

WSFS FINANCIAL CORP  
Form 10-Q  
November 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

September 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 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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of November 2, 2011:

Common Stock, par value \$.01 per share  
(Title of Class)

8,612,876  
(Shares Outstanding)

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WSFS FINANCIAL CORPORATION

FORM 10-Q

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| Exhibit 31.2    | 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        |    |
| Exhibit 101.INS | Instance Document  |    |
| Exhibit 101.SCH | Schema Document  |    |
| Exhibit 101.CAL | Calculation Linkbase Document  |    |
| Exhibit 101.LAB | Labels Linkbase Document   |    |
| Exhibit 101.PRE | Presentation Linkbase Document   |    |
| Exhibit 101.DEF | Definition Linkbase Document   |    |

## CONSOLIDATED STATEMENTS OF OPERATIONS

|   | Three Months Ended                    |          | Nine Months Ended |          |
|---|---------------------------------------|----------|-------------------|----------|
|   | September 30,                         |          | September 30,     |          |
|   | 2011                                  | 2010     | 2011              | 2010     |
|   | (Unaudited)                           |          |                   |          |
|   | (In Thousands, Except Per Share Data) |          |                   |          |
| Interest income:                                    |                                       |          |                   |          |
| Interest and fees on loans                          | \$32,940                              | \$31,664 | \$97,699          | \$94,497 |
| Interest on mortgage-backed securities              | 7,052                                 | 8,699    | 20,962            | 27,370   |
| Interest and dividends on investment securities     | 99                                    | 216      | 396               | 718      |
| Other interest income                               | -                                     | -        | -                 | 6        |
|   | 40,091                                | 40,579   | 119,057           | 122,591  |
| Interest expense:                                   |                                       |          |                   |          |
| Interest on deposits                                | 4,619                                 | 5,590    | 14,876            | 17,655   |
| Interest on Federal Home Loan Bank advances         | 2,484                                 | 3,818    | 7,866             | 11,812   |
| Interest on trust preferred borrowings              | 340                                   | 370      | 1,015             | 1,047    |
| Interest on other borrowings                        | 468                                   | 624      | 1,679             | 1,859    |
|   | 7,911                                 | 10,402   | 25,436            | 32,373   |
| Net interest income                                 | 32,180                                | 30,177   | 93,621            | 90,218   |
| Provision for loan losses                           | 6,558                                 | 9,976    | 21,048            | 31,980   |
| Net interest income after provision for loan losses | 25,622                                | 20,201   | 72,573            | 58,238   |
| Noninterest income:                                 |                                       |          |                   |          |
| Credit/debit card and ATM income                    | 5,523                                 | 4,984    | 15,549            | 14,171   |
| Deposit service charges                             | 4,385                                 | 4,153    | 11,975            | 12,381   |
| Fiduciary & investment management income            | 2,982                                 | 1,016    | 8,877             | 3,169    |
| Security gains, net                                 | 1,935                                 | 1,756    | 2,953             | 2,024    |
| Loan fee income                                     | 610                                   | 626      | 1,871             | 2,015    |
| Mortgage banking activities, net                    | 257                                   | 646      | 1,035             | 1,145    |
| Bank owned life insurance income                    | 197                                   | 181      | 1,795             | 596      |
| Other income  | 1,035                                 | 1,063    | 2,537             | 2,501    |
|   | 16,924                                | 14,425   | 46,592            | 38,002   |
| Noninterest expenses:                               |                                       |          |                   |          |
| Salaries, benefits and other compensation           | 15,337                                | 12,237   | 44,566            | 36,334   |
| Occupancy expense                                   | 3,171                                 | 2,402    | 8,944             | 7,235    |
| Loan workout and OREO expenses                      | 1,864                                 | 908      | 5,989             | 4,877    |
| Equipment expense                                   | 1,666                                 | 1,648    | 5,195             | 4,762    |
| Marketing Expense                                   | 1,597                                 | 703      | 3,446             | 2,312    |
| FDIC expenses                                       | 1,436                                 | 1,829    | 4,478             | 5,234    |
| Data processing and operations expenses             | 1,325                                 | 1,096    | 4,026             | 3,541    |
| Professional Fees                                   | 1,267                                 | 1,609    | 3,974             | 3,899    |
| Acquisition integration costs                       | -                                     | 143      | 780               | 311      |
| Non-routine ATM loss                                | -                                     | (4,491)  | -                 | -        |
| Other operating expense                             | 4,749                                 | 4,008    | 13,053            | 10,959   |
|   | 32,412                                | 22,092   | 94,451            | 79,464   |
| Income before taxes                                 | 10,134                                | 12,534   | 24,714            | 16,776   |
| Income tax provision                                | 3,348                                 | 4,312    | 8,199             | 4,739    |

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|  |         |         |          |         |
|--|---------|---------|----------|---------|
| Net income   | 6,786   | 8,222   | 16,515   | 12,037  |
| Dividends on preferred stock and accretion of discount | 692     | 692     | 2,077    | 2,076   |
| Net income allocable to common stockholders            | \$6,094 | \$7,530 | \$14,438 | \$9,961 |
| Earnings per share:                                    |         |         |          |         |
| Basic  | \$0.71  | 0.95    | \$1.68   | \$1.35  |
| Diluted  | \$0.70  | 0.94    | \$1.66   | \$1.33  |

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

WSFS FINANCIAL CORPORATION  
CONSOLIDATED STATEMENT OF CONDITION

|  | Sept 30,<br>2011                         | Dec 31,<br>2010 |
|--|--|-----------------|
|  | (Unaudited)                              |                 |
|  | (In Thousands, Except Per<br>Share Data) |                 |
| Assets   |  |                 |
| Cash and due from banks  | \$80,021                                 | \$49,932        |
| Cash in non-owned ATMs   | 383,358                                  | 326,573         |
| Interest-bearing deposits in other banks   | 174                                      | 254             |
| Total cash and cash equivalents  | 463,553                                  | 376,759         |
| Investment securities, held-to-maturity  | 219                                      | 219             |
| Investment securities, available-for-sale including reverse mortgages  | 47,873                                   | 52,232          |
| Mortgage-backed securities, available-for-sale   | 772,508                                  | 700,926         |
| Mortgages-backed securities, trading   | 12,432                                   | 12,432          |
| Loans held-for-sale  | 7,776                                    | 14,522          |
| Loans, net of allowance for loan losses of \$53,188 at September 30, 2011<br>and \$60,339 at December 31, 2010 | 2,642,229                                | 2,561,368       |
| Accrued Interest receivable  | 11,326                                   | 11,765          |
| Bank owned life insurance  | 63,153                                   | 64,243          |
| Stock in Federal Home Loan Bank of Pittsburgh, at cost   | 37,638                                   | 37,536          |
| Assets acquired through foreclosure  | 11,880                                   | 9,024           |
| Premises and equipment   | 35,686                                   | 31,870          |
| Goodwill   | 28,146                                   | 26,745          |
| Intangible assets  | 6,404                                    | 7,307           |
| Other assets   | 47,917                                   | 46,570          |
| <br>Total assets   | <br>\$4,188,740                          | <br>\$3,953,518 |
| <br>Liabilities and Stockholders' Equity   |  |                 |
| Liabilities:   |  |                 |
| Deposits:  |  |                 |
| Noninterest-bearing demand   | \$492,685                                | \$468,098       |
| Interest-bearing demand  | 358,322                                  | 312,546         |
| Money market   | 737,706                                  | 743,808         |
| Savings  | 375,528                                  | 255,340         |
| Time   | 442,960                                  | 484,864         |
| Jumbo certificates of deposit – customer   | 324,041                                  | 297,112         |
| Total customer deposits  | 2,731,242                                | 2,561,768       |
| Brokered deposits  | 220,811                                  | 249,006         |
| Total deposits   | 2,952,053                                | 2,810,774       |
| <br>Federal funds purchased and securities sold under agreements to repurchase                                 | <br>100,000                              | <br>100,000     |
| Federal Home Loan Bank advances  | 568,776                                  | 488,959         |
| Trust preferred borrowings   | 67,011                                   | 67,011          |
| Other borrowed funds   | 69,283                                   | 91,636          |

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|   |             |             |
|---|-------------|-------------|
| Accrued interest payable  | 8,533       | 3,317       |
| Other liabilities   | 35,876      | 23,999      |
| Total liabilities   | 3,801,532   | 3,585,696   |
| Stockholders' Equity:   |             |             |
| Serial preferred stock \$.01 par value, 7,500,000 shares authorized; issued 56,625 at September 30, 2011 and December 31, 2010          | 1           | 1           |
| Common stock \$.01 par value, 20,000,000 shares authorized; issued 18,191,845 at September 30, 2011 and 18,105,788 at December 31, 2010 | 182         | 180         |
| Capital in excess of par value  | 218,546     | 216,316     |
| Accumulated other comprehensive income  | 12,329      | 6,524       |
| Retained earnings   | 404,430     | 393,081     |
| Treasury stock at cost, 9,580,569 shares at September 30, 2011 and December 31, 2010  | (248,280 )  | (248,280 )  |
| Total stockholders' equity  | 387,208     | 367,822     |
| Total liabilities and stockholders' equity  | \$4,188,740 | \$3,953,518 |

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

WSFS FINANCIAL CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Nine Months Ended<br>September 30,<br>2011                  2010<br>(Unaudited)<br>(In Thousands) |            |
|--|---|------------|
| Operating activities:  |   |            |
| Net Income   | \$16,515  | \$12,037   |
| Adjustments to reconcile net income to net cash provided by operating activities:  |   |            |
| Provision for loan losses  | 21,048  | 31,980     |
| Depreciation, accretion and amortization   | 7,991   | 4,725      |
| Decrease in accrued interest receivable  | 439   | 682        |
| Increase in other assets   | (5,070)   | (7,947)    |
| Origination of loans held-for-sale   | (69,659)  | (102,598)  |
| Proceeds from sales of loans held-for-sale   | 77,844  | 99,102     |
| Gain on mortgage banking activity  | (1,035)   | (1,145)    |
| Gain on mark to market adjustment on trading securities                            | -   | (249)      |
| Gain on sale of securities, net  | (2,953)   | (1,775)    |
| Stock-based compensation expense   | 1,216   | 773        |
| Excess tax benefits from share-based payment arrangements                          | (587)   | (323)      |
| Increase in accrued interest payable   | 5,216   | 6,245      |
| Increase in other liabilities  | 11,884  | 10,589     |
| Loss on sale of assets acquired through foreclosure and valuation adjustments, net | 2,447   | 3,577      |
| Increase in value of bank-owned life insurance                                     | (1,795)   | (596)      |
| Decrease in capitalized interest, net  | 1   | 144        |
| Net cash provided by operating activities  | \$63,502  | \$55,221   |
| Investing activities:  |   |            |
| Maturities of investment securities  | 11,727  | 3,540      |
| Sale of investment securities available for sale                                   | 6,050   | -          |
| Purchase of investments available-for-sale   | (13,159)  | (7,081)    |
| Sales of mortgage-backed securities available-for sale                             | 210,211   | 92,493     |
| Repayments of mortgage-backed securities available-for-sale                        | 130,184   | 142,612    |
| Purchases of mortgage-backed securities available-for-sale                         | (402,118)   | (264,464)  |
| Disbursements for reverse mortgages  | (396)   | (145)      |
| Net increase in loans  | (118,138)   | (27,143)   |
| Payment of bank-owned life insurance   | 2,885   | -          |
| Net decrease in stock of Federal Home Loan Bank of Pittsburgh                      | (102)   | -          |
| Sales of assets acquired through foreclosure, net                                  | 9,088   | 6,324      |
| Investment in premises and equipment, net  | (8,067)   | (3,621)    |
| Net cash used for investing activities   | \$(171,835)   | \$(57,485) |
| Financing activities:  |   |            |
| Net increase in demand and saving deposits   | 162,096   | 192,696    |
| Net (decrease) increase in time deposits   | (14,975)  | 42,731     |
| Net decrease in brokered deposits  | (28,245)  | (95,901)   |
|  | 3,103,525   | 13,795,000 |

