

WSFS FINANCIAL CORP
Form 10-Q
November 10, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended **September 30, 2008**

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 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 (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

(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

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date,

November 3, 2008:

Common Stock, par value \$.01 per share	6,180,059
(Title of Class)	(Shares Outstanding)

WSFS FINANCIAL CORPORATION

FORM 10-Q

INDEX

PART I. Financial Information

	<u>Page</u>
Item 1. <u>Financial Statements (Unaudited)</u>	
Consolidated Statement of Operations for the Three and Nine Months Ended September 30, 2008 and 2007	3
Consolidated Statement of Condition as of September 30, 2008 and December 31, 2007	4
Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2008 and 2007	5
Notes to the Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2008 and 2007	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	28

PART II. Other Information

Item 1. <u>Legal Proceedings</u>	28
Item 1A. <u>Risk Factors</u>	28
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 3. <u>Defaults upon Senior Securities</u>	28
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	28

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Item 5.	<u>Other Information</u>	29
Item 6.	<u>Exhibits</u>	29
Signatures		30
Exhibit 31	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31
Exhibit 32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	33

WSFS FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

	Three months ended September 30, 2008		Nine months ended September 30, 2008	
	2007	2008	2007	2008
	(Unaudited)			
	(In Thousands, Except Per Share Data)			
Interest income:				
Interest and fees on loans	\$ 34,683	\$ 40,747	\$ 106,829	\$ 118,601
Interest on mortgage-backed securities	5,904	5,799	17,607	18,037
Interest and dividends on investment securities	376	457	916	2,894
Other interest income	374	576	1,340	1,802
	41,337	47,579	126,692	141,334
Interest expense:				
Interest on deposits	8,936	15,066	30,288	43,753
Interest on Federal Home Loan Bank advances	7,235	9,280	23,559	27,740
Interest on trust preferred borrowings	747	1,217	2,548	3,555
Interest on other borrowings	1,112	1,917	3,654	4,987
	18,030	27,480	60,049	80,035
Net interest income	23,307	20,099	66,643	61,299
Provision for loan losses	3,502	1,001	8,325	2,645
Net interest income after provision for loan losses	19,805	19,098	58,318	58,654
Noninterest income:				
Credit/debit card and ATM income	4,416	5,205	13,261	14,762
Deposit service charges	4,354	3,937	12,326	11,393
Loan fee income	819	615	2,466	1,757
Investment advisory income	593	603	1,838	1,795
Bank owned life insurance income	548	543	1,578	1,642
Mortgage banking activities, net	66	68	264	218
Securities (losses) gains	(5	—	1,115	—
Gain on sale of credit card loans	—	882	—	882
Other income	893	956	3,013	2,709
	11,684	12,809	35,861	35,158
Noninterest expenses:				
Salaries, benefits and other compensation	12,211	11,347	34,995	32,448
Occupancy expense	2,118	2,287	6,288	6,202
Equipment expense	1,575	1,597	4,571	4,188
Data processing and operations expenses	1,095	1,089	3,215	2,978
Marketing expense	952	1,283	3,020	2,892
Professional fees	1,037	646	2,609	1,953
Other operating expense	4,034	3,084	10,431	9,057
	23,022	21,333	65,129	59,718
Income before taxes	8,467	10,574	29,050	34,094
Income tax provision	2,957	3,431	9,594	11,941
Net income	\$ 5,510	\$ 7,143	\$ 19,456	\$ 22,153

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Earnings per share:

Basic	\$ 0.90	\$ 1.14	\$ 3.16	\$ 3.48
Diluted	\$ 0.88	\$ 1.11	\$ 3.09	\$ 3.38

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

3

WSFS FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CONDITION

	September 30, 2008	December 31, 2007
Assets		
	(Unaudited)	
	(In Thousands, Except Share Data)	
Cash and due from banks	\$ 61,410	\$ 83,936
Cash in non-owned ATMs	159,824	182,523
Interest-bearing deposits in other banks	247	1,078
Total cash and cash equivalents	221,481	267,537
Investment securities held-to-maturity	1,424	1,516
Investment securities available-for-sale including reverse mortgages	35,223	26,756
Mortgage-backed securities available-for-sale	476,539	484,428
Mortgage-backed securities trading	12,177	12,364
Loans held-for-sale	1,793	2,404
Loans, net of allowance for loan losses of \$28,358 at September 30, 2008 and \$25,252 at December 31, 2007	2,328,437	2,231,576
Bank owned life insurance	59,129	57,551
Stock in Federal Home Loan Bank of Pittsburgh, at cost	41,499	45,537
Assets acquired through foreclosure	3,780	703
Premises and equipment	34,921	34,851
Accrued interest receivable and other assets	38,438	34,965
Total assets	\$ 3,254,841	\$ 3,200,188
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 294,648	\$ 290,424
Interest-bearing demand	184,566	171,363
Money market	286,021	303,931
Savings	192,515	196,571
Time	402,575	366,717
Jumbo certificates of deposit – customer	173,435	150,191
Total customer deposits	1,533,760	1,479,197
Other jumbo certificates of deposit	101,203	98,758
Brokered deposits	338,494	249,206
Total deposits	1,973,457	1,827,161
Federal funds purchased and securities sold under agreements to repurchase	75,000	75,000
Federal Home Loan Bank advances	755,628	898,280
Trust preferred borrowings	67,011	67,011
Other borrowed funds	127,556	94,869
Accrued interest payable and other liabilities	32,906	26,537
Total liabilities	3,031,558	2,988,858

Edgar Filing: WSFS FINANCIAL CORP - Form 10-Q

Stockholders' Equity:

Serial preferred stock \$.01 par value, 7,500,000 shares authorized; none issued and outstanding	—	—
Common stock \$.01 par value, 20,000,000 shares authorized; issued 15,735,628 at September 30, 2008 and 15,673,865 at December 31, 2007	157	157
Capital in excess of par value	85,753	83,077
Accumulated other comprehensive loss	(9,880)	(3,861)
Retained earnings	394,404	376,682
Treasury stock at cost, 9,555,569 shares at September 30, 2008 and 9,507,069 shares at December 31, 2007	(247,151)	(244,725)
Total stockholders' equity	223,283	211,330
Total liabilities and stockholders' equity	\$ 3,254,841	\$ 3,200,188

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

WSFS FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended September 30,	
	2008	2007
	(Unaudited, In Thousands)	
Operating activities:		
Net income	\$ 19,456	\$ 22,153
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	8,325	2,645
Depreciation, accretion and amortization	4,775	5,140
Decrease in accrued interest receivable and other assets	2,833	1,245
Origination of loans held-for-sale	(22,257)	(20,103)
Proceeds from sales of loans held-for-sale	22,928	19,143
Gain on mortgage banking activity	(264)	(218)
Gain on sale of credit card portfolio	—	(882)
Loss on mark to market adjustment on trading securities	255	—
Securities gain from sale of Visa, Inc shares	(1,370)	—
Stock-based compensation expense (net of tax benefit recognized)	562	691
Excess tax (liability) benefit from share-based payment arrangements	(479)	2,437
Increase in accrued interest payable and other liabilities	6,399	4,937
Loss (gain) on sale of assets acquired through foreclosure	40	(20)
Increase in value of bank-owned life insurance	(1,578)	(1,642)
Increase in capitalized interest, net	(20)	(1,860)
Net cash provided by operating activities	39,605	33,666