

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

(Mark One)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2020  
OR  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-35638

**WSFS FINANCIAL CORPORATION**  
(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or other Jurisdiction of Incorporation or Organization)  
**500 Delaware Avenue, Wilmington, Delaware**  
(Address of Principal Executive Offices)

**22-2866913**  
(I.R.S. Employer Identification No.)  
**19801**  
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(302) 792-6000**

**Securities registered pursuant to Section 12(b) of the Act:**

| <u>Title of Each Class</u>     | <u>Trading Symbol(s)</u> | <u>Name of Each Exchange on Which Registered</u> |
|--------------------------------|--------------------------|--------------------------------------------------|
| Common Stock, \$0.01 par value | WSFS                     | Nasdaq Global Select Market                      |

**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 ☐

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 ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                          |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15. U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common equity 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, 2020, was \$1,437,086,921. For purposes of this calculation only, affiliates are deemed to be directors, executive officers and beneficial owners of greater than 10% of the registrant's outstanding common stock.

As of February 26, 2021, there were issued and outstanding 47,494,802 shares of the registrant's common stock, par value \$0.01 per share.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

**WSFS FINANCIAL CORPORATION**  
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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, and exhibits hereto, contains estimates, predictions, opinions, projections and other “forward-looking statements” as that phrase is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, references to the Company’s predictions or expectations of future business or financial performance as well as its goals and objectives for future operations, financial and business trends, business prospects and management’s outlook or expectations for earnings, revenues, expenses, capital levels, liquidity levels, asset quality or other future financial or business performance, strategies or expectations. The words “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project” and similar expressions, among others, generally identify forward-looking statements. Such forward-looking statements are based on various assumptions (some of which may be beyond the Company’s control) and are subject to risks and uncertainties (which change over time) and other factors which could cause actual results to differ materially from those currently anticipated. Such risks and uncertainties include, but are not limited to:

- difficult market conditions and unfavorable economic trends in the United States generally, and particularly in the markets in which the Company operates and in which its loans are concentrated, including possible declines in housing markets, an increase in unemployment levels and slowdowns in economic growth, including as a result of the novel coronavirus, or COVID-19, pandemic;
- possible additional loan losses and impairment of the collectability of loans, particularly as a result of the COVID-19 pandemic and the policies and programs implemented by the Coronavirus Aid, Relief, and Economic Security Act, as amended, or CARES Act, including its automatic loan forbearance provisions and the Company's Paycheck Protection Program (PPP) lending activities;
- additional credit, fraud and litigation risks associated with our PPP lending activities;
- the economic and financial impact of federal, state and local emergency orders and other actions taken in response to the COVID-19 pandemic;
- the Company’s level of nonperforming assets and the costs associated with resolving problem loans including litigation and other costs and complying with government-imposed foreclosure moratoriums;
- changes in market interest rates, which may increase funding costs and reduce earning asset yields and thus reduce margin;
- the impact of changes in interest rates and the credit quality and strength of underlying collateral and the effect of such changes on the market value of the Company’s investment securities portfolio;
- the credit risk associated with the substantial amount of commercial real estate, construction and land development and commercial and industrial loans in the Company’s loan portfolio;
- the extensive federal and state regulation, supervision and examination governing almost every aspect of the Company’s operations and potential expenses associated with complying with such regulations;
- the Company’s ability to comply with applicable capital and liquidity requirements (including the effect of the transition to the Current Expected Credit Losses (CECL) methodology for allowances and related adjustments), including its ability to generate liquidity internally or raise capital on favorable terms;
- possible changes in trade, monetary and fiscal policies and stimulus programs, laws and regulations and other activities of governments, agencies, and similar organizations, and the uncertainty of the short- and long-term impacts of such changes;
- any impairments of the Company’s goodwill or other intangible assets;
- conditions in the financial markets, including the destabilized economic environment caused by the COVID-19 pandemic, that may limit the Company’s access to additional funding to meet its liquidity needs;
- the intention of the United Kingdom’s Financial Conduct Authority (FCA) to cease support of London Inter-Bank Offered Rate (LIBOR) and the transition to an alternative reference interest rate, such as the Secured Overnight Funding Rate (SOFR), including methodologies for calculating the rate that are different from the LIBOR methodology and changed language for existing and new floating or adjustable rate contracts;
- the success of the Company's growth plans, including its plans to grow the commercial small business leasing portfolio and residential mortgage, small business and Small Business Administration (SBA) portfolios;
- the successful integration of acquisitions;

