

WSFS FINANCIAL CORP
Form 10-Q
August 09, 2011

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, 2011

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 0-16668

WSFS FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

22-2866913
(I.R.S. Employer
Identification Number)

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

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

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 [] Accelerated filer [X]
Non-accelerated filer [] Smaller reporting company []
(Do not check if smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of August 3, 2011:

Common Stock, par value \$.01 per share (Title of Class)	8,604,239 (Shares Outstanding)
---	-----------------------------------

WSFS FINANCIAL CORPORATION

FORM 10-Q

INDEX

PART I. Financial Information

	Page	
Item 1.	Financial Statements (Unaudited)	
	Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2011 and 2010	3
	Consolidated Statements of Condition as of June 30, 2011 and December 31, 2010	4
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2011 and 2010	5
	Notes to the Consolidated Financial Statements for the Six Months Ended June 30, 2011 and 2010	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	43
Item 4.	Controls and Procedures	43

PART II. Other Information

Item 1.	Legal Proceedings	43
Item 1A.	Risk Factors	43
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 3.	Defaults upon Senior Securities	44
Item 4.	[Reserved]	44
Item 5.	Other Information	44
Item 6.	Exhibits	44
Signatures		45
Exhibit 31.1		

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Exhibit 31.2	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Unaudited)			
	(In Thousands, Except Per Share Data)			
Interest income:				
Interest and fees on loans	\$32,803	\$31,610	\$64,759	\$62,833
Interest on mortgage-backed securities	6,884	9,639	13,910	18,671
Interest and dividends on investment securities	127	199	297	502
Other Interest Income	-	6	-	6
	39,814	41,454	78,966	82,012
Interest expense:				
Interest on deposits	5,034	5,771	10,257	12,065
Interest on Federal Home Loan Bank advances	2,655	4,017	5,382	7,994
Interest on trust preferred borrowings	339	348	675	677
Interest on other borrowings	599	620	1,211	1,235
	8,627	10,756	17,525	21,971
Net interest income	31,187	30,698	61,441	60,041
Provision for loan losses	8,582	10,594	14,490	22,004
Net interest income after provision for loan losses	22,605	20,104	46,951	38,037
Noninterest income:				
Credit/debit card and ATM income	5,286	4,817	10,026	9,187
Deposit service charges	4,026	4,349	7,590	8,228
Fiduciary & investment management income	3,068	1,088	5,895	2,153
Loan fee income	576	709	1,261	1,389
Mortgage banking activities, net	231	247	778	499
Bank owned life insurance income	1,419	219	1,598	415
Security gains, net	603	268	1,018	268
Other income	820	739	1,502	1,438
	16,029	12,436	29,668	23,577
Noninterest expenses:				
Salaries, benefits and other compensation	14,413	12,111	29,229	24,097
Occupancy expense	2,935	2,271	5,773	4,833
Equipment expense	1,915	1,646	3,529	3,114
Loan workout and OREO expenses	1,642	2,872	4,125	3,969
Professional Fees	1,584	1,440	2,707	2,458
Data processing and operations expenses	1,284	1,159	2,701	2,445
FDIC expenses	1,278	1,762	3,042	3,405
Marketing Expense	898	904	1,849	1,609
Acquisition integration costs	446	-	780	-
Non-routine ATM loss	-	-	-	4,491
Other operating expense	4,257	3,574	8,304	6,951
	30,652	27,739	62,039	57,372
Income before taxes	7,982	4,801	14,580	4,242
Income tax provision	2,459	1,500	4,851	427

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Net income	5,523	3,301	9,729	3,815
Dividends on preferred stock and accretion of discount	693	692	1,385	1,384
Net income allocable to common stockholders	\$4,830	\$2,609	\$8,344	\$2,431
Earnings per share:				
Basic	\$0.56	0.37	\$0.97	\$0.34
Diluted	\$0.55	0.36	\$0.96	\$0.34

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

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CONDITION

	June 30, 2011	Dec 31, 2010
	(Unaudited)	
	(In Thousands, Except Per Share Data)	
Assets		
Cash and due from banks	\$95,682	\$49,932
Cash in non-owned ATMs	395,381	326,573
Interest-bearing deposits in other banks	103	254
Total cash and cash equivalents	491,166	376,759
Investment securities held-to-maturity	217	219
Investment securities-available-for-sale including reverse mortgages	38,888	52,232
Mortgage-backed securities - available-for-sale	756,169	700,926
Mortgages-backed securities-trading	12,432	12,432
Loans held-for-sale	3,443	14,522
Loans, net of allowance for loan losses of \$56,248 at June 30, 2011 and \$60,339 at December 31, 2010	2,620,840	2,561,368
Bank owned life insurance	65,841	64,243
Stock in Federal Home Loan Bank of Pittsburgh, at cost	35,681	37,536
Assets acquired through foreclosure	5,143	9,024
Premises and equipment	33,723	31,870
Goodwill	27,828	26,745
Intangible assets	6,698	7,307
Accrued interest receivable and other assets	53,448	58,335
 Total assets	 \$4,151,517	 \$3,953,518
 Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$561,836	\$468,098
Interest-bearing demand	330,844	312,546
Money market	689,634	743,808
Savings	376,321	255,340
Time	452,593	484,864
Jumbo certificates of deposit – customer	299,549	297,112
Total customer deposits	2,710,777	2,561,768
Brokered deposits	166,710	249,006
Total deposits	2,877,487	2,810,774
 Federal funds purchased and securities sold under agreements to repurchase	 100,000	 100,000
Federal Home Loan Bank advances	634,087	488,959
Trust preferred borrowings	67,011	67,011
Other borrowed funds	67,863	91,636
Accrued interest payable and other liabilities	29,146	27,316
Total liabilities	3,775,594	3,585,696

Stockholders' Equity:

Serial preferred stock \$.01 par value, 7,500,000 shares authorized; issued 56,625 at June 30, 2011 and December 31, 2010	1	1
Common stock \$.01 par value, 20,000,000 shares authorized; issued 18,184,354 at June 30, 2011 and 18,105,788 at December 31, 2010	182	180
Capital in excess of par value	217,662	216,316
Accumulated other comprehensive income	6,991	6,524
Retained earnings	399,367	393,081
Treasury stock at cost, 9,580,569 shares at June 30, 2011 and December 31, 2010	(248,280)	(248,280)
Total stockholders' equity	375,923	367,822
Total liabilities and stockholders' equity	\$4,151,517	\$3,953,518

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

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended June 30,	
	2011	2010
	(Unaudited)	
	(In Thousands)	
Operating activities:		
Net Income	\$9,729	\$3,815
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	14,490	22,004
Depreciation, accretion and amortization	4,995	2,973
Increase (decrease) in accrued interest receivable and other assets	4,658	(5,597)
Non-routine ATM losses	-	4,491
Origination of loans held-for-sale	(47,393)	(54,225)
Proceeds from sales of loans held-for-sale	59,329	52,543
Gain on mortgage banking activity	(778)	(499)
Loss on mark to market adjustment on trading securities	-	62
Gain on sale of securities, net	(1,018)	(330)
Stock-based compensation expense, net of tax benefit recognized	441	372
Excess tax benefits from share-based payment arrangements	(75)	(263)
Increase in accrued interest payable and other liabilities	1,958	4,994
Loss on sale of assets acquired through foreclosure and valuation adjustments, net	1,765	3,563
Increase in value of bank-owned life insurance	(1,598)	(415)
Decrease in capitalized interest, net	71	76
Net cash provided by operating activities	\$46,574	\$33,564
Investing activities:		
Maturities of investment securities	11,552	2,500
Sale of investment securities available for sale	6,050	-
Purchase of investments available-for-sale	(4,027)	(2,002)
Sales of mortgage-backed securities available-for sale	117,075	45,979
Repayments of mortgage-backed securities available-for-sale	89,879	90,523
Purchases of mortgage-backed securities available-for-sale	(261,847)	(192,700)
Disbursements for reverse mortgages	(351)	(97)
Net increase in loans	(80,350)	(5,872)
Net decrease in stock of Federal Home Loan Bank of Pittsburgh	1,855	-
Sales of assets acquired through foreclosure, net	7,303	926
Investment in premises and equipment, net	(4,886)	(2,165)
Net cash used for investing activities	\$(117,747)	\$(62,908)
Financing activities:		
Net increase in demand and saving deposits	155,070	99,346
Net (decrease) increase in time deposits	(29,834)	19,390
Net decrease in brokered deposits	(82,321)	(46,109)
Receipts from federal funds purchased and securities sold under agreement to repurchase	8,525,000	9,245,000

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Repayments of federal funds purchased and securities sold under agreement to repurchase	(8,525,000)	(9,245,000)
Receipts from FHLB advances	7,907,471	15,593,383
Repayments of FHLB advances	(7,762,343)	(15,634,455)
Dividends paid	(3,376)	(3,016)
Issuance of common stock and exercise of common stock options	838	920
Excess tax benefits from share-based payment arrangements	75	263
 Net cash provided by financing activities	 \$185,580	 \$29,722
 Increase cash and cash equivalents	 114,407	 378
Cash and cash equivalents at beginning of period	376,759	321,749
Cash and cash equivalents at end of period	\$491,166	\$322,127
 Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest during the period	\$13,385	\$17,660
Cash paid for income taxes, net	317	4,659
Loans transferred to assets acquired through foreclosure	5,187	4,972
Net change in other comprehensive income	467	10,840

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

WSFS FINANCIAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(UNAUDITED)

1. BASIS OF PRESENTATION

Our 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 Montchanin Capital Management, Inc. (“Montchanin”). We also have one unconsolidated affiliate, WSFS Capital Trust III (“the Trust”). WSFS Bank has two fully-owned subsidiaries, WSFS Investment Group, Inc. (“WIG”) and Monarch Entity Services LLC (“Monarch”) and Montchanin has one wholly owned subsidiary, Cypress Capital Management, LLC (“Cypress”).

Founded in 1832, the Bank is one of the ten oldest banks 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. In addition, we offer a variety of wealth management and trust services to personal and corporate customers through our Christiana Trust division. Lending activities are funded primarily with customer deposits and borrowings. The Federal Deposit Insurance Corporation (“FDIC”) insures our customers’ deposits to their legal maximums. We serve our customers primarily from our 47 offices located in Delaware (38), Pennsylvania (7), Virginia (1) and Nevada (1) and through our website at www.wsfsbank.com.

Amounts subject to significant estimates are items such as the allowance for loan losses and lending related commitments, goodwill, intangible assets, post-retirement obligations, the fair value of financial instruments and other-than-temporary impairments. Among other effects, such changes could result in future impairments of investment securities, goodwill and intangible assets and increases of allowances for loan losses and lending related commitments as well as increased post-retirement expense.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles and prevailing practices within the banking industry for interim financial information and Rule 10-01 of the Securities and Exchange Commission (“SEC”) Regulation S-X. Rule 10-01 of Regulation S-X does not require us to include all information and notes for complete financial statements and prevailing practices within the banking industry. Operating results for the three and six month periods ended June 30, 2011 are not necessarily indicative of the results that may be expected for any future quarters or for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC.

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

2. EARNINGS PER SHARE

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

	For the three months ended		For the six months ended	
	June 30, 2011	2010	June 30, 2011	2010
	(In Thousands, Except Per Share Data)		(In Thousands, Except Per Share Data)	
Numerator:				
Net income allocable to common stockholders	\$4,830	\$2,609	\$8,344	\$2,431
Denominator:				
Denominator for basic earnings per share - weighted average shares	8,599	7,107	8,588	7,096
Effect of dilutive employee stock options	128	152	139	125
Denominator for diluted earnings per share – adjusted weighted average shares and assumed exercise	8,727	7,259	8,727	7,221
Earnings per share:				
Basic:				
Net income allocable to common shareholders	\$0.56	\$0.37	\$0.97	\$0.34
Diluted:				
Net income allocable to common shareholders	\$0.55	\$0.36	\$0.96	\$0.34
Outstanding common stock equivalents having no dilutive effect				
	545	616	487	637

3. INVESTMENT SECURITIES

The following tables detail the amortized cost and the estimated fair value of the Company's investment securities held-to-maturity and securities available-for-sale (which includes reverse mortgages):

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available-for-sale securities:				
June 30, 2011:				
Reverse mortgages	\$(406)	\$—	\$—	\$(406)
U.S. Government and agencies	36,680	262	(14)	36,928
State and political subdivisions	2,329	39	(2)	2,366
	\$38,603	\$301	\$(16)	\$38,888
December 31, 2010:				
Reverse mortgages	\$(686)	\$—	\$—	\$(686)
U.S. Government and agencies	49,691	441	(129)	50,003
State and political subdivisions	2,879	38	(2)	2,915
	\$51,884	\$479	\$(131)	\$52,232
Held-to-maturity:				
June 30, 2011:				
State and political subdivisions	\$217	\$—	\$(19)	\$198
	\$217	\$—	\$(19)	\$198
December 31, 2010:				
State and political subdivisions	\$219	\$—	\$(23)	\$196
	\$219	\$—	\$(23)	\$196

Securities with market values aggregating \$36.9 million at June 30, 2011 were specifically pledged as collateral for WSFS' Treasury Tax and Loan account with the Federal Reserve Bank, securities sold under agreement to repurchase, and certain letters of credit and municipal deposits which require collateral.

