WSFS FINANCIAL CORP
Form 10-K
March 16, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

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<br>(State or other Jurisdiction of Incorporation or Organization) | 22-2866913<br>(I.R.S. Employer Identification No.) |
| 500 Delaware Avenue, Wilmington, Delaware<br>(Address of Principal Executive Offices) | 19801<br>(Zip Code) |

Registrant’s Telephone Number, Including Area Code: (302) 792-6000
Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, $0.01 par value | The NASDAQ Stock Market LLC |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. YES __ NO __X___

Indicate by check if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES __ NO __X___

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 twelve 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 X 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 for such shorter period that the registrant was required to submit and post such files). Yes ___ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer_____ Accelerated filer X Non-accelerated filer ___ Smaller reporting company ___

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant, based on the closing price of the registrant's common stock as quoted on NASDAQ as of June 30, 2010 was $194,037,000. For purposes of this calculation only, affiliates are deemed to be directors, executive officers and beneficial owners of greater than 10% of the outstanding shares.

As of March 10, 2011, there were issued and outstanding 8,591,516 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 28, 2011 are incorporated by reference in Part III hereof.

WSFS FINANCIAL CORPORATION
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report on Form 10-K and exhibits thereto, which are not historical facts, are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which are based on various assumptions (some of which may be beyond the Company's control) are subject to risks and uncertainties 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 our financial assets; expected revenue synergies and cost savings from the acquisition of Christiana Bank & Trust Company ("CB&T") may not be fully realized or realized within the expected time frame; revenues following the acquisition of CB&T may be lower than expected; customer and employee relationships and business operations may be disrupted by the acquisition; changes in government regulation affecting financial institutions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act which, among other things, eliminates the OTS as our primary regulator and as a result our new regulator will be the Board of Governors of the Federal Reserve System, and WSFS Bank's new primary banking regulator will be the Office of the Comptroller of the Currency, 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. 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.

# PART I

## ITEM 1. BUSINESS

### OUR BUSINESS

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 this 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. It is a relationship-focused, locally-managed, community banking institution that has grown to become the largest thrift holding company in the State of Delaware, one of the top commercial lenders in the state, the fourth largest bank in terms of Delaware deposits and one of the top 100 trust companies in the country. We state our mission simply: We Stand for Service and Strengthening Our Communities.

Our core banking business is commercial lending funded by customer-generated deposits. We have built a $2.0 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 in our 42 banking and trust offices located in Delaware (35), Pennsylvania (5), Virginia (1) and Nevada (1). We also offer a broad variety of consumer loan products, retail securities and insurance brokerage through our retail branches.

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 from locations in Delaware and Nevada and has over $7 billion in assets under administration. These

3

services are provided to both individuals and families as well as corporations and institutions. The Christiana Trust division provides these services to customers locally, nationally and internationally making use of the advantages of its branch facilities in Delaware and Nevada.

Our Cash Connect division is a premier provider of ATM Vault Cash and related services in the United States. Cash Connect manages more than $339 million in vault cash in more than 10,000 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 332 ATMs for WSFS Bank, which owns, by far, the largest branded ATM network in Delaware.

## WSFS POINTS OF DIFFERENTIATION

While all banks offer similar products and services, we believe that WSFS has set itself apart from other banks in our market and the industry in general. Also, community banks including WSFS have been able to distinguish themselves from large national or international banks that fail to provide their customers with the service levels, responsiveness and local decision making they want. The following factors summarize what we believe are our points of differentiation.

### Building Associate Engagement and Customer Advocacy

Our business model is built on a concept called Human Sigma, which we have implemented in our strategy of “Engaged Associates delivering Stellar Service to create Customer Advocates”, resulting in a high performing, very profitable company. The Human Sigma model, identified by Gallup, Inc., begins with Associates who have taken ownership of their jobs and therefore perform at a higher level. We invest significantly in recruitment, training, development and talent management as our Associates are the cornerstone of our model. This strategy motivates Associates, and unleashes innovation and productivity to engage our most valuable asset, our customers, by providing them Stellar Service experiences. As a result, we create Customer Advocates, or customers who have built an emotional attachment to the Bank. Research studies continue to show a direct link between Associate engagement, customer engagement and a company’s financial performance.

Surveys conducted for us by Gallup, Inc. indicate:

- Our Associate Engagement scores consistently rank in the top quartile of companies polled. In 2010 our engagement ratio was 14.0:1, which means there are 14 engaged Associates for every disengaged Associate. This compares to a 2.6:1 ratio in 2003 and a national average of 1.8:1. Gallup, Inc. defines “world-class” as 8:1.

- Customer surveys rank us in the top 10% of all companies Gallup, Inc. surveys, a “world class” rating. More than 44% of our customers ranked us a “five” out of “five,” strongly agreeing with the statement “I can’t imagine a world without WSFS.”

We believe that by fostering a culture of engaged and empowered Associates, we have become an employer of choice in our market. During each of the past five years, we were ranked among the top five "Best Places to Work" by The Wilmington News Journal and in 2010, for the second year in a row; we were recognized by the News Journal as the "Top Work Place" for large corporations in the State of Delaware.

Community Banking Model

Our size and community banking model play a key role in our success. Our approach to business combines a service-oriented culture with a strong complement of products and services, all aimed at meeting the needs of our retail and business customers. We believe the essence of being a community bank means that we are:

Small enough to offer customers responsive, personalized service and direct access to decision makers.

Large enough to provide all the products and services needed by our target market customers.

As the financial services industry has consolidated, many independent banks have been acquired by national companies that have centralized their decision-making authority away from their customers and focused their mass-marketing to a regional or even national customer base. We believe this trend has frustrated smaller business owners who have become accustomed to dealing directly with their bank's senior executives and discouraged retail customers who often experience deteriorating levels of service in branches and other service outlets. Additionally, it frustrates bank employees who are no longer empowered to provide good and timely service to their customers.

WSFS Bank offers:

- One point of contact. Each of our Relationship Managers is responsible for understanding his or her customers' needs and bringing together the right resources in the Bank to meet those needs.

- A customized approach to our clients. We believe this gives us an advantage over our competitors who are too large or centralized to offer customized products or services.

- Products and services that our customers value. This includes a broad array of banking, cash management and trust and wealth management products, as well as a legal lending limit high enough to meet the credit needs of our customers, especially as they grow.

- Rapid response and a company that is easy to do business with. Our customers tell us this is an important differentiator from larger, in-market competitors.

Strong Market Demographics

Delaware is situated in the middle of the Washington, DC - New York corridor which includes the urban markets of Philadelphia and Baltimore. The state benefits from this urban concentration as well as from a unique political environment that has created a favorable law and legal structure, a business-friendly environment and a fair tax system. Additionally, Delaware is one of only seven states with a AAA bond rating from the three predominant rating agencies. Delaware's demographics compare favorably to U.S. economic and demographic averages.

| (Most recent available statistics) | Delaware | National Average |
|---|---|---|
| Unemployment (For December 2010) (1) | 8.5% | 9.4% |
| Median Household Income (Average 2008) (2) | $ 58,380 | $ 52,029 |
| Population Growth (2000-2009) (3) | 13.0% | 9.1% |
| House Price Depreciation (last twelve months) (4) | (0.74)% | (3.95)% |
| House Price Depreciation (last five years) (4) | (6.67)% | (11.45)% |
| Average GDP Contraction (Average 2008-2009) (5) | (1.8)% | (2.1)% |

(1) Bureau of Labor Statistics, Economy at a Glance
(2) U.S. Census Bureau, State & County Quick Facts
(3) U.S. Census Bureau, Population Estimates
(4) Federal Housing Finance Agency, All-Transaction Indexes
(5) Bureau of Economic Analysis, GDP by State

Balance Sheet Management

We put a great deal of focus on actively managing our balance sheet. This manifests itself in:

- Prudent capital levels. Maintaining prudent capital levels is key to our operating philosophy. Our tangible common equity ratio was 7.18%. All regulatory capital levels for WSFS Bank exceed well-capitalized levels. WSFS Bank's Tier 1 capital ratio was 12.36% as of December 31, 2010, more than $190 million in excess of the 6% "well-capitalized" level, and our total risk-based capital ratio was 13.62%, compared to a "well-capitalized" level of 10.00%.

- We maintain discipline in our lending, including planned portfolio diversification. Additionally, we take a proactive approach to identifying trends in our business and lending market and have responded to areas of concern. For instance, in 2005 we limited our exposure to construction and land development (CLD) loans as we anticipated an end to the expansion in housing prices. As of December 31, 2010, CLD loans represent only 5% of our total loans. We have also increased our portfolio monitoring and reporting sophistication and hired additional senior credit administration and asset disposition professionals to manage our portfolio. We diversify our loan portfolio to limit our exposure to any single type of credit. Such discipline supplements careful underwriting and the benefits of knowing our customers.

- We seek to avoid credit risk in our investment portfolio and use this portion of our balance sheet primarily to help us manage liquidity and interest rate risk, while providing some marginal income. As a result, we have had no exposure to Freddie Mac or Fannie Mae preferred securities or Trust Preferred securities. Our security purchases have been almost exclusively AAA-rated credits. This philosophy and pre-purchase due diligence has allowed us to avoid the significant investment write-downs taken by many of our bank peers (only $86,000 of OTTI charges recorded during this cycle).

We have been subject to many of the same pressures facing the banking industry. The extended recession has negatively impacted our customers and has driven increased loan loss provisioning and an increase in our delinquent loans, problem loans and charge-offs. The measures we have taken strengthen our credit position by diversifying risk and limiting exposure, but do not insulate us from the effects of this recession; however, during 2010 we have seen some asset quality stabilization and improvement in key leading indicators.

Disciplined Capital Management

We understand that our capital (or shareholders' equity) belongs to our shareholders. They have entrusted this capital to us with the expectation that it will be kept safe and with the expectation that it will earn an adequate return. Mindful of this balance, we prudently but aggressively manage our shareholders' capital.

Strong Performance Expectations

We are focused on high-performing, long-term financial goals. We define "high-performing" as the top quintile of a relevant peer group in return on assets (ROA), return on equity (ROE) and earnings per share (EPS) growth. Management incentives are paid, in large part, based on driving performance in these areas. A "target" payment level is achieved only by reaching performance at the 60th percentile of a peer group of all publicly traded banks and thrifts in our size range. More details on this plan are included in our proxy statement.

As we navigate through this recession we are focused on strengthening our franchise to optimize financial performance when the recession subsides. We are taking steps to strengthen net interest margin, enhance revenues and manage expenses as we continue to build market share.

Growth

Our successful long-term trend in lending and deposit gathering, along with Christiana's long-term growth in assets under administration, has been the result of a focused strategy that provides the service and responsiveness and careful execution of a community bank and trust company in a consolidating marketplace. We will continue to grow by:

- Recruiting and developing talented, service-minded Associates. We have successfully recruited Associates with strong community ties to strengthen our existing markets and provide a strong start in new communities. We also focus efforts on developing talent and leadership from our current Associate base to better equip those Associates for their jobs and prepare them for leadership roles at WSFS.

- Embracing the Human Sigma concept. We are committed to building Associate engagement and customer advocacy as a way to differentiate ourselves and grow our franchise.

- Continuing strong growth in commercial lending by:

  - Selectively building a presence in contiguous markets.
  - Offering our community banking model that combines Stellar Service with the banking products and services our business customers demand.
  - The addition of eight seasoned lending professionals during 2010 that have helped us to win customers in our Delaware and Southeastern Pennsylvania markets.

- Aggressively growing deposits. We have energized our retail branch strategy by combining Stellar Service with an expanded and updated branch network. We have also implemented a number of additional measures to accelerate our deposit growth. As a result, this year we exceeded our long-term strategic goal to attain a 100% loan to customer funding (deposit) ratio well ahead of schedule. We will continue to grow deposits by:

  - Opening new branches in Delaware and Southeastern Pennsylvania.

- o Renovating our existing retail branch network.
- o Further expanding our commercial customer relationships with deposit products.
- o Finding creative ways to build deposit market share such as targeted marketing programs.

- o Acquisitions such as the branch acquisition we completed in 2008 and the bank acquisition we completed in 2010.

- Over the next several years we expect our growth will be comprised of approximately 80% organic and 20% through acquisition, although each year's growth will reflect the opportunities available then.

- Exploring niche businesses. We are an organization with an entrepreneurial spirit and we are open to the risk/reward proposition that comes with such businesses. We have developed a set of decision rules that will guide our consideration of future niche business opportunities.

Values

Our values address integrity, service, accountability, transparency, honesty, growth and desire to improve. They are the core of our culture, they make us who we are and we live them everyday.

We are:

- Committed to always doing the right thing.

- Empowered to serve our customers and communities.

- Dedicated to openness and candor.

- Driven to grow and improve.

Results

Our focus on these points of differentiation has allowed us to grow our core franchise and build value for our shareholders. Since 2006, our commercial loans have grown from $1.4 billion to $2.0 billion, a strong 10% compound annual growth rate (CAGR). Over the same period, customer deposits have grown from $1.5 billion to $2.6 billion, a 15% CAGR. More importantly, over the last decade, shareholder value has increased at a far greater rate than our banking peers and the market in general. An investment of $100 in WSFS stock in 2000 would be worth $398 at December 31, 2010. By comparison, $100 invested in the Dow Jones Total Market Index in 2000, would be worth $103 at December 31, 2010 and $100 invested in the Nasdaq Bank Index in 2000 would be worth $122 at December 31, 2010.

SUBSIDIARIES

We have two consolidated subsidiaries, WSFS Bank and Montchanin Capital Management, Inc.

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, subleases and registered agent services in Delaware and Nevada.

Montchanin Capital Management, Inc. ("Montchanin") provides asset management services in our primary market area. Montchanin has one wholly owned subsidiary, Cypress Capital Management, LLC ("Cypress"). Cypress is a Wilmington-based investment advisory firm servicing high net-worth individuals and institutions and has approximately $483 million in assets under management at December 31, 2010

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

Condensed average balance sheets for each of the last three years and analyses of net interest income and changes in net interest income due to changes in volume and rate are presented in "Results of Operations" included in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

INVESTMENT ACTIVITIES

At December 31, 2010, our total securities portfolio had a fair value of $765.8 million. Our strategy has been to avoid credit risk in our securities portfolio.

- We own no collateralized debt obligations ("CDOs"), Bank Trust Preferred, Agency Preferred securities or equity securities in other FDIC insured banks or thrifts.

The portfolio is comprised of:

- $49.6 million in Federal Agency debt securities with a maturity of five years or less.

- $315.4 million of Government Sponsored Entity ("GSE") mortgage-backed securities ("MBS"). Of these, $116.4 million are sequential pay collateralized mortgage obligations ("CMOs") with no contingent cash flows and $199.0 million are GSE MBS with 10-30 year original final maturities.

- $387.0 million in non-GSE MBS. The quality of this portfolio is evidenced by diversification among 87 different pools, strong credit enhancement, and the fact that it consists of all senior and short duration securities.

Of the 87 non-GSE securities, two securities with an amortized cost of only $3.3 million has been downgraded as of December 31, 2010. Both were still rated above investment grade. Based on stress tests of these two securities using proprietary models of two independent companies, management believes the collection of the contractual principal and interest is probable and therefore the unrealized losses are considered to be temporary.

Our short-term investment portfolio is intended to keep our funds fully employed at the maximum after-tax return, while maintaining acceptable credit, market and interest-rate risk limits, and providing needed liquidity under current circumstances. In addition, our short-term taxable investments provide collateral for various Bank obligations. Our short-term municipal securities provide for a portion of our CRA investment program compliance. The amortized cost of investment securities and short-term investments by category stated in dollar amounts and as a percent of total assets, follow:

| | At December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2008 | |
| | Amount | Percent of Assets | Amount | Percent of Assets | Amount | Percent of Assets |
| | (Dollars in Thousands) | | | | | |
| Held-to-Maturity: | | | | | | |
| State and political subdivisions | $ 219 | —% | $ 709 | —% | $ 1,181 | —% |
| Available-for-Sale: | | | | | | |
| Reverse Mortgages | (686) | — | (530) | — | (61) | — |
| State and political subdivisions | 2,879 | 0.1 | 3,935 | 0.1 | 4,020 | 0.1 |
| | 49,691 | 1.2 | 40,695 | 1.1 | 43,778 | 1.3 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| U.S. Government and agencies | | 51,884 | 1.3 | | 44,100 | 1.2 | | 47,737 | 1.4 |
| Short-term investments: | | | | | | | | | |
| Interest-bearing deposits in other banks | | 254 | — | | 1,090 | — | | 216 | — |
| | $ | 52,357 | 1.3% | $ | 45,899 | 1.2% | $ | 49,134 | 1.4% |

There were no sales of investment securities classified as available-for-sale or held-to-maturity during 2010, 2009 or 2008, and as a result, there were no net gains or losses realized on sales for those years. Investment securities totaling $720,000, all of which were municipal bonds, were called by their issuers during 2010 and investment securities of $18.6 million, including municipal bonds of $566,000, were called by their issuers in 2009. The cost basis for all investment security sales are based on the specific identification method.

The following table shows the terms to maturity and related weighted average yields of investment securities and short-term investments at December 31,2010. Substantially all of the related interest and dividends represent taxable income.

| | At December 31, 2010 | |
|---|---|---|
| | Amount | Weighted Average Yield (1) |
| | (Dollars in Thousands) | |
| Held-to-Maturity: | | |
| State and political subdivisions (2): | | |
| Within one year | $ | % |
| After one but within five years | | |
| After ten years | 219 | 5.31 |
| Total debt securities, held-to-maturity | 219 | 5.31 |
| Available-for-Sale: | | |
| Reverse Mortgages (3): | | |
| Within one year | (686) | |
| State and political subdivisions (2): | | |
| Within one year | 225 | 3.89 |
| After one but within five years | 2,325 | 4.21 |
| After five but within ten years | 329 | 4.50 |
| | 2,879 | 4.22 |
| U.S. Government and agencies: | | |
| Within one year | 11,010 | 2.64 |
| After one but within five years | 38,681 | 1.43 |
| | 49,691 | 1.70 |
| Total debt securities, available-for-sale | 51,884 | 1.86 |
| Total debt securities | 52,103 | 1.88 |
| Short-term investments: | | |

| | | | |
|---|---|---|---|
| Interest-bearing deposits in other banks | | 254 | |
| Total short-term investments | | 254 | |
| | $ | 52,357 | 1.87 % |

10

( 1 ) Reverse mortgages have been excluded from weighted average yield calculations because income can vary significantly from reporting period to reporting period due to the volatility of factors used to value the portfolio.
( 2 ) Yields on state and political subdivisions are not calculated on a tax-equivalent basis since the effect would be immaterial.
( 3 ) Reverse mortgages do not have contractual maturities. We have included reverse mortgages in maturities within one year.

In addition to these investment securities, we have maintained an investment portfolio of mortgage-backed securities with an amortized cost basis of $702.4 million of which $12.4 million is classified as "trading", is BBB+ rated and was purchased in conjunction with a 2002 reverse mortgage securitization. At December 31, 2010, mortgage-backed securities with a fair value of $344.4 million were pledged as collateral, mainly for retail customer repurchase agreements and municipal deposits. Accrued interest receivable for mortgage-backed securities was $2.6 million, $2.8 million and $2.1 million at December 31, 2010, 2009 and 2008, respectively. Proceeds from the sale of mortgage-backed securities classified as available-for-sale totaled $154.7 million with a net gain on sale of $782,000 in 2010. In 2009, proceeds from the sale of mortgage-backed securities classified as available-for-sale totaled $111.2 million with a net gain on sale of $2.0 million. There were no sales of mortgage-backed securities available-for-sale in 2008. Securities gains, net also included mark-to-market adjustments related to our trading BBB+ securities of a positive $249,000 in 2010, a positive $1.4 million in 2009 and a negative $1.6 million in 2008.

The following table shows the amortized cost of mortgage-backed securities and their related weighted average contractual rates at the end of the last three years.

| | At December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2008 | |
| | Amount | Rate | Amount | Rate | Amount | Rate |
| | (Dollars in thousands) | | | | | |
| Available-for-Sale: | | | | | | |
| Collateralized mortgage obligations (1) | $ 490,946 | 5.14 % | $ 519,527 | 5.44 % | $ 419,177 | 5.12 % |
| FNMA | 89,226 | 3.20 | 61,603 | 3.63 | 35,578 | 4.19 |
| FHLMC | 43,970 | 3.44 | 44,536 | 3.87 | 30,477 | 4.44 |
| GNMA | 65,849 | 3.52 | 46,629 | 4.32 | 22,536 | 5.01 |
| | $ 689,991 | 4.63 % | $ 672,295 | 5.00 % | $ 507,768 | 4.97 % |
| Trading: | | | | | | |
| Collateralized mortgage obligations | $ 12,432 | 3.32 % | $ 12,183 | 3.74 % | $ 10,816 | 6.01 % |

(1) Includes GSE CMOs available-for-sale.

