capital in excess of par value	206,887	201,130
Accumulated other comprehensive income	7,241	3,500
Retained earnings	558,438	523,099
Treasury stock at cost, 28,541,521 shares at September 30, 2015 and 27,489,288 shares at December 31, 2014	(267,508)	(239,235)
Total stockholders' equity	505,617	489,051
Total liabilities and stockholders' equity	\$ 5,067,942	\$ 4,853,320

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

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WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2015	2014
	(Unaudited)	
	(In Thousands)	
Operating activities:		
Net Income	\$ 39,549	\$ 41,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	6,012	3,013
Depreciation of premises and equipment, net	4,650	4,436
Amortization of fees and discounts, net	11,221	7,322
Amortization of intangible assets	1,258	879
Decrease (increase) in accrued interest receivable	12	(637)
(Increase) decrease in other assets	(253)	835
Origination of loans held-for-sale	(350,584)	(174,469)
Proceeds from sales of loans held-for-sale	348,760	180,794
Gain on mortgage banking activities, net	(4,544)	(3,066)
Gain on sale of securities, net	(1,004)	(979)
Stock-based compensation expense	3,319	3,637
Excess tax benefit from stock-based compensation	(785)	(551)
Increase in accrued interest payable	756	2,373
Increase (decrease) in other liabilities	1,524	(2,324)
(Gain) loss on sale of other real estate owned and valuation adjustments, net	(298)	91
Deferred income tax expense (benefit)	2,418	(5,198)
Increase in value of bank-owned life insurance	(527)	(467)
Increase in capitalized interest, net	(4,088)	(4,184)
Net cash provided by operating activities	\$ 57,396	\$ 52,554
Investing activities:		
Calls of investment securities held-to-maturity	3,881	
Purchases of investment securities held-to-maturity	(19,195)	
Repayments of investment securities held-to-maturity	970	
Maturities of investment securities available for sale		2,335
Sale of investment securities available-for-sale	117,380	200,734
Purchases of investment securities available-for-sale	(209,947)	(217,617)
Repayments of investment securities available-for-sale	80,293	54,328
Repayments on reverse mortgages	9,559	13,049
Disbursements for reverse mortgages	(649)	(929)
Net increase in loans	(181,290)	(67,824)

Acquisition of FNBW, net of cash acquired		(25,590)
Net (increase) decrease in stock of FHLB	(4,665)	6,087
Sales of assets acquired through foreclosure, net	5,278	3,807
Investment in premises and equipment, net	(4,968)	(2,370)

Net cash used for investing activities	\$ (203,353)	\$ (33,990)
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Financing activities:

Net increase in demand and saving deposits	76,241	3,774
(Decrease) increase in time deposits	(116,863)	3,379
Increase in brokered deposits	36,624	74,440
Increase in loan payable	61	61
Repayment of reverse mortgage trust bonds payable		(21,990)
Receipts from FHLB advances	46,342,654	68,802,762
Repayments of FHLB advances	(46,105,521)	(68,928,745)
Receipts from federal funds purchased and securities sold under agreement to repurchase	22,843,325	19,040,751
Repayments of federal funds purchased and securities sold under agreement to repurchase	(22,855,550)	(19,037,751)
Maturity of repurchase agreement	(25,000)	
Dividends paid	(4,216)	(3,213)
Issuance of common stock and exercise of common stock options	2,688	1,376
Reissuance of Treasury Stock for FNBW purchase, net		32,916
Purchase of treasury stock	(28,273)	
Excess tax benefit from stock-based compensation	785	551

Net cash provided by (used for) financing activities	\$ 166,955	\$ (31,689)
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Increase (decrease) in cash and cash equivalents	20,998	(13,125)
Cash and cash equivalents at beginning of period	508,039	484,426

Cash and cash equivalents at end of period	\$ 529,037	\$ 471,301
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Supplemental Disclosure of Cash Flow Information:

Cash paid for interest during the period	\$ 11,103	\$ 9,126
Cash paid for income taxes, net	16,558	19,675
Loans transferred to other real estate owned	2,545	3,633
Loans transferred to portfolio from held-for-sale at fair value	104	2,169
Net change in accumulated other comprehensive income	3,741	17,503
Fair Value of assets acquired, net of cash received		245,910
Fair Value of liabilities assumed		236,787
Non-cash goodwill adjustments, net	136	46

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

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WSFS FINANCIAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(UNAUDITED)

1. BASIS OF PRESENTATION

General

Our unaudited Consolidated Financial Statements include the accounts of WSFS Financial Corporation (the Company, our Company, we, our or us), Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank) and Cypress Capital Management, LLC (Cypress). We also have one unconsolidated affiliate, WSFS Capital Trust III (the Trust). WSFS Bank has three wholly-owned subsidiaries, WSFS Wealth Investments, 1832 Holdings, Inc. and Monarch Entity Services LLC (Monarch).