The scheduled maturities of investment securities held-to-maturity and securities available-for-sale at June 30, 2011 and December 31, 2010 were as follows:

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
June 30, 2011				
Within one year (1)	\$ —	\$ —	\$ 9,778	\$ 9,878
After one year but within five years	—	—	28,496	28,681
After five years but within ten years	—	—	—	—
After ten years	217	198	329	329
	\$ 217	\$ 198	\$ 38,603	\$ 38,888
December 31, 2010				
Within one year (1)	\$ —	\$ —	\$ 10,549	\$ 10,617
After one year but within five years	—	—	41,006	41,286
After five years but within ten years	—	—	—	—
After ten years	219	196	329	329
	\$ 219	\$ 196	\$ 51,884	\$ 52,232

(1) Reverse mortgages do not have contractual maturities. We have included reverse mortgages in maturities within one year.

8

We sold \$6.1 million of investment securities classified as available-for-sale during the first six months of 2011 resulting in a gain on sale of \$110,000. There were no sales of investment securities classified as available-for-sale during the first six months of 2010 and, as a result, there were no net gains/losses realized during 2010. The cost basis for investment security sales was based on the specific identification method. Investment securities totaling \$330,000 and \$2.5 million matured or were called by their issuers during the six months ended June 30, 2011 and 2010, respectively.

At June 30, 2011, we owned investment securities totaling \$9.6 million where the amortized cost basis exceeded the fair value. Total unrealized losses on those securities were \$35,000 at June 30, 2011. This temporary impairment is the result of changes in market interest rates subsequent to the purchase of the securities. Securities with fair values of \$245,000 have been impaired for 12 months or longer. We have determined that these securities are not other than temporarily impaired as of June 30, 2011 or December 31, 2010. Our investment portfolio is reviewed each quarter for indications of impairment. This review includes analyzing the length of time and the extent to which the fair value has been lower than the cost, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer and the intent and ability not to sell the investment for a period of time sufficient to allow for any anticipated recovery in the market. We evaluate our intent and ability to hold debt securities based upon our investment strategy for the particular type of security and our cash flow needs, liquidity position, capital adequacy and interest rate risk position. In addition, we do not have the intent to sell, nor is it more likely-than-not we will be required to sell these securities before we are able to recover the amortized cost basis.

The table below shows our investment securities' gross unrealized losses and fair value by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2011.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In Thousands)					
Held-to-maturity						
State and political subdivisions	\$—	\$—	\$101	\$19	\$101	\$19
Available-for-sale						
State and political subdivisions	329	1	144	1	473	2
U.S Government and agencies	9,028	14	—	—	9,028	14
Total temporarily impaired investments	\$9,357	\$15	\$245	\$20	\$9,602	\$35

The table below shows our investment securities' gross unrealized losses and fair value by investment category and length of time that individual securities were in a continuous unrealized loss position at December 31, 2010.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In Thousands)					
Held-to-maturity						
State and political subdivisions	\$—	\$—	\$102	\$23	\$102	\$23

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Available-for-sale						
State and political subdivisions	502	2	—	—	502	2
U.S Government and agencies	12,994	129	—	—	12,994	129
Total temporarily impaired investments	\$13,496	\$131	\$102	\$23	\$13,598	\$154

9

4. MORTGAGE-BACKED SECURITIES

The following tables detail the amortized cost and the estimated fair value of the Company's mortgage-backed securities:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available-for-sale securities:				
June 30, 2011:				
Collateralized mortgage obligations ("CMO") (1)	\$361,211	\$8,148	\$(1,608)	\$367,751
Federal National Mortgage Association ("FNMA")	239,719	2,915	(798)	241,836
Federal Home Loan Mortgage Corporation ("FHLMC")	82,224	1,391	(61)	83,554
Government National Mortgage Association ("GNMA")	61,264	1,852	(88)	63,028
	\$744,418	\$14,306	\$(2,555)	\$756,169
December 31, 2010:				
CMO (1)	\$490,946	\$9,687	\$(599)	\$500,034
FNMA	89,226	1,253	(431)	90,048
FHLMC	43,970	743	(273)	44,440
GNMA	65,849	1,229	(674)	66,404
	\$689,991	\$12,912	\$(1,977)	\$700,926
Trading securities:				
June 30, 2011:				
CMO	\$12,432	\$—	\$—	\$12,432
December 31, 2010:				
CMO	\$12,432	\$—	\$—	\$12,432

(1) Includes Agency CMO's classified as available-for-sale.

The portfolio of available-for-sale mortgage-backed securities is comprised of 191 securities with an amortized cost of \$744.4 million of both GSE (\$500.3 million) and non-GSE (\$244.1 million) securities. All securities were AAA-rated at time of purchase. As of June 30, 2011 only one security with a value of \$109,000 was rated below AAA. The downgraded security was re-evaluated at June 30, 2011. The result of this evaluation shows no other-than-temporary impairment for the six months ended June 30, 2011. The weighted average duration of the mortgage-backed securities was 3.3 years at June 30, 2011.

At June 30, 2011, mortgage-backed securities with fair values aggregating \$331.8 million were pledged as collateral for retail customer repurchase agreements and municipal deposits. From time to time, mortgage-backed securities are also pledged as collateral for Federal Home Loan Bank (FHLB) borrowings and other obligations. The fair value of these FHLB pledged mortgage-backed securities was \$39.0 million at June 30, 2011.

During the first six months of 2011, we sold mortgage-backed securities available-for-sale of \$116.9 million

with net gains of \$908,000. The cost basis of all mortgage-backed securities sales is based on the specific identification method. There were sales of mortgage-backed securities available-for-sale of \$46.0 million with net securities gains of \$330,000 during the first six months of 2010.

MBS have expected maturities that differ from their contractual maturities. These differences arise because borrowers may have the right to call or prepay obligations with or without a prepayment penalty.

At June 30, 2011, we owned mortgage-backed securities totaling \$170.7 million where the amortized cost basis exceeded fair value. Total unrealized losses on these securities were \$2.6 million at June 30, 2011. This temporary impairment is the result of changes in market interest rates in the mortgage-backed securities market. There were no securities impaired for 12 months or longer. Quarterly, we evaluate the current characteristics of each of our mortgage-backed securities such as delinquency and foreclosure levels, credit enhancement, projected losses and coverage. In addition, we do not have the intent to sell, nor is it more likely-than-not we will be required to sell these securities before we are able to recover the amortized cost basis.

The table below shows our mortgage-backed securities' gross unrealized losses, fair value by investment category and length of time individual securities have been in continuous unrealized loss position at June 30, 2011.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In Thousands)					
Available-for-sale						
CMO	\$ 62,428	\$ 1,608	\$ —	\$ —	\$ 62,428	\$ 1,608
FNMA	79,230	798	—	—	79,230	798
FHLMC	9,922	61	—	—	9,922	61
GNMA	19,101	88	—	—	19,101	88
Total temporarily impaired MBS	\$ 170,681	\$ 2,555	\$ —	\$ —	\$ 170,681	\$ 2,555

The table below shows our mortgage-backed securities' gross unrealized losses and fair value by investment category and length of time that individual securities were in a continuous unrealized loss position at December 31, 2010.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In Thousands)					
Available-for-sale						
CMO	\$ 58,821	\$ 534	\$ 1,171	\$ 65	\$ 59,992	\$ 599
FNMA	45,129	431	—	—	45,129	431
FHLMC	14,981	273	—	—	14,981	273
GNMA	23,831	674	—	—	23,831	674
Total temporarily impaired MBS	\$ 142,762	\$ 1,912	\$ 1,171	\$ 65	\$ 143,933	\$ 1,977

We own \$12.4 million par value of SASCO RM-1 2002 securities which are classified as trading, of which, \$1.4 million is accrued interest paid in kind. We expect to recover all principal and interest due to seasoning and excess

collateral. Based on FASB ASC 320, Investments – Debt and Equity Securities (“ASC 320”) (Formerly SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities) when these securities were acquired they

were classified as trading because it was our intent to sell them in the near term. We used the guidance under ASC 320 to provide a reasonable estimate of fair value in 2011 and 2010. We estimated the value of these securities based on the pricing of BBB+ securities that have an active market through a technique which estimates the fair value of this asset using the income approach as of June 30, 2011.

5. ALLOWANCE FOR LOAN LOSSES AND CREDIT QUALITY INFORMATION

Allowance for Loan Losses

We maintain allowances for loan losses and charge losses to these allowances when such losses are realized. The determination of the allowance for loan losses requires significant judgment reflecting our best estimate of impairment related to specifically identified loans as well as probable loan losses in the remaining loan portfolio. Our evaluation is based upon a continuing review of these portfolios.

The following table provides the activity of the allowance for loan losses and loan balances for the three and six months ended June 30, 2011:

	Commercial	Commercial Mortgages	Construction	Residential	Consumer	Total
	(In Thousands)					
Three months ended June 30, 2011						
Allowance for loan losses						
Beginning balance	\$24,536	\$11,866	\$6,658	\$3,763	\$9,177	\$56,000
Charge-offs	(2,847)	(1,060)	(1,846)	(899)	(2,468)	(9,120)
Recoveries	210	279	115	7	175	786
Provision	3,337	1,245	904	836	2,260	8,582
Ending balance	\$25,236	\$12,330	\$5,831	\$3,707	\$9,144	\$56,248
Six months ended June 30, 2011						
Allowance for loan losses						
Beginning balance	\$26,480	\$10,564	\$10,019	\$4,028	\$9,248	\$60,339
Charge-offs	(6,210)	(1,307)	(7,072)	(1,306)	(4,224)	(20,119)
Recoveries	338	287	506	91	316	1,538
Provision	4,628	2,786	2,378	894	3,804	14,490
Ending balance	\$25,236	\$12,330	\$5,831	\$3,707	\$9,144	\$56,248
Period-end allowance allocated to:						
Specific reserves(1)	\$2,304	\$4,349	\$1,411	\$825	\$112	\$9,001
General reserves(2)	22,932	7,981	4,420	2,882	9,032	47,247
Ending balance	\$25,236	\$12,330	\$5,831	\$3,707	\$9,144	\$56,248
Period-end loan balances evaluated for:						
Specific reserves(1)	\$22,736	\$20,177	\$31,586	\$17,567	\$3,128	\$95,194 (3)
General reserves(2)	1,308,304	602,374	96,932	276,003	298,281	2,581,894
Ending balance	\$1,331,040	\$622,551	\$128,518	\$293,570	\$301,409	\$2,677,088

(1) Specific reserves represent loans individually evaluated for impairment

(2) General reserves represent loans collectively evaluated for impairment

(3) The difference between this amount and nonaccruing loans at June 30, 2011, represents accruing troubled debt restructured loans.

Non-Accrual and Past Due Loans

The following tables show our nonaccrual and past due loans at the dates indicated:

June 30, 2011 (In Thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days		Total Past Due(1)	Current	Total Loans	Greater than 90 Days and Nonaccrual Loans	
			90 Days	90 Days				Accruing	Loans
Commercial	\$ 946	\$ 648	\$ 17,332	\$ 18,926	\$ 1,312,114	\$ 1,331,040	\$ -	\$ 22,803	
Commercial mortgages	4,433	1,814	3,018	9,265	613,286	622,551	-	20,369	
Construction	4,548	1,776	13,805	20,129	108,389	128,518	-	31,585	
Residential	6,501	2,292	8,772	17,565	276,005	293,570	564	10,198	
Consumer	1,353	397	561	2,311	299,098	301,409	-	1,741	
Total	\$ 17,781	\$ 6,927	\$ 43,488	\$ 68,196	\$ 2,608,892	\$ 2,677,088	\$ 564	\$ 86,696	
% of Total Loans	0.66 %	0.26 %	1.63 %	2.55 %	97.45 %	100 %	0.02 %	3.24 %	

December 31, 2010 (In Thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days		Total Past Due(1)	Current	Total Loans	Greater than 90 Days and Nonaccrual Loans	
			90 Days	90 Days				Accruing	Loans
Commercial	\$ 3,004	\$ 692	\$ 8,755	\$ 12,451	\$ 1,225,595	\$ 1,238,046	\$ -	\$ 21,577	
Commercial mortgages	6,574	-	2,056	8,630	613,368	621,998	-	9,490	
Construction	1,685	3,980	14,238	19,903	120,756	140,659	-	30,260	
Residential	6,913	2,024	9,658	18,595	291,900	310,495	465	11,739	
Consumer	1,355	261	1,756	3,372	307,137	310,509	-	3,701	
Total	\$ 19,531	\$ 6,957	\$ 36,463	\$ 62,951	\$ 2,558,756	\$ 2,621,707	\$ 465	\$ 76,767	
% of Total Loans	0.74 %	0.27 %	1.38 %	2.39 %	97.61 %	100 %	0.02 %	2.93 %	

(1) Includes nonaccruing and accruing delinquent loan balances.