## CREDIT EXTENSION ACTIVITIES

Over the past several years we have focused on growing the more profitable segments of our loan portfolio. Our current lending activity is concentrated on lending to small- to mid-sized businesses in the mid-Atlantic region of the United States, primarily in Delaware and contiguous counties in Pennsylvania, Maryland and New Jersey. In 2006, residential first mortgage loans comprised 23.5% of the loan portfolio, while the combination of commercial loans and commercial real estate loans made up 64.8%. In contrast, at December 31, 2010, residential first mortgage loans totaled only 12.6%, while commercial loans and commercial real estate loans have increased to a combined total of 77.8% of the loan portfolio. Traditionally, the majority of typical thrift institutions' loan portfolios have consisted of first mortgage loans on residential properties.

The following table shows the composition of our loan portfolio at year-end for the last five years.

| | At December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2008 | | 2007 | | 2006 |
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount |
| | (Dollars in Thousands) | | | | | | | | |
| Types of Loans | | | | | | | | | |
| Commercial real estate: | | | | | | | | | |
| Commercial mortgage | $625,379 | 24.2 % | $524,380 | 21.2 % | $ 558,979 | 22.9 % | $465,928 | 20.9 % | $ 422,089 |
| Construction | 140,832 | 5.5 | 231,625 | 9.3 | 251,508 | 10.3 | 276,939 | 12.4 | 241,931 |
| Total commercial real estate | 766,211 | 29.7 | 756,005 | 30.5 | 810,487 | 33.2 | 742,867 | 33.3 | 664,020 |
| Commercial | 1,239,102 | 48.1 | 1,120,807 | 45.2 | 942,920 | 38.6 | 787,539 | 35.3 | 643,918 |
| Total commercial loans | 2,005,313 | 77.8 | 1,876,812 | 75.7 | 1,753,407 | 71.8 | 1,530,406 | 68.6 | 1,307,938 |
| Consumer loans: | | | | | | | | | |
| Residential real estate (1) | 323,410 | 12.6 | 357,250 | 14.4 | 425,018 | 17.4 | 449,853 | 20.1 | 474,871 |
| Consumer | 309,722 | 12.0 | 300,648 | 12.1 | 296,728 | 12.1 | 278,272 | 12.4 | 263,478 |
| Total consumer loans | 633,132 | 24.6 | 657,898 | 26.5 | 721,746 | 29.5 | 728,125 | 32.5 | 738,349 |
| Gross loans | $2,638,445 | 102.4 | $2,534,710 | 102.2 | $ 2,475,153 | 101.3 | $ 2,258,531 | 101.1 | $ 2,046,287 |
| Less: | | | | | | | | | |
| Deferred fees (unearned income) | 2,216 | 0.1 | 2,109 | 0.1 | 129 | - | (701 ) | - | (838 ) |
| Allowance for loan losses | 60,339 | 2.3 | 53,446 | 2.1 | 31,189 | 1.3 | 25,252 | 1.1 | 27,384 |
| Net loans | $2,575,890 | 100.0% | $2,479,155 | 100.0% | $ 2,443,835 | 100.0% | $ 2,233,980 | 100.0% | $ 2,019,741 |

(1) Includes $14,533, $8,377, $2,275, $2,418 and $925 of residential mortgage loans held-for-sale at December 31, 2010, 2008, 2007 and 2006, respectively.

The following tables show how much time remains until our loans mature. The first table details the total loan portfolio by type of loan. The second table details the total loan portfolio by loans with fixed interest rates and loans with adjustable interest rates. The tables show loans by contractual maturity. Loans may be pre-paid so that the actual maturity may be earlier than the contractual maturity. Prepayments tend to be highly dependent upon the interest rate environment. Loans having no stated maturity or repayment schedule are reported in the Less than One Year category.

| | Less than One Year | One to Five Years | Over Five Years | Total |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| Commercial mortgage loans | $ 137,305 | $ 336,711 | $ 151,363 | $ 625,379 |
| Construction loans | 113,433 | 17,004 | 10,395 | 140,832 |
| Commercial loans | 388,928 | 568,363 | 281,811 | 1,239,102 |
| Real estate loans (1) | 17,392 | 41,098 | 250,367 | 308,857 |
| Consumer loans | 228,134 | 43,459 | 38,129 | 309,722 |
| Gross loans | $ 885,192 | $ 1,006,635 | $ 732,065 | $ 2,623,892 |
| | | | | |
| Rate sensitivity: | | | | |
| Fixed | $ 110,877 | $ 366,438 | $ 211,678 | $ 688,993 |
| Adjustable (2) | 774,315 | 640,197 | 520,387 | 1,934,899 |
| Gross loans | $ 885,192 | $ 1,006,635 | $ 732,065 | $ 2,623,892 |

(1) Excludes loans held-for-sale.
(2) Includes hybrid adjustable-rate mortgages.

Commercial Real Estate, Construction and Commercial Lending.

Pursuant to section 5(c) of the Home Owners' Loan Act ("HOLA"), federal savings banks are generally permitted to invest up to 400% of their total regulatory capital in nonresidential real estate loans and up to 20% of its assets in commercial loans. As a federal savings bank that was formerly chartered as a Delaware savings bank, we have certain additional lending authority.

We offer commercial real estate mortgage loans on multi-family properties and other commercial real estate. Generally, loan-to-value ratios for these loans do not exceed 80% of appraised value at origination.

We offer commercial construction loans to developers. In some cases these loans are made as "construction/permanent" loans, which provides for disbursement of loan funds during construction and automatic conversion to mini-permanent loans (1-5 years) upon completion of construction. These construction loans are made on a short-term basis, usually not exceeding two years, with interest rates indexed to our prime rate, the "Wall Street" prime rate or London InterBank Offered Rate ("LIBOR"), in most cases, and are adjusted periodically as these rates change. The loan appraisal process includes the same evaluation criteria as required for permanent mortgage loans, but also takes into consideration: completed plans, specifications, comparables and cost estimates. Prior to approval of the credit, these items are used as a basis to determine the appraised value of the subject property when completed. Our policy requires that all appraisals be reviewed independently from our commercial lending staff. At origination, the loan-to-value ratios for construction loans generally do not exceed 75%. The initial interest rate on the permanent portion of the financing is determined by the prevailing market rate at the time of conversion to the permanent loan. At December 31, 2010, $193.4 million was committed for construction loans, of which $140.8 million was outstanding.

The remainder of our commercial lending includes loans for working capital, financing equipment acquisitions, business expansion and other business purposes. These loans generally range in amounts of up to

$10 million (with a few loans higher), and their terms range from less than one year to seven years. The loans generally carry variable interest rates indexed to our Wall Street prime rate, national prime rate or LIBOR, at the time of closing.

Commercial, commercial mortgage and construction lending have a higher level of risk than residential mortgage lending. These loans typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties is typically dependent on the successful operation of the related real estate project and may be more subject to adverse conditions in the commercial real estate market or in the general economy. The majority of our commercial and commercial real estate loans are concentrated in Delaware and surrounding areas.

As of December 31, 2010, our commercial loan portfolio was $1.2 billion and represented 48% of our total loan portfolio. These loans are diversified by industry, with no industry representing more than 11% of the portfolio. There has been some weakness in this portfolio, primarily from smaller credits with most of these loans well below $1 million. This weakness was mainly in the small business sector which has been affected by the prolonged economic downturn.

Our commercial real estate (“CRE”) portfolio was $766.2 million at December 31, 2010. This portfolio is diversified by property type, with no type representing more than 24% of the portfolio. The largest type is retail related (shopping centers, malls and other retail) with balances of $148.3 million. The average loan size of a loan in the CRE portfolio is $1.4 million and we have only 26 loans greater than $5 million with three loans greater than $10 million. Most significant projects are located in our geographic footprint and, while we have not experienced significant weakness to date, management continues to monitor this portfolio closely.

Construction loans involve additional risk because loan funds are advanced as construction projects progress. The valuation of the underlying collateral can be difficult to quantify prior to the completion of the construction. This is due to uncertainties inherent in construction such as changing construction costs, delays arising from labor or material shortages and other unpredictable contingencies. We attempt to mitigate these risks and plan for these contingencies through additional analysis and monitoring of our construction projects. Construction loans receive independent inspections prior to disbursement of funds.

As of December 31, 2010, our construction loans totaled $140.8 million, or only 5.5% of our loan portfolio. Since 2005, we have imposed limits on each category of residential and commercial construction and land development (“CLD”) loans, as well as geographic sub-limits and a sub-limit on “land hold” CLD. Residential CLD, one of the hardest hit sectors in today’s economy, represents only $68.7 million or 2.6% of the loan portfolio. Our average residential CLD loan is $1.3 million. Only one of our residential CLD loans exceeded $5.0 million and our largest geographic concentration (Sussex County, Delaware) represents only $27.0 million. Our commercial CLD portfolio was only $58.1 million, or 2.2% of total loans. We continue to reduce the amount of exposure we have to these types of loans. We are recording very few new CLD loans. The remaining amount of availability on existing loans is minimal and there are very few loans with interest reserves remaining. Our “land hold” loans, which are land loans not currently being developed, were only $39.2 million, or less than 2% of total loans, at December 31, 2010. Also included in the construction loan portfolio at December 31, 2010 was $13.9 million of owner-occupied constructon loans.

Federal law limits the extensions of credit to any one borrower to 15% of unimpaired capital (approximately $63.0 million), or 25% if the difference is secured by readily marketable collateral having a market value that can be determined by reliable and continually available pricing. Extensions of credit include outstanding loans as well as contractual commitments to advance funds, such as standby letters of credit, but do not include unfunded loan commitments. At December 31, 2010, no borrower had collective outstandings exceeding these legal lending limits. Only eight commercial relationships, when all loans related to the

14

relationship are combined, reach outstandings in excess of $20.0 million and these relationships are collateralized by real estate, company assets, U.S. Treasuries and, in one relationship, a CD held at the Bank.

Residential Real Estate Lending.

Generally, we originate residential first mortgage loans with loan-to-value ratios of up to 80% and require private mortgage insurance for up to 30% of the mortgage amount for mortgage loans with loan-to-value ratios exceeding 80%. We do not have any significant concentrations of such insurance with any one insurer. On a very limited basis, we originate or purchase loans with loan-to-value ratios exceeding 80% without a private mortgage insurance requirement. At December 31, 2010, the balance of all such loans was approximately $4.5 million.

Generally, our residential mortgage loans are underwritten and documented in accordance with standard underwriting criteria published by the Federal Home Loan Mortgage Corporation (“FHLMC”) and other secondary market participants to assure maximum eligibility for subsequent sale in the secondary market. Typically, we sell only those loans that are originated specifically with the intention to sell on a “flow” basis.

To protect the propriety of our liens, we require title insurance be obtained. We also require fire, extended coverage casualty and flood insurance (where applicable) for properties securing residential loans. All properties securing residential loans made by us are appraised by independent, licensed and certified appraisers and are subject to review in accordance with our standards.

The majority of our adjustable-rate, residential real estate loans have interest rates that adjust yearly after an initial period. Typically, the change in rate is limited to two percentage points at each adjustment date. Adjustments are generally based upon a margin (currently 2.75%) over the weekly average yield on U.S. Treasury securities adjusted to a constant maturity, as published by the Federal Reserve Board.

Usually, the maximum rate on these loans is six percent above the initial interest rate. We underwrite adjustable-rate loans under standards consistent with private mortgage insurance and secondary market underwriting criteria. We do not originate adjustable-rate mortgages with payment limitations that could produce negative amortization.

The adjustable-rate mortgage loans in our loan portfolio help mitigate our risk to changes in interest rates. However, there are unquantifiable credit risks resulting from potential increased costs to the borrower as a result of re-pricing adjustable-rate mortgage loans. It is possible that during periods of rising interest rates, the risk of default on adjustable-rate mortgage loans may increase due to the upward adjustment of interest costs to the borrower. Further, although adjustable-rate mortgage loans allow us to increase the sensitivity of our asset base to changes in interest rates, the extent of this interest sensitivity is limited by the periodic and lifetime interest rate adjustment limitations. Accordingly, there can be no assurance that yields on our adjustable-rate mortgages will adjust sufficiently to compensate for increases to our cost of funds during periods of extreme interest rate increases.

The original contractual loan payment period for residential loans is normally 10 to 30 years. Because borrowers may refinance or prepay their loans without penalty, these loans tend to remain outstanding for a substantially shorter period of time. First mortgage loans customarily include “due-on-sale” clauses on adjustable- and fixed-rate loans. This provision gives us the right to declare a loan immediately due and payable in the event the borrower sells or otherwise disposes of the real property subject to the mortgage. Due-on-sale clauses are an important means of adjusting the rate on existing fixed-rate mortgage loans to current market rates. We enforce due-on-sale clauses through foreclosure and other legal proceedings to the extent available under applicable laws.

In general, loans are sold without recourse except for the repurchase right arising from standard contract provisions covering violation of representations and warranties or, under certain investor contracts, a

default by the borrower on the first payment. We also have limited recourse exposure under certain investor contracts in the event a borrower prepays a loan in total within a specified period after sale, typically one year. The recourse is limited to a pro rata portion of the premium paid by the investor for that loan, less any prepayment penalty collectible from the borrower.

We have a very limited amount of subprime loans, $12.4 million, at December 31, 2010 (0.47% of total loans) and no negative amortizing loans or interest only first mortgage loans. Subprime mortgage delinquencies of 14% in our small portfolio are a fraction of the national average of 26%, due to our underwriting and seasoning of these loans.

Consumer Lending.

Our primary consumer credit products (excluding first mortgage loans) are home equity lines of credit and equity-secured installment loans. At December 31, 2010, home equity lines of credit totaled $205.2 million and equity-secured installment loans totaled $82.2 million. In total, these product lines represent 92.8% of total consumer loans. Some home equity products granted a borrower credit availability of up to 100% of the appraised value (net of any senior mortgages) of their residence. Maximum loan to value ("LTV") limits are 80% for primary residences and 75% for all other properties as of December 31, 2010. Maximum LTV limits on all other properties remained at 75%. At December 31, 2010, we had extended $329.0 million in home equity lines of credit. Home equity lines of credit offer customers potential Federal income tax advantages, the convenience of checkbook access, revolving credit features and are typically more attractive in the current low interest rate environment. Home equity lines of credit expose us to the risk that falling collateral values may leave us inadequately secured. The risk on products like home equity loans is mitigated as they amortize over time.

Prior to 2009, we had not observed any significant adverse experience on home equity lines of credit or equity-secured installment loans but delinquencies and net charge-offs on these products have increased over the past two years, mainly as a result of the deteriorating economy, job losses and declining home values.

The following table shows our consumer loans at year-end, for the last five years.

| | At December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
| | Amount | Percent of Total Consumer Loans | Amount | Percent of Total Consumer Loans | Amount | Percent of Total Consumer Loans | Amount | Percent of Total Consumer Loans | Amount | Percent of Total Consumer Loans |
| | (Dollars in Thousands) | | | | | | | | | |
| Equity secured installment loans | $ 82,188 | 26.5 % | $ 102,727 | 34.2 % | $ 131,550 | 44.3 % | $ 147,551 | 53.0 % | $ 141,708 | 53.8 % |
| Home equity lines of credit | 205,244 | 66.3 | 177,407 | 59.0 | 141,678 | 47.8 | 107,912 | 38.8 | 98,567 | 37.4 |
| Automobile | 1,097 | 0.4 | 1,135 | 0.4 | 1,134 | 0.4 | 1,159 | 0.4 | 1,702 | 0.7 |
| Unsecured lines of credit | 7,758 | 2.5 | 7,246 | 2.4 | 6,779 | 2.3 | 5,972 | 2.1 | 11,361 | 4.3 |
| Other | 13,435 | 4.3 | 12,133 | 4.0 | 15,587 | 5.2 | 15,678 | 5.7 | 10,140 | 3.8 |
| Total consumer loans | $ 309,722 | 100 % | $ 300,648 | 100 % | $ 296,728 | 100 % | $ 278,272 | 100 % | $ 263,478 | 100 % |

Loan Originations, Purchase and Sales.

We have engaged in traditional lending activities primarily in Delaware and contiguous areas of neighboring states. As a federal savings bank, however, we may originate, purchase and sell loans throughout the United States. We have purchased limited amounts of loans from outside our normal lending area when such purchases are deemed appropriate. We originate fixed-rate and adjustable-rate residential real estate loans through our banking offices. In addition, we have established relationships with correspondent banks and mortgage brokers to originate loans.

During 2010, we originated $290.7 million of residential real estate loans. This compares to originations of $482.8 million in 2009. From time to time, we have purchased whole loans and loan participations in accordance with our ongoing asset and liability management objectives. Purchases of residential real estate loans from correspondents and brokers primarily in the mid-Atlantic region totaled $10.0 million for the year ended December 31, 2010 and $4.0 million for 2009. Residential real estate loan sales totaled $153.1 million in 2010 and $269.4 million in 2009. We sell certain newly originated mortgage loans in the secondary market primarily to control the interest rate sensitivity of our balance sheet and to manage overall balance sheet mix. We hold certain fixed-rate mortgage loans for investment consistent with our current asset/liability management strategies.

At December 31, 2010, we serviced approximately $221.2 million of residential mortgage loans for others compared to $256.7 million at December 31, 2009. We also service residential mortgage loans for our own portfolio totaling $308.9 million and $348.9 million at December 31, 2010 and 2009, respectively.

We originate commercial real estate and commercial loans through our commercial lending division. Commercial loans are made for working capital, financing equipment acquisitions, business expansion and other business purposes. During 2010, we originated $576.9 million of commercial and commercial real estate loans compared with $502.7 million in 2009. To reduce our exposure on certain types of these loans, or to maintain relationships within internal lending limits, at times we will sell a portion of our commercial real estate loan portfolio, typically through loan participations. Commercial real estate loan sales totaled $34.5 million and $23.5 million in 2010 and 2009, respectively. These amounts represent gross contract amounts and do not necessarily reflect amounts outstanding on those loans.

Our consumer lending activity is conducted mainly through our branch offices. We originate a variety of consumer credit products including home improvement loans, home equity lines of credit, automobile loans, unsecured lines of credit and other secured and unsecured personal installment loans.

During 2006, we formed a new reverse mortgage initiative under the Bank’s retail leadership. The Bank’s activity during 2010 has been limited to acting as a correspondent for these loans These reverse mortgages are government insured. During 2010 we originated $18.6 million in reverse mortgages compared to $33.4 million during 2009, of which all were sold.

During 2008, we acquired a majority interest in 1st Reverse Financial Services, LLC (1st Reverse), which specialized in originating and subsequently selling reverse mortgage loans nationwide. These reverse mortgages were government approved and insured. During the latter part of 2009, due to market conditions, we decided to conduct an orderly wind-down of 1st Reverse operations (discussed further in Note 20 of the Consolidated Financial Statements).

All loans to one borrowing relationship exceeding $3.5 million must be approved by the Senior Management Loan Committee (“SLC”). The Executive Committee of the Board of Directors (“EC”) reviews the minutes of the SLC meetings. They also approve individual loans exceeding $5 million for customers with less than one year of significant loan history with the Bank and loans in excess of $7.5 million for customers with established borrowing relationships. Depending upon their experience and management position, individual officers of the Bank have the authority to approve smaller loan amounts. Our credit policy includes

18

a “House Limit” to one borrowing relationship of $20 million. In rare circumstances, we will approve exceptions to the “House Limit”. Currently we have nine relationships that exceed this limit. Those nine relationships were allowed to exceed the “House Limit” 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.

Fee Income from Lending Activities.

We earn fee income from lending activities, including fees for originating loans, servicing loans and selling loan participations. We also receive fee income for making commitments to originate construction, residential and commercial real estate loans. Additionally, we collect fees related to existing loans which include prepayment charges, late charges, assumption fees and swap fees.

We charge fees for making loan commitments. Also as part of the loan application process, the borrower may pay us for out-of-pocket costs to review the application, whether or not the loan is closed.