The acronyms and abbreviations below are used in the unaudited Notes to Consolidated Financial Statements as well as in Management's Discussion and Analysis of Financial Condition and Results of Operations. You may find it helpful to refer back to this page as you read this report.

AICPA: American Institute of Certified Public Accountants
Allowance: Allowance for loan losses or ALLL
Alliance: Alliance Bancorp Inc. of Pennsylvania
Array: Array Financial Group
Arrow: Arrow Land Transfer
ASC: Accounting standard codification
Associate: Employee
ASU: Accounting standard update
BCBS: Basel Committee on Banking Supervision
C&I: Commercial & Industrial (loans)
CMO: Collateralized mortgage obligation
Cypress: Cypress Capital Management, LLC
Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DTA: Deferred tax asset
Exchange Act: Securities Exchange Act of 1934

FASB: Financial Accounting Standards Board
FDIC: Federal Deposit Insurance Corporation
Federal Reserve: Board of Governors of the Federal Reserve System
Monarch: Monarch Entity Services, LLC
FHLB: Federal Home Loan Bank
FHLMC: Federal Home Loan Mortgage Corporation
GAAP: U.S. Generally Accepted Accounting Principles
GNMA: Government National Mortgage Association
GSE: U.S. Government and government sponsored enterprises
NSFR: Net stable funding ratio
MBS: Mortgage-backed securities
OCC: Office of the Comptroller of the Currency
OREO: Other real estate owned
OTTI: Other-than-temporary impairment

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Overview

Founded in 1832, the Bank is the seventh oldest bank continuously operating under the same name in the United States. We provide residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services. Lending activities are funded primarily with customer deposits and borrowings. In addition, we offer a variety of wealth management and trust services to personal and corporate customers through our Wealth Management segment. The FDIC insures our customers' deposits to their legal maximums. We serve our customers primarily from our 55 offices located in Delaware (44), Pennsylvania (9), Virginia (1) and Nevada (1) and through our website at www.wsfsbank.com. Information on our website is not incorporated by reference into this quarterly report.

Amounts subject to significant estimates are items such as the allowance for loan losses and reserves for lending related commitments, goodwill, intangible assets, post-retirement benefit obligations, the fair value of financial instruments, reverse mortgage related assets, income taxes and OTTI. Among other effects, changes to such estimates could result in future impairments of investment securities, goodwill and intangible assets and establishment of the allowance and lending related commitments as well as increased post-retirement benefits expense.

Our accounting and reporting policies conform to 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. 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, 2015. These unaudited, interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in our 2014 Annual Report on Form 10-K that was filed with the SEC on March 16, 2015 and is available at www.sec.gov or on our website at <http://investors.wsfsbank.com/releases.cfm>.

Whenever necessary, reclassifications have been made to the prior period Consolidated Financial Statements to conform to the current period's presentation. All significant intercompany transactions were eliminated in consolidation.

The significant accounting policies used in preparation of our Consolidated Financial Statements are disclosed in our 2014 Annual Report on Form 10-K. There have not been any material changes in our significant accounting policies from those contained in our 2014 Annual Report on Form 10-K.

Common Stock Split

In March 2015, the Company's Board of Directors adopted an amendment to the Company's Certificate of Incorporation, to increase the number of shares of common stock the Company is authorized to issue from 20,000,000, par value \$0.01 to 65,000,000, par value \$0.01. This amendment to the Company's Certificate of Incorporation was approved by the Company's stockholders at the 2015 Annual Meeting held on April 30, 2015.

On May 18, 2015, the Company effected a three-for-one stock split in the form of a stock dividend to shareholders of record as of May 4, 2015. All share and per share information has been retroactively adjusted to reflect the stock split. We retroactively adjusted stockholders' equity to reflect the stock split by reclassifying an amount equal to the par value, \$0.01, of the additional shares arising from the split from capital in excess of par value to common stock, resulting in no net impact to stockholders' equity on our consolidated statements of condition.