Impaired Loans

The following tables provide an analysis of our impaired loans at June 30, 2011 and December 31, 2010:

June 30, 2011 (In Thousands)	Ending Loan Balances	Loans with No Specific Reserve (1)	Loans with Specific Reserve	Related Specific Reserve	Contractual Principal Balances	Average Loan Balances
---------------------------------	----------------------------	--	-----------------------------------	--------------------------------	--------------------------------------	-----------------------------

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Commercial	\$ 22,736	\$ 17,478	\$ 5,258	\$ 2,304	\$ 31,831	\$ 22,505
Commercial mortgages	20,177	7,248	12,929	4,349	24,409	14,900
Construction	31,586	26,811	4,775	1,411	61,770	30,929
Residential	17,567	10,674	6,893	825	20,223	17,836
Consumer	3,128	2,008	1,120	112	4,046	4,594
Total	\$ 95,194	\$ 64,219	\$ 30,975	\$ 9,001	\$ 142,279	\$ 90,764

December 31, 2010 (In Thousands)	Ending Loan Balances	Loans with No Specific Reserve (1)	Loans with Specific Reserve	Related Specific Reserve	Contractual Principal Balances	Average Loan Balances
Commercial	\$ 21,527	\$ 14,555	\$ 6,972	\$ 4,845	\$ 29,309	\$ 16,139
Commercial mortgages	9,490	3,263	6,227	2,591	12,001	4,530
Construction	30,260	12,166	18,094	3,485	53,265	36,102
Residential	17,441	11,226	6,215	968	22,112	16,667
Consumer	5,106	3,969	1,137	130	6,558	4,184
Total	\$ 83,824	\$ 45,179	\$ 38,645	\$ 12,019	\$ 123,245	\$ 77,622

(1) Reflects loan balances at their remaining book balance.

Interest income of \$112,000 and \$186,000 was recognized on impaired loans during the three and six months ended June 30, 2011, respectively.

Credit Quality Indicators

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

Pass. These assets presently show no current or potential problems and are considered fully collectible.

Special Mention. These assets do not currently expose the Bank to a sufficient degree of risk to warrant an adverse classification but do possess credit deficiencies or potential weaknesses deserving our close attention. Special mention assets have a potential weakness or pose an unwarranted financial risk which, if not corrected, could weaken the asset and increase risk in the future.

Substandard. Assets which are inadequately protected by the current net worth and paying capacity of the obligor or collateral, if any. Assets so classified have a well-defined weakness or weaknesses based upon objective evidence that jeopardizes the timely liquidation of the asset, or realization of the collateral at the asset's net book value. Substandard assets can be classified as accrual or nonaccrual and are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. The possibility of untimely liquidation requires a substandard classification even if there is little likelihood of total loss.

Doubtful. The rating designated to assets with all the weaknesses of substandard assets and added weaknesses that make collection in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values.

Loss. These assets are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that an asset has absolutely no recovery or salvage value, but rather, that it is not practical or desirable to defer writing off a mostly worthless asset even though partial recovery may occur in the future.

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 in nonaccrual status.

The following tables provide an analysis of problem loans as of June 30, 2011 and December 31, 2010:

Commercial credit exposure credit risk profile by internally assigned risk rating (in thousands):

	Commercial		Commercial Mortgages		Construction		Total Commercial		December 31, 2010
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011 Amount	December 31, 2010 Percent	
Risk Rating:									
Special mention	\$34,724	\$39,544	\$20,269	\$13,195	\$15,307	\$21,970	\$70,300		\$74,709
Substandard:									
Accrual	46,444	54,230	10,834	21,121	26,264	32,560	83,542		107,911
Nonaccrual	22,836	21,577	20,369	9,490	31,585	30,260	74,790		61,327
Total Special Mention and Substandard	104,004	115,351	51,472	43,806	73,156	84,790	228,632	11%	243,947
Pass	1,227,036	1,122,695	571,079	578,192	55,362	55,869	1,853,477	89	1,756,756
Total Commercial Loans	\$1,331,040	\$1,238,046	\$622,551	\$621,998	\$128,518	\$140,659	\$2,082,109	100%	\$2,000,703

Consumer credit exposure credit risk profile based on payment activity (in thousands):

	Residential		Consumer		Total Residential and Consumer			
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011 Amount	June 30, 2011 Percent	December 31, 2010 Amount	December 31, 2010 Percent
Nonperforming	\$ 17,567	\$ 17,441	\$ 3,128	\$ 5,106	\$ 20,695	3 %	\$ 22,547	4 %
Performing	276,003(1)	293,054	298,281	305,403	574,284	97	598,457	96
Total	\$ 293,570	\$ 310,495	\$ 301,409	\$ 310,509	\$ 594,979	100 %	\$ 621,004	100 %

(1) Includes \$8.8 million of troubled debt restructured mortgages and home equity installment loans performing in accordance with modified terms and are accruing interest.

6. COMPREHENSIVE INCOME

The following schedule reconciles net income to total comprehensive income:

	For the three months ended June 30, (In Thousands)		For the six months ended June 30, (In Thousands)	
	2011	2010	2011	2010
Net income	\$5,523	\$3,301	\$9,729	\$3,815
Other Comprehensive Income:				
Unrealized holding gains on securities available-for-sale arising during the period	1,027	9,211	754	17,484
Tax expense	(390)	(3,500)	(287)	(6,644)
Net of tax amount	637	5,711	467	10,840
Total comprehensive income	\$6,160	\$9,012	\$10,196	\$14,655

7. TAXES ON INCOME

We account for income taxes in accordance with FASB ASC 740, Income Taxes (“ASC 740”) (Formerly SFAS No. 109, Accounting for Income Taxes and FASB Interpretation No. 48, Accounting for Uncertainty In Income Taxes, an Interpretation of FASB Statement 109). ASC 740 requires the recording of deferred income taxes that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We exercise significant judgment in the evaluation of the amount and timing of the recognition of the resulting tax assets and liabilities. The judgments and estimates required for the evaluation are updated based upon changes in business factors and the tax laws. If actual results differ from the assumptions and other considerations used in estimating the amount and timing of tax recognized, there can be no assurance that additional expenses will not be required in future periods. No valuation allowance has been recorded on our deferred tax assets due to our history of prior earnings along with our expectations of future income. ASC 740 prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. We recognize, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the financial statements. Assessment of uncertain tax positions under ASC 740 requires careful consideration of the technical merits of a position based on our analysis of tax regulations and interpretations.

The total amount of unrecognized tax benefits as of June 30, 2011 and December 31, 2010 were both \$1.0 million, of which \$500,000 would affect our effective tax rate if recognized. The six months ended June 30, 2010 included tax benefits of \$899,000 resulting from a decrease in our income tax reserve due to the expiration of the statute of limitations on certain tax items. No such tax benefits were recorded during the first half of 2011. As of June 30, 2011 and December 31, 2010, the total amount of accrued interest included in such unrecognized tax benefits was \$59,000 and \$51,000, respectively. No penalties are included in such unrecognized tax benefits. We record interest and penalties on potential income tax deficiencies as income tax expense. Our Federal and state tax returns for the 2007 through 2010 tax years are subject to examination as of June 30, 2011. There are currently no income tax audits in process.

Related to the move of our corporate headquarters during 2007, we donated (to the local Historical Society, for the purpose of community viewing) an N.C. Wyeth mural which was previously displayed in our former headquarters.

Pursuant to an appraisal by a nationally recognized art appraisal firm, the estimated fair value of the mural was \$6.0 million, which was recorded as a charitable contribution expense. We recognized a related offsetting gain on the transfer of the asset during 2007. The expense and offsetting gain was shown net in our Consolidated Financial Statements. As the gain on the transfer of the asset is permanently excludible from taxation, the charitable contribution transaction results in a permanent deduction for income tax purposes. The amount of the deduction represents an income tax uncertainty because it is subject to evaluation by the Internal Revenue Service (“IRS”).

8.SEGMENT INFORMATION

Under the definition of FASB ASC 280, Segment Reporting (“ASC 280”) (formerly SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information) we discuss our business in three segments. There is one segment each for WSFS Bank (including WSFS Investment Group, Inc.), Cash Connect, (the ATM division of WSFS), and Trust and Wealth Management. Trust and Wealth Management combines Montchanin and Christiana Trust into a single reportable segment.

The WSFS Bank segment provides financial products to commercial and retail customers through its 47 offices located in Delaware (38), Pennsylvania (7), Virginia (1) and Nevada (1). Retail and Commercial Banking, Commercial Real Estate Lending, Private Banking and other banking business units (including the reorganization of WSFS Investment Group, Inc.) are operating departments of WSFS. 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. Because of these and other reasons, these departments are not considered discrete segments and are appropriately aggregated within our WSFS Bank segment in accordance with ASC 280.

Cash Connect provides turnkey ATM services through strategic partnerships with several of the largest networks, manufacturers and service providers in the ATM industry. 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 Trust and Wealth Management segment is comprised of Christiana Trust and Montchanin. Christiana Trust was acquired as part of the acquisition of CB&T in December 2010 and WSFS’ Trust and Wealth Management business was consolidated into Christiana Trust. Christiana Trust provides investment, fiduciary, agency and commercial domicile services from locations in Delaware and Nevada. These services are provided to individuals and families, as well as corporations and institutions. The Christiana Trust division provides these services to local, national and international customers by making use of the advantages of its facilities in Delaware and Nevada. Montchanin provides asset management products and services to customers in the Bank’s primary market area. Montchanin has one consolidated wholly owned subsidiary, Cypress Capital Management, LLC (Cypress). Cypress is a Wilmington-based investment advisory firm serving high net-worth individuals and institutions.

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. We evaluate performance based on pretax ordinary income relative to resources used, and allocate resources based on these results. The accounting policies applicable to our segments are the same that apply to the preparation of our accompanying Consolidated Financial Statements. Segment information for the three and six months ended June 30, 2011 and 2010 follows:

For the three months ended June 30, 2011

	WSFS	Cash Connect (In Thousands)	Trust & Wealth Management	Total
External customer revenues:				
Interest income	\$ 39,814	\$ -	\$ -	\$ 39,814
Noninterest income	9,588	3,833	2,608	16,029
Total external customer revenues	49,402	3,833	2,608	55,843
Inter-segment revenues:				
Interest income	293	-	1,310	1,603
Noninterest income	806	161	-	967
Total inter-segment revenues	1,099	161	1,310	2,570
Total revenue	50,501	3,994	3,918	58,413
External customer expenses:				
Interest expense	8,627	-	-	8,627
Noninterest expenses	25,857	1,872	2,923	30,652
Provision for loan loss	8,582	-	-	8,582
Total external customer expenses	43,066	1,872	2,923	47,861
Inter-segment expenses				
Interest expense	1,310	293	-	1,603
Noninterest expenses	161	353	453	967
Total inter-segment expenses	1,471	646	453	2,570
Total expenses	44,537	2,518	3,376	50,431
Income before taxes	\$ 5,964	\$ 1,476	\$ 542	\$ 7,982
Provision for income taxes				2,459
Consolidated net income				\$ 5,523
Capital expenditures	\$ 2,561	\$ 133	\$ 299	\$ 2,993
As of June 30, 2011				
Cash and cash equivalents	\$ 93,221	\$ 395,381	\$ 2,564	\$ 491,166
Other segment assets	3,629,042	20,419	10,890	3,660,351
Total segment assets	\$ 3,722,263	\$ 415,800	\$ 13,454	\$ 4,151,517

For the three months ended June 30, 2010

	WSFS	Cash Connect	Trust & Wealth Management	Total
	(In Thousands)			
External customer revenues:				
Interest income	\$41,454	\$-	\$ -	\$41,454
Noninterest income	8,425	3,321	690	12,436
Total external customer revenues	49,879	3,321	690	53,890
Inter-segment revenues:				
Interest income	225	-	-	225
Noninterest income	699	203	-	902
Total inter-segment revenues	924	203	-	1,127
Total revenue	50,803	3,524	690	55,017
External customer expenses:				
Interest expense	10,756	-	-	10,756
Noninterest expenses	25,449	1,407	883	27,739
Provision for loan loss	10,594	-	-	10,594
Total external customer expenses	46,799	1,407	883	49,089
Inter-segment expenses				
Interest expense	-	225	-	225
Noninterest expenses	203	367	332	902
Total inter-segment expenses	203	592	332	1,127
Total expenses	47,002	1,999	1,215	50,216
Income (loss) before taxes	\$3,801	\$1,525	\$ (525)	\$4,801
Provision for income taxes				1,500
Consolidated net income				\$3,301
Capital expenditures	\$1,427	\$4	\$ -	\$1,431
As of December 31, 2010				
Cash and cash equivalents	\$48,359	\$326,573	\$ 1,827	\$376,759
Other segment assets	3,554,274	13,196	9,289	3,576,759
Total segment assets	\$3,602,633	\$339,769	\$ 11,116	\$3,953,518