- the Company's ability to fully realize the cost savings and other benefits of its acquisitions, manage risks related to business disruption following those acquisitions, and post-acquisition Customer acceptance of the Company's products and services and related Customer disintermediation;
- negative perceptions or publicity with respect to the Company generally and, in particular, the Company's trust and wealth management business;
- failure of the financial and operational controls of the Company's Cash Connect® division;
- adverse judgments or other resolution of pending and future legal proceedings, and cost incurred in defending such proceedings;
- the Company's reliance on third parties for certain important functions, including the operation of its core systems, and any failures by such third parties;
- system failures or cybersecurity incidents or other breaches of the Company's network security, particularly given widespread remote working arrangements;
- the Company's ability to recruit and retain key Associates;
- the effects of problems encountered by other financial institutions that adversely affect the Company or the banking industry generally;
- the effects of weather and natural disasters such as floods, droughts, wind, tornadoes and hurricanes as well as effects from geopolitical instability, public health crises and man-made disasters including terrorist attacks;
- the effects of regional or national civil unrest (including any resulting branch or ATM closures or damage);
- possible changes in the speed of loan prepayments by the Company's Customers and loan origination or sales volumes;
- possible changes in the speed of prepayments of mortgage-backed securities (MBS) due to changes in the interest rate environment, particularly as a result of the COVID-19 pandemic, and the related acceleration of premium amortization on prepayments in the event that prepayments accelerate;
- regulatory limits on the Company's ability to receive dividends from its subsidiaries and pay dividends to its stockholders;
- any reputation, credit, interest rate, market, operational, litigation, legal, liquidity, regulatory and compliance risk resulting from developments related to any of the risks discussed above; and
- other risks and uncertainties, including those discussed herein under the heading "Risk Factors" and in other documents filed by the Company with the Securities and Exchange Commission (SEC) from time to time.

The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. The Company disclaims any duty to revise or update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company for any reason, except as specifically required by law.

As used in this Annual Report on Form 10-K, the terms "WSFS", "the Company", "registrant", "we", "us", and "our" mean WSFS Financial Corporation and its subsidiaries, on a consolidated basis, unless the context indicates otherwise.

The following are registered trademarks of the Company: Cash Connect®, Christiana Trust Company of Delaware®, NewLane Finance®, Powdermill® Financial Solutions, West Capital Management®, WSFS Institutional Services®, WSFS Mortgage® and WSFS Wealth® Investments. Any other trademarks appearing in this Annual Report on Form 10-K are the property of their respective holders.

## PART I

### ITEM 1. BUSINESS

#### OUR BUSINESS

WSFS Financial Corporation (the Company or WSFS) is a savings and loan holding company headquartered in Wilmington, Delaware. Substantially all of our assets are held by the Company's subsidiary, Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), one of the ten oldest bank and trust companies in the United States (U.S.) continuously operating under the same name. With \$14.3 billion in assets and \$24.2 billion in assets under management (AUM) and assets under administration (AUA) at December 31, 2020, WSFS Bank is the oldest and largest locally-managed bank and trust company headquartered in the Delaware and Greater Philadelphia region. As a federal savings bank that was formerly chartered as a state mutual savings bank, WSFS Bank enjoys a broader scope of permissible activities than most other financial institutions.