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|   |             |              |
|---|-------------|--------------|
| Receipts from federal funds purchased and securities sold under agreement to repurchase |             |              |
| Repayments of federal funds purchased and securities sold under agreement to repurchase | (3,103,525) | (13,795,000) |
| Receipts from FHLB advances   | 9,846,709   | 19,767,639   |
| Repayments of FHLB advances   | (9,766,892) | (19,935,582) |
| Dividends paid  | (5,067 )    | (4,527 )     |
| Issuance of common stock and exercise of common stock options                           | 914         | 47,931       |
| Excess tax benefits from share-based payment arrangements                               | 587         | 323          |
| Net cash provided by financing activities   | \$195,127   | \$15,310     |
| <br>  |             |              |
| Increase cash and cash equivalents  | 86,794      | 13,046       |
| Cash and cash equivalents at beginning of period  | 376,759     | 321,749      |
| Cash and cash equivalents at end of period  | \$463,553   | \$334,795    |
| <br>  |             |              |
| Supplemental Disclosure of Cash Flow Information:                                       |             |              |
| Cash paid for interest during the period  | \$20,220    | \$47,148     |
| Cash paid for income taxes, net   | 336         | 7,485        |
| Loans transferred to assets acquired through foreclosure                                | 14,391      | 6,101        |
| Net change in other comprehensive income  | 5,805       | 11,687       |
| Settlement of pending sale of premises and equipment                                    | -           | 6,515        |

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

WSFS FINANCIAL CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 48 offices located in Delaware (38), Pennsylvania (8), Virginia (1) and Nevada (1) and through our website at [www.wsfsbank.com](http://www.wsfsbank.com).

Amounts subject to significant estimates are items such as the allowance for loan losses and reserves for lending related commitments, goodwill, intangible assets, post-retirement benefit obligations, the fair value of financial instruments and other-than-temporary impairments. Among other effects, changes to such estimates could result in future reserves for 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 benefits 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 nine month periods ended September 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 prior period 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<br>September 30, |          | For the nine months ended<br>September 30, |          |
|--|---|----------|--|----------|
|  | 2011  | 2010     | 2011                                       | 2010     |
|  | (In thousands, Except Per Share Data)       |          |  |          |
| Numerator:   |   |          |  |          |
| Net income allocable to common stockholders  | \$ 6,094                                    | \$ 7,530 | \$ 14,438                                  | \$ 9,961 |
| Denominator:   |   |          |  |          |
| Denominator for basic earnings per share - weighted average shares                                 | 8,605                                       | 7,907    | 8,594                                      | 7,369    |
| Effect of dilutive employee stock options and warrants   | 96  | 124      | 124  | 125      |
| Denominator for diluted earnings per share – adjusted weighted average shares and assumed exercise | 8,701                                       | 8,031    | 8,718                                      | 7,494    |
| Earnings per share:  |   |          |  |          |
| Basic:   |   |          |  |          |
| Net income allocable to common shareholders  | \$ 0.71                                     | \$ 0.95  | \$ 1.68                                    | \$ 1.35  |
| Diluted:   |   |          |  |          |
| Net income allocable to common shareholders  | \$ 0.70                                     | \$ 0.94  | \$ 1.66                                    | \$ 1.33  |
| Outstanding common stock equivalents having no dilutive effect                                     | 537   | 603      | 538  | 604      |

## 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 include reverse mortgages):

|  | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|--|-------------------|------------------------------|-------------------------------|---------------|
|  | (In Thousands)    |                              |                               |               |
| Available-for-sale securities:                               |                   |                              |                               |               |
| September 30, 2011:  |                   |                              |                               |               |
| Reverse mortgages  | \$(418 )          | \$—                          | \$—                           | \$(418 )      |
| U.S. Government and government sponsored enterprises ("GSE") | 43,796            | 320                          | (21 )                         | 44,095        |
| State and political subdivisions                             | 4,159             | 39                           | (2 )                          | 4,196         |
|  | \$47,537          | \$359                        | \$(23 )                       | \$47,873      |
| December 31, 2010:   |                   |                              |                               |               |
| Reverse mortgages  | \$(686 )          | \$—                          | \$—                           | \$(686 )      |
| GSE  | 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:  |                   |                              |                               |               |
| September 30, 2011:  |                   |                              |                               |               |
| State and political subdivisions                             | \$219             | \$1                          | \$—                           | \$220         |
|  | \$219             | \$1                          | \$—                           | \$220         |
| December 31, 2010:   |                   |                              |                               |               |
| State and political subdivisions                             | \$219             | \$—                          | \$(23 )                       | \$196         |
|  | \$219             | \$—                          | \$(23 )                       | \$196         |

Securities with market values aggregating \$44.0 million at September 30, 2011 were specifically pledged for 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 September 30, 2011 and December 31, 2010 were as follows:

|                                       | Held-to-Maturity  |               | Available-for-Sale |               |
|---------------------------------------|-------------------|---------------|--------------------|---------------|
|                                       | Amortized<br>Cost | Fair<br>Value | Amortized<br>Cost  | Fair<br>Value |
|                                       | (In Thousands)    |               |                    |               |
| September 30, 2011                    |                   |               |                    |               |
| Within one year (1)                   | \$—               | \$—           | \$10,139           | \$10,204      |
| After one year but within five years  | —                 | —             | 35,084             | 35,357        |
| After five years but within ten years | —                 | —             | 2,000              | 2,000         |
| After ten years                       | 219               | 220           | 314                | 312           |
|                                       | \$219             | \$220         | \$47,537           | \$47,873      |
| 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.

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We sold a \$6.1 million investment security classified as available-for-sale during the first nine 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 nine months of 2010 and, as a result, there were no net gains or losses realized during the 2010 period. The cost basis for investment security sales was based on the specific identification method. Investment securities totaling \$500,000 and \$720,000 were called by their issuers during the nine months ended September 30, 2011 and 2010, respectively.

At September 30, 2011, we owned investment securities totaling \$4.5 million where the amortized cost basis exceeded the fair value. Total unrealized losses on those securities were \$23,000 at September 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 \$135,000 have been impaired for 12 months or longer. We have determined that these securities are not other than temporarily impaired. 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 to hold 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 September 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       | \$—                 | \$—             | \$—                 | \$—             | \$—        | \$—             |
| Available-for-sale                     |                     |                 |                     |                 |            |                 |
| State and political subdivisions       | 312                 | 1               | 135                 | 1               | 447        | 2               |
| U.S Government and agencies            | 4,046               | 21              | —                   | —               | 4,046      | 21              |
| Total temporarily impaired investments | \$4,358             | \$22            | \$135               | \$1             | \$4,493    | \$23            |

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            |
| Available-for-sale               |                     |                 |                     |                 |            |                 |
| State and political subdivisions | 502                 | 2               | —                   | —               | 502        | 2               |

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|  |           |        |        |       |           |        |
|--|-----------|--------|--------|-------|-----------|--------|
| U.S Government and agencies            | 12,994    | 129    | —      | —     | 12,994    | 129    |
| Total temporarily impaired investments | \$ 13,496 | \$ 131 | \$ 102 | \$ 23 | \$ 13,598 | \$ 154 |

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## 4. MORTGAGE-BACKED SECURITIES

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

|   | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|---|-------------------|------------------------------|-------------------------------|---------------|
|   | (In Thousands)    |                              |                               |               |
| Available-for-sale securities:                    |                   |                              |                               |               |
| September 30, 2011:                               |                   |                              |                               |               |
| Collateralized mortgage obligations ("CMO") (1)   | \$327,313         | \$8,270                      | \$(1,536)                     | \$334,047     |
| Federal National Mortgage Association ("FNMA")    | 294,022           | 8,917                        | (53)                          | 302,886       |
| Federal Home Loan Mortgage Corporation ("FHLMC")  | 72,256            | 2,019                        | (20)                          | 74,255        |
| Government National Mortgage Association ("GNMA") | 58,649            | 2,671                        | -                             | 61,320        |
|   | \$752,240         | \$21,877                     | \$(1,609)                     | \$772,508     |
| 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:                               |                   |                              |                               |               |
| September 30, 2011:                               |                   |                              |                               |               |
| CMO   | \$12,432          | \$—                          | \$—                           | \$12,432      |
| December 31, 2010:                                |                   |                              |                               |               |
| CMO   | \$12,432          | \$—                          | \$—                           | \$12,432      |

(1) Includes Agency CMOs classified as available-for-sale and SASCO RM-1 2002 Class O securities classified as available-for-sale.

The portfolio of available-for-sale mortgage-backed securities is comprised of 183 securities with an amortized cost of \$752.2 million of both GSE (\$569.0 million) and non-GSE (\$183.2 million) securities. All securities were AAA-rated at time of purchase; only two securities with an aggregate value of \$10.8 million are now rated below AAA. Downgraded securities were re-evaluated at September 30, 2011. The result of this evaluation shows no other-than-temporary impairment for the nine months ended September 30, 2011. The weighted average duration of the mortgage-backed securities was 2.7 years at September 30, 2011.

At September 30, 2011, mortgage-backed securities with market values aggregating \$368.5 million were pledged as collateral for retail customer repurchase agreements, municipal deposits and other obligations. From time to time, mortgage-backed securities are also pledged as collateral for Federal Home Loan Bank (FHLB) borrowings. The fair value of these FHLB-pledged mortgage-backed securities was \$17.4 million at September 30, 2011.