For the six months ended June 30, 2011

	WSFS	Cash Connect	Trust & Wealth Management	Total
	(In Thousands)			
External customer revenues:				
Interest income	\$78,966	\$-	\$ -	\$78,966
Noninterest income	17,416	7,249	5,003	29,668
Total external customer revenues	96,382	7,249	5,003	108,634
Inter-segment revenues:				
Interest income	564	-	2,256	2,820
Noninterest income	1,732	322	-	2,054
Total inter-segment revenues	2,296	322	2,256	4,874
Total revenue	98,678	7,571	7,259	113,508
External customer expenses:				
Interest expense	17,525	-	-	17,525
Noninterest expenses	53,234	3,637	5,168	62,039
Provision for loan loss	14,490	-	-	14,490
Total external customer expenses	85,249	3,637	5,168	94,054
Inter-segment expenses				
Interest expense	2,256	564	-	2,820
Noninterest expenses	322	804	928	2,054
Total inter-segment expenses	2,578	1,368	928	4,874
Total expenses	87,827	5,005	6,096	98,928
Income before taxes	\$10,851	\$2,566	\$ 1,163	\$14,580
Income tax provision				4,851
Consolidated net income				\$9,729
Capital expenditures	\$4,394	\$177	\$ 306	\$4,877
As of June 30, 2011				
Cash and cash equivalents	\$93,221	\$395,381	\$ 2,564	\$491,166
Other segment assets	3,629,042	20,419	10,890	3,660,351
Total segment assets	\$3,722,263	\$415,800	\$ 13,454	\$4,151,517

For the six months ended June 30, 2010

	WSFS	Cash Connect	Trust & Wealth Management	Total
	(In Thousands)			
External customer revenues:				
Interest income	\$ 82,012	\$ -	\$ -	\$ 82,012
Noninterest income	15,622	6,460	1,495	23,577
Total external customer revenues	97,634	6,460	1,495	105,589
Inter-segment revenues:				
Interest income	447	-	-	447
Noninterest income	1,429	375	-	1,804
Total inter-segment revenues	1,876	375	-	2,251
Total revenue	99,510	6,835	1,495	107,840
External customer expenses:				
Interest expense	21,971	-	-	21,971
Noninterest expenses	48,554	7,113	1,705	57,372
Provision for loan loss	22,004	-	-	22,004
Total external customer expenses	92,529	7,113	1,705	101,347
Inter-segment expenses				
Interest expense	-	447	-	447
Noninterest expenses	375	733	696	1,804
Total inter-segment expenses	375	1,180	696	2,251
Total expenses	92,904	8,293	2,401	103,598
Income (loss) before taxes	\$ 6,606	\$ (1,458)	\$ (906)	\$ 4,242
Income tax provision				427
Consolidated net income				\$ 3,815
Capital expenditures	\$ 3,070	\$ 7	\$ -	\$ 3,077
As of December 31, 2010				
Cash and cash equivalents	\$ 48,359	\$ 326,573	\$ 1,827	\$ 376,759
Other segment assets	3,554,274	13,196	9,289	3,576,759
Total segment assets	\$ 3,602,633	\$ 339,769	\$ 11,116	\$ 3,953,518

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

Investments and Mortgage-Backed Securities: Fair value of investment and mortgage-backed securities is based on quoted market prices, where available. If a quoted market price is not available, fair value is estimated using quoted prices for similar securities. The fair value of our investment in reverse mortgages is based on the net present value of estimated cash flows, which have been updated to reflect recent external appraisals of the underlying collateral. For additional discussion of our mortgage-backed securities-trading, see Note 10, Fair Value of Financial Assets, to the Consolidated Financial Statements.

Loans: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type: commercial, commercial mortgages, construction, residential mortgages and consumer. For loans that reprice frequently, the book value approximates fair value. The fair values of other types of loans 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 value of nonperforming loans is based on recent external appraisals of the underlying collateral. Estimated cash flows, discounted using a rate commensurate with current rates and the risk associated with the estimated cash flows, are utilized if appraisals are not available. This technique does not contemplate an exit price.

Bank-Owned Life Insurance: The estimated fair value approximates the book value for this investment.

Stock in the Federal Home Loan Bank of Pittsburgh: The fair value of FHLB stock is assumed to be essentially equal to its cost. We carry FHLB stock at cost, or par value, and evaluate FHLB stock for impairment based on the ultimate recoverability of par value rather than by recognizing temporary declines in value. As part of the impairment assessment of FHLB stock, management considers, among other things, (i) the significance and length of time of any declines in net assets of the FHLB compared to its capital stock, (ii) commitments by the FHLB to make payments required by law or regulations and the level of such payments in relation to its operating performance, (iii) the impact of legislative and regulatory changes on FHLB, the FHLB has access to the U.S. Government-Sponsored Enterprise Credit Facility, a secured lending facility that serves as a liquidity backstop, substantially reducing the likelihood that the FHLB would need to sell securities to raise liquidity and, thereby, cause the realization of large economic losses. On August 8, 2011, Standard & Poors ("S&P") downgraded the FHLB from AAA to AA+, similar to their downgrade of the U.S. sovereign rating. The reduction in the FHLB credit rating was due to the belief, by S&P, that the FHLB system is certain to receive U.S. government support, if necessary, resulting from the important role the FHLB system plays as primary liquidity providers to U.S. mortgage and housing-market participants. Despite the downgrade, the FHLB continues to have a very high degree of government support and was in compliance with all regulatory capital requirements as of June 30, 2011. As a result, we have determined there was no other-than-temporary impairment related to our FHLB stock investment as of June 30, 2011.

Demand Deposits, Savings Deposits and Time Deposits: The fair value of demand deposits and savings deposits is determined by projecting future cash flows using an estimated economic life based on account characteristics. The resulting cash flow is discounted using rates available on alternative funding sources. The fair value of time deposits is estimated using the rate and maturity characteristics of the deposits to estimate their cash flow. The cash flow is discounted at rates for similar term wholesale funding.

Borrowed Funds: Rates currently available to us for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Off-Balance Sheet Instruments: The fair value of off-balance sheet instruments, including commitments to

extend credit and standby letters of credit, is estimated using the fees currently charged to enter into similar agreements with comparable remaining terms and reflects the present creditworthiness of the counterparties.

The book value and estimated fair value of our financial instruments are as follows:

(In Thousands)	June 30, 2011		December 31, 2010	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 491,166	\$ 491,166	\$ 376,759	\$ 376,759
Investment securities	39,105	39,086	52,451	52,428
Mortgage-backed securities	768,601	768,601	713,358	713,358
Loans, net	2,624,283	2,639,897	2,575,890	2,586,669
Stock in Federal Home Loan Bank of Pittsburgh	35,681	35,681	37,536	37,536
Accrued interest receivable	11,268	11,268	11,765	11,765
Financial liabilities:				
Deposits	2,877,487	2,822,718	2,810,744	2,826,515
Borrowed funds	868,961	870,240	747,606	751,970
Accrued interest payable	5,537	5,537	3,317	3,317

The estimated fair value of our off-balance sheet financial instruments is as follows:

(In Thousands)	June 30, 2011	December 31, 2010
	Off-balance sheet instruments:	
Commitments to extend credit	\$ 4,185	\$ 3,729
Standby letters of credit	137	210

10. FAIR VALUE OF FINANCIAL ASSETS

Effective January 1, 2008, we adopted the provisions of FASB ASC 820-10 ("ASC 820-10") (Formerly SFAS No. 157, Fair Value Measurements and Financial Accounting Standards Board Staff Position (FSP) No. 157-2, Effective Date of FASB Statement No. 157), for financial assets and financial liabilities. This adoption did not have a material impact on our financial statements.

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.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. The table below presents the balances of assets measured at fair value as of June 30, 2011 (there are no material liabilities measured at fair value):

Description	Quoted Prices in Active Markets for Identical Asset (Level 1) (In Thousands)	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:				
Collateralized mortgage obligations	\$ —	\$ 367,751	\$ —	\$ 367,751
FNMA	—	241,836	—	241,836
FHLMC	—	83,554	—	83,554
GNMA	—	63,028	—	63,028
U.S. Government and agencies	—	36,928	—	36,928
State and political subdivisions	—	2,366	—	2,366
Reverse mortgages	—	—	(406)	(406)
Trading Securities	—	—	12,432	12,432
Total assets measured at fair value on a recurring basis	\$ —	\$ 795,463	\$ 12,026	\$ 807,489
Assets Measured at Fair Value on a Nonrecurring Basis				
Other real estate owned	\$ —	\$ 5,143	\$ —	\$ 5,143
Impaired Loans (collateral dependent)	—	86,193	—	86,193
Total assets measured at fair value on a nonrecurring basis	\$ —	\$ 91,336	\$ —	\$ 91,336

The table below presents the balances of assets measured at fair value as of December 31, 2010 (there are no material liabilities measured at fair value):

Description	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
(in Thousands)				
Assets Measured at Fair Value on a Recurring Basis				
Available-for-sale securities:				
Collateralized mortgage obligations	\$ —	\$ 500,034	\$ —	\$ 500,034
FNMA	—	90,048	—	90,048
FHLMC	—	44,440	—	44,440
GNMA	—	66,404	—	66,404
U.S. Government and agencies	—	50,003	—	50,003
State and political subdivisions	—	2,915	—	2,915
Reverse mortgages	—	—	(686)	(686)
Trading Securities	—	—	12,432	12,432
Total assets measured at fair value on a recurring basis	\$ —	\$ 753,844	\$ 11,746	\$ 765,590
Assets Measured at Fair Value on a Nonrecurring Basis				
Other real estate owned	\$ —	\$ 9,024	\$ —	\$ 9,024
Impaired Loans (collateral dependent)	—	71,805	—	71,805
Total assets measured at fair value on a nonrecurring basis	\$ —	\$ 80,829	\$ —	\$ 80,829

Fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon 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. Our valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our 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. As of June 30, 2011, securities classified as available for sale are reported at fair value using Level 2 inputs. Included in the level 2 total are approximately \$36.9 million in Federal Agency debentures, \$508.5 million in Federal Agency MBS, \$247.7 million of private Label MBS, and \$2.4 million in municipal bonds. Agency and MBS securities are predominately AAA-rated. We believe that this Level 2

designation is appropriate for these securities under ASC 820-10 as, with almost all fixed income securities, none are exchange traded, and all are priced by correlation to observed market data. For these securities we obtain 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.

Trading securities. The amount included in the trading securities category represents the fair value of a BBB-rated tranche of a reverse mortgage security. There has never been an active market for these securities. As such, we classify these trading securities as Level 3 under ASC 820-10. As prescribed by ASC 820-10 management used various observable and unobservable inputs to develop a range of likely fair value prices where this security would be exchanged in an orderly transaction between market participants at the measurement date. The unobservable

inputs reflect management's assumptions about the assumptions that market participants would use in pricing this asset. Included in these inputs were the median of a selection of other BBB-rated securities as well as quoted market prices from higher rated tranches of this asset class. As a result, the value assigned to this security is determined primarily through a discounted cash flow analysis. All of these assumptions require a significant degree of management judgment.

Reverse Mortgages. The amount of our investment in reverse mortgages represents the estimated value of future cash flows of the reverse mortgages at a rate deemed appropriate for these mortgages, based on the market rate for similar collateral. The projected cash flows depend on assumptions about life expectancy of the mortgagor and the future changes in collateral values. Due to the significant amount of management judgment and the unobservable input calculations, these reverse mortgages have been classified as Level 3.

The changes in Level 3 assets measured at fair value are summarized as follows:

(In Thousands)	Trading Securities	Reverse Mortgages	Total
Balance at December 31, 2009	\$ 12,183	\$(530)	\$ 11,653
Total net income (losses) for the period included in net income	249	(287)	(38)
Purchases, sales, issuances, and settlements, net	—	131	131
Balance at December 31, 2010	\$ 12,432	\$(686)	\$ 11,746
Total net income (losses) for the period included in net income	—	(71)	(71)
Purchases, sales, issuances, and settlements, net	—	351	351
Balance at June 30, 2011	\$ 12,432	\$(406)	\$ 12,026

Impaired loans. Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a gross amount of \$95.2 million and \$83.8 million at June 30, 2011 and December 31, 2010, respectively. The valuation allowance on impaired loans was \$9.0 million as of June 30, 2011 and \$12.0 million as of December 31, 2010.