Most loan fees are not recognized in the Consolidated Statement of Operations immediately, but are deferred as adjustments of yield in accordance with U.S. generally accepted accounting principles and are reflected in interest income. Those fees represented interest income of $671,000, $944,000, and $1.1 million during 2010, 2009, and 2008, respectively. Fee income in 2010 was mainly due to fee accretion on existing loans (including the acceleration of the accretion on loans that paid early), loan growth and prepayment penalties. The overall decrease in fee income was the result of the planned reduction of certain loan categories during 2010.

LOAN LOSS EXPERIENCE, PROBLEM ASSETS AND DELINQUENCIES

Our results of operations can be negatively impacted by nonperforming assets, which include nonaccruing loans, nonperforming real estate investments, assets acquired through foreclosure and restructured loans. Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in our opinion, collection is doubtful, or when principal or interest is past due 90 days or more and 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.

We endeavor to manage our portfolio to identify problem loans as promptly as possible and take immediate actions to minimize losses. To accomplish this, our Loan Administration and Risk Management Department monitors the asset quality of our loan and investment in real estate portfolios and reports such information to the Credit Policy Committee, the Audit Committee of the Board of Directors and the Bank’s Controller’s Department.

SOURCES OF FUNDS

We manage our liquidity risk and funding needs through our treasury function and our Asset/Liability Committee. Historically, we have had success in growing our loan portfolio. For example, during the year ended December 31, 2010, net loan growth resulted in the use of $148.2 million in cash. The loan growth was primarily due to the acquisition of CB&T and our continued success increasing corporate and small business lending. We expect this trend to continue. While our loan-to-deposit ratio had been well above 100% for many years, during 2010 we made significant improvements to decrease this ratio through increased deposit growth. As a result, of this growth, our loan-to-total customer funding ratio was 98%, besting our long-term strategic

goal of 100% well ahead of schedule. Management has significant experience managing its funding needs through borrowings and deposit growth.

As a financial institution, we have access to several sources of funding. Among these are:

- Deposit growth
- Brokered deposits
- Borrowing from the Federal Home Loan Bank ("FHLB")
- Fed Discount Window access
- Other borrowings such as repurchase agreements
- Cash flow from securities and loan sales and repayments
- Net income.

Our current branch expansion and renovation program is focused on expanding our retail footprint in Delaware and southeastern Pennsylvania and attracting new customers to provide additional deposit growth. Customer deposit growth was strong, equaling $346.5 million, or 16%, between December 31, 2009 and December 31, 2010.

Deposits. We offer various deposit programs to our customers, including savings accounts, demand deposits, interest-bearing demand deposits, money market deposit accounts and certificates of deposits. In addition, we accept "jumbo" certificates of deposit with balances in excess of $100,000 from individuals, businesses and municipalities in Delaware.

WSFS soon expects to be the largest independent full-service bank and trust institution headquartered and operating in Delaware. The Bank primarily attracts deposits through its retail branch offices and loan production offices, in Delaware's New Castle, Sussex and Kent counties, as well as nearby Southeastern Pennsylvania and Annandale, Virginia.

Growth in total deposits of $248.9 million, or 10%, compares favorably to the national average growth rate of 2% based on a recent Federal Reserve statistical release (FRB: H.8 Release dated February 11, 2011).

The following table shows the maturities of certificates of deposit of $100,000 or more as of December 31, 2010:

| Maturity Period | December 31, 2010 (In Thousands) |
|---|---|
| Less than 3 months | $ 96,873 |
| Over 3 months to 6 months | 49,463 |
| Over 6 months to 12 months | 82,448 |
| Over 12 months | 68,327 |
| | $ 297,111 |

Borrowings. We utilize the following borrowing sources to fund operations:

Federal Home Loan Bank Advances

As a member of the Federal Home Loan Bank of Pittsburgh, we are able to obtain Federal Home Loan Bank (“FHLB”) advances. Outstanding advances from the FHLB of Pittsburgh had rates ranging from 0.60% to 4.45% at December 31, 2010. Pursuant to collateral agreements with the FHLB, the advances are secured by qualifying first mortgage loans, qualifying fixed-income securities, FHLB stock and an interest-bearing demand deposit account with the FHLB. We are required to acquire and hold shares of capital stock in the FHLB of Pittsburgh in an amount at least equal to 4.60% of our borrowings from them, plus 0.35% of our member asset value. As of December 31, 2010, our FHLB stock investment totaled $37.5 million.

At December 31, 2010 we had $489.0 million in FHLB advances with a weighted average rate of 2.28% maturing in 2011 and beyond.

In December 2008, the FHLB of Pittsburgh announced the suspension of both dividend payments and the repurchase of capital stock until such time as it becomes prudent to reinstate both. We received no dividends from the FHLB of Pittsburgh during 2010 or 2009. However the FHLB did repurchase $1.8 million of its capital stock in 2010.

The FHLB of Pittsburgh is rated AAA, has a very high degree of government support and was in compliance with all regulatory capital requirements as of December 31, 2010. Based on these factors, we have determined there was no other-than-temporary impairment related to out FHLB stock investment as of December 31, 2010.

Trust Preferred Borrowings

In 2005, we issued $67.0 million aggregate principal amount of Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month LIBOR rate. The proceeds from this issuance were used to fund the redemption of $51.5 million of Floating Rate Capital Trust I Preferred Securities which had a variable interest rate of 250 basis points over the three-month LIBOR rate.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

During 2010 and 2009, we purchased federal funds as a short-term funding source. At December 31, 2010, we had purchased $75.0 million in federal funds at a rate of 0.38%. At December 31, 2009, we had purchased $75.0 million in federal funds at a rate of 0.38%.

During 2010, we sold securities under agreements to repurchase as a funding source. At December 31, 2010 we had sold $25.0 million of securities sold under agreements to repurchase with fixed rates of 4.87%. The underlying securities are mortgage-backed securities with a book value of $27.6 million as of December 31, 2010.

Other Borrowed Funds

Included in other borrowed funds are collateralized borrowings of $61.6 million and $44.7 million at December 31, 2010 and 2009 respectively, consisting of outstanding retail repurchase agreements, which are contractual arrangements under which portions of certain securities are sold overnight to retail customers under agreements to repurchase. Such borrowings were collateralized by mortgage-backed securities. The average rates on these borrowings were 0.17% and 0.18% at December 31, 2010 and 2009, respectively. In addition, during 2009 we issued $30.0 million of unsecured debt, with a three year maturity, under the FDIC Temporary Liquidity Guarantee Program. The rate on this debt was 2.74% at December 31, 2010.

PERSONNEL

As of December 31, 2010 we had 695 full-time equivalent Associates (employees). The Associates are not represented by a collective bargaining unit. We believe our relationship with our Associates is very good, as evidenced by being a “Top Workplace” by an independent survey of our Associates for the last 5 years.

21

REGULATION

Regulation of the Corporation

General. We are a registered savings and loan holding company and are subject to the regulation, examination, supervision and reporting requirements of the Office of Thrift Supervision (“OTS”). Under the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the powers of the OTS over us and the Bank will transfer to other federal financial institution regulatory agencies on July 21, 2011, unless extended up to an additional six months. See “Financial Reform Legislation.” As of the transfer date, all of the regulatory functions related to the Bank that are currently under the jurisdiction of the OTS will transfer to the Office of the Comptroller of the Currency. In addition, as of that same date, all of the regulatory functions related to us, as a savings and loan holding company that are currently under the jurisdiction of the OTS, will transfer to the Federal Reserve.

We are also a public company with a class of stock subject to the reporting requirements of the United States Securities and Exchange Commission (the “SEC”). The filings we make with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, are available on the investor relations page of our website at www.wsfsbank.com.

Sarbanes-Oxley Act of 2002. The SEC has promulgated regulations pursuant to the Sarbanes-Oxley Act of 2002 (the “Act”) and may continue to propose additional implementing or clarifying regulations as necessary in furtherance of the Act. The passage of the Act and the regulations implemented by the SEC subject publicly-traded companies to additional and more cumbersome reporting regulations and disclosure. Compliance with the Act and corresponding regulations has increased our expenses.

Restrictions on Acquisitions. A savings and loan holding company must obtain the prior approval of the Director of OTS before acquiring (i) control of any other savings association or savings and loan holding company or substantially all the assets thereof, or (ii) more than 5% of the voting shares of a savings association or holding company thereof which is not a subsidiary. Except with the prior approval of the Director of OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25% of such company’s stock, may also acquire control of any savings association, other than a subsidiary savings association, or of any other savings and loan holding company.

The OTS may only approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings associations in more than one state if: (i) the company involved controls a savings institution which operated a home or branch office in the state of the association to be acquired as of March 5, 1987; (ii) the acquirer is authorized to acquire control of the savings association pursuant to the emergency acquisition provisions of the Federal Deposit Insurance Act; or (iii) the statutes of the state in which the association to be acquired is located specifically permit institutions to be acquired by state-chartered associations or savings and loan holding companies located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings institutions). The laws of Delaware do not specifically authorize out-of-state savings associations or their holding companies to acquire Delaware-chartered savings associations.

The statutory restrictions on the formation of interstate multiple holding companies would not prevent us from entering into other states by mergers or branching. OTS regulations permit federal associations to branch in any state or states of the United States and its territories. Except in supervisory cases or when interstate branching is otherwise permitted by state law or other statutory provision, a federal association may not establish an out-of-state branch unless the federal association qualifies as a “domestic building and loan association” under Section 7701(a)(19) of the Internal Revenue Code or as a “qualified thrift lender” under the Home Owners’ Loan Act and the total assets attributable to all branches of the association in the state would qualify such branches taken as a whole for treatment as a domestic building and loan association or qualified thrift lender. Federal associations generally may not establish new branches unless the association meets or exceeds minimum regulatory capital requirements. The OTS will also consider the association's record of compliance with the Community Reinvestment Act of 1977 in connection with any branch application.

Financial Reform Legislation. On July 21, 2010, the president signed the Dodd-Frank Act into law. The Dodd-Frank Act will likely result in dramatic changes across the financial regulatory system, some of which became effective immediately and some of which will not become effective until various future dates. Implementation of the Dodd-Frank Act will require many new rules to be made by various federal regulatory agencies over the next several years, including our current and future regulatory agencies, and the effect of many of the Dodd-Frank Act's provisions will be determined through the rulemaking process.

The Dodd-Frank Act includes provisions that, among other effects:

The OTS will be merged into the Office of the Comptroller of the Currency and the authority of the other two bank regulatory agencies restructured. The federal thrift charter will be preserved with the Federal Reserve given authority over savings and loan holding companies.

Creates a new agency, the Bureau of Consumer Financial Protection, to centralize responsibility for consumer financial protection. responsible for implementing, examining and enforcing compliance with federal consumer financial laws such as the Truth in Lending Act, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act and the Truth in Saving Act, among others. Depository institutions that have assets of $10 billion or less, such as us, will continue to be supervised by their primary federal regulators (in our case, the OTS until it is abolished, and then the Office of the Comptroller of the Currency ("OCC")). The CFPB will also have data collecting powers for fair lending purposes for both small business and mortgage loans, as well as authority to prevent unfair, deceptive and abusive practices.

Imposes new consumer protection requirements in mortgage loan transactions, including requiring creditors to make reasonable, good faith determinations that consumers have a reasonable ability to repay mortgage loans, prohibiting originators of residential mortgage loans from being paid compensation (such as a "yield spread premium") that varies based on the terms of the loan other than the principal amount of the loan, requiring new disclosure requirements for residential mortgage loans, requiring additional disclosures in periodic loan account statements, amending the Truth-in-Lending Act's "high-cost" mortgage provisions, and adopting certain other revisions.

Changes the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital, eliminates the ceiling on the size of the FDIC's Deposit Insurance Fund ("DIF"), and increases the required minimum reserve ratio for the DIF, from 1.15% to 1.35% of insured deposits.

Increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2008, with non-interest-bearing transaction accounts having unlimited deposit insurance through December 31, 2012.

Adopts changes to corporate governance requirements, including requiring shareholder votes on executive compensation and proxy access by shareholders, that apply to all public companies.

Effective in July 2011, repeals various banking law provisions prohibiting the payment of interest on demand deposits.

Authorizes the Federal Reserve to adopt rules to regulate the reasonableness of debit card interchange fees charged by financial institutions with $10 billion or more in assets with respect to electronic debit transactions. The amount of such fees must be "reasonable and proportional" to the cost incurred by the issuer. Issuers that, together with their affiliates, have assets of less than $10 billion would not be covered by the rules.

Some of these provisions may have the consequence of increasing our expenses, decreasing our revenues, and changing the activities in which we choose to engage. At a minimum, we expect that the Dodd-Frank Act will increase our operating and compliance costs. The specific impact of the Dodd-Frank Act on our current activities or new financial activities will be considered in the future, and our financial performance and the markets in which we operate will depend on the manner in which the relevant agencies develop and implement the required rules and the reaction of market participants to these regulatory developments. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers, or the financial industry in general.

Regulation of WSFS Bank

General. As a federally chartered savings institution, the Bank is subject to extensive regulation by the Office of Thrift Supervision. The lending activities and other investments of the Bank must comply with various federal regulatory requirements. The OTS periodically examines the Bank for compliance with regulatory requirements. The FDIC also has the authority to conduct special examinations of the Bank. The Bank must file reports with the OTS describing its activities and financial condition. The Bank is also subject to certain reserve requirements promulgated by the Federal Reserve Board. (Note: The OTS is merging with the OCC in July of 2011.)

Transactions with Affiliates; Tying Arrangements. The Bank is subject to certain restrictions in its dealings with us and our affiliates. Transactions between savings associations and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a savings association, generally, is any company or entity which controls or is under common control with the savings association or any subsidiary of the savings association that is a bank or savings association. In a holding company context, the parent holding company of a savings association (such as "WSFS Financial Corporation") and any companies which are controlled by such parent holding company are affiliates of the savings association. Generally, Sections 23A and 23B (i) limit the extent to which the savings institution or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such institution's capital stock and surplus, and limit the aggregate of all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar types of transactions. In addition to the restrictions imposed by Sections 23A and 23B, no savings association may (i) lend or otherwise extend credit to an affiliate that engages in any activity impermissible for bank holding companies, or (ii) purchase or invest in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings association. Savings associations are also prohibited from extending credit, offering services, or fixing or varying the consideration for any extension of credit or service on the condition that the customer obtain some additional service from the institution or certain of its affiliates or that the customer not obtain services from a competitor of the institution, subject to certain limited exceptions.

Regulatory Capital Requirements. Under OTS capital regulations, savings institutions must maintain "tangible" capital equal to 1.5% of adjusted total assets, "Tier 1" or "core" capital equal to 4% of adjusted total assets (or 3% if the institution is rated composite 1 under the OTS examiner rating system), and "total" capital (a combination of core and "supplementary" capital) equal to 8% of risk-weighted assets. In addition, OTS regulations impose certain restrictions on savings associations that have a total risk-based capital ratio that is less than 8.0%, a ratio of Tier 1 capital to risk-weighted assets of less than 4.0% or a ratio of Tier 1 capital to adjusted total assets of less than 4.0% (or 3.0% if the institution is rated Composite 1 under the OTS examination rating system). For purposes of these regulations, Tier 1 capital has the same definition as core capital.

The OTS capital rule defines Tier 1 or core capital as common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, minority interests in the equity accounts of fully consolidated subsidiaries, certain nonwithdrawable accounts and pledged deposits of mutual institutions and "qualifying supervisory goodwill," less intangible assets other than certain supervisory goodwill and, subject to certain limitations, mortgage and non-mortgage servicing rights, purchased credit card relationships and credit-enhancing interest only strips. Tangible capital is given the same definition as core capital but does not include qualifying supervisory goodwill and is reduced by the amount of all the savings institution's intangible assets except for limited amounts of mortgage servicing assets. The OTS capital rule requires that core and tangible capital be reduced by an amount equal to a savings institution's debt and equity investments in "non-includable" subsidiaries engaged in activities not permissible to national banks, other than subsidiaries engaged in activities undertaken as agent for customers or in mortgage banking activities and subsidiary depository institutions or their holding companies. At December 31, 2010, the Bank was in compliance with both the core and tangible capital requirements.

The risk weights assigned by the OTS risk-based capital regulation range from 0% for cash and U.S. government securities to 100% for consumer and commercial loans, non-qualifying mortgage loans, property acquired through foreclosure, assets more than 90 days past due and other assets. In determining compliance with the risk-based capital requirement, a savings institution may include both core capital and supplementary capital in its total capital, provided the amount of supplementary capital included does not exceed the savings institution's core capital. Supplementary capital is defined to include certain preferred stock issues, nonwithdrawable accounts and pledged deposits that do not qualify as core capital, certain approved subordinated debt, certain other capital instruments, general loan loss allowances up to 1.25% of risk-weighted assets and up to 45% of unrealized gains on available-for-sale equity securities with readily determinable fair values. Total capital is reduced by the amount of the institution's reciprocal holdings of depository institution capital instruments and all equity investments. At December 31, 2010, the Bank was in compliance with the OTS risk-based capital requirements.

Dividend Restrictions. As the subsidiary of a savings and loan holding company, WSFS Bank must submit notice to the OTS prior to making any capital distribution (which includes cash dividends and payments to shareholders of another institution in a cash merger). In addition, a savings association must make application to the OTS to pay a capital distribution if (x) the association would not be adequately capitalized following the distribution, (y) the association's total distributions for the calendar year exceeds the association's net income for the calendar year to date plus its net income (less distributions) for the preceding two years, or (z) the distribution would otherwise violate applicable law or regulation or an agreement with or condition imposed by the OTS.

Insurance of Deposit Accounts. The Bank's deposits are insured by the DIF of the FDIC. Pursuant to the Dodd-Frank Act, the Federal Deposit Insurance Act was amended to increase the maximum deposit insurance amount from $100,000 to $250,000 and extended the unlimited deposit insurance coverage for non interest-bearing transaction accounts until December 31, 2012. Prior to the Dodd-Frank Act, the unlimited coverage for non-interest-bearing deposit accounts had been provided on a temporary basis pursuant to the FDIC's Transaction Account Guarantee Program established in October, 2008. Institutions had been able to opt out of the provisions of the Transaction Account Guarantee Program but those that chose to participate were assessed an additional fee. The unlimited coverage is now applicable to all institutions and there is no longer a separate assessment. The Transaction Account Guarantee Program expired on December 31, 2010. The FDIC determines insurance premiums based on a number of factors, primarily the risk of loss that insured institutions pose to the DIF.

In May 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009, subject to a limit that the amount of the special assessment for any institution cannot exceed 10 basis points times the institution's deposit insurance assessment base for the second quarter 2009. We paid this special assessment in September, 2009. Further, in November 2009, the FDIC adopted a final rule imposing a 13-quarter prepayment of FDIC premiums. The prepayment amount was paid in December 2009 and represented an estimated prepayment for deposit insurance assessments for the fourth quarter of 2009 through the fourth quarter of 2012. The prepayment amount will be used to offset future FDIC premiums beginning with the March 2010 payment.

The Dodd-Frank Act eliminated the previous statutory maximum limit on the FDIC’s reserve ratio (which is generally the ratio of the DIF balance to the estimated amount of deposits insured by the DIF) and set the minimum reserve ratio to not less than 1.35 percent of estimated insured deposits or the comparable percentage of the FDIC’s assessment base. The act also required the FDIC to take the steps necessary to attain the 1.35 percent ratio by September 30, 2020, subject to an offsetting requirement for certain institutions.

The large number of bank failures during the last several years have significantly increased the DIF’s losses such that its reserve ratio is less than the mandated minimum.  As a result, the FDIC established a restoration plan in October 2008 and has amended the plan several times since then. Most recently, the FDIC amended the restoration plan on October 19, 2010 in response to the Dodd-Frank Act to provide for reaching the 1.35% reserve ratio by September 30, 2020. The amended restoration plan also provided that the FDIC will forego the uniform 3 basis point increase in initial deposit insurance assessment rates that were previously scheduled to take effect on January 1, 2011 and to otherwise maintain the current schedule of assessment rates for all insured depository institutions. Also under the amended plan, the FDIC will pursue further rulemaking in 2011 regarding the method that will be used to reach 1.35 percent by September 30, 2020 and regarding the Dodd-Frank Act requirement that the FDIC offset the effect on insured depository institutions with total consolidated assets of less than $10 billion of the statutory requirement that the reserve ratio reach 1.35 percent by September 30, 2020, rather than 1.15 percent by the end of 2016 (which was required under the prior restoration plan). At least semiannually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase assessment rates, following notice-and-comment rulemaking if required. The FDIC may also lower assessment rates following notice-and comment rulemaking if required. Institutions may continue to use assessment credits (for regular quarterly assessments and for any special assessments) without additional restriction (other than those imposed by law) during the term of the restoration plan.