During the first nine months of 2011, we sold available-for-sale mortgage-backed securities of \$210.0 million with net gains of \$2.8 million. The cost basis of all mortgage-backed securities sales is based on the specific identification method. There were sales of available-for-sale mortgage-backed securities of \$92.5 million with net securities gains of \$1.8 million during the first nine 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 September 30, 2011, we owned mortgage-backed securities totaling \$80.9 million where the amortized cost basis exceeded fair value. Total unrealized losses on these securities were \$1.6 million at September 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. We have determined that these securities were not other-than-temporarily impaired at September 30, 2011. 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 September 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                            | \$ 64,739           | \$ 1,536        | \$ —                | \$ —            | \$ 64,739  | \$ 1,536        |
| FNMA                           | 10,488              | 53              | —                   | —               | 10,488     | 53              |
| FHLMC                          | 5,674               | 20              | —                   | —               | 5,674      | 20              |
| GNMA                           | —                   | —               | —                   | —               | —          | —               |
| Total temporarily impaired MBS | \$ 80,901           | \$ 1,609        | \$ —                | \$ —            | \$ 80,901  | \$ 1,609        |

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 class B 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 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 September 30, 2011.

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## 5. ALLOWANCE FOR LOAN LOSSES AND CREDIT QUALITY INFORMATION

## Allowance for Loan Losses

We maintain an allowance for loan losses and charge losses to this allowance 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 nine months ended September 30, 2011:

|   | Commercial     | Commercial<br>Mortgages | Construction | Residential | Consumer   | Total         |
|---|----------------|-------------------------|--------------|-------------|------------|---------------|
|   | (In Thousands) |                         |              |             |            |               |
| Three months ended September 30, 2011   |                |                         |              |             |            |               |
| Allowance for loan losses               |                |                         |              |             |            |               |
| Beginning balance                       | \$ 25,236      | \$ 12,330               | \$ 5,831     | \$ 3,707    | \$ 9,144   | \$ 56,248     |
| Charge-offs                             | (1,431 )       | (5,302 )                | (1,107 )     | (877 )      | (1,248 )   | (9,965 )      |
| Recoveries                              | 71             | 94                      | 51           | 25          | 106        | 347           |
| Provision                               | 1,645          | 302                     | 926          | 427         | 3,258      | 6,558         |
| Ending balance                          | \$ 25,521      | \$ 7,424                | \$ 5,701     | \$ 3,282    | \$ 11,260  | \$ 53,188     |
| Nine months ended September 30, 2011    |                |                         |              |             |            |               |
| Allowance for loan losses               |                |                         |              |             |            |               |
| Beginning balance                       | \$ 26,480      | \$ 10,564               | \$ 10,019    | \$ 4,028    | \$ 9,248   | \$ 60,339     |
| Charge-offs                             | (7,641 )       | (6,609 )                | (8,179 )     | (2,183 )    | (5,472 )   | (30,084 )     |
| Recoveries                              | 409            | 381                     | 557          | 116         | 422        | 1,885         |
| Provision                               | 6,273          | 3,088                   | 3,304        | 1,321       | 7,062      | 21,048        |
| Ending balance                          | \$ 25,521      | \$ 7,424                | \$ 5,701     | \$ 3,282    | \$ 11,260  | \$ 53,188     |
| Period-end allowance allocated to:      |                |                         |              |             |            |               |
| Specific                                |                |                         |              |             |            |               |
| reserves(1)                             | \$ 1,810       | \$ 1,604                | \$ 3,005     | \$ 808      | \$ 120     | \$ 7,347      |
| General                                 |                |                         |              |             |            |               |
| reserves(2)                             | 23,711         | 5,820                   | 2,696        | 2,474       | 11,140     | 45,841        |
| Ending balance                          | \$ 25,521      | \$ 7,424                | \$ 5,701     | \$ 3,282    | \$ 11,260  | \$ 53,188     |
| Period-end loan balances evaluated for: |                |                         |              |             |            |               |
| Specific                                |                |                         |              |             |            |               |
| reserves(1)                             | \$ 21,270      | \$ 20,306               | \$ 21,701    | \$ 17,666   | \$ 3,176   | \$ 84,119 (3) |
| General                                 |                |                         |              |             |            |               |
| reserves(2)                             | 1,376,272      | 583,564                 | 89,803       | 267,668     | 293,991    | 2,611,298     |
| Ending balance                          | \$ 1,397,542   | \$ 603,870              | \$ 111,504   | \$ 285,334  | \$ 297,167 | \$ 2,695,417  |

(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 September 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:

| September 30,<br>2011   | 30–59 Days                           | 60–89                                | Greater   | Total Past                   | Accruing            |                     | Total        |
|-------------------------|--------------------------------------|--------------------------------------|---|------------------------------|---------------------|---------------------|--------------|
|                         | Past Due<br>and<br>Still<br>Accruing | Past Due<br>and<br>Still<br>Accruing | Than<br>90 Days<br>Past Due<br>and<br>Still<br>Accruing | Due<br>And Still<br>Accruing | Current<br>Balances | Nonaccrual<br>Loans |              |
| (In Thousands)          |                                      |                                      |   |                              |                     |                     | Loans        |
| Commercial              | \$ 1,774                             | \$ 507                               | \$ 894  | \$ 3,175                     | \$ 1,372,997        | \$ 21,370           | \$ 1,397,542 |
| Commercial<br>mortgages | 967                                  | -                                    | 73  | 1,040                        | 581,955             | 20,875              | 603,870      |
| Construction            | 359                                  | -                                    | -   | 359                          | 89,444              | 21,701              | 111,504      |
| Residential             | 4,332                                | 2,483                                | 562   | 7,377                        | 267,386             | 10,571              | 285,334      |
| Consumer                | 1,342                                | 395                                  | -   | 1,737                        | 293,868             | 1,562               | 297,167      |
| Total                   | \$ 8,774                             | \$ 3,385                             | \$ 1,529  | \$ 13,688                    | \$ 2,605,650        | \$ 76,079           | \$ 2,695,417 |
| % of Total<br>Loans     | 0.32 %                               | 0.13 %                               | 0.06 %  | 0.51 %                       | 96.67 %             | 2.82 %              | 100 %        |

| December 31,<br>2010    | 30–59 Days                           | 60–89                                | Greater   | Total Past                   | Accruing            |                     | Total        |
|-------------------------|--------------------------------------|--------------------------------------|---|------------------------------|---------------------|---------------------|--------------|
|                         | Past Due<br>and<br>Still<br>Accruing | Past Due<br>and<br>Still<br>Accruing | Than<br>90 Days<br>Past Due<br>and<br>Still<br>Accruing | Due<br>And Still<br>Accruing | Current<br>Balances | Nonaccrual<br>Loans |              |
| (In Thousands)          |                                      |                                      |   |                              |                     |                     | Loans        |
| Commercial              | \$ 2,839                             | \$ 384                               | \$ -  | \$ 3,223                     | \$ 1,213,246        | \$ 21,577           | \$ 1,238,046 |
| Commercial<br>mortgages | 764                                  | -                                    | -   | 764                          | 611,744             | 9,490               | 621,998      |
| Construction            | 1,685                                | -                                    | -   | 1,685                        | 108,714             | 30,260              | 140,659      |
| Residential             | 6,403                                | 2,024                                | 465   | 8,892                        | 289,864             | 11,739              | 310,495      |
| Consumer                | 1,355                                | 163                                  | -   | 1,518                        | 305,290             | 3,701               | 310,509      |
| Total                   | \$ 13,046                            | \$ 2,571                             | \$ 465  | \$ 16,082                    | \$ 2,528,858        | \$ 76,767           | \$ 2,621,707 |
| % of Total<br>Loans     | 0.49 %                               | 0.10 %                               | 0.02 %  | 0.61 %                       | 96.46 %             | 2.93 %              | 100 %        |

Impaired Loans

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

| September 30, 2011 | Ending<br>Loan | Loans<br>with | Loans<br>with<br>Specific | Related<br>Specific | Contractual<br>Principal | Average<br>Loan |
|--------------------|----------------|---------------|---------------------------|---------------------|--------------------------|-----------------|
|--------------------|----------------|---------------|---------------------------|---------------------|--------------------------|-----------------|

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| (In Thousands)          | Balances  | No<br>Specific<br>Reserve<br>(1) | Reserve   | Reserve  | Balances   | Balances  |
|-------------------------|-----------|----------------------------------|-----------|----------|------------|-----------|
| Commercial              | \$ 21,270 | \$ 18,381                        | \$ 2,889  | \$ 1,810 | \$ 30,291  | \$ 22,196 |
| Commercial<br>mortgages | 20,306    | 11,960                           | 8,346     | 1,604    | 28,728     | 16,251    |
| Construction            | 21,701    | 3,687                            | 18,014    | 3,005    | 44,010     | 28,622    |
| Residential             | 17,666    | 11,419                           | 6,247     | 808      | 20,740     | 17,794    |
| Consumer                | 3,176     | 1,880                            | 1,296     | 120      | 3,728      | 4,240     |
| Total                   | \$ 84,119 | \$ 47,327                        | \$ 36,792 | \$ 7,347 | \$ 127,497 | \$ 89,103 |

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|                         | Ending    | Loans<br>with<br>No<br>Specific<br>Reserve | Loans<br>with<br>Specific<br>Reserve | Related<br>Specific<br>Reserve | Contractual<br>Principal<br>Balances | Average<br>Loan<br>Balances |
|-------------------------|-----------|--|--------------------------------------|--------------------------------|--------------------------------------|-----------------------------|
| December 31, 2010       | Loan      | (1)  | Reserve                              | Reserve                        | Balances                             | Balances                    |
| (In Thousands)          | Balances  | \$ 14,555                                  | \$ 6,972                             | \$ 4,845                       | \$ 29,309                            | \$ 16,139                   |
| Commercial              | \$ 21,527 |  |                                      |                                |                                      |                             |
| Commercial<br>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 \$94,000 and \$279,000 was recognized on impaired loans during the three and nine months ended September 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 September 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 |         |
|---------------------------------------|----------------|---------------|----------------------|---------------|----------------|---------------|---------------------------|---------|-------------------|---------|
|                                       | Sept. 30, 2011 | Dec. 31, 2010 | Sept. 30, 2011       | Dec. 31, 2010 | Sept. 30, 2011 | Dec. 31, 2010 | September 30, 2011 Amount | Percent | Amount            | Percent |
| Risk Rating:                          |                |               |                      |               |                |               |                           |         |                   |         |
| Special mention                       | \$74,727       | \$39,544      | \$30,514             | \$13,195      | \$11,328       | \$21,970      | \$116,569                 |         | \$74,709          |         |
| Substandard:                          |                |               |                      |               |                |               |                           |         |                   |         |
| Accrual                               | 67,197         | 54,230        | 4,291                | 21,121        | 17,988         | 32,560        | 89,476                    |         | 107,911           |         |
| Nonaccrual                            | 21,370         | 21,577        | 20,875               | 9,490         | 21,701         | 30,260        | 63,946                    |         | 61,327            |         |
| Total Special Mention and Substandard | 163,294        | 115,351       | 55,680               | 43,806        | 51,017         | 84,790        | 269,991                   | 13%     | 243,947           |         |
| Pass                                  | 1,234,248      | 1,122,695     | 548,190              | 578,192       | 60,487         | 55,869        | 1,842,925                 | 87%     | 1,756,756         |         |
| Total Commercial Loans                | \$1,397,542    | \$1,238,046   | \$603,870            | \$621,998     | \$111,504      | \$140,659     | \$2,112,916               | 100%    | \$2,000,703       |         |