11. INDEMNIFICATIONS AND GUARANTEES

Secondary Market Loan Sales. We generally do not sell loans with recourse except to the extent arising from standard loan sale contract provisions covering violations of representations and warranties and, under certain circumstances first payment defaults by borrowers. These are customary repurchase provisions in the secondary market for conforming mortgage loan sales. These indemnifications may include our repurchase of the loans. Repurchases and losses are rare, and no provision is made for the losses at the time of sale. During the second quarter of 2011, we had no repurchases under these indemnifications.

We typically sell fixed-rate, conforming first mortgage loans (including reverse mortgages) in the secondary market as part of our ongoing asset/liability management program. Loans held-for-sale are carried at the lower of cost or market of the aggregate or in some cases individual loans. Gains and losses on sales of loans are recognized at the time of the sale.

Swap Guarantees. We entered into agreements with three unrelated financial institutions whereby those financial institutions entered into interest rate derivative contracts (interest rate swap transactions) with customers referred to them by us. By the terms of the agreements, those financial institutions have recourse to us for any exposure created under each swap transaction in the event 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 smaller financial

institutions like us to provide access to interest rate swap transactions for our customers without creating the swap ourselves.

At June 30, 2011 there were 65 variable-rate swap transactions between the third party financial institutions and our customers, compared to 57 at December 31, 2010. The initial notional amount aggregated approximately \$272.0 million at June 30, 2011 compared with \$236.1 million at December 31, 2010. At June 30, 2011 maturities ranged from approximately one year to 14 years. The aggregate market value of these swaps to the customers was a

liability of \$20.2 million at June 30, 2011 and \$16.9 million at December 31, 2010. No reserves are needed for these guarantees as it is not probable that we would have any contingent liability for a loss on the obligations.

12. ASSOCIATE (EMPLOYEE) BENEFIT PLANS

Postretirement Benefits

We share certain costs of providing health and life insurance benefits to retired Associates (and their eligible dependents). Substantially all Associates may become eligible for these benefits if they reach normal retirement age while working for us.

We account for our obligations under the provisions of FASB ASC 715, Compensation – Retirement Benefits (“ASC 715”) (Formerly SFAS No. 106, Employers’ Accounting for Postretirement Benefits Other Than Pensions). ASC 715 requires that the costs of these benefits be recognized over an Associate’s active working career. Disclosures are in accordance with ASC 715.

The following disclosures of the net periodic benefit cost components of postretirement benefits were measured at January 1, 2011 and 2010:

(In Thousands)	Three months ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Service cost	\$52	\$43	\$104	\$85
Interest cost	42	38	84	76
Amortization of transition obligation	15	15	30	30
Net loss recognition	8	3	16	6
Net periodic benefit cost	\$117	\$99	\$234	\$197

13. NONINTEREST EXPENSES

During the six months ended June 30, 2011, we recorded \$780,000 (including \$334,000 in the first quarter and \$446,000 in the second quarter) in non-routine charges related to the acquisition and integration of Christiana Bank & Trust. These expenses are mainly reflected in professional fees, salaries, benefits and other compensation.

During the six months ended June 30, 2010, we recorded a \$4.5 million non-routine charge. On February 19, 2010, we reported in a regulatory filing that an executive of an armored car company that served as a vendor for several of Cash Connect’s customers, engaged in embezzlement. In the first quarter of 2010, the Company recorded a \$4.5 million loss related to funds not immediately recoverable by Cash Connect. These funds were fully recovered during the third quarter of 2010.

14. STOCK AND COMMON STOCK WARRANTS

In August 2010, we completed an underwritten public offering of 1,370,000 shares of common stock. The offering was priced at \$36.50 per share, a slight premium to the prior day’s closing price, and raised \$47.1 million net of \$2.9 million of costs.

On September 24, 2009 we completed a private placement of stock to Peninsula Investment Partners, L.P., pursuant to which we issued and sold 862,069 shares of common stock for a total purchase price of \$25.0 million, and

a 10-year warrant to purchase 129,310 shares of common stock at an exercise price of \$29.00 per share. The warrant is immediately exercisable.

Total proceeds of \$25.0 million were allocated, based on the relative fair value of the common stock and common stock warrants, to common stock for \$23.5 million and common stock warrants for \$1.5 million on September 24, 2009.

On January 23, 2009, we entered into a purchase agreement with the U.S. Treasury pursuant to which we issued and sold 52,625 shares of our fixed-rate cumulative perpetual preferred stock for a total purchase price of \$52.6 million, and a 10-year warrant to purchase 175,105 shares of common stock at an exercise price of \$45.08 per share. We will pay the Treasury Department a five percent dividend annually for each of the first five years of the

investment and a nine percent dividend thereafter until the shares are redeemed. The cumulative dividend for the preferred stock is accrued for and payable on February 15, May 15, August 15 and November 15 of each year. We declared and paid \$1.3 million in preferred stock dividends during the six months ended June 30, 2011.

Based on the relative fair value of the preferred stock and common stock warrants on January 23, 2009, the total proceeds of \$52.6 million were allocated to preferred stock for \$51.9 million and common stock for \$693,000. The preferred stock discount is being accreted, on an effective yield method, to preferred stock over five years. We have accreted a total of \$69,000 during the six months ended June 30, 2011, relating to the discount on preferred stock.

The preferred stock is nonvoting, except for class voting rights on certain matters that could adversely affect the shares. They may be redeemed by us for the liquidation preference (\$1,000 per share), plus accrued but unpaid dividends, with the Treasury's approval. The warrant is exercisable immediately and subject to certain anti-dilution and other adjustments.

15. GOODWILL

On December 3, 2010, we completed the acquisition of CB&T for a cash purchase price of \$34.5 million. The acquisition of CB&T was accounted for using the acquisition method of accounting and, accordingly, assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The excess cash paid over the fair value of net assets acquired was recorded as goodwill in the amount of \$17.0 million, which, for tax purposes, is being amortized over 15 years, as we have made an election for income tax purposes to treat the acquisition as a taxable purchase of assets. We also recorded \$3.1 million of other intangible assets and \$1.9 million in core deposit intangibles ("CDI"). The intangible assets are being amortized over periods ranging from 2 to 7.5 years using straight-line methods and the CDI is being amortized over a period of 10 years using a declining balance method. The goodwill and intangibles have been allocated between the WSFS Bank and Trust and Wealth Management segments.

The following table details the effect on goodwill from the changes in estimates of the fair values of the assets acquired and liabilities assumed from the amounts originally reported on the Form 10-K for the year ended December 31, 2010 (In Thousands):

Goodwill resulting from CB&T acquisition reported on Form 10-K for the year ended December 31, 2010	\$ 15,876
Effect of adjustments to:	
Loans	801
Premises and equipment	250
Other liabilities, net	31
Adjusted goodwill resulting from acquisition of CB&T as of June 30, 2011	\$ 16,958

16. SUBSEQUENT EVENTS

We were served with a complaint filed on July 18, 2011 in U.S. Bankruptcy Court by a bankruptcy trustee relating to a former WSFS Bank customer. The complaint challenges the Bank's actions in exercising its rights relating to an outstanding loan. Management of the Bank believes it has acted appropriately. However, due to the recent timing of receiving the complaint, management has not yet been able to determine the probability or possibility of a loss, nor has it been able to estimate the range of such loss, if any.

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

GENERAL

WSFS Financial Corporation is parent to Wilmington Savings Fund Society, FSB (“WSFS Bank” or the “Bank”), the seventh oldest bank and trust in the United States continuously operating under the same name. A permanent fixture in the community, WSFS has been in operation for more than 179 years. In addition to its focus on stellar customer service, the Bank has continued to fuel growth and remain a leader in our community. We are a relationship-focused, locally-managed, community banking institution that has grown to become the largest thrift holding company in the State of Delaware, one of the top commercial lenders in the state, the fourth largest bank in terms of Delaware deposits and one of the top 100 trust companies in the country. We state our mission simply: We Stand for Service and Strengthening Our Communities.

Our core banking business is commercial lending funded by customer-generated deposits. We have built a \$2.1 billion commercial loan portfolio by recruiting the best seasoned commercial lenders in our markets and offering a high level of service and flexibility typically associated with a community bank. We fund this business primarily with deposits generated through commercial relationships and retail deposits. We service our customers primarily from our 47 offices located in Delaware (38), Pennsylvania (7), Virginia (1) and Nevada (1). We also offer a broad variety of consumer loan products, retail securities and insurance brokerage through our retail branches.

We have two consolidated subsidiaries, WSFS Bank and Montchanin Capital Management, Inc. (“Montchanin”) and one unconsolidated affiliate, WSFS Capital Trust III (“the Trust”).

WSFS Bank has two wholly owned subsidiaries, WSFS Investment Group, Inc. and Monarch Entity Services, LLC (“Monarch”). WSFS Investment Group, Inc., markets various third-party investment and insurance products, such as single-premium annuities, whole life policies and securities primarily through the Bank’s retail banking system and directly to the public. Monarch provides commercial domicile services which include employees, directors, sublease of office facilities and registered agent services in Delaware and Nevada.

Our Cash Connect division is a premier provider of ATM Vault Cash and related services in the United States. Cash Connect manages more than \$406 million in vault cash in more than 11,047 ATMs nationwide and also provides online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing and equipment sales. Cash Connect also operates 401 ATMs for WSFS Bank, which owns, by far, the largest branded ATM network in Delaware.

In 2010 we acquired Christiana Bank & Trust Company (“CB&T”) and established our Christiana Trust division. The Christiana Trust division provides investment, fiduciary, agency and commercial domicile services to local, national and international customers by making use of the advantages of its facilities in Delaware and Nevada. These services are provided to individuals and families, as well as corporations and institutions.

Montchanin provides asset management services in our primary market area through its wholly owned subsidiary, Cypress Capital Management, LLC (“Cypress”). Cypress is a Wilmington-based investment advisory firm servicing high net-worth individuals and institutions.

Combined, the Christiana Trust division and Montchanin service approximately \$9.3 billion in fiduciary assets, including approximately \$1 billion in assets under management at June 30, 2011.

Until July 21, 2011, WSFS Financial Corporation and WSFS Bank were regulated by the Office of Thrift Supervision. As of July 21, 2011, WSFS Financial Corporation's primary federal regulator is the Federal Reserve and WSFS Bank's primary federal regulator is the Office of the Comptroller of the Currency. While we don't anticipate that the change in primary regulators will have a material impact on our operations, there can be no assurance that the interpretation by these agencies of the regulations governing our business will not be different than the Office of Thrift Supervision's which may affect the manner in which we conduct our business in the future.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and exhibits thereto, contains estimates, predictions, opinions, projections and other statements that may be interpreted as "forward-looking statements" as that phrase is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, references to our financial goals, management's plans 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. 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, those related to the economic environment, particularly in the market areas in which the Company operates; the volatility of the financial and securities markets, including changes with respect to the market value of financial assets; changes in market interest rates, changes in government regulation affecting financial institutions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules being issued in accordance with this statute and potential expenses associated therewith; changes resulting from our participation in the CPP including additional conditions that may be imposed in the future on participating companies; and the costs associated with resolving any problem loans and other risks and uncertainties, discussed in documents filed by WSFS Financial Corporation with the Securities and Exchange Commission from time to time. Forward looking statements are as of the date they are made, and the Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the financial condition and results of operations are based on the Consolidated Financial Statements, which are prepared in conformity with U.S. generally accepted accounting principles. The preparation of these Consolidated Financial Statements 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 loan losses, deferred taxes, fair value measurements, 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 assets and liabilities that are not readily apparent from other sources. Although our current estimates contemplate current economic conditions and how we expect them to change in the future, for the remainder of 2011, it is reasonably 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.

The following are critical accounting policies that involve more significant judgments and estimates. See further discussion of these critical accounting policies in the 2010 Annual Report on Form 10-K.

Allowance for Loan Losses

We maintain allowances for loan losses and charge losses to these allowances when realized. We consider the determination of the allowance for loan losses to be critical because it requires significant judgment reflecting our best estimate of impairment related to specifically evaluated impaired loans as well as the inherent risk of loss for those in the remaining loan portfolio. Our evaluation is based upon a continuing review of the portfolio, with consideration given to evaluations resulting from examinations performed by regulatory authorities.

Deferred Taxes

We account for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, Income Taxes ("ASC 740"), which requires the recording of deferred income taxes that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We consider our accounting policies on deferred taxes to be critical because we regularly assess the need for valuation allowances on deferred income tax

assets that may result from, among other things, limitations imposed by Internal Revenue Code and uncertainties, including the timing of settlement and realization of these differences. No valuation allowance is required as of June 30, 2011.