On February 7, 2011, the FDIC issued a final rule to implement changes to the its assessment base used to determine risk-based premiums for insured depository institutions as required under the Dodd-Frank Act and also changed the risk-based pricing system necessitated by changes to the assessment base. These changes will take effect for the quarter beginning April 1, 2011, and will be reflected in the invoices for DIF assessments due September 30, 2011.

Future changes in insurance premiums could have an adverse effect on the operating expenses and results of operations and we cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. We do not know of any practice, condition or violation that might lead to termination of its deposit insurance.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund.

Federal Reserve System. Pursuant to regulations of the Federal Reserve Board, a savings institution must maintain reserves against their transaction accounts. As of December 31, 2010, no reserves were required to be maintained on the first $10.7 million of transaction accounts, reserves of 3% were required to be maintained against the next $55.2 million (increasing to $58.8 million in 2011) of transaction accounts and a

reserve of 10% against all remaining transaction accounts. This percentage is subject to adjustment by the Federal Reserve Board. Because required reserves must be maintained in the form of vault cash or in a non-interest bearing account at a Federal Reserve Bank, the effect of the reserve requirement may reduce the amount of an institution's interest-earning assets. As of December 31, 2010 we met our reserve requirements.

ITEM 1A. RISK FACTORS

The following are certain risks that management believes are specific to our business. This should not be viewed as an all inclusive list and the order is not intended as an indicator of the level of importance.

Many emergency measures designed to stabilize the U.S. financial system are scheduled to expire soon.

Since 2008, various legislative and regulatory actions have been implemented in response to the financial crises affecting the banking system and financial markets and to the recession. Many of these programs are beginning to expire. The wind-down of these programs may have a direct adverse effect on us or a broader adverse impact on the financial sector or economy in general. TARP was established pursuant to EESA, as amended by ARRA, whereby the Treasury has the authority to, among other things, spend up to $700 billion to purchase equity in financial institutions, purchase mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Though TARP was scheduled to expire on December 31, 2009, Treasury extended TARP until October 3, 2010, in order to retain an adequate financial stability reserve if financial conditions worsen and threaten the economy. On October 21, 2009, the FDIC voted to end the Debt Guarantee Program portion of the Temporary Liquidity Guarantee Program, which guarantees certain "newly-issued unsecured debt" of banks and certain holding companies. The Debt Guarantee Program expired on October 31, 2009, with the guarantee period on such debt expiring on December 30, 2012. The Transaction Account Guarantee portion of the program, which guarantees non-interest bearing bank transaction accounts on an unlimited basis was extended until December 31, 2010 and recent amendments to the Federal Deposit Insurance Act provide full deposit insurance coverage for noninterest-bearing transaction accounts and Interest on Lawyer Trust Accounts or IOLTAs beginning December 31, 2010, for a two-year period. Additionally, the Federal Reserve Board's bond purchase program (QE2) is scheduled to end in June of 2011.

We cannot predict the effect that the wind-down of these various governmental programs will have on current financial market conditions, or on our business, financial condition, results of operations, access to credit and the trading price of our common stock.

We may be required to pay significantly higher FDIC premiums, special assessments, or taxes that could adversely affect our earnings.

Market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits. As a result, we may be required to pay significantly higher premiums or additional special assessments or taxes that could adversely affect our earnings. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay even higher FDIC premiums than the higher levels imposed in 2010. These increases and any future increases or required prepayments in FDIC insurance premiums or taxes may materially adversely affect our results of operations.

The prolonged deep recession, difficult market conditions and economic trends have adversely affected our industry and our business and may continue to do so.

We are exposed to downturns in the Delaware, Mid-Atlantic and overall U. S. housing market. Economic recovery in these geographic areas has been modest. Dramatic declines in the housing market over the past several years have negatively impacted home prices and increased delinquencies and foreclosures. The sale of foreclosure properties has negatively impacted collateral values increasing loss expectancies on mortgage and construction loans at many financial institutions. The values of real estate collateral supporting many loans may continue to decline. General downward economic trends over several years, reduced availability of commercial credit and increased unemployment have negatively impacted the credit performance of commercial and consumer credit Although the economy appears to be stabilizing, market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may continue to adversely affect our business, financial condition, results of operations and stock price. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the industry. In particular, we may face the following risks in connection with these events:

An increase in the number of borrowers unable to repay their loans in accordance with the original terms.

Our ability to assess the creditworthiness of customers and to estimate the losses inherent in our credit exposure is made more complex by these difficult market and economic conditions.

Our ability to borrow from other financial institutions or the Federal Home Loan Bank on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events.

We may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds.

Concentration of loans in our primary market area, which has recently experienced an economic downturn, may increase risk.

Our success depends primarily on the general economic conditions in the State of Delaware, southeastern Pennsylvania and northern Virginia, as nearly all of our loans are to customers in this market. Accordingly, the local economic conditions in these markets have a significant impact on the ability of borrowers to repay loans as well as our ability to originate new loans. As such, a continuation of the decline in real estate valuations in these markets would lower the value of the collateral securing those loans. In addition, a continued weakening in general economic conditions such as inflation, recession, unemployment or other factors beyond our control could negatively affect our financial results.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans, our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable incurred losses in our loan portfolio, resulting in additions to our allowance. Material additions to our allowance could materially decrease our net income.

Our loan portfolio includes a substantial amount of commercial real estate and commercial and industrial loans. The credit risk related to these types of loans is greater than the risk related to residential loans.

Our commercial loan portfolio, which includes commercial and industrial loans and commercial real estate loans, totaled $2.0 billion at December 31, 2010, comprising 76% of total loans. Commercial and industrial loans generally carry larger loan balances and involve a greater degree of risk of nonpayment or late payment than home equity loans or residential mortgage loans. Any significant failure to pay or late payments by our customers would hurt our earnings. The increased credit risk associated with these types of loans is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the size of loan balances, and the effects of general economic conditions on income-producing properties. A significant portion of our commercial real estate and commercial and industrial loan portfolios includes a balloon payment feature. A number of factors may affect a borrower's ability to make or refinance a balloon payment, including the financial condition of the borrower, the prevailing local economic conditions and the prevailing interest rate environment.

Furthermore, commercial real estate loans secured by owner-occupied properties are dependent upon the successful operation of the borrower's business. If the operating company suffers difficulties in terms of sales volume and/or profitability, the borrower's ability to repay the loan may be impaired. Loans secured by properties where repayment is dependent upon payment of rent by third party tenants or the sale of the property may be impacted by loss of tenants, lower lease rates needed to attract new tenants or the inability to sell a completed project in a timely fashion and at a profit.

We are subject to extensive regulation which could have an adverse effect on our operations.

We are subject to extensive regulation and supervision from the Office of Thrift Supervision and the FDIC. This regulation and supervision is intended primarily for the protection of the FDIC insurance fund, our depositors and borrowers, rather than for holders of our equity securities. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on operations, the classification of our assets and determination of the level of the allowance for loan losses. As a result of recent market conditions, we expect to face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.

WSFS Bank has entered into a memorandum of understanding.

In December 2009, WSFS Bank entered into an informal memorandum of understanding (the "Understanding") with the OTS. An Understanding is characterized by bank regulatory agencies as an informal action that is neither published nor made publicly available by the agencies and is used when circumstances warrant a milder response than a formal regulatory action. Regulatory actions, such as this Understanding, are on the rise as a result of the current severe economic conditions and the related impact on the banking industry.

In accordance with the terms of the Understanding, WSFS Bank has agreed, among other things, to: (i) adopt and implement a written plan to reduce criticized assets; (ii) review and revise its policies regarding the identification, monitoring and managing the risks associated with loan concentrations for certain commercial loans and reduce concentration limits of such loans; (iii) review and revise credit administration policies and dedicate additional staffing resources to this department; (iv) implement a revised internal review program; (v) obtain prior OTS approval before increasing the amount of brokered deposits; and (vi) approve a written strategic business plan and compliance plan concerning the exercise of fiduciary powers.

We are committed to expeditiously addressing and resolving all the issues raised in the Understanding and the Board of Directors and management of WSFS Bank have initiated actions to comply with its provisions. A material failure to comply with the terms of the Understanding could subject the Bank to

29

additional regulatory actions and further regulation by the OTS, or result in a formal action or constraints on the Bank's business, any of which may have a material adverse effect on our future results of operations and financial condition.

The fiscal, monetary and regulatory policies of the Federal Government and its agencies could have a material adverse effect on our results of operations.

The Federal Reserve regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. It also can materially decrease the value of financial assets we hold, such as debt securities. Its policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve policies and our regulatory environment generally are beyond our control, and we are unable to predict what changes may occur or the manner in which any future changes may affect our business, financial condition and results of operation.

The securities purchase agreement between us and Treasury permits Treasury to impose additional restrictions on us retroactively.

On January 23, 2009, as part of the TARP Capital Purchase Program ("CPP"), we entered into a securities purchase agreement with the Treasury pursuant to which we sold (i) 52,625 shares of the Registrant's Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock") and (ii) a warrant to purchase 175,105 shares of our Common Stock for an aggregate purchase price of $52.6 million in cash. The Series A Preferred Stock is included in the calculation of Tier 1 capital and pays cumulative dividends at a rate of 5% per annum for the first five years, and 9% per annum thereafter. The Treasury warrant has a 10-year term and is immediately exercisable upon its issuance, with an exercise price, subject to anti-dilution adjustments, equal to $45.08 per share of the Common Stock. The securities purchase agreement we entered into with Treasury permits Treasury to unilaterally amend the terms of the securities purchase agreement to comply with any changes in federal statutes after the date of its execution. ARRA imposed additional executive compensation and expenditure limits on all current and future TARP recipients, including us, until we have repaid the Treasury. These additional restrictions may impede our ability to attract and retain qualified executive officers. ARRA also permits TARP recipients to repay the Treasury without penalty or requirement that additional capital be raised, subject to Treasury's consultation with our primary federal regulator. The securities purchase agreement required that, for a period of three years, the Series A Preferred Stock could generally only be repaid if we raised additional capital to repay the securities and such capital qualified as Tier 1 capital. The terms of the CPP also restrict our ability to increase dividends on our common stock and undertake stock repurchase programs. Congress may impose additional restrictions in the future which may also apply retroactively. These restrictions may have a material adverse affect on our operations, revenue and financial condition, on the ability to pay dividends, our ability to attract and retain executive talent and restricts our ability to increase our cash dividends or undertake stock repurchase programs.

We are subject to liquidity risk.

Due to the continued growth in our lending operations, particularly in corporate and small business lending, our total loan balances are approximately the same as our customer deposit funding. Changes in interest rates, alternative investment opportunities and other factors may make deposit gathering more difficult. Additionally, interest rate changes or disruptions in the capital markets may make the terms of the borrowings and brokered deposits less favorable and may make it difficult to sell securities when needed to provide additional liquidity. As a result, there is a risk that the cost of funding will increase or that we will not have sufficient funds to meet our obligations when they come due.

30

The market value of our securities portfolio may be impacted by the level of interest rates and the credit quality and strength of the underlying issuers and general liquidity in the market for investment securities.

If a decline in market value of a security is determined to be other than temporary, under generally accepted accounting principles, we are required to write these securities down to their estimated fair value with the amount of impairment related to credit losses recognized in earnings while the amount of impairment related to all other factors is recognized in other comprehensive income. As of December 31, 2010, we owned securities classified as available for sale with an aggregate historical cost of $741.9 million and an estimated fair value of $753.2 million. During the year ended December 31, 2009, we had one security that was determined to be other than temporarily impaired with a credit loss recognized in earnings of only $86,000, although we can give no assurance that we will not have additional other than temporarily impaired securities in the future. Future changes in interest rates or the credit quality and strength of the underlying issuers may reduce the market value of these and other securities. As a result, changes in values of securities affect our equity and may impact earnings.

In addition, the value of our BBB+ rated mortgage-backed security is subject to market value fluctuations. To develop a range of likely fair value prices, our valuation is highly dependent upon various observable and unobservable inputs. If the value of the observable inputs declines or as a result of economic conditions, management changes its assumptions regarding what market participants would use in pricing this asset, the value of this asset may decline. As a result, we would record any negative market adjustments related to this asset as a charge to earnings.

Impairment of goodwill and/or intangible assets could require charges to earnings, which could result in a negative impact on our results of operations.

Goodwill arises when a business is purchased for an amount greater than the net fair value of its identifiable assets. We have recognized goodwill as an asset on the balance sheet in connection with several recent acquisitions. At December 31, 2010, we had $34.1 million of goodwill and intangible assets. We evaluate goodwill and intangibles for impairment at least annually by comparing fair value to carrying amount. Although we have determined that goodwill and other intangible assets were not impaired during 2010, a significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or other factors could result in impairment of goodwill or other intangible assets. If we were to conclude that a future write-down of the goodwill or intangible assets is necessary, then we would record the appropriate charge to earnings, which could be materially adverse to our results of operations and financial position.

Our investment in the Federal Home Loan Bank of Pittsburgh (FHLB) stock may be subject to impairment charges in future periods if the financial condition of the FHLB declines further.

We are required to hold FHLB stock as a condition of membership in the FHLB. Ownership of FHLB stock is restricted and there is no market for these securities. As of December 31, 2010, the carrying value of our FHLB stock was $37.5 million. In 2009, the FHLB reported significant losses due to numerous factors, including other-than-temporary impairment charges on its portfolio of private-label mortgage-backed securities. The FHLB announced a capital restoration plan in February 2009 which restricted it from repurchasing or redeeming capital stock or paying dividends. However the FHLB did repurchase $1.8 million of its capital stock during 2010. If the FHLB financial condition continues to decline, other-than-temporary impairment charges related to our investment in FHLB stock may occur in future periods. An additional discussion related to our evaluation of impairment of FHLB stock is included in Note 15 to the Consolidated Financial Statements.

Our Cash Connect Division relies on numerous couriers and armored car companies to transport its cash and fund the ATMs it services for our customers, and numerous networks to settle its cash.

The profitability of Cash Connect is reliant upon its efficient distribution of large amounts of cash to its customers' ATMs using an extensive network of couriers and armored car companies. It is possible those associated with a courier or armored car company could misappropriate funds belonging to Cash Connect. Cash Connect has experienced such occurrences in the past, including one in 2001 and one other in 2010. For additional information see Note 21 to the Consolidated Financial Statements. In addition, Cash Connect settles its transactions through a number of national networks. It is possible a network could fraudulently redirect the settlement of cash belonging to Cash Connect. It is also possible Cash Connect would not have established proper policies, controls or insurance and, as a result, any misappropriation of funds could result in an impact to earnings.

Our nonperforming assets show a significant increase over the past 24 months. Further increases will have an adverse effect on our earnings.

Our nonperforming assets (which consist of nonaccrual loans, assets acquired through foreclosure and troubled debt restructurings), totaled $92.9 million at December 31, 2010, which is an increase of $57.1 million, or 160%, over the $35.8 million in nonperforming assets at December 31, 2008. Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans and assets acquired through foreclosure. We must establish an allowance for loan losses that reserves for losses inherent in the loan portfolio that are both probable and reasonably estimable through current period provisions for loan losses. From time to time, we also write down the value of properties in our portfolio of assets acquired through foreclosure to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to assets acquired through foreclosure. The resolution of nonperforming assets requires the active involvement of management, which can distract management from its overall supervision of operations and other income producing activities. Finally, if our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance for loan losses accordingly, which will have an adverse effect on our earnings.

Changes in interest rates and other factors beyond our control could have an adverse impact on our earnings.

Our operating income and net income depend to a greater extent on our net interest margin, which is the difference between the interest yields we receive on loans, securities and other interest-earning assets and the interest rates we pay on interest-bearing deposits and other liabilities. The net interest margin is affected by changes in market interest rates, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a period, an increase in market rates of interest could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could reduce net interest income. These rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental regulatory agencies, including the Federal Reserve.

We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing, and balances of the different types of interest-earning assets and interest-bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our net interest margin and results of operations. The results of our interest rate sensitivity simulation models depend upon a number of assumptions which may prove to be not accurate. There can be no assurance that we will be able to successfully manage our interest rate risk. Increases in market rates and adverse changes in the local residential real estate market, the general economy

32

or consumer confidence would likely have a significant adverse impact on our non-interest income, as a result of reduced demand for residential mortgage loans that we make on a pre-sold basis.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. There is no assurance that any such losses would not materially and adversely affect our results of operations.

Financial reforms and related regulations may affect our business activities, financial position and profitability.

The Dodd-Frank Act will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

Among the changes contained in the Dodd-Frank Act is the elimination of the Office of Thrift Supervision, which is our primary federal regulator. The Office of the Comptroller of the Currency (the primary federal regulator for national banks) will become the primary federal regulator of the Bank, and the Board of Governors of the Federal Reserve System (the “Federal Reserve”) will have exclusive authority to regulate all bank and thrift holding companies and will thus become the primary federal regulator of the Company. These changes to our regulators will occur on the transfer date, which is expected to be one year from the enactment of the Dodd-Frank Act (unless extended).

Among the Dodd-Frank Act’s significant regulatory changes, is the creation of a new financial consumer protection agency, the Bureau of Consumer Financial Protection (the “Bureau”), that will have the authority to issue new consumer protection regulations and revise existing regulations in many areas of consumer compliance. These new and revised rules may increase our regulatory compliance burden and costs and restrict the financial products and services we offer to our customers. Moreover, the Dodd-Frank Act permits states to adopt stricter consumer protection laws and state attorney generals may enforce consumer protection rules issued by the Bureau. The Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Institutions such as us with $10 billion or less in assets will continued to be examined for compliance with the consumer laws by their primary bank regulators.

The Dodd-Frank Act also imposes more stringent capital requirements on holding companies. These restrictions will limit our future capital strategies. Further, savings and loan holding companies such as us have not previously been subject to capital requirements, but under the Dodd-Frank Act, savings and loan holding companies will become subject to the same capital requirements as bank holding companies (although not until five years from the date of enactment). In addition, the new international regulatory capital rules, known as “Basel III,” generally increase the capital required to be held and narrow the types of instruments that will qualify as capital. The Basel III requirements will be phased in over a number of years, but they are not automatically applicable to us or U.S. financial institutions generally. Rather, the requirements must be implemented by regulations adopted by the federal banking agencies. It is not known to what extent our regulators will incorporate elements of Basel III into new capital regulations or to what extent those regulations may be applicable to us.

The Dodd Frank Act codified the Federal Reserve’s “source of strength” doctrine under which a holding company must serve as a source of financial strength for its depository institution subsidiaries; savings

and loan holding companies such as us will become subject to the source of strength requirements under the Dodd-Frank Act.

The Dodd-Frank Act will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company’s proxy materials. The legislation also directs the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

The Dodd-Frank Act significantly rolls back the federal preemption of state consumer protection laws that is currently enjoyed by federal savings associations and national banks by (1) requiring that a state consumer financial law prevent or significantly interfere with the exercise of a federal savings association’s or national bank’s powers before it can be preempted, (2) mandating that any preemption decision be made on a case by case basis rather than a blanket rule, and (3) ending the applicability of preemption to subsidiaries and affiliates of national banks and federal savings associations. As a result, we may now be subject to state consumer protection laws in each state where we do business, and those laws may be interpreted and enforced differently in different states.

Under the Dodd-Frank Act, the Federal Reserve must adopt rules regarding the interchange fees that may be charged with respect to electronic debit transactions, to take effect one year after enactment. The limits to be placed on debit interchange fees may significantly reduce our debit card interchange revenues. Interchange fees, or “swipe” fees, are charges that merchants pay to us and other credit and debit card companies and card-issuing banks for processing electronic payment transactions. The Dodd-Frank Act provides the Federal Reserve with authority over interchange fees received or charged by a card issuer, requires that fees must be “reasonable and proportional” to the costs of processing such transactions. Although final rules have not yet been adopted, this provision of the Dodd-Frank Act and the applicable rules ultimately promulgated thereunder are expected to cause significant reductions in future card-fee revenues generated by us, while also creating meaningful compliance costs.