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

|               | Residential    |              | Consumer       |              | Total Residential and Consumer |         |                          |         |
|---------------|----------------|--------------|----------------|--------------|--------------------------------|---------|--------------------------|---------|
|               | Sept. 30, 2011 | Dec.31, 2010 | Sept. 30, 2011 | Dec.31, 2010 | September 30, 2011 Amount      | Percent | December 31, 2010 Amount | Percent |
| Nonperforming | \$ 17,666 (1)  | \$ 17,441    | \$ 3,176 (1)   | \$ 5,106     | \$ 20,842                      | 4 %     | \$ 22,547                | 4 %     |
| Performing    | 267,668        | 293,054      | 293,991        | 305,403      | 561,659                        | 96      | 598,457                  | 96      |
| Total         | \$ 285,334     | \$ 310,495   | \$ 297,167     | \$ 310,509   | \$ 582,501                     | 100 %   | \$ 621,004               | 100 %   |

(1) Includes \$8.7 million of troubled debt restructured mortgages and home equity installment loans performing in accordance with modified terms and are accruing interest.

### Troubled Debt Restructurings (TDR)

Effective July 1, 2011, we adopted the provisions of Accounting Standards Update No. 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring. As such, we reassessed all loan modifications occurring since January 1, 2011 for identification as TDRs, resulting in no newly identified TDRs.

The book balance of TDRs at September 30, 2011 and December 31, 2010 was \$27.7 million and \$12.0 million, respectively. The balances at September 30, 2011 include approximately \$19.0 million of TDRs in nonaccrual status and \$8.7 million of TDRs in accrual status compared to \$4.9 million of TDRs in nonaccrual status and \$7.1 million of TDRs in accrual status at December 31, 2010. Approximately \$2.1 million and \$1.3 million in specific reserves have been established for these loans as of September 30, 2011 and December 31, 2010, respectively.

During the nine months ending September 30, 2011, the terms of 27 loans were modified in troubled debt restructurings, of which 19 were related to commercial loans that were already placed on nonaccrual. Nonaccruing restructured loans remain in nonaccrual status until there has been a period of sustained repayment performance for a reasonable period, usually six months. The remaining eight loans represented residential and consumer loans. Our concessions on restructured loans consisted mainly of forbearance agreements, reduction in interest rates or extensions of maturities. Principal balances are generally not forgiven by us when a loan is modified as a TDR.

The following table presents loans identified as TDRs during the three and nine months ended September 30, 2011:

| (In Thousands)       | Three<br>Months Ended<br>September 30,<br>2011 | Nine<br>Months Ended<br>September 30,<br>2011 |
|----------------------|--|---|
| Commercial           | \$ 746   | \$ 1,352                                      |
| Commercial mortgages | 2,170  | 7,725   |
| Construction         | 189  | 13,909  |
| Residential          | -  | 2,335   |
| Consumer             | 146  | 146   |
| Total                | \$ 3,251                                       | \$ 25,467                                     |

The troubled debt restructurings described above increased the allowance for loan losses by \$1.2 million through allocation of a specific reserve, and resulted in charge offs of \$10.3 million during the nine months ending September 30, 2011, most of which had been previously identified and reserved for in prior periods.

The following table summarizes TDRs which have defaulted (defined as past due 90 days) during the three and nine months ended September 30, 2011 that were restructured within the last twelve months prior to September 30, 2011:

| (In Thousands)       | Three<br>Months Ended<br>September 30,<br>2011 | Nine<br>Months Ended<br>September 30,<br>2011 |
|----------------------|--|---|
| Commercial           | \$ -   | \$ -  |
| Commercial mortgages | -  | -   |
| Construction         | -  | -   |
| Residential          | 162  | 162   |
| Consumer             | -  | -   |
| Total                | \$ 162   | \$ 162  |



## 6. COMPREHENSIVE INCOME

The following schedule reconciles net income to total comprehensive income:

|  | For the three months<br>ended<br>September 30,<br>(In Thousands) |         | For the nine months<br>ended<br>September 30,<br>(In Thousands) |          |
|--|--|---------|---|----------|
|  | 2011   | 2010    | 2011  | 2010     |
| Net income   | \$6,786  | \$8,222 | \$16,515  | \$12,037 |
| Other Comprehensive Income:  |  |         |   |          |
| Other, net   | —  | 162     | —   | 162      |
| Unrealized holding gains on securities<br>available-for-sale arising during the period | 8,568  | 1,105   | 9,321   | 18,590   |
| Tax expense  | (3,230 )   | (420 )  | (3,516 )  | (7,064 ) |
| Net of tax amount  | 5,338  | 685     | 5,805   | 11,526   |
| Total comprehensive income   | \$12,124   | \$9,069 | \$22,320  | \$23,725 |

## 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 September 30, 2011 and December 31, 2010 were \$100,000 and \$1.0 million, respectively, of which \$100,000 would affect our September 30, 2011 effective tax rate if recognized. During the quarter ended September 30, 2011 we recorded tax benefits of \$376,000 through earnings that resulted from a decrease in our income tax reserve primarily due to the expiration of a statute of limitations on a certain tax item. Further, we recorded tax benefits of \$500,000 through equity during the quarter ended September 30, 2011 for a similar statute of limitations related decrease in the income tax reserve. The nine months ended September 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. As of September 30, 2011 and December 31, 2010, the total amount of accrued interest included in such unrecognized tax benefits were \$18,000 and \$51,000, respectively. Penalties of \$6,000 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 2008 through 2010 tax years are subject

to examination as of September 30, 2011. There are currently no income tax audits in process.

## 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 for each of 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 49 offices located in Delaware (39), Pennsylvania (8), 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. 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 nine months ended September 30, 2011 and 2010 was as follows:

For the three months ended September 30, 2011

|                                  | WSFS<br>Bank   | Cash<br>Connect | Trust &<br>Wealth<br>Management | Total       |
|----------------------------------|----------------|-----------------|---------------------------------|-------------|
|                                  | (In Thousands) |                 |                                 |             |
| External customer revenues:      |                |                 |                                 |             |
| Interest income                  | \$40,091       | \$-             | \$ -                            | \$40,091    |
| Noninterest income               | 9,701          | 4,235           | 2,988                           | 16,924      |
| Total external customer revenues | 49,792         | 4,235           | 2,988                           | 57,015      |
| Inter-segment revenues:          |                |                 |                                 |             |
| Interest income                  | 349            | -               | 876                             | 1,225       |
| Noninterest income               | 754            | 202             | -                               | 956         |
| Total inter-segment revenues     | 1,103          | 202             | 876                             | 2,181       |
| Total revenue                    | 50,895         | 4,437           | 3,864                           | 59,196      |
| External customer expenses:      |                |                 |                                 |             |
| Interest expense                 | 7,911          | -               | -                               | 7,911       |
| Noninterest expenses             | 27,867         | 2,187           | 2,358                           | 32,412      |
| Provision for loan loss          | 6,558          | -               | -                               | 6,558       |
| Total external customer expenses | 42,336         | 2,187           | 2,358                           | 46,881      |
| Inter-segment expenses           |                |                 |                                 |             |
| Interest expense                 | 876            | 349             | -                               | 1,225       |
| Noninterest expenses             | 202            | 358             | 396                             | 956         |
| Total inter-segment expenses     | 1,078          | 707             | 396                             | 2,181       |
| Total expenses                   | 43,414         | 2,894           | 2,754                           | 49,062      |
| Income before taxes              | \$7,481        | \$1,543         | \$ 1,110                        | \$10,134    |
| Provision for income taxes       |                |                 |                                 | 3,348       |
| Consolidated net income          |                |                 |                                 | \$6,786     |
| Capital expenditures             | \$2,374        | \$837           | \$ 2                            | \$3,213     |
| As of September 30, 2011         |                |                 |                                 |             |
| Cash and cash equivalents        | \$77,310       | \$383,358       | \$ 2,885                        | \$463,553   |
| Other segment assets             | 3,692,851      | 22,148          | 10,188                          | 3,725,187   |
| Total segment assets             | \$3,770,161    | \$405,506       | \$ 13,073                       | \$4,188,740 |

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For the three months ended September 30, 2010

|                                  | WSFS<br>Bank   | Cash<br>Connect | Trust &<br>Wealth<br>Management | Total       |
|----------------------------------|----------------|-----------------|---------------------------------|-------------|
|                                  | (In Thousands) |                 |                                 |             |
| External customer revenues:      |                |                 |                                 |             |
| Interest income                  | \$40,579       | \$-             | \$ -                            | \$40,579    |
| Noninterest income               | 10,172         | 3,523           | 730                             | 14,425      |
| Total external customer revenues | 50,751         | 3,523           | 730                             | 55,004      |
| Inter-segment revenues:          |                |                 |                                 |             |
| Interest income                  | 238            | -               | -                               | 238         |
| Noninterest income               | 701            | 202             | -                               | 903         |
| Total inter-segment revenues     | 939            | 202             | -                               | 1,141       |
| Total revenue                    | 51,690         | 3,725           | 730                             | 56,145      |
| External customer expenses:      |                |                 |                                 |             |
| Interest expense                 | 10,402         | -               | -                               | 10,402      |
| Noninterest expenses             | 23,916         | (2,643 )        | 819                             | 22,092      |
| Provision for loan loss          | 9,976          | -               | -                               | 9,976       |
| Total external customer expenses | 44,294         | (2,643 )        | 819                             | 42,470      |
| Inter-segment expenses           |                |                 |                                 |             |
| Interest expense                 | -              | 238             | -                               | 238         |
| Noninterest expenses             | 202            | 377             | 324                             | 903         |
| Total inter-segment expenses     | 202            | 615             | 324                             | 1,141       |
| Total expenses                   | 44,496         | (2,028 )        | 1,143                           | 43,611      |
| Income (loss) before taxes       | \$7,194        | \$5,753         | \$ (413 )                       | \$12,534    |
| Provision for income taxes       |                |                 |                                 | 4,312       |
| Consolidated net income          |                |                 |                                 | \$8,222     |
| Capital expenditures             | \$1,463        | \$122           | \$ 2                            | \$1,587     |
| As of December 31, 2010          |                |                 |                                 |             |
| Cash and cash equivalents        | \$62,383       | \$271,168       | \$ 1,244                        | \$334,795   |
| Other segment assets             | 3,450,091      | 13,311          | 673                             | 3,464,075   |
| Total segment assets             | \$3,512,474    | \$284,479       | \$ 1,917                        | \$3,798,870 |