A fixture in the community, WSFS Bank has been in operation for more than 189 years. In addition to its focus on stellar customer experiences, WSFS Bank has continued to fuel growth and remain a leader in our community. We are a relationship-focused, locally-managed, community banking institution. Our mission is simple: "We Stand for Service." Our strategy of "Engaged Associates, living our culture, making a better life for all we serve" focuses on exceeding customer expectations, delivering stellar experiences and building customer advocacy through highly-trained, relationship-oriented, friendly, knowledgeable and empowered Associates. As of December 31, 2020, we service our Customers primarily from our 112 offices located in Pennsylvania (52), Delaware (42), New Jersey (16), Virginia (1) and Nevada (1), our ATM network, our website at [www.wsfsbank.com](http://www.wsfsbank.com) and our mobile apps.

#### Subsidiaries

The Company has six consolidated subsidiaries: WSFS Bank, WSFS Wealth Management, LLC (Powdermill®), WSFS Capital Management, LLC (West Capital), Cypress Capital Management, LLC (Cypress), Christiana Trust Company of Delaware® (Christiana Trust DE), and WSFS SPE Services, LLC.

- Powdermill® provides multi-family office services to affluent clientele in the local community and throughout the U.S.
- West Capital provides fee-only wealth management services tailored to the needs of high net worth individuals operating under a multi-family office philosophy. West Capital had approximately \$806.5 million in AUM at December 31, 2020, compared to approximately \$767.8 million at December 31, 2019.
- Cypress provides asset management services. As a registered investment adviser and fee-only wealth management firm, Cypress had approximately \$1.2 billion in AUM at December 31, 2020, flat compared to December 31, 2019.
- Christiana Trust DE supplements our existing Wealth Management segment by offering Delaware advantage trust services including directed trusts, asset protection trusts and dynasty trusts.
- WSFS SPE Services, LLC provides commercial domicile services which include providing employees, directors, subleases of office facilities and registered agent services in Delaware and Nevada.

WSFS Bank has three wholly owned subsidiaries: Beneficial Equipment Finance Corporation (BEFC), WSFS Investment Group, Inc. (WSFS Wealth® Investments), and 1832 Holdings, Inc. WSFS Bank has one majority-owned subsidiary, NewLane Finance®.

- BEFC was acquired during the Beneficial Bancorp, Inc. (Beneficial) acquisition and is in the business of leasing small equipment and fixed assets. Subsequent to the Beneficial acquisition, the leasing operations of BEFC were combined with NewLane Finance®, described below.
- WSFS Wealth® Investments markets various third-party investment and insurance products such as single-premium annuities, whole life policies and securities primarily through our retail banking system and directly to the public.
- 1832 Holdings, Inc. was formed to hold certain debt and equity investment securities.
- NewLane Finance® originates small business leases and provides commercial financing to businesses nationwide, targeting various equipment categories including technology, software, office, medical, veterinary and other areas. In addition, NewLane Finance® offers new product offerings for insurance through a newly-formed subsidiary, Prime Protect, which commenced operations during the fourth quarter of 2020.

WSFS has one unconsolidated subsidiary, WSFS Capital Trust III (the Trust), which was formed in 2005 to issue \$67.0 million aggregate principal amount of Pooled Floating Rate Capital Securities. These securities are callable and have a maturity date of June 1, 2035. The proceeds from this issue were used to fund the redemption of \$51.5 million Floating Rate WSFS Capital Trust I Preferred Securities (formerly, WSFS Capital Trust I). WSFS Capital Trust I invested all of the proceeds from the sale of the Pooled Floating Rate Capital Securities in our Junior Subordinated Debentures.

### **Segment Information**

For financial reporting purposes, our business has three segments: WSFS Bank, Cash Connect® and Wealth Management. The WSFS Bank segment provides loans and leases and other financial products to commercial and retail customers. Cash Connect® provides ATM vault cash, smart safe and other cash logistics services in the U.S through strategic partnerships with several of the largest networks, manufacturers and service providers in the cash logistics industry. The Wealth Management segment provides a broad array of planning and advisor services, investment management, personal and institutional trust services, and credit and deposit products to individuals, corporate, and institutional clients.