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In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. The amendment in this update eliminates the requirement for an acquirer to adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. This ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The adoption of this accounting guidance does not have a material impact on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

In August 2014, the FASB issued ASU No. 2014-14, *Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)*. The objective of this guidance is to reduce diversity in practice related to how creditors classify government-guaranteed mortgage loans, including Federal Housing Administration or Veterans Affairs guaranteed loans, upon foreclosure. Some creditors reclassify those loans to real estate consistent with other foreclosed loans that do not have guarantees; others reclassify the loans to other receivables. The amendments in this guidance require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure; (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The adoption of this accounting guidance does not have a material effect on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

In June 2014, the FASB issued ASU No. 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. This guidance aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. It eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. The amendments in the ASU require a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The amendments in the ASU also require expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The amendments in this ASU are effective for public companies for the first interim or annual period beginning after December 15, 2014. In addition, for public companies, the disclosure for certain transactions accounted for as a sale is effective for the first interim or annual reporting periods beginning on or after December 15, 2014, and the disclosure for transactions accounted for as secured borrowings is required to be presented for annual reporting periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. The adoption of this accounting guidance does not have a material effect on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

In January 2014, the FASB issued ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure* (ASU 2014-04). The objective of this guidance is to clarify when an in

substance repossession or foreclosure occurs. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The adoption of this accounting guidance does not have a material effect on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

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In January 2014, the FASB, issued ASU No. 2014-01, *Investments - Equity Method and Joint Ventures (Topic 323) - Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force)*. This ASU permits an entity to make an accounting policy election to account for its investment in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportionate amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). A reporting entity that uses the effective yield or other method to account for its investments in qualified affordable housing projects before the date of adoption may continue to apply such method to those preexisting investments. The adoption does not have a material effect on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition. For additional discussion on the adoption of this guidance refer to the *Income Taxes* section of *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Accounting Guidance Pending Adoption at September 30, 2015

In June 2014, the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The standard update resolves the diverse accounting treatment for these share-based payments by requiring that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. ASU 2014-12 will be effective for interim and annual reporting periods beginning after December 15, 2015. Early application is permitted. The Company does not expect the application of this guidance to have a material impact on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

In May 2014, the FASB issued ASU No. 2014-9, *Revenue from Contracts with Customers (Topic 606)*. This ASU supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. ASU No. 2014-9 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This amendment defers the effective date of ASU 2014-09 by one year to financial statements issued for fiscal years beginning after December 16, 2016. The Company does not expect the application of this guidance to have a material impact on the Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

In April 2015, the FASB issued ASU No 2015-04 *Compensation - Retirement Benefits (Topic 715)*. The Board is issuing the amendments in this update as part of its initiative to reduce complexity in accounting standards. It provides that an entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations. The amendments in this update are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not anticipate a material impact on its Consolidated Statements of Operations or Consolidated Statements of Condition.

In April 2015, the FASB issued ASU No 2015-03, *Interest- Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this amendment. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the application of this guidance to have a material impact on the

Company's Consolidated Statements of Operations or Consolidated Statements of Condition.

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In February 2015, the FASB issued ASU No 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This guidance provides an additional requirement for a limited partnership or similar entity to qualify as a voting interest entity and also amends the criteria for consolidating such an entity. In addition, it amends the criteria for evaluating fees paid to a decision maker or service provider as a variable interest and amends the criteria for evaluating the effect of fee arrangements and related parties on a VIE primary beneficiary determination. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not anticipate a material impact on its consolidated financial statements or results of operations.

Table of Contents**2. BUSINESS COMBINATIONS***Alliance Bancorp, Inc. of Pennsylvania*

On October 9, 2015 we completed the acquisition of Alliance and its wholly owned subsidiary, Alliance Bank, headquartered in Broomall, Pennsylvania. At that time Alliance merged into the Company and Alliance Bank merged into WSFS Bank. For additional information see Note 16. Subsequent Events.

First Wyoming Financial Corporation

On September 5, 2014, the Company completed the merger of First Wyoming Financial Corporation (FNBW) into the Company and the merger of FNBW's wholly-owned subsidiary, The First National Bank of Wyoming into the Bank. In accordance with the terms of the Agreement and Plan of Merger, dated November 25, 2013, holders of shares of FNBW common stock received, in aggregate, \$32.0 million in cash and 1,357,983 shares (adjusted for our 3-for-1 stock split) of WSFS common stock. The transaction was valued at \$64.9 million based on WSFS' September 5, 2014 closing share price of \$24.23 (adjusted for our 3-for-1 stock split) as quoted on NASDAQ. The results of the combined entity's operations are included in our Consolidated Financial Statements since the date of the acquisition.