For the nine months ended September 30, 2011

|                                  | WSFS<br>Bank   | Cash<br>Connect | Trust &<br>Wealth<br>Management | Total        |
|----------------------------------|----------------|-----------------|---------------------------------|--------------|
|                                  | (In Thousands) |                 |                                 |              |
| External customer revenues:      |                |                 |                                 |              |
| Interest income                  | \$ 119,057     | \$ -            | \$ -                            | \$ 119,057   |
| Noninterest income               | 27,117         | 11,484          | 7,991                           | 46,592       |
| Total external customer revenues | 146,174        | 11,484          | 7,991                           | 165,649      |
| Inter-segment revenues:          |                |                 |                                 |              |
| Interest income                  | 913            | -               | 3,132                           | 4,045        |
| Noninterest income               | 2,486          | 524             | -                               | 3,010        |
| Total inter-segment revenues     | 3,399          | 524             | 3,132                           | 7,055        |
| Total revenue                    | 149,573        | 12,008          | 11,123                          | 172,704      |
| External customer expenses:      |                |                 |                                 |              |
| Interest expense                 | 25,436         | -               | -                               | 25,436       |
| Noninterest expenses             | 81,101         | 5,824           | 7,526                           | 94,451       |
| Provision for loan loss          | 21,048         | -               | -                               | 21,048       |
| Total external customer expenses | 127,585        | 5,824           | 7,526                           | 140,935      |
| Inter-segment expenses           |                |                 |                                 |              |
| Interest expense                 | 3,132          | 913             | -                               | 4,045        |
| Noninterest expenses             | 524            | 1,162           | 1,324                           | 3,010        |
| Total inter-segment expenses     | 3,656          | 2,075           | 1,324                           | 7,055        |
| Total expenses                   | 131,241        | 7,899           | 8,850                           | 147,990      |
| Income before taxes              | \$ 18,332      | \$ 4,109        | \$ 2,273                        | \$ 24,714    |
| Income tax provision             |                |                 |                                 | 8,199        |
| Consolidated net income          |                |                 |                                 | \$ 16,515    |
| Capital expenditures             | \$ 6,768       | \$ 1,014        | \$ 308                          | \$ 8,090     |
| As of September 30, 2011         |                |                 |                                 |              |
| Cash and cash equivalents        | \$ 77,310      | \$ 383,358      | \$ 2,885                        | \$ 463,553   |
| Other segment assets             | 3,692,851      | 22,148          | 10,188                          | 3,725,187    |
| Total segment assets             | \$ 3,770,161   | \$ 405,506      | \$ 13,073                       | \$ 4,188,740 |

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For the nine months ended September 30, 2010

|                                  | WSFS<br>Bank    | Cash<br>Connect | Trust &<br>Wealth<br>Management | Total        |
|----------------------------------|-----------------|-----------------|---------------------------------|--------------|
|                                  | ( In Thousands) |                 |                                 |              |
| External customer revenues:      |                 |                 |                                 |              |
| Interest income                  | \$ 122,591      | \$ -            | \$ -                            | \$ 122,591   |
| Noninterest income               | 25,794          | 9,983           | 2,225                           | 38,002       |
| Total external customer revenues | 148,385         | 9,983           | 2,225                           | 160,593      |
| Inter-segment revenues:          |                 |                 |                                 |              |
| Interest income                  | 685             | -               | -                               | 685          |
| Noninterest income               | 2,130           | 577             | -                               | 2,707        |
| Total inter-segment revenues     | 2,815           | 577             | -                               | 3,392        |
| Total revenue                    | 151,200         | 10,560          | 2,225                           | 163,985      |
| External customer expenses:      |                 |                 |                                 |              |
| Interest expense                 | 32,373          | -               | -                               | 32,373       |
| Noninterest expenses             | 72,470          | 4,470           | 2,524                           | 79,464       |
| Provision for loan loss          | 31,980          | -               | -                               | 31,980       |
| Total external customer expenses | 136,823         | 4,470           | 2,524                           | 143,817      |
| Inter-segment expenses           |                 |                 |                                 |              |
| Interest expense                 | -               | 685             | -                               | 685          |
| Noninterest expenses             | 577             | 1,110           | 1,020                           | 2,707        |
| Total inter-segment expenses     | 577             | 1,795           | 1,020                           | 3,392        |
| Total expenses                   | 137,400         | 6,265           | 3,544                           | 147,209      |
| Income (loss) before taxes       | \$ 13,800       | \$ 4,295        | \$ (1,319)                      | \$ 16,776    |
| Income tax provision             |                 |                 |                                 | 4,739        |
| Consolidated net income          |                 |                 |                                 | \$ 12,037    |
| Capital expenditures             | \$ 4,533        | \$ 129          | \$ 2                            | \$ 4,664     |
| As of December 31, 2010          |                 |                 |                                 |              |
| Cash and cash equivalents        | \$ 62,383       | \$ 271,168      | \$ 1,244                        | \$ 334,795   |
| Other segment assets             | 3,450,091       | 13,311          | 673                             | 3,464,075    |
| Total segment assets             | \$ 3,512,474    | \$ 284,479      | \$ 1,917                        | \$ 3,798,870 |

## 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 or through internally developed models. 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 or our internally developed models, 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 repriced 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 September 30, 2011. As a result, we have determined there was no

other-than-temporary impairment related to our FHLB stock investment as of September 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)                                | September 30, 2011 |            | December 31, 2010 |            |
|---|--------------------|------------|-------------------|------------|
|   | Book Value         | Fair Value | Book Value        | Fair Value |
| Financial assets:                             |                    |            |                   |            |
| Cash and cash equivalents                     | \$463,553          | \$463,553  | \$376,759         | \$376,759  |
| Investment securities                         | 48,092             | 48,093     | 52,451            | 52,428     |
| Mortgage-backed securities                    | 784,940            | 784,940    | 713,358           | 713,358    |
| Loans, net                                    | 2,650,005          | 2,691,521  | 2,575,890         | 2,586,669  |
| Stock in Federal Home Loan Bank of Pittsburgh | 37,638             | 37,638     | 37,536            | 37,536     |
| Accrued interest receivable                   | 11,326             | 11,326     | 11,765            | 11,765     |
| Financial liabilities:                        |                    |            |                   |            |
| Deposits                                      | 2,952,053          | 2,906,435  | 2,810,744         | 2,826,515  |
| Borrowed funds                                | 805,070            | 806,989    | 747,606           | 751,970    |
| Accrued interest payable                      | 8,533              | 8,533      | 3,317             | 3,317      |

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

| (In Thousands)                 | September | December |
|--------------------------------|-----------|----------|
|                                | 30, 2011  | 31, 2010 |
| Off-balance sheet instruments: |           |          |
| Commitments to extend credit   | \$4,186   | \$3,729  |
| Standby letters of credit      | 108       | 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 September 30, 2011 (there are no material liabilities measured at fair value):

| Description   | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Asset<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total<br>Fair Value |
|---|---|---|--|---------------------|
|   | (in Thousands)  |   |  |                     |
| Assets Measured at Fair Value on a<br>Recurring Basis             |   |   |  |                     |
| Available-for-sale securities:                                    |   |   |  |                     |
| Collateralized mortgage obligations                               | \$ —  | \$ 330,431  | \$ 3,616   | \$ 334,047          |
| FNMA  | —   | 302,886   | —  | 302,886             |
| FHLMC   | —   | 74,255  | —  | 74,255              |
| GNMA  | —   | 61,320  | —  | 61,320              |
| U.S. Government and agencies                                      | —   | 44,095  | —  | 44,095              |
| State and political subdivisions                                  | —   | 4,196   | —  | 4,196               |
| Reverse mortgages   | —   | —   | (418 )   | (418 )              |
| Trading Securities  | —   | —   | 12,432   | 12,432              |
| Total assets measured at fair value on a<br>recurring basis       | \$ —  | \$ 817,183  | \$ 15,630  | \$ 832,813          |
| Assets Measured at Fair Value on a<br>Nonrecurring Basis          |   |   |  |                     |
| Other real estate owned   | \$ —  | \$ 11,880   | \$ —   | \$ 11,880           |
| Impaired Loans (collateral dependent)                             | —   | 76,772  | —  | 76,772              |
| Total assets measured at fair value on a<br>nonrecurring<br>basis | \$ —  | \$ 88,652   | \$ —   | \$ 88,652           |

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<br>Prices in<br>Active<br>Markets for<br>Identical<br>Asset<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total<br>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 September 30, 2011, securities classified as available for sale are reported at fair value using both Level 2 and Level 3 inputs. Included in the Level 2 total are approximately \$44.1 million in Federal Agency debentures, \$587.5 million in Federal Agency MBS, \$181.4 million of Private Label MBS, and \$4.2 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. Included in the Level 3 total is a small equity tranche of a reverse mortgage security purchased on July 15, 2011. This security is Level 3 because there is no active market for this security and no observable inputs that reflect quoted prices for identical assets in active markets (Level 1) or inputs other than quoted prices that are observable for the asset through corroboration with observable market data (Level 2). In order to establish the fair value for a Level 3 asset a "mark-to-model" has been developed using the income

approach described in ASC 820-10-35-32 and is similar to the methodology used to value our trading securities described below.

**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<br>Securities | Reverse<br>Mortgages | Available-<br>for-sale<br>Securities | 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 | —                     | (128)                | 120                                  | (8)      |
| Purchases, sales, issuances, and settlements, net               | —                     | 396                  | 2,629                                | 3,025    |
| Mark-to-market adjustment                                       | —                     | —                    | 867                                  | 867      |
| Balance at September 30, 2011                                   | \$12,432              | \$(418)              | \$3,616                              | \$15,630 |

**Other real estate owned.** Other real estate owned consists of loan collateral which has been repossessed through foreclosure or other measures. Initially, foreclosed assets are recorded as held for sale at the lower of the loan balance or fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically and the assets may be marked down further, reflecting a new cost basis. The fair value of our real estate owned was estimated using Level 2 inputs based on appraisals obtained from third parties.