#### *WSFS Bank*

As of December 31, 2020, WSFS Bank's banking business had a total loan and lease portfolio of \$9.0 billion, which is primarily commercial lending funded by customer-generated deposits. We have built a \$7.1 billion commercial loan and lease portfolio by recruiting the best seasoned commercial lenders in our markets and offering the 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, as well as through our digital banking platforms.

WSFS Bank also offers a broad variety of consumer loan products, retail securities and insurance brokerage services through our retail branches, and mortgage and title services through those branches and through WSFS Mortgage®. WSFS Mortgage® is a mortgage banking company and abstract and title company specializing in a variety of residential mortgage and refinancing solutions.

#### *Cash Connect®*

Our Cash Connect® business is a premier provider of ATM vault cash, smart safe (safes that automatically accept, validate, record and hold cash in a secure environment) and other cash logistics services in the U.S. Cash Connect® manages approximately \$1.6 billion in total cash and services approximately 27,900 non-bank ATMs and approximately 4,500 smart safes nationwide. Cash Connect® provides related services such as online reporting and ATM cash management, predictive cash ordering and reconciliation services, armored carrier management, loss protection, ATM processing equipment sales and deposit safe cash logistics. Cash Connect® also supports over 600 branded ATMs for WSFS Bank, which has one of the largest branded ATM networks in our market.

#### *Wealth Management*

Our Wealth Management business provides a broad array of planning and advisory services, investment management, trust services, and credit and deposit products to individual, corporate, and institutional clients through multiple integrated businesses. Combined, these businesses had \$24.2 billion of AUM and AUA at December 31, 2020. WSFS Wealth® Investments provides financial advisory services. Cypress, a registered investment adviser, is a fee-only wealth management firm managing a “balanced” investment style portfolio focused on preservation of capital and generating current income. West Capital, a registered investment adviser, is a fee-only wealth management firm operating under a multi-family office philosophy to provide customized solutions to institutions and high net worth individuals. The trust division of WSFS, comprised of WSFS Institutional Services® and Christiana Trust DE, provides personal trust and fiduciary services, as well as, trustee, agency, bankruptcy administration, custodial and commercial domicile services to corporate and institutional clients. Powdermill® is a multi-family office providing independent solutions to high-net-worth individuals, families and corporate executives through a coordinated, centralized approach. WSFS Wealth Client Management provides comprehensive solutions to high net worth clients by delivering credit and deposit products as well as partnering with other wealth management units.

For segment financial information for the years ended December 31, 2020, 2019 and 2018, see Note 22 to the Consolidated Financial Statements in this report.

## Recent Business Developments

- **COVID-19 pandemic:** The COVID-19 pandemic adversely affected our results of operations in 2020, and we have adapted our business operations in response to the pandemic and governmental actions in response to it.
  - During March 2020, we immediately closed all of our retail branch office lobbies, while continuing to service our Customers through our branch locations equipped with drive-thru services, in addition to our contact centers, mobile apps and [www.wsfsbank.com](http://www.wsfsbank.com).
  - By the second quarter of 2020, we began a phased approach to reopen our retail branch office lobbies while following the recommended Federal, State and local guidance at the direction from the CDC, State Departments of Health and other governing bodies, including appropriate personal protective equipment and social distancing, as we were servicing our Customers.
  - By the end of 2020, most of the previously closed banking locations that service our Customers had reopened while we monitored the impacts of COVID-19 and implemented short-term closures when appropriate.

During this time, the retail office closures did not significantly impact our financial condition and results of operations, as our Customer deposits remained intact based on our ability to service our Customers through our other service channels and the fees and costs associated with our Customer deposits remained under normal business operations. We also continued with a carefully planned and phased approach to opening our remaining office locations that aligns with Federal, State and local guidance. Even with the majority of non-retail office Associates working remotely, our ability to operate and execute on our strategy continues without significant disruption. For more information on the effects of the pandemic, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors – Market Risks."