Many of the provisions of the Dodd-Frank Act will not become effective until a year or more after its enactment and, if required, the adoption and effectiveness of implementing regulations. In addition, the scope and impact of many of the Dodd-Frank Act’s provisions will be determined through the rulemaking process. As a result, we cannot predict the ultimate impact of the Dodd-Frank Act on us at this time, including the extent to which it could increase costs or limit our ability to pursue business opportunities in an efficient manner, or otherwise adversely affect our business, financial condition and results of operations. However, it is expected that at a minimum they will increase our operating and compliance costs.

Our business strategy includes significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to pursue a significant growth strategy for our business. We regularly evaluate potential acquisitions and expansion opportunities. If appropriate opportunities present themselves, we expect to engage in selected acquisitions or other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful.

Our growth initiatives may require us to recruit experienced personnel to assist in such initiatives. Accordingly, the failure to identify and retain such personnel would place significant limitations on our ability to successfully execute our growth strategy. In addition, as we expand our lending beyond our current market areas, we could incur additional risk related to those new market areas. We may not be able to expand our market presence in our existing market areas or successfully enter new markets.

34

If we do not successfully execute our growth plan, it could adversely affect our business, financial condition, results of operations, reputation and growth prospects. While we believe we have the executive management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth.

We may be unable to fully realize the benefits anticipated in our acquisition of CB&T, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits.

The realization of the benefits anticipated as a result of the recent acquisition, including cost savings and synergies, will depend in part on the successful integration of our operations with CB&T operations. There can be no assurance that such operations will be integrated successfully. Moreover, the integration process may take substantially longer than anticipated. The dedication of management resources to such integration may detract attention from our day-to-day business and the integration costs may be substantial. In addition, the integration process entails a risk that key employees will leave or major customers will take their business elsewhere. Such effects, including, but not limited to, incurrence of unexpected costs or delays in connection with such integration, may have a material adverse effect on the financial results of the combined company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the location and certain additional information regarding the Company's offices and other material properties as of December 31, 2010:

| Location | Owned/ Leased | Date Lease Expires | Net Book Value of Property or Leasehold Improvements (1) | Deposits |
|---|---|---|---|---|
| | | | (In Thousands) | |
| WSFS : | | | | |
| WSFS Bank Center Branch<br>Main Office<br>500 Delaware Avenue<br>Wilmington, DE 19801 | Leased | 2011 | $687 | $1,200,358 |
| Union Street Branch<br>211 North Union Street<br>Wilmington, DE 19805 | Leased | 2012 | 40 | 56,281 |
| Trolley Square Branch<br>1711 Delaware Ave<br>Wilmington, DE 19806 | Leased | 2011 | 35 | 33,223 |
| Fairfax Shopping Center<br>2005 Concord Pike<br>Wilmington, DE 19803 | Leased | 2048 | 1,165 | 90,792 |
| Branmar Plaza Shopping Center Branch<br>1812 Marsh Road<br>Wilmington, DE 19810 | Leased | 2013 | 56 | 113,743 |
| Prices Corner Shopping Center Branch<br>3202 Kirkwood Highway<br>Wilmington, DE 19808 | Leased | 2023 | 480 | 107,362 |
| Pike Creek Shopping Center Branch<br>4730 Limestone Road<br>Wilmington, DE 19808 | Leased | 2015 | 490 | 113,877 |
| University Plaza Shopping Center Branch<br>100 University Plaza<br>Newark, DE 19702 | Leased | 2026 | 1,161 | 49,948 |
| College Square Shopping Center Branch<br>Route 273 & Liberty Avenue<br>Newark, DE 19711 | Leased | 2012 | 599 | 131,613 |
| Airport Plaza Shopping Center Branch<br>144 N. DuPont Hwy.<br>New Castle, DE 19720 | Leased | 2013 | 548 | 71,060 |
| Stanton Branch<br>Inside ShopRite<br>1600 W. Newport Pike<br>Wilmington, DE 19804 | Leased | 2011 | 11 | 40,246 |
| Glasgow Branch | Leased | 2012 | 18 | 36,102 |

| | | | | |
|---|---|---|---|---|
| Inside Safeway at People Plaza<br>Routes 40 & 896<br>Newark, DE 19702 | | | | |
| Middletown Crossing Shopping Center<br>400 East Main Street<br>Middletown, DE 19709 | Leased | 2017 | 731 | 60,686 |

36

| Location | Owned/ Leased | Date Lease Expires | Net Book Value of Property or Leasehold Improvements (1) | Deposits |
|---|---|---|---|---|
| | | | (In Thousands) | |
| Dover Branch<br>Dover Mart Shopping Center<br>South Dupont Highway<br>Dover, DE 19901 | Leased | 2060 | $303 | $12,147 |
| West Dover Loan Office<br>Greentree Office Center<br>160 Greentree Drive<br>Suite 105<br>Dover, DE 19904 | Leased | 2014 | 7 | N/A |
| Blue Bell Loan Office<br>721 Skippack Pike<br>Suite 101<br>Blue Bell, PA 19422 | Leased | 2012 | 14 | 5,695 |
| Glen Mills ShoppingCenter<br>Route 202<br>Glen Mills, PA 19342 | Leased | 2039 | 1,759 | 12,573 |
| Brandywine Branch<br>Inside Safeway Market<br>2522 Foulk Road<br>Wilmington, DE 19810 | Leased | 2014 | 5 | 35,502 |
| Operations Center<br>2400 Philadelphia Pike<br>Wilmington, DE 19703 | Owned | | 707 | N/A |
| Longwood Branch<br>826 East Baltimore Pike<br>Suite 7<br>Kennett Square, PA 19348 | Leased | 2015 | 47 | 14,992 |
| Holly Oak Branch<br>Inside Super Fresh<br>2105 Philadelphia Pike<br>Claymont, DE 19703 | Leased | 2015 | 9 | 27,797 |

| | | | | |
|---|---|---|---|---|
| Hockessin Branch<br>7450 Lancaster Pike<br>Wilmington, DE 19707 | Leased | 2015 | 566 | 97,171 |
| Lewes LPO<br>Southpointe Professional Center<br>1515 Savannah Road, Suite 103<br>Lewes, DE 19958 | Leased | 2013 | 70 | N/A |
| Fox Run Shopping Center Branch<br>210 Fox Hunt Drive<br>Bear, DE 19701 | Leased | 2015 | 744 | 82,631 |

| Location | Owned/ Leased | Date Lease Expires | Net Book Value of Property or Leasehold Improvements (1) | Deposits |
|---|---|---|---|---|
| | | | (In Thousands) | |
| Camden Town Center Branch<br>4566 S. Dupont Highway<br>Camden, DE 19934 | Leased | 2024 | $805 | $34,431 |
| Rehoboth Branch<br>Lighthouse Plaza<br>19335 coastal Highway<br>Rehoboth, DE 19771 | Leased | 2028 | 786 | 49,978 |
| West Dover Branch<br>1486 Forest Avenue<br>Dover, DE 19904 | Owned | | 2,094 | 35,625 |
| Longneck Branch<br>25926 Plaza Drive<br>Millsboro, DE 19966 | Leased | 2026 | 1,081 | 35,742 |
| Smyrna Branch<br>Simon's Corner Shopping Center<br>400 Jimmy Drive<br>Smyrna, DE 19977 | Leased | 2028 | 1,115 | 38,509 |
| Oxford, LPO<br>59 South Third Street<br>Suite 1<br>Oxford, PA 19363 | Leased | 2011 | 14 | 7,590 |
| Greenville Branch<br>3908 Kennett Pike<br>Greenville, DE 19807 | Owned | | 1,927 | 87,361 |
| WSFS Bank Center (2)<br>500 Delaware Avenue<br>Wilmington, DE 19801 | Leased | 2019 | 1,685 | N/A |
| Annandale, LPO<br>7010 Little River Tnpk.<br>Suite 330<br>Annandale, VA 22003 | Leased | 2011 | 7 | 2,256 |
| Oceanview Branch<br>69 Atlantic Avenue | Leased | 2024 | 1,222 | 18,654 |

| | | | | |
|---|---|---|---|---|
| Oceanview, DE 19970 | | | | |
| Selbyville Branch<br>Strawberry Center<br>Unit 2<br>Selbyville, DE 19975 | Leased | 2013 | 38 | 8,109 |
| Lewes Branch<br>34383 Carpenters Way<br>Lewes, DE 19958 | Leased | 2028 | 271 | 22,159 |
| Millsboro Branch<br>26644 Center View Drive<br>Millsboro, DE 19966 | Leased | 2029 | 1,116 | 8,262 |

| Location | Owned/ Leased | Date Lease Expires | Net Book Value of Property or Leasehold Improvements (1) | Deposits |
|---|---|---|---|---|
| | | | (In Thousands) | |
| Concord Square Branch 4401 Concord Pike Wilmington, DE 19803 | Leased | 2011 | $40 | $32,111 |
| Crossroads Branch 2080 New Castle Avenue New Castle, DE 19720 | Leased | 2013 | 37 | 16,517 |
| Delaware City Branch 145 Clinton Street Delaware City, DE 19706 | Owned | | 118 | 7,218 |
| Governor's Square Branch (3) 1101 Governor's Place Bear, DE 19701 | Leased | 2010 | 37 | 10,928 |
| West Newark Branch Route 202 Glen Mills, PA 19342 | Leased | 2040 | 102 | N/A |
| Lantana Shopping Center Branch 6724 Limestone Road Hockessin, DE 19707 | Leased | 2050 | 17 | N/A |
| West Chester Branch 400 East Market Street West Chester, PA 19382 | Leased | 2017 | 5 | 1,523 |
| Edgemont Branch (4) 5000 West Chester Pike Newtown, Square, PA 19073 | Leased | 2036 | 92 | N/A |
| Branmar Plaza Shopping Center Branch 1708 Foulk Road | Leased | 2061 | 172 | N/A |

| | | | | |
|---|---|---|---|---|
| Wilmington, DE 19810 | | | | |
| Cypress Capital Management, LLC 1220 Market Street Suite 704 Wilmington, DE 19801 | Leased | 2013 | - | N/A |

39

| Location | Owned/ Leased | Date Lease Expires | Net Book Value of Property or Leasehold Improvements (1) | Deposits |
|---|---|---|---|---|
| | | | (In Thousands) | |
| Christiana Trust King Street Office 1314 King Street Wilmington, De 19801 | Owned | | $1,097 | N/A |
| Delaware Avenue Office 300 Delaware Avenue Suite 714 Wilmington, DE 19801 | Leased | 2012 | - | N/A |
| Greenville Wealth Management Center 3801 Kennett Pike Suite C-200 Greenville, DE 19807 | Leased | 2012 | 332 | N/A |
| Las Vegas Wealth Management Center 101 Convention Center Drive Suite P109 Las Vegas, NV 89109 | Leased | 2013 | - | N/A |
| | | | $24,462 | $2,810,772 |

(1) The net book value of all the Company's investment in premise and equipment totaled $31.9 million at December 31, 2010.
(2) Location of Corporate Headquarters .
(3) Branch closed as of January 14, 2011.
(4) Branch is not opened yet. Expected to open in the first half of 2011.

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings to be disclosed under this item.

ITEM 4. [Reserved]

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Market for Registrant's Common Equity and Related Stockholder Matters

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol WSFS. At December 31, 2010, we had 1,080 registered common stockholders of record. The following table sets forth the range of high and low sales prices for the Common Stock for each full quarterly period within the two most recent fiscal years as well as the quarterly dividends paid.

The closing market price of our Common Stock at December 31, 2010 was $47.44.

Stock Price Range

| | | Low | High | Dividends |
|---|---|---|---|---|
| 2010 | 4th | $36.37 | $50.99 | $0.12 |
| | 3rd | 32.87 | 38.82 | 0.12 |
| | 2nd | 34.05 | 46.00 | 0.12 |
| | 1st | 24.86 | 39.80 | 0.12 |
| | | | | $0.48 |
| 2009 | 4th | $24.16 | $30.18 | $0.12 |
| | 3rd | 26.00 | 32.70 | 0.12 |
| | 2nd | 20.78 | 33.85 | 0.12 |
| | 1st | 16.47 | 49.50 | 0.12 |
| | | | | $0.48 |

## COMPARATIVE STOCK PERFORMANCE GRAPH

The graph and table which follow show the cumulative total return on our Common Stock over the last five years compared with the cumulative total return of the Dow Jones Total Market Index and the Nasdaq Bank Index over the same period as obtained from Bloomberg L.P. Cumulative total return on our Common Stock or the index equals the total increase in value since December 31, 2005, assuming reinvestment of all dividends paid into the Common Stock or the index, respectively. The graph and table were prepared assuming $100 was invested on December 31, 2005 in our Common Stock and in each of the indexes. There can be no assurance that our future stock performance will be the same or similar to the historical stock performance shown in the graph below. We neither make nor endorse any predictions as to stock performance.

CUMULATIVE TOTAL SHAREHOLDER RETURN
COMPARED WITH PERFORMANCE OF SELECTED INDEXES
December 31, 2005 through December 31, 2010

| | Cumulative Total Return | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| WSFS Financial Corporation | $ 100 | $ 110 | $ 83 | $ 80 | $ 44 | $ 81 |
| Dow Jones Total Market Index | 100 | 115 | 123 | 78 | 99 | 116 |
| Nasdaq Bank Index | 100 | 114 | 91 | 72 | 60 | 69 |

ITEM 6. SELECTED FINANCIAL DATA

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | (Dollars in Thousands, Except Per Share Data) | | | | |
| At December 31, | | | | | |
| Total assets | $3,953,518 | $3,748,507 | $3,432,560 | $3,200,188 | $2,997,396 |
| Net loans (1) | 2,575,890 | 2,479,155 | 2,443,835 | 2,233,980 | 2,019,741 |
| Investment securities (2) | 53,137 | 46,047 | 49,749 | 26,235 | 53,893 |
| Investment in reverse mortgages, net | (686) | (530) | (61) | 2,037 | 598 |
| Other investments | 37,790 | 40,395 | 39,521 | 46,615 | 41,615 |
| Mortgage-backed securities (2) | 713,358 | 681,242 | 498,205 | 496,492 | 516,711 |
| Total deposits | 2,810,774 | 2,561,871 | 2,122,352 | 1,827,161 | 1,756,348 |
| Borrowings (3) | 680,595 | 787,798 | 999,734 | 1,068,149 | 935,668 |
| Trust preferred borrowings | 67,011 | 67,011 | 67,011 | 67,011 | 67,011 |
| Stockholders' equity | 367,822 | 301,800 | 216,635 | 211,330 | 212,059 |
| Number of full-service branches (4) | 36 | 37 | 35 | 29 | 27 |
| | | | | | |
| For the Year Ended December 31, | | | | | |
| Interest income | $162,403 | $157,730 | $166,477 | $189,477 | $177,177 |
| Interest expense | 41,732 | 53,086 | 77,258 | 107,468 | 99,278 |
| Noninterest income | 50,115 | 50,241 | 45,989 | 48,166 | 40,305 |
| Noninterest expenses | 109,332 | 108,504 | 89,098 | 82,031 | 69,314 |
| Provision (benefit) for income taxes | 5,454 | (2,093) | 6,950 | 13,474 | 15,660 |
| Net Income | 14,117 | 663 | 16,136 | 29,649 | 30,441 |
| Dividends on preferred stock and accretion of discount | 2,770 | 2,590 | - | - | - |
| Net income (loss) allocable to common stockholders | 11,347 | (1,927) | 16,136 | 29,649 | 30,441 |
| Earnings (loss) per share allocable to common stockholders: | | | | | |
| Basic | 1.48 | (0.30) | 2.62 | 4.69 | 4.59 |
| Diluted | 1.46 | (0.30) | 2.57 | 4.55 | 4.41 |
| | | | | | |
| Interest rate spread | 3.46% | 3.10% | 2.94% | 2.80% | 2.70% |
| Net interest margin | 3.62 | 3.30 | 3.13 | 3.09 | 2.98 |
| Efficiency ratio | 63.61 | 69.56 | 65.36 | 62.48 | 58.09 |
| Noninterest income as a percentage of total revenue (5) | 29.16 | 32.21 | 33.74 | 36.69 | 33.78 |
| Return on average equity | 4.21 | 0.24 | 7.30 | 14.34 | 15.42 |
| Return on average assets | 0.37 | 0.02 | 0.50 | 0.98 | 1.03 |
| Average equity to average assets | 8.84 | 7.86 | 6.86 | 6.87 | 6.68 |
| Tangible equity to assets | 8.52 | 7.73 | 5.88 | 6.52 | 7.00 |
| Tangible common equity to assets | 7.18 | 6.31 | 5.88 | 6.52 | 7.00 |
| Ratio of nonperforming assets to total assets | 2.35 | 2.19 | 1.04 | 0.99 | 0.14 |

(1) Includes loans held-for-sale.
(2) Includes securities available-for-sale and trading.
(3)

Borrowings consist of FHLB advances, securities sold under agreement to repurchase and other borrowed funds.

(4) WSFS opened one branch, closed two branches, acquired and subsequently closed two branches in 2010; opened two branches in 2009; acquired six (keeping four open and closing two) in 2008; opened three branches and closed one branch in 2007; and opened three in 2006.

(5) Computed on a fully tax-equivalent basis.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

WSFS Financial Corporation ("the Company," "our Company," "we," "our" or "us") is a thrift holding company headquartered in Wilmington, Delaware. Substantially all of our assets are held by our subsidiary, Wilmington Savings Fund Society, FSB ("WSFS Bank" or the "Bank"). Founded in 1832, we are the seventh oldest bank and trust in the United States continuously-operating under the same name. As a federal savings bank, which was formerly chartered as a state mutual savings bank, we enjoy broader fiduciary powers than most other financial institutions. We have served the residents of the Delaware Valley for over 179 years. We are the largest thrift institution headquartered in Delaware, the fourth largest financial institution in the state on the basis of total deposits traditionally garnered in-market and one of the top 100 trust companies in the country. Our primary market area is the mid-Atlantic region of the United States, which is characterized by a diversified manufacturing and service economy. Our long-term strategy is to serve small and mid-size businesses through loans, deposits, investments, and related financial services, and to gather retail core deposits. Our strategy of "Engaged Associates delivering Stellar Service to create Customer Advocates" focuses on exceeding customer expectations, delivering stellar service and building customer advocacy through highly trained, relationship oriented, friendly, knowledgeable and empowered Associates.

We provide residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services and trust and wealth management services. Lending activities are funded primarily with retail deposits and borrowings. The Federal Deposit Insurance Corporation ("FDIC") insures our customers' deposits to their legal maximum. We serve our customers primarily from our 42 banking and trust offices located in Delaware (35), Pennsylvania (5), Virginia (1) and Nevada (1) and through our website at www.wsfsbank.com.

We have two consolidated subsidiaries, WSFS 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. and Monarch Entity Services, LLC ("Monarch"). WSFS Investment Group, Inc. markets various third-party insurance products and securities through the Bank's retail banking system and Monarch provides commercial domicile services which include employees, directors, subleases and registered agent services in Delaware and Nevada.

Montchanin has one consolidated subsidiary, Cypress Capital Management, LLC ("Cypress"). Cypress is a Wilmington-based investment advisory firm serving high net-worth individuals and institutions. Cypress had approximately $483 million in assets under management at December 31, 2010.

RESULTS OF OPERATIONS

We recorded net income of $14.1 million for the year ended December 31, 2010 compared to $663,000, and $16.1 million for the years ended December 31, 2009 and 2008, respectively. Income allocable to common stockholders (after preferred stock dividends) was $11.3 million, or $1.46 per diluted common share for the year ended December 31, 2010, compared to a loss of $1.9 million or $0.30 per common share and income of $16.1 million, or $2.57 per diluted common share for the years ended December 31, 2009 and 2008, respectively.

Net Interest Income. Net interest income increased $16.0 million, or 15%, to $120.7 million in 2010 compared to $104.6 million in 2009. The increase in net interest income was due to the increase in average earning assets as well as the net interest margin. Average earning assets increased $157.4 million while the net interest margin for 2010 was 3.62%, up 32 basis points (0.32%) from 2009. During 2010, loan yields remained stable as the Prime rate remained unchanged for a large amount of our variable rate loans. We were able to reduce our cost of deposits through our active deposit pricing management and a shift toward lower cost core deposits from higher costing CDs and wholesale funding compared to 2009. The yield on interest-earning assets only declined by 9 basis points (0.09%), and loan yields declined only 6 basis points (0.06%), while the yield on interest-bearing liabilities declined by 46 basis points (0.46%).