**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 \$84.1 million and \$83.8 million at September 30, 2011 and December 31, 2010, respectively. The valuation allowance on impaired loans was \$7.3 million as of September 30, 2011 and \$12.0 million as of December 31, 2010. During the three and nine months ended September 30, 2011, we recorded net decreases of \$1.7 million and \$4.7 million, respectively, in our allowance for loan loss as a result of adjusting the carrying value and estimated fair value on these collateral dependent impaired loans.

## 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 third 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 September 30, 2011 there were 71 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 \$289.1 million at September 30, 2011 compared with \$236.1 million at December 31, 2010. At September 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 \$32.3 million at September 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:

|                                       | Three months ended |      | Nine months ended |       |
|---------------------------------------|--------------------|------|-------------------|-------|
|                                       | September 30,      |      | September 30,     |       |
|                                       | 2011               | 2010 | 2011              | 2010  |
| (In Thousands)                        |                    |      |                   |       |
| Service cost                          | \$52               | \$43 | \$156             | \$128 |
| Interest cost                         | 41                 | 38   | 125               | 114   |
| Amortization of transition obligation | 15                 | 15   | 45                | 45    |
| Net loss recognition                  | 8                  | 3    | 24                | 9     |
| Net periodic benefit cost             | \$116              | \$99 | \$350             | \$296 |

## 13. NONINTEREST EXPENSES

During the nine months ended September 30, 2011 and 2010, we recorded \$780,000 (including \$334,000 in the first quarter of 2011 and \$446,000 in the second quarter of 2011) and \$311,000 (including \$168,000 in the second quarter of 2010 and \$143,000 in the third quarter of 2010), respectively, in non-routine charges related to the acquisition and integration of Christiana Bank & Trust. These expenses mainly reflected salaries, benefits and other compensation, data processing and operations expenses and professional fees.

During the nine months ended September 30, 2010, we recorded a \$4.5 million non-routine charge and subsequent complete recovery. 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, we 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 \$2.0 million in preferred stock dividends during the nine months ended September 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 \$104,000 during the nine months ended September 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 \$17.3 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. Both of these items are also being amortized over 15 years for tax purposes. 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  | 350       |
| Adjusted goodwill resulting from acquisition of CB&T as of September 30, 2011                       | \$ 17,277 |

#### 16. LEGAL PROCEEDINGS

As disclosed in previous filings, we were served with a complaint filed 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 concerning an outstanding loan and also seeks to avoid and recover the pre-bankruptcy repayment of that loan. Management of the Bank believes it acted appropriately and will vigorously defend itself against the complaint. No litigation reserve has been recorded as it is not yet possible to establish the probability of or reasonably estimate a potential loss. Our insurance carrier has preliminarily determined our future litigation defense costs are covered by an insurance policy we have for such matters.

## 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 third 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 48 offices located in Delaware (38), Pennsylvania (8), 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 nearly \$400 million in vault cash in more than 11,500 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 over 400 ATMs for WSFS Bank, which has, 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 September 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 became the Federal Reserve and WSFS Bank's primary federal regulator became the Office of the Comptroller of the Currency. While we do not anticipate 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 that of the Office of Thrift Supervision 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 September 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 September 30, 2011, goodwill totaled \$28.1million, 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 \$6.4 million as of September 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 September 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 \$235.0 million during the nine months ended September 30, 2011 to \$4.2 billion. Cash and cash equivalents increased \$86.8 million, or 23%, as a result of growth in our Cash Connect division. Mortgage-backed securities increased \$71.4 million or 10%. Loans increased \$74.1 million from December 31, 2010 mainly due to an increase in C&I loans which grew \$159.5 million, or 13%, as a result of our focus on franchise growth. This growth in commercial and industrial (C&I) loans was offset by intentional reductions of \$31.9 million in residential mortgage loans, \$29.2 million in construction loans balances, and a decrease in commercial real estate loans of \$18.1 million during 2011.

Our credit policy includes a “House Limit” to one borrowing relationship of \$25 million. The “House Limit” is restricted to a total of ten relationships and an aggregate exposure not to exceed 10% of our total Tier 1 capital plus our allowance for loan losses. Such exceptions are approved only in rare circumstances. Currently we have two 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 \$215.8 million between December 31, 2010 and September 30, 2011 to \$3.8 billion. This increase was mainly due to savings deposits which increased \$120.2 million, or 47%. Interest-bearing and noninterest-bearing demand deposits increased \$70.4 million, or 9%. Jumbo certificates of deposit also increased \$26.9 million, or 9%. Time deposits decreased by \$41.9 million, or 9%. Federal Home Loan Bank advances increased \$79.8 million, or 16%, offset by other borrowed funds which decreased \$22.4 million, or 24%.

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 September 30, 2011, our top ten depositors represented approximately 11% of our total customer funding.

## Capital Resources

Stockholders’ equity increased \$19.4 million between December 31, 2010 and September 30, 2011. This increase was mainly due to net income of \$16.5 million as well as an increase of \$5.8 million in the value of our available-for-sale securities portfolio. Partially offsetting these increases was the payment of common and preferred dividends of \$5.1 million during the nine months ended September 30, 2011.

Book value per common share was \$44.97 at September 30, 2011 an increase of \$1.82 from \$43.15 reported at December 31, 2010. Tangible common book value per common share (a non-GAAP measurement) was \$34.88 at September 30, 2011, an increase of \$1.85, or 6% 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 September 30, 2011:

| Consolidated<br>Bank Capital | For Capital<br>Adequacy Purposes | To be Well-Capitalized<br>Under Prompt Corrective<br>Action Provisions |
|------------------------------|----------------------------------|--|
|------------------------------|----------------------------------|--|

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| (dollars in thousands)                   | Amount    | % of Assets | Amount      | % of Assets | Amount      | % of Assets |
|--|-----------|-------------|-------------|-------------|-------------|-------------|
| Total Capital (to Risk-Weighted Assets)  | \$426,868 | 13.52       | % \$252,576 | 8.00        | % \$315,720 | 10.00 %     |
| Core Capital (to Adjusted Total Assets)  | 387,325   | 9.35        | 165,737     | 4.00        | 207,171     | 5.00        |
| Tangible Capital (to Tangible Assets)    | 387,325   | 9.35        | 62,151      | 1.50        | N/A         | N/A         |
| Tier 1 Capital (to Risk-Weighted Assets) | 387,325   | 12.27       | 126,288     | 4.00        | 189,432     | 6.00        |

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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 September 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 9.35%, Tier 1 capital ratio of 12.27% and total risk based capital ratio of 13.52%, 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 \$13.3 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 nine months ended September 30, 2011, cash and cash equivalents increased \$86.8 million to \$463.6 million. The increase was a result of the following: a \$147.1 million increase in cash provided through increases in demand, savings, and time deposits; \$79.8 million from FHLB advances; an increase of \$66.9 million from cash provided by our operating activities; and activity in investment securities of \$4.6 million. Offsetting these increases were cash usages of: a \$118.1 million net increase in loans; purchases of \$61.7 million in mortgage-backed securities available-for-sale net of repayments and sales; a \$28.2 million decrease in brokered deposits; investment in premises and equipment of \$8.1 million; and dividends paid of \$5.1 million.

#### 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.

|   | September 30,<br>2011 |   | December 31,<br>2010 |   |
|---|-----------------------|---|----------------------|---|
|   | (In Thousands)        |   |                      |   |
| Nonaccruing loans:                                |                       |   |                      |   |
| Commercial  | \$ 21,370             |   | \$ 21,577            |   |
| Consumer  | 1,562                 |   | 3,701                |   |
| Commercial mortgage                               | 20,875                |   | 9,490                |   |
| Residential mortgage                              | 10,571                |   | 11,739               |   |
| Construction                                      | 21,701                |   | 30,260               |   |
| <br>  |                       |   |                      |   |
| Total nonaccruing loans                           | 76,079                |   | 76,767               |   |
| Assets acquired through foreclosure               | 11,880                |   | 9,024                |   |
| Troubled debt restructuring (accruing)            | 8,709                 |   | 7,107                |   |
| <br>  |                       |   |                      |   |
| Total nonperforming assets                        | \$ 96,668             |   | \$ 92,898            |   |
| Past due loans(1):                                |                       |   |                      |   |
| Residential Mortgages                             | 562                   |   | 465                  |   |
| Commercial and commercial mortgages               | 967                   |   | -                    |   |
| <br>  |                       |   |                      |   |
| Total past due loans                              | \$ 1,529              |   | \$ 465               |   |
| <br>  |                       |   |                      |   |
| Ratios:   |                       |   |                      |   |
| Allowance for loan losses to total loans (2)      | 1.97                  | % | 2.30                 | % |
| Nonperforming assets to total assets              | 2.31                  | % | 2.35                 | % |
| Nonaccruing loans to total loans (2)              | 2.82                  | % | 2.93                 | % |
| Loan loss allowance to nonaccruing loans          | 69.91                 | % | 78.60                | % |
| Loan loss allowance to total nonperforming assets | 55.02                 | % | 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 \$3.8 million between December 31, 2010 and September 30, 2011. Nonperforming loans decreased slightly during this period as the increase within the Commercial Mortgage portfolio has been more than offset by decreases within the Construction and Retail portfolios. Year to date, the migration of additional assets to Real Estate Owned (REO) have outpaced sales by \$2.9 million. A 23% net increase in accruing Troubled Debt Restructurings (TDR) accounts for the remainder of the increase.