The acquisition of FNBW was accounted for as a business combination using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration paid were recorded at their estimated fair values as of the acquisition date. The excess of consideration paid over the preliminary fair value of net assets acquired was recorded as goodwill in the amount of \$16.5 million, which will not be amortizable and is not deductible for tax purposes. The Company allocated the total balance of goodwill to its WSFS Bank segment. The Company also recorded \$3.2 million in core deposit intangibles which are being amortized over ten years using an accelerated depreciation method. For additional information regarding this business combination, please see Note 2 in our Annual Report on Form 10-K for the year ended December 31, 2014.

In connection with the merger, the consideration paid and the fair value of identifiable assets acquired and liabilities assumed, as of the date of acquisition, are summarized in the following table:

(In Thousands)	Fair Value
Consideration Paid:	
Common shares issued (1,357,983)	\$ 32,908
Cash paid to FNBW stockholders	32,028
Value of consideration	64,936
Assets acquired:	
Cash and due from banks	40,605
Investment securities	41,822
Loans	175,895
Premises and equipment	1,611
Deferred income taxes	3,216
Bank owned life insurance	12,576
Core deposit intangible	3,240
Other real estate owned	1,593
Other assets	4,659

Total assets	285,217
Liabilities assumed:	
Deposits	228,844
FHLB advances	5,052
Other liabilities	2,891
Total liabilities	236,787
Net assets acquired:	48,430
Goodwill resulting from acquisition of FNBW	\$ 16,506

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The following table details the changes to goodwill in 2015:

(In Thousands)	Fair Value
Goodwill resulting from the acquisition of FNBW reported as of December 31, 2014	\$ 16,370
Effects of adjustments to:	
Assets	236
Liabilities	(100)
Final purchase price	
Adjusted goodwill resulting from the acquisition of FNBW as of September 30, 2015	\$ 16,506

The adjustments made to goodwill during the first nine months of 2015, reflect a change in the fair value of the loans acquired, accrued expenses, bank owned life insurance, computer equipment, deferred federal income taxes, and OREO properties during the measurement period. The fair value of acquired assets and liabilities is now considered final.

Direct costs related to the acquisition were expensed as incurred. During the three and nine months ended September 30, 2015, the Company incurred \$12,000 and \$109,000 in merger expenses related to FNBW compared to \$2.5 million and \$2.9 million for the three and nine months ended September 30, 2014.

Table of Contents**3. EARNINGS PER SHARE**

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

(In Thousands, Except Per Share Data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<u>Numerator:</u>				
Net income	\$ 14,426	\$ 11,413	\$ 39,549	\$ 41,049
<u>Denominator:</u>				
Weighted average basic shares	27,721	27,182	28,035	26,882
Dilutive potential common shares	511	744	468	710
Weighted average fully diluted shares	28,232	27,926	28,503	27,592
Earnings per share:				
Basic	\$ 0.52	\$ 0.42	\$ 1.41	\$ 1.53
Diluted	\$ 0.51	\$ 0.41	\$ 1.39	\$ 1.49
Outstanding common stock equivalents having no dilutive effect	83	131	184	131

Table of Contents**4. INVESTMENT SECURITIES**

The following tables detail the amortized cost and the estimated fair value of our investment securities classified as available-for-sale and held-to-maturity. None of our investment securities are classified as trading.

(In Thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
<u>Available-for-Sale Securities:</u>				
September 30, 2015				
GSE	\$ 31,044	\$ 64	\$ 1	\$ 31,107
CMO	251,729	2,538	600	253,667
FNMA MBS	296,373	3,838	439	299,772
FHLMC MBS	109,327	1,271	124	110,474
GNMA MBS	60,930	834	53	61,711
	\$ 749,403	\$ 8,545	\$ 1,217	\$ 756,731
December 31, 2014				
GSE	\$ 30,020	\$ 14	\$ 74	\$ 29,960
CMO	193,672	874	1,614	192,932
FNMA MBS	291,606	2,053	1,106	292,553
FHLMC MBS	146,742	672	532	146,882
GNMA MBS	77,364	701	268	77,797
	\$ 739,404	\$ 4,314	\$ 3,594	\$ 740,124

(In Thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
<u>Held-to-Maturity Securities ^(a)</u>				
September 30, 2015				
State and political subdivisions	\$ 138,060	\$ 670	\$ 592	\$ 138,138