Net interest income increased $15.4 million, or 17%, to $104.6 million in 2009 compared to $89.2 million in 2008. The net interest margin for 2009 was 3.30%, up 17 basis points (0.17%) from 2008. These increases were the result of our growth in core deposits (which improved our funding mix) combined with active management of deposit and wholesale pricing. In comparison to 2008, the yield on interest-bearing liabilities declined by 1.03%, while the yield on interest-earning assets declined by only 0.87% due to ongoing loan pricing management. Also, contributing to the increase in net interest income was an increase in our mortgage-backed securities (MBS) portfolio during 2009, due to purchases made throughout the year to take advantage of market opportunity and optimize our capital position. In addition, the yield on our loan portfolio remained relatively stable.

The following table sets forth certain information regarding changes in net interest income attributable to changes in the volumes of interest-earning assets and interest-bearing liabilities and changes in the rates for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on the changes that are attributable to: (i) changes in volume (change in volume multiplied by prior year rate); (ii) changes in rates (change in rate multiplied by prior year volume on each category); and (iii) net change (the sum of the change in volume and the change in rate). Changes due to the combination of rate and volume changes (changes in volume multiplied by changes in rate) are allocated proportionately between changes in rate and changes in volume.

| Year Ended December 31, | 2010 vs. 2009 | | | 2009 vs. 2008 | | |
|---|---|---|---|---|---|---|
| | Volume | Yield/Rate | Net | Volume | Yield/Rate | Net |
| (Dollars in Thousands) | | | | | | |
| Interest Income: | | | | | | |
| Commercial real estate loans | $ (2,084) | $ 542 | $ (1,542) | $ 1,052 | $ (11,397) | $(10,345) |
| Residential real estate loans | (2,921) | (1,486) | (4,407) | (2,065) | (1,687) | (3,752) |
| Commercial loans (1) | 5,106 | (317) | 4,789 | 12,227 | (8,030) | 4,197 |
| Consumer loans | (335) | (406) | (741) | 1,084 | (3,597) | (2,513) |
| Mortgage-backed securities | 8,029 | (1,377) | 6,652 | 4,720 | (144) | 4,576 |
| Investment securities | (9) | (75) | (84) | 131 | 537 | 668 |
| FHLB Stock and deposits in other banks | — | 6 | 6 | (106) | (1,472) | (1,578) |
| Favorable (unfavorable) | 7,786 | (3,113) | 4,673 | 17,043 | (25,790) | (8,747) |
| | | | | | | |
| Interest expense: | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing demand | 87 | (300) | (213) | 275 | (691) | (416) |
| Money market | 1,738 | (2,294) | (556) | 1,988 | (3,040) | (1,052) |
| Savings | 30 | (57) | (27) | 84 | (299) | (215) |
| Retail time deposits | 601 | (6,165) | (5,564) | 3,742 | (5,974) | (2,232) |
| Brokered certificates of deposits | (247) | (685) | (932) | 1,346 | (6,851) | (5,505) |
| FHLB of Pittsburgh advances | (2,681) | (873) | (3,554) | (6,300) | (5,014) | (11,314) |
| Trust Preferred | — | (407) | (407) | — | (1,478) | (1,478) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other borrowed funds | (265) | 164 | (101) | 458 | (2,418) | (1,960) |
| (Favorable) unfavorable | (737) | (10,617) | (11,354) | 1,593 | (25,765) | (24,172) |
| Net change, as reported | $ 8,523 | $ 7,504 | $ 16,027 | $ 15,450 | $ (25) | $ 15,425 |

(1) The tax-equivalent income adjustment is related to commercial loans.

The following table provides information regarding the average balances of, and yields/rates on interest-earning assets and interest-bearing liabilities during the periods indicated:

| Year Ended December 31, | 2010 | | | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest | Yield/ Rate (1) | Average Balance | Interest | Yield/ Rate (1) | Average Balance | Interest | Yield/ Rate (1) |
| (Dollars in Thousands) | | | | | | | | | |
| Assets | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Loans (2) (3): | | | | | | | | | |
| Commercial real estate loans | $ 737,050 | $ 34,760 | 4.72% | $ 781,433 | $ 36,302 | 4.65% | $ 763,825 | $ 46,647 | 6.11% |
| Residential real estate loans | 344,140 | 17,372 | 5.05 | 400,561 | 21,779 | 5.44 | 437,223 | 25,531 | 5.84 |
| Commercial loans | 1,160,692 | 59,816 | 5.18 | 1,063,339 | 55,027 | 5.21 | 840,303 | 50,830 | 6.08 |
| Consumer loans | 294,288 | 14,399 | 4.89 | 301,234 | 15,140 | 5.03 | 282,943 | 17,653 | 6.24 |
| Total loans | 2,536,170 | 126,347 | 5.02 | 2,546,567 | 128,248 | 5.08 | 2,324,294 | 140,661 | 6.10 |
| Mortgage-backed securities (4) | 742,482 | 35,212 | 4.74 | 574,176 | 28,560 | 4.97 | 480,002 | 23,984 | 5.00 |
| Investment securities (4) (5) | 47,255 | 838 | 1.77 | 47,710 | 922 | 1.93 | 34,263 | 254 | 0.74 |
| Other interest-earning assets | 39,790 | 6 | 0.02 | 39,839 | - | - | 42,934 | 1,578 | 3.68 |
| Total interest-earning assets | 3,365,697 | 162,403 | 4.86 | 3,208,292 | 157,730 | 4.95 | 2,881,493 | 166,477 | 5.82 |
| Allowance for loan losses | (61,104) | | | (40,731) | | | (27,210) | | |
| Cash and due from banks | 59,900 | | | 57,396 | | | 65,022 | | |
| Cash in non-owned ATMs | 262,832 | | | 204,912 | | | 172,304 | | |
| Bank-owned life insurance | 60,880 | | | 59,750 | | | 58,503 | | |
| Other noninterest-earning assets | 107,961 | | | 94,213 | | | 70,838 | | |
| Total assets | $ 3,796,166 | | | $ 3,583,832 | | | $ 3,220,950 | | |
| | | | | | | | | | |
| Liabilities and Stockholders' Equity | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Interest-bearing deposits: | | | | | | | | | |
| Interest-bearing demand | $ 264,790 | $ 435 | 0.16% | $ 230,738 | $ 648 | 0.28% | $ 174,080 | $ 1,064 | 0.61% |
| Money market | 625,470 | 4,301 | 0.69 | 430,437 | 4,857 | 1.13 | 300,775 | 5,909 | 1.96 |
| Savings | 240,871 | 494 | 0.21 | 221,913 | 521 | 0.23 | 197,175 | 736 | 0.37 |
| Customer time deposits | 761,010 | 16,070 | 2.11 | 739,820 | 21,634 | 2.92 | 637,709 | 23,866 | 3.74 |
| Total interest-bearing customer deposits | 1,892,141 | 21,300 | 1.13 | 1,622,908 | 27,660 | 1.70 | 1,309,739 | 31,575 | 2.41 |
| Brokered certificates of deposit | 304,397 | 1,797 | 0.59 | 337,394 | 2,729 | 0.81 | 282,760 | 8,234 | 2.91 |
| Total interest-bearing deposits | 2,196,538 | 23,097 | 1.05 | 1,960,302 | 30,389 | 1.55 | 1,592,499 | 39,809 | 2.50 |
| FHLB of Pittsburgh advances | 544,317 | 14,752 | 2.67 | 642,496 | 18,306 | 2.81 | 841,005 | 29,620 | 3.46 |
| Trust preferred borrowings | 67,011 | 1,390 | 2.05 | 67,011 | 1,797 | 2.64 | 67,011 | 3,275 | 4.81 |
| Other borrowed funds | 185,756 | 2,493 | 1.34 | 206,635 | 2,594 | 1.26 | 186,081 | 4,554 | 2.45 |
| Total interest-bearing liabilities | 2,993,622 | 41,732 | 1.39 | 2,876,444 | 53,086 | 1.85 | 2,686,596 | 77,258 | 2.88 |
| Noninterest-bearing demand deposits | 439,155 | | | 392,069 | | | 283,845 | | |
| Other noninterest-bearing liabilities | 27,829 | | | 33,488 | | | 29,560 | | |
| Stockholders' equity | 335,560 | | | 281,831 | | | 220,949 | | |
| Total liabilities and stockholders' equity | $ 3,796,166 | | | $ 3,583,832 | | | $ 3,220,950 | | |
| Excess of interest-earning assets over interest-bearing liabilities | $ 372,075 | | | $ 331,848 | | | $ 194,897 | | |
| Net interest and dividend income | | $ 120,671 | | | $ 104,644 | | | $ 89,219 | |
| Interest rate spread | | | 3.47% | | | 3.10% | | | 2.94% |
| Net interest margin | | | 3.62% | | | 3.30% | | | 3.13% |

(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 at fair value.
(5) Includes reverse mortgages

46

Provision for Loan Losses. We maintain an allowance for loan losses at an appropriate level based on our assessment of the estimable and probable losses in the loan portfolio, which is discussed further in the “Nonperforming Assets” section of this Management’s Discussion and Analysis. Our evaluation is based upon a review of the portfolio and requires significant judgment. For the year ended December 31, 2010, we recorded a provision for loan losses of $41.9 million compared to $47.8 million in 2009 and $23.0 million in 2008. The provision of $41.9 million is a $5.9 million decrease from 2009. This was the result of asset quality stabilizing and key lending indicators, such as problem loan levels, improving. Also, this decline is indicative of the current point in the business cycle, as problem loans decline and reserves built in prior quarters for the resolution of previously identified problem loans which have now become confirmed losses.

Noninterest Income. Noninterest income was essentially flat at $50.1 million in 2010 compared to $50.2 million for 2009. The $1.8 million decrease in loan fees in 2010 was mainly attributable to the wind down of 1st Reverse Financial Services, LLC during 2009. As a result we did not record any loan fees from this business in 2010. In addition, net gains on sales of securities decreased by $2.4 million in 2010 compared to 2009, but still reflect $1.0 million of net gains in 2010 despite the sale of nearly all of our downgraded MBS. Increases in several items essentially offset these decreases, including an increase of $2.4 million in credit/debit card and ATM income during 2010. This increase was primarily due to growth in prime-based bailment fees at Cash Connect (our ATM division). In addition, fiduciary and investment management income increased $1.2 million during 2010 resulting from our acquisition of CB&T in the fourth quarter of 2010 as well as growth of our existing wealth management and investment businesses during the year.

Noninterest income increased $4.3 million to $50.2 million in 2009, or 9%, from $46.0 million in 2008. A significant amount of this increase was due to securities gains, which increased $3.3 million during 2009. These security gains included $3.0 million of incremental mark-to-market adjustments on the BBB+ MBS, as we recognized positive adjustments of $1.4 million during 2009 compared with negative adjustments of $1.6 million in 2008. The securities gains increase also included $2.0 million in gains from the sale of securities during 2009. Partially offsetting these increases was the absence of any gains on the sale of Visa, Inc. shares in 2009. During 2008 we recognized $1.8 million in gains on sale of Visa, Inc shares related to the completion of their initial public offering. In addition to securities gains, mortgage banking activities increased $1.5 million due to increased mortgage loan originations and sales, including a $16.7 million bulk loan sale completed during 2009. Also during 2009, loan fee income increased $1.2 million as a result of increased fees from 1st Reverse, our majority owned national reverse mortgage subsidiary. The wind-down of 1st Reverse was completed in the fourth quarter of 2009. These noninterest income increases were partially offset by a reduction in BOLI income of $869,000 due to lower yields in underlying investments funding this program and a $707,000 decrease in credit/debit card and ATM income which was the result of reduced prime-based ATM bailment fees from Cash Connect resulting from the lower interest rate environment. Although noninterest income was negatively impacted by lower bailment fees, the net interest margin benefited due to lower funding costs for these borrowings.

Noninterest Expenses. Noninterest expenses increased only $828,000 during 2010 compared to 2009. During 2009 there were $6.1 million of non-routine items compared to $1.7 million during 2010. For additional detail on these non-routine items see Note 21 to the Consolidated Financial Statements. Excluding the non-routine items, the remaining increase in expenses was the result of higher FDIC expense during 2010 mainly due to increased deposit balances during the year. In addition, loan workout and other real estate owned (“OREO”) expenses increased, as we continued our active asset disposition efforts and prudent write-downs to expected realizable values. Otherwise, increases in expense items reflect the thoughtful and aggressive growth efforts we have taken to pursue the significant opportunities in our market. Examples of this growth are increased expenses related to the ongoing operations of Christiana Trust as well as the addition of eight new relationship mangers and the related support staff during the past year. Further, during 2010 we completed five new, relocated or renovated branch offices, as well as preparation for several additional or renovated offices during 2011. As we continue our expansion plans, additional costs for Associates, infrastructure and marketing are anticipated in 2011.

Noninterest expenses increased $19.4 million, or 22%, to $108.5 million in 2009 from $89.1 million in 2008. A large portion of the increase is attributable to $6.1 million of non-routine items recorded during 2009. For additional information on any of these non-routine items see Note 21 to the Consolidated Financial Statements. Excluding the non-routine items, the remaining increase was mainly due to an additional $5.4 million of FDIC insurance premium expense during 2009. Also during 2008, write-downs of assets acquired through foreclosure (REO) and other credit related costs increased $3.3 million related to additional deterioration in housing prices and appraisal values. Further, during 2009 professional fees increased $3.0 million mainly due to increased credit related issues. In addition, the increase in professional fees included a $1.2 million accrual of consulting expenses related the Company's efficiency effort: Creative Opportunities for Revenues and Expenses (CORE) program. This expense accrual was for the portion of the consultant's work that was completed. Lastly, salaries benefits and other compensation as well as occupancy and equipment expenses increased $3.4 million due to the continued growth of our banking franchise during 2009. This growth included the full year impact of seven branch openings and renovations during 2008 (including four branches from Sun National Bank) and an additional two new branches and two branch relocations during 2009.

Income Taxes. We recorded $5.5 million of tax expense for the year ended December 31, 2010 compared to a tax benefit of $2.1 million and tax expense $7.0 million for the years ended December 31, 2009 and 2008, respectively. The effective tax rates for the years ended December 31, 2010, 2009 and 2008 were 27.9%, 146.4% and 30.1%, respectively. The 2009 tax benefit is a result of our pre-tax operating loss, combined with tax free income and a reduction in unrecognized tax benefits during the year. Volatility in effective tax rates is directly impacted by the level of pretax income or loss, combined with the amount of tax-free income as well as the effects of unrecognized tax benefits. The provision for income taxes includes federal, state and local income taxes that are currently payable or deferred because of temporary differences between the financial reporting basis and the tax reporting basis of the assets and liabilities.

FINANCIAL CONDITION

Total assets increased $205.0 million, or 5%, to $4.0 billion as December 31, 2010 compared to December 31, 2009. A significant portion of this increase was due to growth in net loans of $96.7 million, or 4%, during 2010. Loan growth was impacted by the acquisition of CB&T, including $106.2 million of loans. In addition, cash in non-owned ATMs and our mortgage-backed securities increased $61.7 million and $32.1 million, respectively. Total liabilities increased $139.0 million during the year to $3.6 billion at December 31, 2010. This increase was primarily the result of an increase in customer deposits of $346.5 million, or 16%, including $175.2 million of customer deposits from the acquisition of CB&T. In addition, money market accounts increased $193.2 million, or 35% during 2010. Partially offsetting these increases was a $124.2 million, or 20% decrease in Federal Home Loan Bank advances.

Cash in non-owned ATMs. During 2010, cash in non-owned ATMs managed by Cash Connect, our ATM unit, increased $61.7 million, or 23%. Cash Connect serviced over 10,000 ATMs at December 31, 2010 of which, 319 were WSFS owned and operated.

Mortgage-backed Securities. Investments in mortgage-backed securities increased $32.1 million to $713.4 million during 2010. We sold $154.6 million in mortgage-backed securities during 2010 for a net gain of $782,000. Our mortgage-backed securities are predominantly of short duration with a weighted average duration of 2.1 years at December 31, 2010.

Investment Securities. Our investment securities are comprised mostly of Government Sponsored Entities ("GSE") securities with maturities of less than four years. We own no Collateralized Debt Obligations, Bank Trust Preferred, Agency Preferred securities or equity securities in other FDIC insured banks or thrifts.

Loans, net. Net loans (including those held-for-sale) increased $96.7 million, or 4%, during 2010, including $106.2 million of loans related to the acquisition of CB&T.  Loan growth (counting the CB&T

loans) included increases of $188.9 million, or 7%, and $100.6 million, or 19%, in commercial and commercial real estate loans, respectively. These increases were partially offset by the intentional decline of $90.6 million, or 39%, in construction loan balances during 2010. In addition, residential mortgage loans decreased by $34.3 million, or 10%, mainly due to our strategy to originate then sell these loans in the secondary market to generate fee income.

Goodwill and Intangibles. Goodwill and intangibles increased $20.4 million during 2010 due to the acquisition of CB&T during 2010. As a result of this acquisition, we recorded goodwill of $15.9 million, core deposit intangibles of $1.9 million and other amortizing intangibles of $2.9 million.

Customer Deposits. Customer deposits increased $346.5 million, or 16%, during 2010 to $2.6 billion. During 2010 we acquired CB&T, which included $175.2 million in customer deposit accounts. For additional information regarding this transaction, see Note 20 to the Consolidated Financial Statements. Core deposit relationships (demand deposits, money market and savings accounts) increased $307.0 million, or 21%, during the year. Jumbo certificates of deposits increased $24.8 million, or 9%, and customer time deposits (CDs) increased $14.7 million, or 3%, in 2010. The table below depicts the changes in customer deposits during the last three years:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| | (Dollars In Millions) | | |
| Beginning balance | $ 2,215 | $ 1,811 | $ 1,578 |
| Interest credited | 20 | 28 | 36 |
| Deposit inflows, net | 327 | 376 | 197 |
| Ending balance | $ 2,562 | $ 2,215 | $ 1,811 |

Borrowings and Brokered Certificates of Deposit. Borrowings and brokered certificates of deposit decreased by $204.8 million, or 17%, during 2010. This decrease was primarily the result of a decrease in FHLB advances of $124.2 million, or 20%. Brokered certificates of deposits decreased $97.6 million, or 28%.

Stockholders' Equity. Stockholders' equity increased $66.0 million to $367.8 million at December 31, 2010. This increase included the successful completion of a common stock offering which raised $54.6 million, net of $2.9 million of costs. Our other comprehensive income, which includes unrealized gains/losses on available-for-sale securities, also increased by $8.6 million (net of tax) as interest rates and credit market dynamics lifted the valuation of our short duration securities. Retained earnings increased $7.8 million, or 2%, to $393.1 million. Partially offsetting these increases were cash dividends on common and preferred stock of $3.6 million.

## ASSET/LIABILITY MANAGEMENT

Our primary asset/liability management goal is to maximize long term net interest income opportunities within the constraints of managing interest rate risk, while ensuring adequate liquidity and funding and maintaining a strong capital base.

In general, interest rate risk is mitigated by closely matching the maturities or repricing periods of interest-sensitive assets and liabilities to ensure a favorable interest rate spread. We regularly review our interest-rate sensitivity, and use a variety of strategies as needed to adjust that sensitivity within acceptable tolerance ranges established by management and the Board of Directors. Changing the relative proportions of fixed-rate and adjustable-rate assets and liabilities is one of our primary strategies to accomplish this objective.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest-rate sensitive" and by monitoring an institution's interest-sensitivity gap. An interest-sensitivity gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities repricing within a defined period, and is considered negative when the amount of interest-rate sensitive liabilities exceeds the amount of interest-rate sensitive assets repricing within a defined period.