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

|                      | For the nine<br>months ended<br>September 30, 2011 |  | For the year<br>ended<br>December 31, 2010 |  |
|----------------------|--|--|--|--|
|                      | (In Thousands)                                     |  |  |  |
| Beginning balance    | \$ 92,898  |  | \$ 82,160                                  |  |
| Additions            | 75,524   |  | 89,876                                     |  |
| Collections          | (31,681 )  |  | (38,459 )                                  |  |
| Transfers to accrual | (7,386 )   |  | (1,077 )                                   |  |

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|                                |           |           |
|--------------------------------|-----------|-----------|
| Charge-offs / write-downs, net | (32,687 ) | (39,602 ) |
| Ending balance                 | \$ 96,668 | \$ 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 September 30, 2011, interest-earning assets exceeded interest-bearing liabilities that mature or reprice within one year (interest-sensitive gap) by \$99.4 million. Our interest-sensitive assets as a percentage of interest-sensitive liabilities within the one-year window decreased from 106.0% at June 30, 2011, to 104.4% at September 30, 2011. Likewise, the one-year interest-sensitive gap as a percentage of total assets changed to 2.4% at September 30, 2011 from 3.2% at June 30, 2011. The change in sensitivity since June 30, 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 September 30, 2011 and 2010:

| Change in<br>Interest Rate<br>(Basis Points) | 2011                                      |                            | 2010                                      |                               |
|--|---|----------------------------|---|-------------------------------|
|  | % Change in Net<br>Interest Margin<br>(1) | Net Portfolio<br>Value (2) | % Change in<br>Net Interest<br>Margin (1) | Net<br>Portfolio<br>Value (2) |
| +300   | 7%  | 10.98%                     | 8%  | 10.72%                        |
| +200   | 4%  | 11.10%                     | 5%  | 11.04%                        |
| +100   | 0%  | 11.22%                     | 3%  | 11.02%                        |
| -  | 0%  | 11.26%                     | 0%  | 11.02%                        |
| -100   | 3%  | 11.00%                     | -9%                                       | 10.51%                        |
| -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 September 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 NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Results of Operations

We recorded net income of \$6.8 million or \$0.70 per diluted common share for the third quarter of 2011. This compares to net income of \$8.2 million or \$0.94 per diluted common share in the third quarter of 2010. The third quarter of 2010 results included a non-routine fraud loss recovery of \$4.5 million (pre-tax), or \$0.38 per diluted common share (after-tax) included in noninterest expenses. Earnings for the third quarter of 2011 were impacted by a reduction in loan loss provision of \$3.4 million to \$6.6 million when compared to the third quarter of 2010 and an increase of \$2.0 million in

fiduciary and investment management income. Excluding the previously mentioned fraud loss recovery, noninterest expense increased \$5.8 million as a result of a \$3.1 million increase in compensation expenses due to normal operating expenses for the Christiana Trust Division as well as franchise growth.

Net income for the first nine months of 2011 was \$16.5 million or \$1.66 per diluted common share. This is an increase of \$4.5 million when compared to net income of \$12.0 million or \$1.33 per diluted common share for the nine months ended September 30, 2010. Earnings for the first nine months of 2011 were impacted by a lower provision for loan losses which decreased \$10.9 million to \$21.0 million during the nine months ended September 30, 2011. In addition, fiduciary and investment management income increased \$5.7 million due to the addition of the Christiana Trust division in December of 2010. Finally, bank-owned life insurance income increased \$1.2 million as a result of unanticipated non-taxable income recorded during 2011. Partially offsetting these favorable items was an increase of \$15.0 million in noninterest expenses during the nine months ended September 30, 2011. This increase was due to the normal operating expenses from Christiana Trust as well as overall franchise growth including the addition of five new branches, the relocation of four branches and the addition of twelve commercial relationship managers and related support staff. Finally, during 2011 marketing expenses included an additional \$961,000 for our new "Right Here" marketing campaign.

## Net Interest Income

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

|   | Three Months Ended September 30, |          |                       |                    |          |                       |
|---|----------------------------------|----------|-----------------------|--------------------|----------|-----------------------|
|   | 2011                             |          |                       | 2010               |          |                       |
|   | Average<br>Balance               | Interest | Yield/<br>Rate<br>(1) | Average<br>Balance | Interest | Yield/<br>Rate<br>(1) |
| (Dollars In Thousands)                      |                                  |          |                       |                    |          |                       |
| Assets:                                     |                                  |          |                       |                    |          |                       |
| Interest-earning assets:                    |                                  |          |                       |                    |          |                       |
| Loans (2) (3):                              |                                  |          |                       |                    |          |                       |
| Commercial real estate<br>loans             | \$ 731,527                       | \$ 8,556 | 4.68 %                | \$ 733,562         | \$ 8,587 | 4.68 %                |
| Residential real estate<br>loans            | 293,800                          | 3,454    | 4.70                  | 341,033            | 4,275    | 5.01                  |
| Commercial loans                            | 1,368,703                        | 17,193   | 4.99                  | 1,176,232          | 15,236   | 5.16                  |
| Consumer loans                              | 296,709                          | 3,737    | 5.00                  | 290,346            | 3,566    | 4.87                  |
| Total loans                                 | 2,690,739                        | 32,940   | 4.94                  | 2,541,173          | 31,664   | 5.03                  |
| Mortgage-backed securities<br>(4)           | 801,446                          | 7,052    | 3.52                  | 743,832            | 8,699    | 4.68                  |
| Investment securities (4)<br>(5)            | 43,959                           | 99       | 0.90                  | 47,173             | 216      | 1.83                  |
| Other interest-earning<br>assets            | 37,830                           | -        | -                     | 39,920             | -        | -                     |
| Total interest-earning<br>assets            | 3,573,974                        | 40,091   | 4.52                  | 3,372,098          | 40,579   | 4.85                  |
| Allowance for loan losses                   | (57,125 )                        |          |                       | (64,428 )          |          |                       |
| Cash and due from banks                     | 65,997                           |          |                       | 57,328             |          |                       |
| Cash in non-owned ATMs                      | 378,651                          |          |                       | 269,529            |          |                       |
| Bank-owned life insurance                   | 63,463                           |          |                       | 60,732             |          |                       |
| Other noninterest-earning<br>assets         | 119,888                          |          |                       | 98,863             |          |                       |
| Total assets                                | \$ 4,144,848                     |          |                       | \$ 3,794,122       |          |                       |
| Liabilities and<br>Stockholders' Equity:    |                                  |          |                       |                    |          |                       |
| Interest-bearing liabilities:               |                                  |          |                       |                    |          |                       |
| Interest-bearing deposits:                  |                                  |          |                       |                    |          |                       |
| Interest-bearing demand                     | \$ 324,367                       | \$ 75    | 0.09 %                | \$ 263,428         | \$ 102   | 0.15 %                |
| Money market                                | 731,979                          | 720      | 0.39                  | 628,124            | 1,016    | 0.64                  |
| Savings                                     | 375,243                          | 386      | 0.41                  | 242,831            | 127      | 0.21                  |
| Customer time deposits                      | 757,975                          | 3,237    | 1.69                  | 772,900            | 3,906    | 2.00                  |
| Total interest-bearing<br>customer deposits | 2,189,564                        | 4,418    | 0.80                  | 1,907,283          | 5,151    | 1.07                  |
|   | 209,629                          | 201      | 0.38                  | 295,948            | 439      | 0.59                  |

|   |              |           |        |              |           |        |
|---|--------------|-----------|--------|--------------|-----------|--------|
| Brokered certificates of deposit                                    |              |           |        |              |           |        |
| Total interest-bearing deposits                                     | 2,399,193    | 4,619     | 0.76   | 2,203,231    | 5,590     | 1.01   |
| FHLB of Pittsburgh advances   | 610,253      | 2,484     | 1.99   | 515,259      | 3,818     | 2.90   |
| Trust preferred borrowings  | 67,011       | 340       | 1.59   | 67,011       | 370       | 2.16   |
| Other borrowed funds  | 142,725      | 468       | 1.31   | 187,124      | 624       | 1.33   |
| Total interest-bearing liabilities                                  | 3,219,182    | 7,911     | 0.98   | 2,972,625    | 10,402    | 1.40   |
| Noninterest-bearing demand deposits                                 | 516,257      |           |        | 446,741      |           |        |
| Other noninterest-bearing liabilities                               | 26,001       |           |        | 26,698       |           |        |
| Stockholders' equity  | 383,408      |           |        | 348,058      |           |        |
| Total liabilities and stockholders' equity                          | \$ 4,144,848 |           |        | \$ 3,794,122 |           |        |
| Excess of interest-earning assets over interest-bearing liabilities | \$ 354,792   |           |        | \$ 399,473   |           |        |
| Net interest and dividend income                                    |              | \$ 32,180 |        |              | \$ 30,177 |        |
| Interest rate spread  |              |           | 3.54 % |              |           | 3.45 % |
| Net interest margin   |              |           | 3.63 % |              |           | 3.61 % |

(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.

|  | Nine Months Ended September 30, |           |                       |                    |           |                       |
|--|---------------------------------|-----------|-----------------------|--------------------|-----------|-----------------------|
|  | 2011                            |           |                       | 2010               |           |                       |
|  | Average<br>Balance              | Interest  | Yield/<br>Rate<br>(1) | Average<br>Balance | Interest  | Yield/<br>Rate<br>(1) |
| (Dollars In Thousands)                   |                                 |           |                       |                    |           |                       |
| Assets:                                  |                                 |           |                       |                    |           |                       |
| Interest-earning assets:                 |                                 |           |                       |                    |           |                       |
| Loans (2) (3):                           |                                 |           |                       |                    |           |                       |
| Commercial real estate loans             | \$ 749,318                      | \$ 26,434 | 4.70 %                | \$ 738,018         | \$ 26,080 | 4.71 %                |
| Residential real estate loans            | 303,371                         | 11,009    | 4.84                  | 347,630            | 13,268    | 5.09                  |
| Commercial loans                         | 1,311,390                       | 48,855    | 4.99                  | 1,148,095          | 44,357    | 5.19                  |
| Consumer loans                           | 302,732                         | 11,401    | 5.04                  | 294,846            | 10,792    | 4.89                  |
| Total loans                              | 2,666,811                       | 97,699    | 4.93                  | 2,528,589          | 94,497    | 5.03                  |
| Mortgage-backed securities (4)           | 749,961                         | 20,962    | 3.73                  | 743,903            | 27,370    | 4.91                  |
| Investment securities (4) (5)            | 43,164                          | 396       | 1.22                  | 45,830             | 718       | 2.09                  |
| Other interest-earning assets            | 36,990                          | -         | -                     | 39,916             | 6         | 0.02                  |
| Total interest-earning assets            | 3,496,926                       | 119,057   | 4.57                  | 3,358,238          | 122,591   | 4.90                  |
| Allowance for loan losses                | (58,435 )                       |           |                       | (60,276 )          |           |                       |
| Cash and due from banks                  | 62,869                          |           |                       | 59,877             |           |                       |
| Cash in non-owned ATMs                   | 342,345                         |           |                       | 257,483            |           |                       |
| Bank-owned life insurance                | 64,221                          |           |                       | 60,529             |           |                       |
| Other noninterest-earning assets         | 120,583                         |           |                       | 109,528            |           |                       |
| Total assets                             | \$ 4,028,509                    |           |                       | \$ 3,785,379       |           |                       |
| Liabilities and Stockholders' Equity:    |                                 |           |                       |                    |           |                       |
| Interest-bearing liabilities:            |                                 |           |                       |                    |           |                       |
| Interest-bearing deposits:               |                                 |           |                       |                    |           |                       |
| Interest-bearing demand                  | \$ 316,712                      | \$ 301    | 0.13 %                | \$ 259,106         | \$ 321    | 0.17 %                |
| Money market                             | 712,404                         | 2,293     | 0.43                  | 606,722            | 3,311     | 0.73                  |
| Savings                                  | 348,967                         | 1,215     | 0.47                  | 238,345            | 362       | 0.20                  |
| Customer time deposits                   | 769,528                         | 10,491    | 1.82                  | 756,283            | 12,164    | 2.14                  |
| Total interest-bearing customer deposits | 2,147,611                       | 14,300    | 0.89                  | 1,860,456          | 16,158    | 1.16                  |
| Brokered certificates of deposit         | 190,395                         | 576       | 0.40                  | 320,666            | 1,497     | 0.62                  |