Fair Value Measurements

We adopted FASB ASC 820-10 Fair Value Measurements and Disclosures (“ASC 820”), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. We consider our accounting policies related to fair value measurements to be critical because they are important to the portrayal of our financial condition and results, and they require our subjective and complex

judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. See Note 10, Fair Value of Financial Assets to our Consolidated Financial Statements.

Goodwill and Other Intangible Assets

In accordance with FASB ASC 805, Business Combinations, and FASB ASC 350, Intangibles—Goodwill and Other, all assets and liabilities acquired in purchase acquisitions, including goodwill, indefinite-lived intangibles and other intangibles are recorded at fair value. We consider our accounting policies related to goodwill and other intangible assets to be critical because the assumptions or judgment used in determining the fair value of assets and liabilities acquired in past acquisitions are subjective and complex. As a result, changes in these assumptions or judgment could have a significant impact on our financial condition or results of operations.

The fair value of acquired assets and liabilities, including the resulting goodwill, was based either on quoted market prices or provided by other third-party sources, when available. When third-party information was not available we made good-faith estimates primarily through the use of internal cash flow modeling techniques. The assumptions used in the cash flow modeling are subjective and susceptible to significant changes.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least annually and written down and charged to results of operations only in periods in which the recorded value is more than the estimated fair value. Intangible assets that have finite useful lives will continue to be amortized over their useful lives and are periodically evaluated for impairment. As of June 30, 2011, goodwill totaled \$27.8 million, the majority of which is in the WSFS Bank reporting unit and is the result of a multi-branch acquisition in 2008 and the acquisition of CB&T during 2010. In addition, and mainly as a result of the CB&T acquisition, amortizing intangibles totaled \$6.7 million as of June 30, 2011.

Goodwill was tested for impairment at December 31, 2010 using a two-step process that began with an estimation of fair value. The first step compared the estimated fair value of our reporting units with their carrying amounts, including goodwill. The estimated fair value exceeded its carrying amount; goodwill was not considered impaired. However, if the carrying amount exceeded its estimated fair value, a second step would be performed comparing the implied fair value to the carrying amount of goodwill. An impairment loss would be recorded to the extent that the carrying amount of goodwill exceeds its implied fair value.

Fair value may be determined using market prices, comparison to similar assets, market multiples, discounted cash flow analyses and other variables. Estimated cash flows extend five years into the future and, by their nature, are difficult to estimate over such an extended period of time. Factors that may significantly affect estimates include, but are not limited to, balance sheet growth assumptions, credit losses in our investment and loan portfolios, competitive pressures in our market area, changes in customer base and customer product preferences, changes in revenue growth trends, cost structure, changes in discount rates, conditions in the banking sector and general economic variables.

Goodwill and intangibles are also tested for impairment between annual tests if an event occurs or circumstances change that would cause a reduction in the fair value below its carrying value. As of December 31, 2010, we completed the Step One test of the analysis to determine potential goodwill impairment of the WSFS Bank reporting unit. The valuation incorporated a market-based analysis and indicated the fair value of our WSFS Bank reporting unit was 43% above the carrying amount. Therefore, in accordance with FASB ASC 350-20-35-6, the Step Two analysis was not required.

At June 30, 2011, no events occurred that would cause a reduction in the fair value below its carrying value and therefore goodwill and other intangible assets were not considered impaired. Changing economic conditions that may adversely affect our performance and stock price could result in impairment, which could adversely affect earnings in

the future.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Financial Condition

Our total assets increased \$198.0 million during the six months ended June 30, 2011 to \$4.2 billion. Contributing to the increase, cash and cash equivalents increased \$114.4 million, or 30.4% with \$68.8 million representing increases in Cash Connect vault cash balances. Loans increased \$59.5 million from December 31, 2010 mainly due to an increase in commercial and industrial (“C&I”) loans which grew \$93.0 million, or 15%

annualized. This growth in C&I loans was offset by decreases of \$28.0 million in residential mortgage loans and \$12.1 million of intentional declines in construction loan balances during the six months ended June 30, 2011. Additionally, mortgage-backed securities increased \$55.2 million, or 7.9%.

Our credit policy includes a “House Limit” to one borrowing relationship of \$25 million. It is limited to a total of ten relationships and an aggregate exposure not to exceed 10% of our total of Tier 1 capital plus our allowance for loan losses. In rare circumstances, we will approve exceptions to the “House Limit”. Currently we have five relationships that exceed this limit and were approved because either the relationship contained several loans/borrowers that have no economic relationship (typically real estate investors with amounts diversified across a number of properties) or the exposure was marginally in excess of the “House Limit” and the credit profile was deemed strong.

Total liabilities increased \$189.9 million between December 31, 2010 and June 30, 2011 to \$3.8 billion. This increase was mainly due to a \$149.0 million, or 5.8% increase in customer deposits as well as a \$145.1 million, or 29.7% increase in FHLB advances. Included in the customer deposit total was an increase in savings accounts of \$121.0 million, or 47.4%, which included a promotional account issued in conjunction with our anniversary. Partially offsetting these increases were brokered deposits which decreased \$82.3 million.

As we have continued to establish ourselves as a full service bank, and a premier bank in our markets, our level of public funding, trust and large commercial accounts has increased significantly. These account balances may add more seasonality and uneven trends to our deposit flows. As of June 30, 2011, our top ten depositors represented approximately 12% of our total customer funding.

Capital Resources

Stockholders’ equity increased \$8.1 million between December 31, 2010 and June 30, 2011. This increase was mainly due to net income of \$9.7 million as well as an increase of \$1.3 million related to equity based incentive plans. Partially offsetting these increases was the payment of common and preferred dividends of \$3.4 million during the six months ended June 30, 2011.

Book value per common share was \$43.69 at June 30, 2011 an increase of \$0.54 from \$43.15 reported at December 31, 2010. Tangible common book value per common share (non-GAAP measurement) was \$33.60 at June 30, 2011, an increase of \$0.57, or 1.7% from \$33.03 reported at December 31, 2010.

Below is a table comparing the Bank’s consolidated capital position to the minimum regulatory requirements as of June 30, 2011:

(dollars in thousands)	Consolidated Bank Capital		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions		
	Amount	% of Assets	Amount	% of Assets	Amount	% of Assets	
Total Capital (to Risk-Weighted Assets)	\$419,194	13.59	% \$246,789	8.00	% \$308,486	10.00	%
Core Capital (to Adjusted Total Assets)	380,526	9.26	164,422	4.00	205,528	5.00	

Tangible Capital (to Tangible Assets)	380,526	9.26	61,658	1.50	N/A	N/A
Tier 1 Capital (to Risk-Weighted Assets)	380,526	12.34	123,394	4.00	185,091	6.00

Under guidelines issued by banking regulators, savings institutions such as the Bank must maintain “tangible” capital equal to 1.5% of adjusted total assets, “core” capital equal to 4.0% of adjusted total assets, “Tier 1” capital equal to 4.0% of risk weighted assets and “total” or “risk-based” capital (a combination of core and “supplementary” capital) equal to 8.0% of risk-weighted assets. Failure to meet minimum capital requirements can initiate certain mandatory

actions and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our bank's financial statements.

At June 30, 2011, the Bank was in compliance with regulatory capital requirements and was considered a "well-capitalized" institution. The Bank's core capital ratio of 9.26%, Tier 1 capital ratio of 12.34% and total risk based capital ratio of 13.59%, all remain substantially in excess of "well-capitalized" regulatory benchmarks, the highest regulatory capital rating. In addition, and not included in Bank capital, the holding company held \$17.5 million in cash to support dividends, acquisitions, strategic growth plans, and help fund the eventual repurchase of securities sold to the Treasury under the CPP Plan, which would require regulatory approval.

Recently Issued Guidance on Federal Debt

On August 5, 2011, Standard and Poor's rating agency lowered the long-term rating of the U.S. government and federal agencies from AAA to AA+. In a joint press release issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration and the Office of the Comptroller of the Currency, the following guidance was provided related to the downgrade: for risk-based capital purposes, the risk weights for U.S. Treasury securities and other securities issued or guaranteed by the U.S. government, government agencies and government-sponsored entities will not change. In addition, the treatment of U.S. Treasury securities and other securities issued or guaranteed by the U.S. government, government agencies and government-sponsored entities will be unaffected.

Liquidity

We manage our liquidity risk 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.

As a financial institution, the Bank has ready access to several sources to fund growth and meet its liquidity needs. Among these are: net income, retail deposit programs, loan repayments, borrowing from the FHLB, repurchase agreements, access to the Fed 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 and government sponsored enterprises ("GSE") notes 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. Management believes these sources are sufficient to maintain the required and prudent levels of liquidity.

During the six months ended June 30, 2011, cash and cash equivalents increased \$114.4 million to \$491.2 million. This increase in cash includes both increases to support our organic growth and growth in our Cash Connect division related to cash in non-owned ATMs. Growth in cash and cash equivalents was also due to increased funding of \$145.1 million in FHLB advances and \$125.2 million in demand, savings, and time deposits and an increase of \$46.6 million in cash provided by operating activities. Offsetting these increases were cash usages for an \$80.4 million net increase in loans, \$54.9 million in purchases of mortgage-backed securities available-for-sale (net of sales and paydowns). In addition, and further decreasing cash and cash equivalents, was a reduction in brokered deposits of \$82.3 million as of June 30, 2011.

NONPERFORMING ASSETS

The following table shows our nonperforming assets and past due loans at the dates indicated. Nonperforming assets include nonaccruing loans, nonperforming real estate, assets acquired through foreclosure and restructured mortgage and home equity consumer debt. Nonaccruing loans are those on which the accrual of interest has ceased.

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 loans contractually past due 90 days or more as to principal or interest payments but which remain on accrual status because they are considered well secured and in the process of collection.

	June 30, 2011	December 31, 2010		
	(In Thousands)			
Nonaccruing loans:				
Commercial	\$22,803	\$21,577		
Consumer	1,741	3701		
Commercial mortgage	20,369	9,490		
Residential mortgage	10,198	11,739		
Construction	31,585	30,260		
Total nonaccruing loans	86,696	76,767		
Assets acquired through foreclosure	5,143	9,024		
Troubled debt restructuring (accruing)	8,756	7,107		
Total nonperforming assets	\$100,595	\$92,898		
Past due loans:(1)				
Residential Mortgages	564	465		
Total past due loans	\$564	\$465		
Ratios:				
Allowance for loan losses to total loans (2)	2.10	%	2.30	%
Nonperforming assets to total assets	2.42	%	2.35	%
Nonaccruing loans to total loans (2)	3.24	%	2.93	%
Loan loss allowance to nonaccruing loans	64.88	%	78.60	%
Loan loss allowance to total nonperforming assets	55.92	%	64.95	%

(1) Past due loans are accruing loans which are contractually past due 90 days or more as to principal or interest. These loans are well secured and in the process of collection.

(2) Total loans exclude loans held for sale.

Nonperforming assets increased \$7.7 million between December 31, 2010 and June 30, 2011. As a result, non-performing assets as a percentage of total assets increased from 2.35% at December 31, 2010 to 2.42% at June 30, 2011. Nonperforming commercial mortgages increased \$10.1 million during 2011 predominantly due to two relationships totaling \$9.8 million. Other Real Estate Owned (OREO) decreased by nearly \$3.9 million year to date as a result of an auction held in the second quarter resulting in the sale of a number of properties.

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

	For the six months ended June 30, 2011		For the year ended December 31, 2010	
	(In Thousands)			
Beginning balance	\$ 92,898		\$ 82,160	
Additions	55,650		89,876	
Collections	(18,597)		(38,459)	

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Transfers to accrual	(7,160)	(1,077)
Charge-offs / write-downs, net	(22,196)	(39,602)
Ending balance	\$	100,595	\$	92,898

The timely identification of problem loans is a key element in our strategy to manage our loan portfolio. 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 utilizes guidelines established by federal regulation.

INTEREST SENSITIVITY

The matching of 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 is our primary tool for achieving our asset/liability management strategies. We regularly review our interest-rate sensitivity and adjust the sensitivity within acceptable tolerance ranges established by the Board of Directors. At June 30, 2011, interest-earning assets exceeded interest-bearing liabilities that mature or reprice within one year (interest-sensitive gap) by \$133.6 million. Our interest-sensitive assets as a percentage of interest-sensitive liabilities within the one-year category decreased from 111.5% at March 31, 2011, to 106.0% at June 30, 2011. Likewise, the one-year interest-sensitive gap as a percentage of total assets changed to 3.22% at June 30, 2011 from 5.90% at March 31, 2011. The change in sensitivity since March 31, 2011 reflects the current interest rate environment and our continuing effort to effectively manage interest rate risk.