The repricing and maturities of our interest-rate sensitive assets and interest-rate sensitive liabilities at December 31, 2010 are shown in the following table:

| (Dollars in Thousands) | Less than One Year | One to Five Years | Over Five Years | Total |
|---|---|---|---|---|
| Interest-rate sensitive assets: | | | | |
| Real estate loans (1) (2) | $ 876,819 | $ 97,841 | $ 78,353 | $ 1,053,013 |
| Commercial loans (2) | 974,922 | 172,365 | 40,806 | 1,188,093 |
| Consumer loans (2) | 230,766 | 41,431 | 33,824 | 306,021 |
| Mortgage-backed securities | 169,476 | 374,288 | 169,594 | 713,358 |
| Loans held-for-sale (2) | 14,552 | — | — | 14,552 |
| Investment securities | 10,878 | 40,748 | 38,361 | 89,987 |
| Interest-bearing deposits in other banks | 254 | — | — | 254 |
| | 2,277,667 | 726,673 | 360,938 | 3,365,278 |
| Interest-rate sensitive liabilities: | | | | |
| Money market and interest-bearing demand deposits | 711,628 | — | 344,726 | 1,056,354 |
| Savings deposits | 127,669 | — | 127,671 | 255,340 |
| Retail time deposits | 489,110 | 214,768 | 992 | 704,870 |
| Jumbo certificates of deposit | 74,183 | 2,922 | — | 77,105 |
| Brokered certificates of deposit | 244,539 | 4,467 | — | 249,006 |
| FHLB advances | 218,855 | 270,104 | — | 488,959 |
| Trust preferred borrowings | 67,011 | — | — | 67,011 |
| Other borrowed funds | 136,636 | 55,000 | — | 191,636 |
| | 2,069,631 | 547,261 | 473,389 | 3,090,281 |
| (Deficiency) excess of interest-rate sensitive assets over interest-rate sensitive liabilities (“interest-rate sensitive gap”) | $ 208,036 | $ 179,412 | $ (112,451) | $ 274,997 |
| One-year interest-rate sensitive assets/ Interest-rate sensitive liabilities | 110.05% | | | |
| One-year interest-rate sensitive gap as a Percent of total assets | 5.26% | | | |

(1) Includes commercial mortgage, construction, and residential mortgage loans
(2) Loan balances exclude nonaccruing loans, deferred fees and costs

Generally, during a period of rising interest rates, a positive gap would result in an increase in net interest income while a negative gap would adversely affect net interest income. Conversely, during a period of falling rates, a positive gap would result in a decrease in net interest income while a negative gap would augment net interest income. However, the interest-sensitivity table does not provide a comprehensive representation of the impact of interest rate changes on net interest income. Each category of assets or liabilities will not be affected equally or simultaneously by changes in the general level of interest rates. Even assets and liabilities which contractually reprice within the rate period may not, in fact, reprice at the same price or the same time or with the same frequency. It is also important to consider that the table represents a specific point in time. Variations can occur as we adjust our interest-sensitivity position throughout the year.

To provide a more accurate position of our one-year gap, certain deposit classifications are based on the interest-rate sensitive attributes and not on the contractual repricing characteristics of these deposits. We estimate, based on historical trends of our deposit accounts, that 75% of our money market and 50% of our interest-bearing demand deposits are sensitive to interest rate changes and that 50% of our savings deposits are sensitive to interest rate changes. Accordingly, these interest-sensitive portions are classified in the less than one-year category with the remainder in the over five-year category.

Deposit rates other than time deposit rates are variable, and changes in deposit rates are generally subject to local market conditions and our discretion and are not indexed to any particular rate.

During the first quarter of 2010 we executed on $75.0 million of intermediate-term FHLB Advances in order to reduce the sensitivity of our net interest income to increases in market interest rates.

REVERSE MORTGAGES

We hold an investment in reverse mortgages of ($686,000) at December 31, 2010 representing a participation in reverse mortgages with a third party. Sixteen loans remain in this portfolio. The loans were originated in the early 1990s.

These reverse mortgage loans are contracts that require the lender to make monthly advances throughout each borrower's life or until each borrower relocates, prepays or the home is sold, at which time the loan becomes due and payable. Reverse mortgages are nonrecourse obligations, which means that the loan repayments are generally limited to the net sale proceeds of the borrower's residence.

We account for our investment in reverse mortgages by estimating the value of the future cash flows on the reverse mortgages at a discount rate deemed appropriate for these mortgages, based on the market rate for similar collateral. Actual cash flows from the maturity of these mortgage loans can result in significant volatility in the recorded value of reverse mortgage assets. As a result, income varies significantly from reporting period to reporting period. For the year ended December 31, 2010, we recorded a negative $287,000 in interest income on reverse mortgages. For the year ended December 31, 2009, we recorded a negative $464,000 in interest income on reverse mortgages, and we recorded a negative $1.1 million in 2008. The results for all three years were primarily due to the decrease in the values of the properties securing the mortgages, based on annual re-evaluations and consistent with the decrease in home values over the past three years.

The projected cash flows depend on assumptions about life expectancy of the mortgagees and the future changes in collateral values. Projecting the changes in collateral values is the most significant factor impacting the volatility of reverse mortgage values. Our current assumptions include a short-term annual appreciation rate of zero in the first year, and a long-term annual appreciation rate of 0.5% in future years. If the long-term appreciation rate was increased to 1.5%, the resulting impact would have resulted in income of $1,000. Conversely, if the long-term appreciation rate was decreased to -0.5%, the resulting impact on income would have been a loss of $1,000. If housing values do not change (0.0% annual appreciation for all future years) the resulting impact would be a loss of less than $1,000.

We hold $12.4 million fair value of BBB+ rated mortgage-backed securities classified as trading. We also have options to acquire up to 49.9% of Class "O" Certificates issued in connection with securities consisting of a portfolio of reverse mortgages we previously owned. The Class "O" Certificates are currently recorded on our financial statements at a zero value. At the time of the securitization, the third-party securitizer (Lehman Brothers Holding, Inc. "Lehman Brothers") retained 100% of the Class "O" Certificates from the securitization. These Class "O" Certificates have no priority over other classes of Certificates under the Trust and no distributions will be made on the Class "O" Certificates until, among other conditions, the principal amount of each other class of notes has been reduced to zero. The underlying assets, the reverse mortgages, are very long-term assets. Therefore, any cash flow that might inure to the holder of the Class "O" Certificates is not expected to occur until a number of years in the future. Additionally, we have had the ability to exercise our option on 49.9% of the Class "O" Certificates in up to five separate increments for an aggregate purchase price of $1.0 million any time between January 1, 2004 and the termination of the Securitization

Trust. The option to purchase the Class “O” Certificates does not meet the definition of a derivative under ASU 815-10, Derivatives and Hedging (formerly Statement of Financial Accounting Standards (“SFAS”) No. 161,

51

Disclosure about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133) and is carried in our financial statements at cost. In 2008 Lehman Brothers filed for bankruptcy. During 2009 we filed a "Proof of Claim" against Lehman Brothers Holding, Inc. regarding the option on the Class "O" Certificates. Also during 2009 we notified Lehman Brothers Holding, Inc. that we were exercising our option on these securities. While the status of this exercise is still pending, during 2010 we entered into negotiations with the bankruptcy estate to fully resolve this claim.

During 2009, we acquired a majority interest in 1st Reverse Financial Services, LLC (1st Reverse), which specializes in originating and subsequently selling reverse mortgage loans nationwide. These reverse mortgages are government approved and insured. During the latter part of 2009, we decided to conduct an orderly wind-down of 1st Reverse operations (discussed further in Note 19 of the Financial Statements).

NONPERFORMING ASSETS

Nonperforming assets, which include nonaccruing loans, nonperforming real estate investments and assets acquired through foreclosure and troubled debt restructures, can negatively affect our results of operations. 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 defined as loans contractually past due 90 days or more as to principal or interest payments but which remain in accrual status because they are considered well secured and in the process of collection.

The following table shows our nonperforming assets and past due loans at the dates indicated:

| At December 31, | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| (Dollars in Thousands) | | | | | |
| Nonaccruing loans: | | | | | |
| Commercial mortgages | $ 9,490 | $ 1,021 | $ 5,748 | $ 3,873 | $ 500 |
| Construction | 30,260 | 44,680 | 16,595 | 6,794 | — |
| Commercial | 21,577 | 9,463 | 986 | 17,187 | 1,282 |
| Residential mortgages | 11,739 | 9,959 | 4,753 | 2,417 | 1,493 |
| Consumer | 3,701 | 818 | 352 | 835 | 557 |
| Total nonaccruing loans | 76,767 | 65,941 | 28,434 | 31,106 | 3,832 |
| Assets acquired through foreclosure | 9,024 | 8,945 | 4,471 | 703 | 388 |
| Restructured loans (1) | 7,107 | 7,274 | 2,855 | — | — |
| Total nonperforming assets | $ 92,898 | $ 82,160 | $ 35,760 | $ 31,809 | $ 4,220 |
| | | | | | |
| Past due loans: | | | | | |
| Residential mortgages | $ 465 | $ 1,221 | $ 1,313 | $ 388 | $ 219 |
| Commercial and commercial mortgages | — | 105 | — | 14 | 3 |
| Consumer | — | 97 | 26 | 173 | 29 |
| Total past due loans | $ 465 | $ 1,423 | $ 1,339 | $ 575 | $ 251 |

| | | | | | |
|---|---|---|---|---|---|
| Ratio of nonaccruing loans to total loans (2) | 2.93% | 2.61% | 1.15% | 1.38% | 0.19% |
| Ratio of allowance for loan losses to gross loans (2) | 2.30 | 2.12 | 1.26 | 1.12 | 1.34 |
| Ratio of nonperforming assets to total assets | 2.35 | 2.19 | 1.04 | 0.99 | 0.14 |
| Ratio of loan loss allowance to nonaccruing loans (3) | 62.94 | 63.10 | 108.30 | 78.80 | 705.32 |

(1) Nonaccruing TDRs are included in their respective categories of nonaccruing loans.
(2) Total loans exclude loans held-for-sale.
(3) The applicable allowance represents general valuation allowances only.

Nonperforming assets increased $10.7 million between December 31, 2009 and December 31, 2010. As a result nonperforming assets, as a ratio of total assets, increased to 2.35% at December 31, 2010 an increase of 0.16% over the 2.19% as of December 31, 2009. A reduction in nonperforming construction loans of $14.4 million was more than offset by increases in nonperforming commercial, commercial mortgage and retail loans of $25.2 million. The increase was mainly due to the migration of small business loans and reflects the impact the current ongoing economic downturn is having on small business customers. The decrease in nonperforming construction loans was a result of proactive credit management as we emphasized problem asset resolution. Assets acquired through foreclosure increased slightly to $9.0 million at December 31, 2010 compared to $8.9 million at December 31, 2009. While we have added significant resources, proactively managed resolution of problem assets and have seen leading indicators continue to improve during the fourth quarter of 2010, the level of nonperforming assets is expected to continue to show volatility.

All of the accruing restructured loans were residential mortgages and consumer loans. Concessions on these loans consisted mainly of forbearance agreements, reduction in interest rates or extensions of maturity. There were $15.6 million of restructured loans included in nonaccruing loan balances (all in construction loans). Nonaccruing restructured loans remain in nonaccrual status until there has been a period of sustained historical repayment performance for a reasonable period, usually six months.

The following table provides an analysis of the change in the balance of nonperforming assets during the last three years:

| Year Ended December 31 | 2010 | 2009 | 2008 |
|---|---|---|---|
| (In Thousands) | | | |
| Beginning balance | $82,160 | $35,760 | $31,809 |
| Additions | 89,876 | 100,925 | 48,152 |
| Collections | (38,459) | (19,133) | (26,574) |
| Transfers to accrual | (1,077) | (6,236) | (1,345) |
| Charge-offs/write-downs | (39,602) | (29,156) | (16,282) |
| Ending balance | $92,898 | $82,160 | $35,760 |

As of December 31, 2010, we had $108.0 million of loans, which although performing at that date, required increased supervision and review, and may, depending on the economic environment and other factors, become nonperforming assets in future periods. The amount of such loans at December 31, 2009 was $98.5 million. The majority of these loans are secured by commercial real estate, with others being secured by residential real estate, inventory and receivables.

At December 31, 2010, we did not have a material amount of loans not classified as non-accrual, 90 days past due or restructured but where known information about possible credit problems of borrowers caused us to have serious concerns as to the ability of the borrowers to comply with present loan repayment terms and may result in disclosure as non-accrual, 90 days past due or restructured.

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

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

53

identified problem loans; formula allowances for commercial and commercial real estate loans; and allowances for pooled homogenous loans.

Specific reserves are established when appropriate for certain loans in cases where we have identified significant conditions or circumstances related to a specific credit that we believe indicate the loan is impaired.

The formula allowances for commercial loans are calculated by applying estimated loss factors to outstanding loans based on the internal risk grade of loans. For low risk commercial and commercial real estate loans the portfolio is pooled, based on internal risk grade, and, as a starting point, estimates are based on a ten-year net charge-off history. Higher risk and criticized loans have loss factors that are derived from an analysis of both the probability of default and the probability of loss should default occur. Loss adjustment factors are then applied to the historical data 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 the 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.

Adjustments to historical losses are based upon our evaluation of various current conditions including those listed below:

- General economic and business conditions affecting our 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
- 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 the conditions and risks associated with individual loans. We also have an internal loan review function that oversees and examines management's internal ratings. We have an internal loan rating system with twelve categories of loan ratings, which is used to evaluate our commercial loans. These categories are discussed later in this Note 6 to the Consolidated Financial Statements.

In addition, we regularly contract with third-party loan review experts to review portions of the portfolio. Further, various regulatory agencies, as an integral part of their examination process, periodically review our allowance for such losses. We also give consideration to the results of these regulatory agency examinations.

Increases in the allowance for loan losses in 2010 compared to prior periods and 2009 were due to rising trends in our past due and nonperforming loans and the effects of rising unemployment rates. The increase in non-performing loans is a direct result of the weak economic environment impacting numerous borrowers' ability to pay as scheduled. This has resulted in increased loan delinquencies over the economic cycle and, in some cases, decreases in the collateral value used to secure real estate loans and the ability to sell the collateral upon foreclosure. Collateral value is assessed based on third-party appraisals, collateral value trends and liquidation value trends. In certain circumstances, the appraised value may be adjusted based upon the consideration of the age of the appraisal and other liquidation expenses to determine appropriate discounts that may be needed. In response to the deterioration in real estate loan quality over this cycle, management closely monitors this portfolio.

A loan is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect principal or interest that is due in accordance with contractual terms of the loan. Impaired loans include nonaccrual loans and troubled debt restructured loans. Loan impairment is measured in accordance with FASB ASC 310, Receivables (Formerly SFAS No. 114, Accounting for Creditors for Impairment of a Loan). The adjustments are made in the form of specific reserves and/or charge-offs. Additional information regarding the specific reserves can be found in Note 6 to the Consolidated Financial Statements.

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

| Year Ended December 31, | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| (Dollars in Thousands) | | | | | |
| Beginning balance | $ 53,446 | $ 31,189 | $ 25,252 | $ 27,384 | $ 25,381 |
| Provision for loan losses | 41,883 | 47,811 | 23,024 | 5,021 | 2,738 |
| | | | | | |
| Charge-offs: | | | | | |
| Commercial Mortgage | 3,902 | 1,453 | 1,421 | - | - |
| Construction | 14,972 | 14,479 | 10,774 | 1,398 | - |
| Commercial | 9,458 | 5,796 | 1,992 | 4,379 | 470 |
| Residential real estate | 2,241 | 1,164 | 628 | 41 | 75 |
| Overdrafts | 1,019 | 1,216 | 1,327 | 1,441 | 607 |
| Consumer | 5,974 | 2,458 | 1,697 | 790 | 483 |
| Total charge-offs | 37,566 | 26,566 | 17,839 | 8,049 | 1,635 |
| | | | | | |
| Recoveries: | | | | | |
| Commercial Mortgage | 126 | 4 | - | 117 | 148 |
| Construction | 1,495 | 375 | 12 | 10 | 22 |
| Commercial | 375 | 150 | 100 | 173 | 343 |
| Residential real estate | 26 | 38 | 7 | 11 | 14 |
| Overdrafts | 375 | 380 | 384 | 446 | 217 |
| Consumer | 179 | 65 | 249 | 139 | 156 |
| Total recoveries | 2,576 | 1,012 | 752 | 896 | 900 |
| | | | | | |
| Net charge-offs | 34,990 | 25,554 | 17,087 | 7,153 | 735 |
| Ending balance | $ 60,339 | $ 53,446 | $ 31,189 | $ 25,252 | $ 27,384 |
| Net charge-offs to average gross loans outstanding, net of unearned income | 1.39 % | 1.01 % | 0.74 % | 0.34 % | 0.04 % |

During 2010, net charge-offs increased to $35.0 million, or 1.39%, of average loans annualized, from $25.6 million, or 1.01%, of average loans in 2009. This is due to the fact that we provide for losses earlier in the problem loan identification process when they are probable. We charge the loans off when they are determined to be uncollectable.

The allowance for loan losses is allocated by major portfolio type. As these portfolios have developed, they have become a source of historical data in projecting delinquencies and loss exposure. However, such allocations are not a guarantee of when future losses may occur. While we have allocated the allowance for loan losses by portfolio type in the following table, the entire reserve is available for any loan portfolio to utilize. The allocation of the allowance for loan losses by portfolio type at the end of each of the last five fiscal years, and the percentage of outstanding loans in each category to total gross outstanding, at such dates follow:

| | At December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| (Dollars in Thousands) | | | | | | | | | | |
| Commercial mortgage | $ 10,564 | 23.8% | $ 6,160 | 20.7% | $ 7,353 | 22.6% | $ 7,655 | 20.6% | $ 7,260 | 20.6% |
| Construction | 10,019 | 5.4% | 10,922 | 9.2% | 3,303 | 10.2% | 4,496 | 12.3% | 4,083 | 11.8% |
| Commercial | 26,556 | 47.2% | 24,834 | 44.4% | 12,510 | 38.1% | 8,088 | 35.0% | 11,019 | 31.5% |
| Residential real estate | 3,952 | 11.8% | 4,073 | 13.8% | 2,480 | 17.1% | 1,304 | 19.8% | 1,645 | 23.2% |
| Consumer | 9,248 | 11.8% | 7,457 | 11.9% | 5,543 | 12.0% | 3,709 | 12.3% | 3,377 | 12.9% |
| Total | $ 60,339 | 100.0% | $ 53,446 | 100.0% | $ 31,189 | 100.0 % | $ 25,252 | 100.0% | $ 27,384 | 100.0% |

LIQUIDITY

We manage our liquidity risk and funding needs through our Treasury function and our Asset/Liability Committee. Historically, we have had success in growing our loan portfolio. For example, during the year ended December 31, 2010, net loan growth resulted in the use of $43.1 million in cash. Loan growth (excluding the CB&T acquisition) was primarily the result of our continued success increasing corporate and small business lending. We expect this trend to continue and have significant experience managing our funding needs through borrowings and deposit growth.

As a financial institution, we have ready access to several sources of funding. Among these are:

- Deposit growth
- Brokered deposits
- Borrowing from the FHLB
- Fed Discount Window access
- Other borrowings such as repurchase agreements
- Cash flow from securities, loan sales and repayments
- Net income.

Our current branch expansion and renovation program is focused on expanding our retail footprint in Delaware and attracting new customers to provide additional deposit growth. Customer funding growth was strong, equaling $363.5 million, or 16% between December 31, 2009 and December 31, 2010. Nearly all of this growth was in core deposit accounts and included a $175.2 million increase from the CB&T acquisition.

Our portfolio of high-quality liquid investments, primarily short-duration, mortgage-backed securities and GSE securities also provide a source of cash flow to meet current cash needs. If needed, portions of this portfolio, as well as portions of the loan portfolio, could be sold to provide cash to fund new loans. In addition, during the year ended December 31, 2010, $62.0 million in cash was provided by operating activities.

We have a policy that separately addresses liquidity, and we monitor our adherence to policy limits. As part of the liquidity management process, we also monitor our available wholesale funding capacity. At December 31, 2010, we had $428.6 million in funding capacity at the Federal Home Loan Bank of Pittsburgh. Also, liquidity risk management is a primary area of examination by the OTS.

We have not used and have no intention of using any significant off balance sheet financing arrangement for liquidity management purposes. Our financial instruments with off balance sheet risk are limited to obligations to fund loans to customers pursuant to existing commitments and obligations of letters of credit. In addition, we have not had and have no intention to have any significant transactions, arrangements or other relationships with any unconsolidated, limited purpose entities that could materially affect our liquidity or capital resources.

CAPITAL RESOURCES

Federal laws, among other things, require the OTS to mandate uniformly applicable capital standards for all savings institutions. These standards currently require institutions such as us to maintain a "tangible" capital ratio equal to 1.5% of adjusted total assets, "core" (or "Leverage") capital equal to 4.0% of adjusted total assets. "Tier 1" capital equal to 4.0% of "risk-weighted" assets and total "risk-based" capital (a combination of core and "supplementary" capital) equal to 8.0% of "risk-weighted" assets.