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|   |              |           |        |              |           |        |
|---|--------------|-----------|--------|--------------|-----------|--------|
| Total interest-bearing deposits                                     | 2,338,006    | 14,876    | 0.85   | 2,181,122    | 17,655    | 1.08   |
| FHLB of Pittsburgh advances   | 558,807      | 7,866     | 1.86   | 575,186      | 11,812    | 2.71   |
| Trust preferred borrowings  | 67,011       | 1,015     | 2.00   | 67,011       | 1,047     | 2.06   |
| Other borrowed funds  | 158,822      | 1,679     | 1.41   | 180,197      | 1,859     | 1.38   |
| Total interest-bearing liabilities                                  | 3,122,646    | 25,436    | 1.09   | 3,003,516    | 32,373    | 1.44   |
| Noninterest-bearing demand deposits                                 | 506,316      |           |        | 432,693      |           |        |
| Other noninterest-bearing liabilities                               | 22,744       |           |        | 26,117       |           |        |
| Stockholders' equity  | 376,803      |           |        | 323,053      |           |        |
| Total liabilities and stockholders' equity                          | \$ 4,028,509 |           |        | \$ 3,785,379 |           |        |
| Excess of interest-earning assets over interest-bearing liabilities | \$ 374,280   |           |        | \$ 354,722   |           |        |
| Net interest income   |              | \$ 93,621 |        |              | \$ 90,218 |        |
| Interest rate spread  |              |           | 3.48 % |              |           | 3.46 % |
| Net interest margin   |              |           | 3.60 % |              |           | 3.61 % |

(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 third quarter of 2011 improved by \$2.0 million, or 7%, compared to the third quarter of 2010. The increase in net interest income reflects an improvement in the loan mix as well as effective management of funding costs, both deposit pricing and wholesale funding rates.

The net interest margin for the third quarter of 2011 was 3.63%, a two basis point increase compared to 3.61% for the third quarter of 2010. This was the result of our ability to decrease funding costs in nearly all categories, most notably FHLB advances. Rates on FHLB advances dropped significantly from the third quarter of 2010.

Net interest income for the nine months ended September 30, 2011 was \$93.6 million compared to \$90.2 million for the same period in 2010. Consistent with the quarterly trend discussed above, the increase in net interest income was a result of the loan mix improvement as well as effective management of funding costs, both deposit pricing and wholesale funding rates.

#### 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 and based on internal risk grade only. Higher risk and criticized loans have loss factors that are derived from an analysis of both the probability of default and the loss given default 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.

During the third quarter of 2011, the provision for loan losses was impacted by a higher level of estimated losses related to consumer loans using updated historical data as adjusted for the current periods charge-offs and trends. The annual third quarter adjustment was consistent with the prior year and resulted in an increase of approximately \$1.7 million, net, from the estimate previously used.

The provision for loan losses was \$6.6 million in the quarter ending September 30, 2011 compared to \$10.0 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) improved to \$8.4 million from \$10.2 million in the second quarter of 2011 and \$10.9 million in the third quarter last year. The provision for loan losses for the nine months ending September 30, 2011 was \$21.0 million compared to \$32.0 million for the nine months ending September 30, 2010.

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

|  | For the Nine Months Ended September 30, |        |      |        |   |
|--|---|--------|------|--------|---|
|  | 2011                                    |        | 2010 |        |   |
|  | (Dollars in Thousands)                  |        |      |        |   |
| Beginning balance  | \$                                      | 60,339 | \$   | 53,446 |   |
| Provision for loan losses  |   | 21,048 |      | 31,980 |   |
| Charge-offs:   |   |        |      |        |   |
| Residential real estate  |   | 2,183  |      | 1,580  |   |
| Commercial real estate   |   | 6,609  |      | 3,083  |   |
| Construction   |   | 8,179  |      | 5,231  |   |
| Commercial   |   | 7,641  |      | 7,820  |   |
| Overdrafts   |   | 613    |      | 726    |   |
| Consumer   |   | 4,859  |      | 4,231  |   |
| Total charge-offs  |   | 30,084 |      | 22,671 |   |
| Recoveries:  |   |        |      |        |   |
| Residential real estate  |   | 116    |      | 19     |   |
| Commercial real estate   |   | 381    |      | 68     |   |
| Construction   |   | 557    |      | 950    |   |
| Commercial (2)   |   | 409    |      | 288    |   |
| Overdrafts   |   | 267    |      | 290    |   |
| Consumer   |   | 155    |      | 108    |   |
| Total recoveries   |   | 1,885  |      | 1,723  |   |
| Net charge-offs  |   | 28,199 |      | 20,948 |   |
| Ending balance   | \$                                      | 53,188 | \$   | 64,478 |   |
| Net charge-offs to average gross loans<br>outstanding, net<br>of unearned income (1) |   | 1.41   | %    | 1.11   | % |

(1) Ratios for the nine months ended September 30, 2011 and September 30, 2010 are annualized

(2) Commercial recoveries include a one-time adjustment for the reclassification of an unfunded commitment reserve previously included in the allowance for loan loss to a liability reserve account.

#### Noninterest Income

Noninterest income increased \$2.5 million to \$16.9 million for the quarter ended September 30, 2011 compared to \$14.4 million in the third quarter of 2010. Excluding the impact of net securities gains in both periods, noninterest income



increased by \$2.3 million, or 18%. Noninterest income for the third quarter of 2011 increased \$2.0 million in fiduciary and investment management income resulting primarily from the December 2010 acquisition of CB&T. In addition, increases in credit/debit card and ATM fees and deposit service charges more than offset declines in mortgage banking revenues and the negative impact of new banking regulations (Reg E) that went into effect during the third quarter of 2010.

For the nine months ended September 30, 2011, noninterest income increased \$8.6 million to \$46.6 million, from \$38.0 million in the same period of 2010. Excluding the impact from net securities gains from both periods and \$1.2 million in unanticipated BOLI income recorded in the second quarter of 2011, noninterest income increased \$6.5 million. This increase was mainly due to a \$5.7 million increase in fiduciary and investment management income resulting from the acquisition of CB&T and a \$1.4 million increase in credit/debit card and ATM fees due to franchise growth. These increases were partially offset by a decrease of \$406,000 in deposit service charges due to the impact of the new banking regulations (Reg E) during the third quarter of 2010.

#### Noninterest Expense

Noninterest expense increased \$10.3 million to \$32.4 million in the third quarter of 2011 compared to \$22.1 million in the same period in 2010. The third quarter of 2011 included an additional \$961,000 of marketing expense from the Company's "Right Here" marketing campaign. Excluding the marketing campaign, as well as the fraud recovery and CB&T integration costs included in the third quarter of 2010, noninterest expenses increased \$5.0 million, or 19%, over the third 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. Included in this growth are normal operating expenses for the Christiana Trust division acquired in December 2010. Also adding to the variance was a \$956,000 increase in 2011 loan workout and OREO expense.

For the nine months ended September 30, 2011, noninterest expense increased \$15.0 million to \$94.5 million, compared to \$79.5 million in the same period in 2010. Similar to the quarterly comparison, the main reasons for this increase were the related costs of our accelerated growth, the additional marketing expense of \$961,000 and the non-routine expenses related to the integration of Christiana Trust totaling \$780,000. Related growth expenses for the nine months ended September 30, 2011, included the opening of five new branches, relocating four new branches and hiring 12 new commercial relationship managers and related staff during the past year.

#### 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 \$3.3 million and \$8.2 million during the three and nine months ended September 30, 2011, respectively, compared to an income tax expense of \$4.3 million and \$4.7 million 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 investment. The third quarter of 2011 included tax benefits of \$376,000 resulting primarily from a decrease in our income tax reserve due to the expiration of the statute of limitations on certain items. 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. Our effective tax rate was 33.0% and 33.2% for the three and nine months ended September 30, 2011 compared to 34.4% and 28.2% during the same periods in 2010. Excluding the tax-free BOLI proceeds and statute of limitations related benefit, our effective tax rates were 36.7% and 36.3% for the three and nine months ended September 30, 2011 compared to 34.4% and 33.6% 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 (including 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 nine 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. 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. 2011-03, 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 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.

In September 2011, the FASB issued an update (Accounting Standards Update No. 2011-08, Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment) to give entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity

determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. 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”), 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.
- On June 29, 2011 the Federal Reserve issued its final debit card interchange rule, establishing a debit card interchange fee cap. The rule was 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 – Legal Proceedings 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

The following table represents information with respect to repurchases of common stock made by us during the three months ended September 30, 2011. These shares were delivered to us by employees as payment for taxes on the vesting of restricted stock or exercise of stock options.

| 2011      | Total Number of<br>Shares Purchased | Average Price<br>Paid Per Share | Total Number of<br>Shares Purchased<br>as Part of<br>Publicity<br>Announced Plans<br>or Programs | Maximum<br>Number of<br>Shares<br>that May Yet Be<br>Purchased Under<br>the Plans or<br>Programs |
|-----------|-------------------------------------|---------------------------------|--|--|
| July      | -                                   | \$ -                            | -  | -  |
| August    | -                                   | -                               | -  | -  |
| September | 1,494                               | 34.00                           | -  | -  |
| Total (1) | 1,494                               | \$ 34.00                        | -  | -  |

(1) The shares repurchased were not part of a publicly announced repurchase plan or program. These shares were owned and tendered by employees as payment for taxes on vesting of restricted stock or exercise of stock options. There were no treasury shares repurchased during the quarter ended September 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\*

\* Pursuant to Regulation 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and are otherwise not subject to liability.

SIGNATURES

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

WSFS FINANCIAL CORPORATION

Date: November 9,  
2011

/s/ Mark A. Turner

Mark A. Turner  
President and Chief Executive Officer

Date: November 9,  
2011

/s/ Stephen A. Fowle

Stephen A. Fowle  
Executive Vice President and  
Chief Financial Officer