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, required to be performed by federal regulation, measures the impact of an immediate change in interest rates in 100 basis point increments on the net portfolio value ratio. The net portfolio value ratio is defined as the net present value of the estimated cash flows from assets and liabilities as a percentage of net present value of cash flows from total assets (or the net present value of equity). The table below shows the estimated impact of immediate changes in interest rates on our net interest margin and net portfolio value ratio at the specified levels at June 30, 2011 and 2010:

Change in Interest Rate (Basis Points)	% Change in Net Interest Margin (1)	2011		2010	
		Net Portfolio Value (2)	% Change in Net Interest Margin (1)	Net Portfolio Value (2)	
300	4%	9.17%	6%	9.74%	
200+	1%	9.71%	4%	10.07%	
100+	-3%	10.28%	2%	10.08%	
-	0%	10.97%	0%	10.01%	
-100	0%	11.09%	-7%	9.35%	
-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 net portfolio value ratio of the Company in a stable interest rate environment and the net portfolio value ratio as projected under the various rate change environments.
- (3) Sensitivity indicated by a decrease of 200 or 300 basis points is not deemed meaningful at June 30, 2011 given the low absolute level of interest rates at that time.

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.

COMPARISON OF THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

Results of Operations

We recorded net income of \$5.5 million or \$0.55 per diluted common share for the second quarter of 2011. This compares to net income of \$3.3 million, or \$0.36 per diluted common share, in the second quarter of 2010, a 53% increase in earnings per share. The increase in earnings for the second quarter of 2011 included \$1.2 million of unanticipated non-taxable income related to our investment in bank-owned life insurance. In addition, our fiduciary and investment management income increased by \$2.0 million primarily from the December 2010 acquisition of CB&T. Further, the loan loss provision was reduced by \$2.0 million to \$8.6 million when compared to the second quarter of 2010. The decrease reflects the improvement in the overall credit quality of the loan portfolio, fewer problem loans and a net improvement in loan risk migration. These increases were partially offset by additional expenses as a result of our investments in franchise growth as noninterest expenses increased \$2.9 million to \$30.7 million during the second quarter of 2011.

Net income for the first six months of 2011 was \$9.7 million, or \$0.96 per diluted common share. This compares to net income of \$3.8 million, or \$0.34 per diluted common share, for the six months ended June 30, 2010. Consistent with the quarterly results, earnings for the first six months of 2011 were impacted by an increase in fiduciary income and a reduction in loan loss provision. Fiduciary income increased \$3.7 million to \$5.9 million primarily due to the December 2010 acquisition of CB&T and the loan loss provision decreased \$7.5 million to \$14.5 million during the six months ended June 30, 2011. Partially offsetting these increases was an increase of \$4.7 million in noninterest expenses during the six months ended June 30, 2011. During the year, we opened five new branches, relocated an additional four branches and our Cash Connect division's operations and hired eleven new commercial relationship managers and related support staff. These additions resulted in increased compensation, occupancy, and equipment expenses.

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.

(Dollars In Thousands)	Three Months Ended June 30,						
	2011 Average Balance	Interest	Yield/ Rate (1)	2010 Average Balance	Interest	Yield/ Rate (1)	
Assets:							
Interest-earning assets:							
Loans (2) (3):							
Commercial real estate loans	\$761,433	\$9,018	4.74	% \$736,103	\$8,920	4.85	%
Residential real estate loans	301,866	3,693	4.89	346,373	4,391	5.07	
Commercial loans	1,310,764	16,282	5.00	1,143,086	14,694	5.18	
Consumer loans	303,738	3,810	5.03	294,582	3,605	4.91	
Total loans	2,677,801	32,803	4.94	2,520,144	31,610	5.06	
Mortgage-backed securities (4)	735,601	6,884	3.74	780,044	9,639	4.94	
Investment securities (4) (5)	37,770	127	1.36	45,117	199	1.76	
Other interest-earning assets	35,542	-	-	39,831	6	0.06	
Total interest-earning assets	3,486,714	39,814	4.60	3,385,136	41,454	4.93	
Allowance for loan losses	(56,351)			(59,630)			
Cash and due from banks	63,067			59,252			
Cash in non-owned ATMs	335,022			250,372			
Bank-owned life insurance	64,906			60,526			
Other noninterest-earning assets	117,756			114,427			
Total assets	\$4,011,114			\$3,810,083			
Liabilities and Stockholders' Equity:							
Interest-bearing liabilities:							
Interest-bearing deposits:							
Interest-bearing demand	\$323,954	\$106	0.13	% \$260,857	\$109	0.17	%
Money market	676,128	731	0.43	601,982	1,103	0.73	
Savings	372,372	523	0.56	242,465	123	0.20	
Customer time deposits	768,919	3,524	1.84	751,665	3,897	2.08	
Total interest-bearing customer deposits	2,141,373	4,884	0.91	1,856,969	5,232	1.08	
Brokered certificates of deposit	163,197	150	0.37	328,651	539	0.66	
Total interest-bearing deposits	2,304,570	5,034	0.88	2,185,620	5,771	1.06	
FHLB of Pittsburgh advances	549,529	2,655	1.91	606,335	4,017	2.62	
Trust preferred borrowings	67,011	339	2.00	67,011	348	2.05	
Other borrowed funds	158,378	599	1.51	177,351	620	1.40	
Total interest-bearing liabilities	3,079,488	8,627	1.12	3,036,317	10,756	1.42	
	534,141			435,820			

Noninterest-bearing demand deposits					
Other noninterest-bearing liabilities	21,262		25,988		
Stockholders' equity	376,223		311,958		
Total liabilities and stockholders' equity	\$4,011,114		\$3,810,083		
Excess of interest-earning assets over interest-bearing liabilities	\$407,226		\$348,819		
Net interest income		\$31,187		\$30,698	
Interest rate spread		3.48	%	3.51	%
Net interest margin		3.61	%	3.66	%

(1) Weighted average yields have been computed on a tax-equivalent basis using a 35% effective tax rate.

(2) Nonperforming loans are included in average balance computations.

(3) Balances are reflected net of unearned income.

(4) Includes securities available-for-sale.

(5) Includes reverse mortgages.

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

(Dollars In Thousands)	Six Months Ended June 30,						
	2011 Average Balance	Interest	Yield/ Rate (1)		2010 Average Balance	Interest	Yield/ Rate (1)
Assets:							
Interest-earning assets:							
Loans (2) (3):							
Commercial real estate loans	\$758,361	\$17,879	4.72	%	\$740,283	\$17,493	4.73 %
Residential real estate loans	308,236	7,555	4.90		350,982	8,992	5.12
Commercial loans	1,282,257	31,662	4.99		1,133,793	29,121	5.20
Consumer loans	305,794	7,663	5.05		297,133	7,227	4.90
Total loans	2,654,648	64,759	4.92		2,522,191	62,833	5.03
Mortgage-backed securities (4)	723,792	13,910	3.84		743,939	18,671	5.02
Investment securities (4) (5)	42,761	297	1.39		45,147	502	2.22
Other interest-earning assets	36,562	-	-		39,914	6	0.03
Total interest-earning assets	3,457,763	78,966	4.60		3,351,191	82,012	4.93
Allowance for loan losses	(59,102)				(58,166)		
Cash and due from banks	61,263				61,074		
Cash in non-owned ATMs	323,907				251,459		
Bank-owned life insurance	64,606				60,426		
Other noninterest-earning assets	120,938				114,951		
Total assets	\$3,969,375				\$3,780,935		
Liabilities and Stockholders' Equity:							
Interest-bearing liabilities:							
Interest-bearing deposits:							
Interest-bearing demand	\$312,820	\$226	0.15	%	\$256,909	\$219	0.17 %
Money market	702,454	1,573	0.45		595,844	2,294	0.78
Savings	335,611	829	0.50		236,065	235	0.20
Customer time deposits	775,401	7,253	1.89		747,838	8,260	2.23
Total interest-bearing customer deposits	2,126,286	9,881	0.94		1,836,656	11,008	1.21
Brokered certificates of deposit	180,618	376	0.42		333,230	1,057	0.64
Total interest-bearing deposits	2,306,904	10,257	0.90		2,169,886	12,065	1.12
FHLB of Pittsburgh advances	532,658	5,382	2.01		605,646	7,994	2.63
Trust preferred borrowings	67,011	675	2.00		67,011	677	2.01
Other borrowed funds	167,004	1,211	1.45		176,703	1,235	1.40
Total interest-bearing liabilities	3,073,577	17,525	1.14		3,019,246	21,971	1.46
Noninterest-bearing demand deposits	501,264				425,553		
Other noninterest-bearing liabilities	21,088				25,793		
Stockholders' equity	373,446				310,343		

Total liabilities and stockholders' equity	\$3,969,375			\$3,780,935	
Excess of interest-earning assets over interest-bearing liabilities	\$384,186			\$331,945	
Net interest income	\$61,441			\$60,041	
Interest rate spread		3.46	%		3.47 %
Net interest margin		3.58	%		3.62 %

(1) Weighted average yields have been computed on a tax-equivalent basis using a 35% effective tax rate.

(2) Nonperforming loans are included in average balance computations.

(3) Balances are reflected net of unearned income.

(4) Includes securities available-for-sale.

(5) Includes reverse mortgages.

Net interest income for the second quarter of 2011 improved by \$489,000, or 2%, compared to the second quarter of 2010. The increase in net interest income reflects growth as our average total loans increased \$157.7 million from the prior year as disruption in the Delaware and southeastern Pennsylvania markets, combined with the hiring of seasoned lending professionals helped us to increase our market share.

The net interest margin for the second quarter of 2011 was 3.61%, a five basis point decrease compared to 3.66% for the second quarter of 2010. This was the result of a decline in asset yields as the continued low interest rate environment continued to impact our loan repricing and most notably our securities portfolio. As a result, during the middle-to-end of the second quarter of 2011 we purchased some longer duration, higher yielding MBS as part of our ongoing portfolio management aimed at interest-rate risk management and yield improvement. As a result, the duration of our MBS portfolio increased to 3.3 years at June 30, 2011. The decreases in asset yields were partially

mitigated by the continued active management of our funding costs which decreased in nearly all categories although at a smaller magnitude than assets.

Net interest income for the six months ended June 30, 2011 was \$61.4 million compared to \$60.0 million for the same period in 2010. The net interest margin for the six months ended June 30, 2011 was 3.58%, down 4 basis points from the same period in 2010. Consistent with the quarterly trend discussed above, the increase in net interest income was a result of loan growth, while the decrease in the net interest margin was a reflection of the reinvestment of MBS proceeds at significantly lower rates and the increase in the interest rate paid on promotional savings accounts.

Allowance for Loan Losses

We maintain allowances for loan losses and charge losses to these allowances when such losses are identified. The determination of the allowance for loan losses requires significant judgment reflecting our best estimate of probable loan losses related to specifically identified loans as well as probable loan losses in the remaining loan portfolio. Our evaluation is based upon a continuing review of these portfolios.

We established our loan loss allowance in accordance with guidance provided in the Securities and Exchange Commission's Staff Accounting Bulletin 102 ("SAB 102"). Its methodology for assessing the appropriateness of the allowance consists of several key elements which include: specific allowances for identified problem loans; formula allowances for commercial and commercial real estate loans; and allowances for pooled homogenous loans.

Specific reserves are established for certain impaired loans in cases where we have identified significant conditions or circumstances related to a specific credit that indicate the probability that a loss has been incurred.

The formula allowances for commercial and commercial real estate loans are calculated by applying estimated loss factors to outstanding loans based on the internal risk grade of loans. For lower risk commercial and commercial real estate loans the portfolio is pooled, based on internal risk grade, and estimates are based on a ten-year net charge-off history. Higher risk and criticized loans have loss factors that are derived from an analysis of both the probability of default and the probability of loss should default occur. Loss adjustment factors are applied based on criteria discussed below. As a result, changes in risk grades of both performing and nonperforming loans affect the amount of the formula allowance.

Pooled loans are usually smaller, not-individually-graded and homogenous in nature, such as consumer installment loans and residential mortgages. Loan loss allowances for pooled loans are first based on a ten-year net charge-off history. The average loss allowance per homogenous pool is based on the product of average annual historical loss rate and the homogeneous pool balances. These separate risk pools are then assigned a reserve for losses based upon this historical loss information and loss adjustment factors.

Historical loss adjustment factors are based upon our evaluation of various current conditions, including those listed below.

- General economic and business conditions affecting the Bank's key lending areas,
- Credit quality trends,
- Recent loss experience in particular segments of the portfolio,
- Collateral values and loan-to-value ratios,
- Loan volumes and concentrations, including changes in mix,
- Seasoning of the loan portfolio,
- Specific industry conditions within portfolio segments,
- Bank regulatory examination results, and

- Other factors, including changes in quality of the loan origination, servicing and risk management processes.