The Federal Deposit Insurance Corporation Improvement Act (FDICIA), as well as other requirements, established five capital tiers: well-capitalized, adequately-capitalized, under capitalized, significantly under-capitalized, and critically under-capitalized. A depository institution's capital tier depends upon its capital levels in relation to various relevant capital measures, which include leverage and risk-based capital measures and certain other factors. Depository institutions that are not classified as well-capitalized are subject to various restrictions regarding capital distributions, payment of management fees, acceptance of brokered deposits and other operating activities.

At December 31, 2010, we are classified as well-capitalized, the highest regulatory defined level, and in compliance with all regulatory capital requirements. Additional information concerning our regulatory capital compliance is included in Note 10 to the Consolidated Financial Statements.

Since 1996, the Board of Directors has approved several stock repurchase programs to acquire common stock outstanding. We did not acquire any shares in 2010 or 2009. At December 31, 2010, we held 9.6 million shares of our common stock as treasury shares. At December 31, 2010, we had 506,000 shares remaining under our current share repurchase authorization.

On January 23, 2009, under the U.S. Treasury's Capital Purchase Plan ("CPP"), we issued and sold 52,625 shares of senior preferred stock to the U.S. Treasury, having a liquidation amount equal to $1,000 per share, or $52.6 million. Although we were well-capitalized under regulatory guidelines, the Board of Directors believed it was advisable to take advantage of the CPP to raise additional capital to ensure that, during these uncertain times, we are well-positioned to support our existing operations as well as anticipated future growth. Additional information concerning the CPP is included in Note 21 to the Consolidated Financial Statements.

As part of the CPP program, any share repurchases or increase in the dividend level from the September 2008 quarterly payment of $0.12 per share, must be approved by the U.S. Treasury.

We completed a private placement to Peninsula Investment Partners, L.P. (Peninsula) on September 24, 2009, 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 our common stock at an exercise price of $29.00 per share. Additional information concerning the Peninsula transaction is included in Note 21 to the Consolidated Financial Statements.

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.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements that currently have, or are reasonably likely to have, a material future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. Additional information concerning our off balance sheet arrangements is included in Note 14 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

At December 31, 2010, we had contractual obligations relating to operating leases, long-term debt, data processing and credit obligations. These obligations are summarized below. See Notes 7, 9 and 14 to the Consolidated Financial Statements for further discussion.

| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| (In Thousands) | | | | | |
| Operating lease obligations | $ 142,998 | $ 6,250 | $ 12,059 | $ 11,266 | $ 113,423 |
| Long-term debt obligations | 488,959 | 218,855 | 170,104 | 100,000 | — |
| Data processing contracts | 7,928 | 2,193 | 3,356 | 2,379 | — |
| Credit obligations | 603,539 | 603,539 | — | — | — |
| Total | $ 1,243,424 | $ 830,837 | $ 185,519 | $ 113,645 | $ 113,423 |

IMPACT OF INFLATION AND CHANGING PRICES

Our Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without consideration of the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased costs of our operations. Unlike most industrial companies, nearly all of our assets and liabilities are monetary. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or the same extent as the price of goods and services.

RECENT LEGISLATION

The economy is experiencing significantly reduced business activity as a result of, among other factors, disruptions in the financial system during the past year. Declines in the housing market during the past year, due to falling home prices and increased foreclosures and unemployment, have resulted in substantial declines in mortgage-related asset values, which has had a dramatic negative impact on government-sponsored entities and major commercial and investment banks.

Reflecting concern about the stability of the finance markets in general and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, ceased, to provide funding and liquidity to borrowers, including other financial institutions. In response to the financial crisis affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, on October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the “EESA”) was signed into law. Pursuant to the EESA, specifically the Troubled Asset Relief Program (“TARP”) thereunder, the U.S. Treasury will have the authority to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

On October 14, 2008, the Secretary of the Department of the Treasury announced the Department of the Treasury would purchase equity stakes in a wide variety of banks and thrifts through TARP's CPP. Under this program, from the $700 billion authorized by the EESA, the Treasury made $250 billion of capital available to U.S. financial institutions in the form of preferred stock as a way for healthy U.S. financial institutions to help stabilize the U.S. economy. In conjunction with the purchase of preferred stock, the Treasury received, from participating financial institutions, warrants to purchase common stock with an aggregate market price equal to 15% of the preferred stock investment. Participating financial institutions were required to adopt the Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity in such institution issued under the CPP. After careful consideration of all the costs, restrictions, risks and benefits, we have elected to participate in the CPP program. The Treasury's investment signals their faith in us as a healthy institution that can help stabilize and eventually grow the economy. Additional information regarding this transaction can be found in Note 22 to the Consolidated Financial Statements.

On November 21, 2008, the Board of Directors of the FDIC adopted a final rule relating to the Temporary Liquidity Guarantee Program (the "TLGP"). The TLGP was announced by the FDIC on October 14, 2008, after the determination of systemic risk by the Secretary of the Department of Treasury (after consultation with the President), as an initiative to counter the system-wide crisis in the nation's financial sector. Under the TLGP the FDIC will (i) guarantee, through the earlier of maturity or June 30, 2012, certain newly issued senior unsecured debt issued by participating institutions on or after October 14, 2008, and before June 30, 2009 and (ii) provide full FDIC insurance deposit insurance coverage for noninterest bearing transaction deposit accounts, Negotiable Order of Withdrawal ("NOW") accounts paying less than 0.5% interest per annum and Interest on Lawyers Trust Accounts ("IOLTA") accounts held at participating FDIC-insured institutions through December 31, 2009. Coverage under the TLGP was available for the first 30 days without charge. The fee assessment for coverage of senior unsecured debt ranges from 50 basis points to 100 basis points per annum, depending on the initial maturity of the debt. The fee assessment for deposit insurance coverage is 10 basis points per quarter on amounts in covered accounts exceeding $250,000. We have elected to participate in the TLGP program.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") was signed into law by President Obama. The ARRA includes a wide variety of programs intended to stimulate the economy and provide for extensive infrastructure, energy, health, and education needs. In addition, the ARRA imposes certain new executive compensation and corporate expenditure limits on all current and future TARP recipients until the institution has repaid the U.S. Treasury, which is now permitted under the ARRA without penalty and without the need to raise new capital, subject to the U.S. Treasury's consultation with the recipient's appropriate regulatory agency.

On November 12, 2009, the FDIC adopted a final ruling that required banks to prepay their estimated quarterly risk-based assessments for the 4th quarter of 2009 and for all of 2010 through 2012. In addition the FDIC board voted to adopt a uniform three-basis point increase in assessment rates effective January 1, 2011. Prepayment of the assessments allowed the industry to strengthen the cash position of the Deposit Insurance Fund (DIF) immediately while allowing the capital impact to be felt over time as the industry's financial condition improves. We have paid our estimated assessment for 2010 through 2012 of $19.9 million and will expense this amount based on actual calculations of quarterly provisions during the period to which it relates.

On November 17, 2009, the Federal Reserve adopted a final ruling regarding Regulation E, otherwise known as the Electronic Fund Transfer Act. The ruling limits our ability to assess fees for overdrafts on ATM or one-time debit transactions without receiving prior consent from our customers who have opted-in to our overdraft service. This act became effective on July 1, 2010 and we have taken steps to be incompliance with these regulations.

On June 28, 2010 the Board of Directors of the FDIC adopted a final ruling extending the Transaction Account Guarantee ("TAG") program to December 31, 2010. And, as of September 27, 2010 the FDIC has proposed no further extension of the TAG program past December 31, 2010. We chose to participate in the extension program.

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 of 2011, a timeframe and preliminary implementation plan for the phase out of The Office of Thrift Supervision ("the OTS"), one of our current banking regulators was announced by the joint agencies, and its merger into the Office of the Comptroller of the Currency. 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 the changes the Deposit Insurance Fund ("DIF") assessment from domestic deposits to average assets minus tangible equity. The changes will go into effect during the second quarter of 2011 and will be payable at the end of September. It is the intent of the FDIC that banks with over $10 billion in assets pay a larger share of the assessments into the DIF.

## 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. 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:

### 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 December 31, 2010.

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 16, 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 December 31, 2010, goodwill totaled $26.7 million compared to $10.9 million as of December 31, 2009. The majority of this goodwill is in the WSFS Bank reporting unit and is the result of a 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 $7.3 million as of December 31, 2010 compared to $2.8 million as of December 31, 2009.

Goodwill is tested for impairment using a two-step process that begins with an estimation of fair value. The first step compares the estimated fair value of our reporting units with their carrying amounts, including goodwill. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. However, if the carrying amount exceeds its estimated fair value, a second step is 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.

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 December 31, 2010, 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.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009 the FASB issued new guidance impacting FASB ASC 860, Transfers and Servicing (“ASC 860”) (formerly SFAS No. 166, Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140). This new standard amended derecognition guidance and eliminated the concept of qualifying special-purpose entities. The new standard was effective on January 1, 2010. The adoption of this standard did not have a material impact on our Consolidated Financial Statements.

In June 2009, the FASB issued new guidance impacting FASB ASC 810-10, Consolidation (formerly SFAS No. 167, Amendments to FASB Interpretation No. 46(R)). The new standard amended previous guidance to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance and (i) the obligation to absorb losses of the entity or (ii) the right to receive benefits from the entity. The pronouncement was effective January 1, 2010 and we have determined that adoption of the new standard 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 December 2010, the FASB issued an update (Accounting Standards update No. 2010-29, Business Combinations – Disclosure of Supplementary Pro Forma Information for Business Combinations) which amends FASB ASC 805, Business Combination. This update clarifies the acquisition date that should be used for reporting the pro forma financial information disclosures in Topic 805 when comparative financial statements are presented. The amendments also improve the usefulness of the pro forms revenue and earnings disclosures by requiring a description of the nature and amount of material, nonrecurring pro forma adjustments that are directly related to the business combination. The amendment is effective for business combinations for which the acquisition is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We do not expect this amendment will have a material impact on our Consolidated Financial Statements.

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 is effective for reporting periods beginning after December 15, 2009 except for disclosures about purchases, sales, issuances and settlements which is not effective until reporting periods beginning after December 15, 2010. Adoption of this guidance is not expected to have a material impact on our Consolidated Financial Statements.

In January 2011, the FASB issued an update (Accounting Standards update No. 2011-01, Receivables) which temporarily delays the effective date of the disclosures about trouble debt restructurings in Update 2010 -20 for public entities. The delay is intended to allow the Board time to complete its deliberations on what constitutes a trouble debt restructuring. The effective date of the new disclosures about troubled debt restructurings and the guidance for determining what constitutes a troubled debt restructuring will be coordinated to be effective for interim and annual periods ending after June 15, 2011. We are still evaluating if the adoption of these disclosures will have a material impact on our Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 our acceptable tolerance ranges. At December 31, 2010 interest-earning assets exceeded interest-bearing liabilities that mature or reprice within one year (interest-sensitive gap) by $208 million. Our interest-sensitive assets as a percentage of interest-sensitive liabilities within one-year increased from 96.4% at December 31, 2009 to 110.1% at December 31, 2010. Likewise, the one-year interest-sensitive gap as a percentage of total assets changed to 5.26% at December 31, 2010 from 1.97% at December 31, 2009. The change in sensitivity since December 31, 2009 was the result of 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 the OTS-regulated institutions is the test specified by OTS Thrift Bulletin No. 13A, Management of Interest Rate Risk, Investment Securities and Derivatives Activities. This test measures the impact on the net portfolio value of an immediate change in interest rates in 100 basis point increments. Net portfolio value is defined as the net present value of the estimated cash flows from assets and liabilities as a percentage of the net present value of assets. The following table is the estimated impact of immediate changes in interest rates on our net interest margin and net portfolio value at the specified levels at December 31, 2010 and 2009, calculated in compliance with Thrift Bulletin No. 13A:

| At December 31, | 2010 | | 2009 | |
|---|---|---|---|---|
| Change in Interest Rate (Basis Points) | % Change in Net Interest Margin (1) | Net Portfolio Value (2) | % Change in Net Interest Margin (1) | Net Portfolio Value (2) |
| 300 | 7% | 9.35% | 4% | 8.88% |
| 200 | 5% | 9.78% | 3% | 9.24% |
| 100 | 3% | 9.93% | 1% | 9.43% |
| - | -% | 9.94% | -% | 9.39% |
| -100 | -10% | 9.48% | -7% | 9.16% |
| -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 in a stable interest rate environment and the net portfolio value as projected under the various rate change environments.

(3) Sensitivity indicated by a decrease of 200 and 300 basis points is deemed not meaningful (NMF) given the low absolute level of interest rates at that time.

Our primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on net interest income and capital, while maximizing the yield/cost spread on our asset/liability structure. We rely primarily on our asset/liability structure to control interest rate risk.

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.

During the first quarter of 2010 we executed $75.0 million of intermediate-term FHLB Advances to reduce the sensitivity of our net interest income to increases in market interest rates.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
WSFS Financial Corporation:

We have audited the accompanying consolidated statement of condition of WSFS Financial Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WSFS Financial Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), WSFS Financial Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2011 expressed an unqualified opinion on the effectiveness of the WSFS Financial Corporation's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 16, 2011

CONSOLIDATED STATEMENT OF OPERATIONS

| Year Ended December 31, (Dollars in Thousands, Except Per Share Data) | 2010 | 2009 | 2008 |
|---|---|---|---|
| Interest income: | | | |
| Interest and fees on loans | $ 126,347 | $ 128,248 | $ 140,661 |
| Interest on mortgage-backed securities | 35,212 | 28,560 | 23,984 |
| Interest and dividends on investment securities | 1,125 | 1,386 | 1,331 |
| Interest on investments in reverse mortgages | (287) | (464) | (1,077) |
| Other interest income | 6 | — | 1,578 |
| | 162,403 | 157,730 | 166,477 |
| Interest expense: | | | |
| Interest on deposits | 23,097 | 30,389 | 39,809 |
| Interest on Federal Home Loan Bank advances | 14,752 | 18,306 | 29,620 |
| Interest on federal funds purchased and securities sold under agreements to repurchase | 1,514 | 1,531 | 2,397 |
| Interest on trust preferred borrowings | 1,390 | 1,797 | 3,275 |
| Interest on other borrowings | 979 | 1,063 | 2,157 |
| | 41,732 | 53,086 | 77,258 |
| Net interest income | 120,671 | 104,644 | 89,219 |
| Provision for loan losses | 41,883 | 47,811 | 23,024 |
| Net interest income after provision for loan losses | 78,788 | 56,833 | 66,195 |
| Noninterest income: | | | |
| Credit/debit card and ATM income | 18,947 | 16,522 | 17,229 |
| Deposit service charges | 16,239 | 16,881 | 16,484 |
| Fiduciary and investment management income | 4,761 | 3,540 | 3,438 |
| Loan fee income | 3,042 | 4,857 | 3,696 |
| Mortgage banking activities, net | 2,256 | 1,646 | 148 |
| Securities gains, net | 1,031 | 3,423 | 139 |
| Bank-owned life insurance income | 732 | 917 | 1,786 |
| Other income | 3,107 | 2,455 | 3,069 |
| | 50,115 | 50,241 | 45,989 |
| Noninterest expenses: | | | |
| Salaries, benefits and other compensation | 49,790 | 48,133 | 46,654 |
| Occupancy expense | 9,748 | 9,664 | 8,416 |
| FDIC expenses | 7,016 | 7,064 | 661 |
| Loan workout and OREO expense | 6,544 | 5,920 | 2,222 |

| | | | |
|---|---|---|---|
| Equipment expense | 6,422 | 6,803 | 6,174 |
| Professional fees | 5,460 | 5,892 | 3,159 |
| Data processing and operations expense | 4,588 | 4,743 | 4,216 |
| Marketing expense | 3,193 | 3,304 | 3,920 |
| Acquisition costs | 1,677 | — | — |
| Other operating expenses | 14,894 | 16,981 | 13,676 |
| | 109,332 | 108,504 | 89,098 |
| Income (loss) before taxes | 19,571 | (1,430) | 23,086 |
| Income tax provision (benefit) | 5,454 | (2,093) | 6,950 |
| Net income | 14,117 | 663 | 16,136 |
| Dividends on preferred stock and accretion of discount | 2,770 | 2,590 | — |
| Net income (loss) allocable to common stockholders | $ 11,347 | $ (1,927) | $ 16,136 |
| Earnings per share: | | | |
| Basic | $ 1.48 | $ (0.30) | $ 2.62 |
| Diluted | $ 1.46 | $ (0.30) | $ 2.57 |

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

CONSOLIDATED STATEMENT OF CONDITION

| Year Ended December 31, | | 2010 | | 2009 |
|---|---|---|---|---|
| (Dollars in Thousands, Except Per Share Data) | | | | |
| Assets | | | | |
| Cash and due from banks | $ | 49,932 | $ | 55,756 |
| Cash in non-owned ATMs | | 326,573 | | 264,903 |
| Federal funds sold | | — | | — |
| Interest-bearing deposits in other banks | | 254 | | 1,090 |
| Total cash and cash equivalents | | 376,759 | | 321,749 |
| Investment securities held-to-maturity (fair value: 2010=$196; 2009=$671) | | 219 | | 709 |
| Investment securities available-for-sale including reverse mortgages | | 52,232 | | 44,808 |
| Mortgage-backed securities, available-for-sale | | 700,926 | | 669,059 |
| Mortgage-backed securities, trading | | 12,432 | | 12,183 |
| Loans held-for-sale | | 14,522 | | 8,366 |
| Loans, net of allowance for loan losses of $60,339 at December 31, 2010 and $53,446 at December 31, 2009 | | 2,561,368 | | 2,470,789 |
| Bank-owned life insurance | | 64,243 | | 60,254 |
| Stock in Federal Home Loan Bank of Pittsburgh, at cost | | 37,536 | | 39,305 |
| Assets acquired through foreclosure | | 9,024 | | 8,945 |
| Premises and equipment | | 31,870 | | 36,108 |
| Goodwill | | 26,745 | | 10,870 |
| Intangible assets | | 7,307 | | 2,781 |
| Accrued interest receivable and other assets | | 58,335 | | 62,581 |
| Total assets | $ | 3,953,518 | $ | 3,748,507 |
| | | | | |
| Liabilities and Stockholders' Equity | | | | |
| | | | | |
| Liabilities: | | | | |
| Deposits: | | | | |
| Noninterest-bearing demand | $ | 468,098 | $ | 431,476 |
| Interest-bearing demand | | 312,546 | | 265,719 |
| Money market | | 743,808 | | 550,639 |
| Savings | | 255,340 | | 224,921 |
| Time | | 484,864 | | 470,139 |
| Jumbo certificates of deposit | | 297,112 | | 272,334 |
| Total customer deposits | | 2,561,768 | | 2,215,228 |
| Brokered deposits | | 249,006 | | 346,643 |
| Total deposits | | 2,810,774 | | 2,561,871 |
| | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | | 100,000 | | 100,000 |
| Federal Home Loan Bank advances | | 488,959 | | 613,144 |
| Trust preferred borrowings | | 67,011 | | 67,011 |

| | | | | |
|---|---|---|---|---|
| Other borrowed funds | | 91,636 | | 74,654 |
| Accrued interest payable and other liabilities | | 27,316 | | 30,027 |
| Total liabilities | | 3,585,696 | | 3,446,707 |
| | | | | |
| Stockholders' Equity: | | | | |
| Serial preferred stock $.01 par value, 7,500,000 shares authorized; issued 52,625 at December 31, 2010 and December 31, 2009 | | 1 | | 1 |
| Common stock $.01 par value, 20,000,000 shares authorized; issued 18,105,788 at December 31, 2010 and 16,660,588 at December 31, 2009 | | 180 | | 166 |
| Capital in excess of par value | | 216,316 | | 166,627 |
| Accumulated other comprehensive income (loss) | | 6,524 | | (2,022) |
| Retained earnings | | 393,081 | | 385,308 |
| Treasury stock at cost, 9,580,569 shares at December 31, 2010 and December 31, 2009 | | (248,280) | | (248,280) |
| Total stockholders' equity | | 367,822 | | 301,800 |
| Total liabilities and stockholders' equity | $ | 3,953,518 | $ | 3,748,507 |

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Accumulated

Capital in