Our loan officers and risk managers meet at least quarterly to discuss and review these conditions and risks associated with individual problem loans. In addition, various regulatory agencies, independent auditors and loan review consultants periodically review our loan ratings and allowance for loan losses.

The provision for loan losses was \$8.6 million in the quarter ending June 30, 2011 compared to \$10.6 million in the same quarter of 2010. Total credit costs (including the provision for loan losses, loan workout expense, OREO expense and letter of credit reserve) decreased \$2.9 million from \$13.2 million in the second quarter

of 2010, to \$10.3 million in the second quarter 2011. The provision for loan losses for the first six months ending June 30, 2011 was \$14.5 million compared to \$22.0 million for the six months ending June 30, 2010.

The significant decrease in our provision for loan loss reflects an increasing number of loans migrating off of our problem loan list and fewer loans becoming new problem loans. However, the sluggish economy continues to put pressure on collateral values and a higher level of retail loan charge-offs. Overall the allowance for loan losses continued to decline as we utilized the reserves built in prior quarters for the resolution of previously identified problem loans and the confirmation of losses.

The table below represents a summary of the changes in the allowance for loan losses during the periods indicated.

	Six Months Ended June 30,			
	2011	2010		
	(Dollars in Thousands)			
Beginning balance	\$60,339	\$53,446		
Provision for loan losses	14,490	22,004		
Charge-offs:				
Residential real estate	1,306	1,101		
Commercial real estate	1,307	1,220		
Construction	7,072	3,718		
Commercial	6,210	5,462		
Overdrafts	364	1,285		
Consumer	3,860	2,580		
Total charge-offs	20,119	15,366		
Recoveries:				
Residential real estate	91	17		
Commercial real estate	287	2		
Construction	506	948		
Commercial	338	116		
Overdrafts	188	1,006		
Consumer	128	83		
Total recoveries	1,538	2,172		
Net charge-offs	18,581	13,194		
Ending balance	\$56,248	\$62,256		
Net charge-offs to average gross loans outstanding, net of unearned income (1)	1.40	%	1.05	%

(1) Ratio for six months ended June 30, 2011 and June 30, 2010 are annualized

Noninterest Income

Noninterest income increased \$3.6 million to \$16.0 million for the quarter ended June 30, 2011 compared to \$12.4 million in the second quarter of 2010. During the quarter, the Company recorded \$1.2 million in unanticipated (non-taxable) income related to its investment in bank-owned life insurance (BOLI). Excluding the impact of the BOLI income and securities gains, noninterest income increased by \$2.1 million or 17%. Fiduciary and investment management income increased \$2.0 million from the same period in 2010 resulting primarily from the December 2010 acquisition of CB&T. In addition, increases in credit/debit card and ATM fees due to franchise

growth more than offset a decrease in deposit service charges related to changes in banking regulations (Reg E) implemented in the third quarter of 2010, and decreases in mortgage banking activities.

For the six months ended June 30, 2011, noninterest income increased \$6.1 million to \$29.7 million compared to the same period in 2010 of \$23.6 million. Similar to the quarterly comparison, the main reasons for this increase were the \$1.2 million in unanticipated BOLI income recorded in the second quarter of 2011 and a \$3.7 million increase in the fiduciary and investment management income. In addition, increases of \$839,000 in credit/debit card and ATM fees due to franchise growth and \$750,000 in securities gains were offset by a decrease of \$638,000 in deposit service charges due to changes in banking regulations.

Noninterest Expense

Noninterest expense increased \$2.9 million to \$30.7 million in the second quarter of 2011 compared to the same period in 2010. The second quarter of 2011 included non-routine expenses related to the integration of Christiana Trust of \$446,000. Excluding the non-routine CB&T integration costs, noninterest expenses increased \$2.5 million over the second quarter of 2010. This increase was mainly due to increased compensation, occupancy, equipment, data processing and operations expenses as a result of our accelerated franchise growth. In addition, the second quarter of 2011 includes ongoing operating expenses for the Christiana Trust division acquired in December, 2010. Partially offsetting these increases was a decrease in loan workout and OREO expense of \$1.2 million and a decrease of \$484,000 in FDIC expenses due to the newly implemented rate and calculation basis for deposit insurance.

For the six months ended June 30, 2011, noninterest expense increased \$4.7 million to \$62.0 million compared to the same period in 2010. Similar to the quarterly comparison, the main reasons for this increase were the non-routine expenses related to the integration of CB&T totaling \$780,000 and the related cost of the Company's accelerated growth. Partially offsetting these increases was the non-routine expense reported in the first quarter of 2010 related to an armored carrier fraud loss in our Cash Connect ATM division that was fully recovered in the third quarter of 2010.

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, which requires the recording of deferred income taxes for tax consequences of temporary differences. We recorded an income tax expense of \$2.5 million and \$4.9 million during the three and six months ended June 30, 2011, respectively, compared to an income tax expense of \$1.5 million and \$427,000 for the same periods in 2010. The second quarter of 2011 included the recognition of tax benefits related to \$1.2 million of tax-free income from life insurance proceeds received from our Bank Owned Life Insurance ("BOLI") investment. The first quarter of 2010 included a tax benefit of \$899,000 resulting from a decrease in our income tax reserve due to the expiration of the statute of limitations on certain tax items. No such tax benefits were recorded during 2011. Our effective tax rate was 30.8% and 33.3% for the three and six months ended June 30, 2011 compared to 31.2% and 10.1% during the same periods in 2010. Excluding the tax-free BOLI proceeds and statute of limitations related benefit, our effective tax rates were 35.9% and 36.0% for the three and six months ended June 30, 2011 compared to 31.2% and 31.3% during the same periods in 2010.

The effective tax rate reflects the recognition of certain tax benefits in the financial statements including those benefits from tax-exempt interest income (includes a 50% interest income exclusion on a loan to an Employee Stock Ownership Plan) and BOLI income. These tax benefits are offset by the tax effect of stock-based compensation expense related to incentive stock options 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.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued an update (Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements) impacting FASB ASC 820, Fair Value Measurements and Disclosures. The update provides clarification regarding existing disclosures and requires additional disclosures regarding fair value measurements. Specifically, the guidance now requires reporting entities to disclose the amounts of significant transfers between levels and the reasons for the transfers. In addition, the reconciliation should present separate information about purchases, sales, issuances and settlements. A reporting entity should

provide disclosures about the valuation techniques and inputs used to measure fair value. The new standard was effective for reporting periods beginning after December 15, 2009 except for disclosures about purchases, sales, issuances and settlements which were not effective until reporting periods beginning after December 15, 2010. There was no transfer into or out of Level 1 or Level 2 of the fair value hierarchy in the first six months of 2011. Adoption of this guidance did not have a material impact on our Consolidated Financial Statements.

In July 2010, the FASB issued an update (Accounting Standards update No. 2010-20, Receivables, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses) This update improves the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate, by portfolio segment or class, certain existing disclosures, and to provide certain new disclosures about its financing receivables and related allowances for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendment does not require comparative disclosures for earlier reporting periods that ended before adoption, however, an entity should provide comparative disclosures for those reporting periods after initial adoption. The adoption of this amendment did not have a material effect on our Consolidated Financial Statements.

In April 2011, the FASB issued an update (Accounting Standards update No. 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring) which clarifies when creditors should classify loan modifications as troubled debt restructurings. The new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after January 1, 2011. A provision in Update 2011-02 also ends the FASB's deferral of the additional disclosures about troubled debt restructurings as required by Update 2010-20. We are still evaluating if the adoption of this guidance and additional related disclosures will have a material impact on our Consolidated Financial Statements.

In April 2011, the FASB issued an update (Accounting Standards Update No. 2011-03, Reconsideration of Effective Control in Repurchase Agreements) which removes from the assessment of effective control the criterion related to the transferor's ability to repurchase or redeem financial assets on substantially agreed terms, even in the event of default by the transferee. In addition, this guidance also eliminates the requirement to demonstrate that a transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The new guidance is effective for interim and annual periods beginning on or after December 15, 2011, and applies prospectively to transactions or modifications of existing transactions occurring on or after the effective date. We are still evaluating if the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

In April 2011, the FASB issued an update (Accounting Standards Update No. 2011-03 to amend FASB ASC Topic 860, Transfers and Servicing). ASC 860 outlines when the transfer of financial assets under a repurchase agreement may or may not be accounted for as a sale. Whether the transferring entity maintains effective control over the transferred financial assets provides the basis for such a determination. The previous requirement that the transferor must have the ability to repurchase or redeem the financial assets before the maturity of the agreement is removed from the assessment of effective control by this Update. The Update is effective on a prospective basis for interim and annual reporting periods beginning on or after December 15, 2011, and is not expected to have a material impact on our Consolidated Financial Statements.

In May 2011, the FASB issued an update (Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS) to achieve common fair value measurement and disclosure requirements between U.S. and International accounting principles. While the overall guidance is consistent with U.S. GAAP, the amendment includes additional fair value disclosure

requirements. The amendments in the guidance are effective for interim and annual periods beginning after December 15, 2011. We are still evaluating if the adoption of this guidance and additional disclosures will have a material impact on our Consolidated Financial Statements.

In June 2011, the FASB issued an update (Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income) to eliminate the option to present the components of other comprehensive income as part of the statement of changes in shareholder's equity. The amendment requires that comprehensive income be presented in either a single continuous statement or in two separate consecutive statements. This amendment is effective for interim and annual periods beginning after December 15, 2011. We do not expect the adoption of this guidance to have a material impact on our financial statements.

RECENT LEGISLATION

On July 21, 2010, the President signed the Dodd-Frank Act into law. This legislation makes extensive changes to the laws regulating financial services firms and requires significant rule-making. In addition, the legislation mandates multiple studies, which could result in additional legislative or regulatory action. While the full effects of the legislation on us cannot yet be determined, this legislation was opposed by the American Bankers Association and is generally perceived as negatively impacting the banking industry. This legislation may result in higher compliance and other costs, reduced revenues and higher capital and liquidity requirements, among other things, which could adversely affect our business. There are many parts of the Dodd-Frank Act that have yet to be determined and implemented; however, as a direct result of the Act, the following rulings have been adopted or will be adopted in the coming years:

- On August 10, 2010 the Board of Directors of the FDIC adopted a final ruling permanently increasing the standard maximum deposit insurance amount from \$100,000 to \$250,000, which became effective on July 22, 2010.
- During January 2011, a timeline and preliminary implementation plan for the phase out of The Office of Thrift Supervision (“the OTS”), one of our current banking regulators, and its merger into the Office of the Comptroller of the Currency was announced by the joint agencies. One of the provisions of the plan include a transition from the Thrift Financial Report, which we file each quarter, to the Call Report, expected to begin with the March 2012 reporting period.
- On February 7, 2011, the Federal Reserve approved a final ruling that changes the Deposit Insurance Fund (“DIF”) assessment from domestic deposits to average assets minus tangible equity. The changes went into effect during the second quarter of 2011 and will be payable at the end of September.
- On June 29, 2011 the Federal Reserve issued its final debit card interchange rule, establishing a debit card interchange fee cap. The rule is effective October 1, 2011 and applies to issuers that, together with their affiliates, have assets of \$10 billion or more. The final ruling caps issuers base fee at 21 cents per transaction and allows for a 5 basis-point charge per transaction to help cover fraud loss.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Incorporated herein by reference from Item 2, 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 Rules 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)), our principal executive officer and the 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 and Exchange Commission’s rules and forms and is accumulated and communicated to our management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.
- (b) Changes in internal control over financial reporting. During the quarter under report, 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

Incorporated herein by reference to Note 16 to the Consolidated Financial Statements

Item 1A. Risk Factors

Our management does not believe there have been any material changes to the risk factors previously disclosed under Item 1A. of the Company's Form 10-K for the year ended December 31, 2010, previously filed with the Securities and Exchange Commission.

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

There were no shares repurchased during the quarter ended June 30, 2011.

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. [Reserved]

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

- (a) Exhibit 31.1 – Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (b) Exhibit 31.2 – Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (c) Exhibit 32 – Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (d) Exhibit 101.INS – XBRL Instance Document*
- (e) Exhibit 101.SCH – XBRL Schema Document*
- (f) Exhibit 101.CAL – XBRL Calculation Linkbase Document*
- (g) Exhibit 101.LAB – XBRL Labels Linkbase Document*
- (h) Exhibit 101.PRE – XBRL Presentation Linkbase Document*
- (i) Exhibit 101.DEF – XBRL Definition Linkbase Document*

* To be filed by amendment.

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 9, 2011

/s/ Mark A. Turner
Mark A. Turner
President and Chief Executive Officer

Date: August 9, 2011

/s/ Stephen A. Fowle
Stephen A. Fowle
Executive Vice President and
Chief Financial Officer