- **Regulatory relief programs:** We participated in some of the regulatory relief programs offered as a result of the CARES Act, including the PPP. In 2020, we provided nearly \$1.0 billion in PPP loans to more than 5,400 new and existing WSFS Customers, which resulted in \$21.7 million of additional interest income from PPP loans and \$3.3 million of PPP related costs during the year ended December 31, 2020. We experienced an increase in customer deposits and liquidity due to these PPP loans and the current economic environment. In December 2020, Congress approved the next round of PPP (PPP 2.0) and the SBA began accepting PPP 2.0 applications on January 19, 2021. We are again participating in providing our business Customers the access to funding they need to bridge the gap between economic recovery and the vaccine rollout. However, unlike the first round, we will be partnering with third party providers who will accept, process and service PPP 2.0 loans. This arrangement allows us to expand our reach to more non-WSFS Customers, including those in underserved communities that struggled to gain access to PPP funds in the first round. See "Financial Condition" and "Regulation" for further details.
- **Community outreach:** During 2020, WSFS made a \$3.0 million grant to the WSFS Community Foundation to address the impacts of COVID-19 on the communities we serve and provide long-term support for education, health and human services, and economic development in our communities. The WSFS Community Foundation and its effects on our communities provided \$335,500 in grants to 25 local nonprofit organizations and schools engaged in the fight against COVID-19, and WSFS Bank provided a \$200,000 donation to four community development financial institutions (CDFIs) to utilize for relief grants to help accelerate recovery efforts of local small businesses within the Bank's footprint. Despite the challenges of the pandemic, our Associates also volunteered nearly 12,000 hours during 2020 as part of our long-standing commitment to community service. Our Associate volunteer hours supported many areas involving food banks, homeless shelters, nursing homes, assisted living, community and education centers.

Our involvement in PPP during 2020, as described above, helped to support an estimated 100,000 jobs in our region. In partnering with third party providers for the next round of PPP funding, our goal is to further expand our reach to continue to support both WSFS and non-WSFS customers, including those in underserved communities who struggled to gain access to PPP funds in the first round. WSFS also partnered with four local financial institutions to participate in a loan program, the Micro-Loan Recovery Program, which currently includes a combined commitment of \$650,000 to fund small Philadelphia businesses impacted by the COVID-19 pandemic. Through our partnership with the other financial institutions, we are helping to address the financial needs of the small businesses throughout the city of Philadelphia with the goal of keeping these businesses open and operating.

## WSFS DIFFERENTIATION STRATEGY

While most banks offer similar products and services, we believe that WSFS, through its proven service model, sets itself apart from other banks in our market and the industry in general. In addition, community banks such as WSFS have been able to distinguish themselves from large national or international banks by providing our Customers with the service levels, responsiveness and local decision making they prefer.

Our focus on this differentiation strategy supports our core franchise with a mix of organic and acquisition-related growth and builds value for our stockholders. Since December 31, 2016, our commercial loans and leases, which exclude loans held-for-sale, have grown from \$3.8 billion to \$7.1 billion at December 31, 2020, a 13% compound annual growth rate (CAGR). Over the same period, customer deposits have grown from \$4.6 billion to \$11.6 billion, a 20% CAGR. For further details, refer to the Comparative Stock Performance Graph in Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The following factors summarize what we believe is our differentiation strategy:

### Our Mission

We Stand for Service® is our mission and our daily call to action. Since 1832, WSFS has been a service-oriented, locally managed community banking institution serving Delaware Valley families and businesses. We strive to meet our Customers' evolving banking needs and to exceed their expectations each and every day.

### 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 every day.

At WSFS, we:

- Do the right thing
- Serve others
- Are welcoming, open and candid
- Grow and improve

### Human Sigma

Our business model is designed using the science of Human Sigma, which is built on a foundation of engagement. The Human Sigma model, identified by Gallup, Inc., begins with Associates (employees) who take ownership for their responsibilities and impact; as such, they are more likely to consistently perform at a higher level. We significantly invest in our culture of engagement which underpins all that we do at WSFS, including attracting, motivating and retaining our Associates, delivering stellar Customer experiences and strengthening the well-being of our communities. Our culture is based on the fundamental principal of "a really good life." Our strategy, "Engaged Associates, living our culture, making a better life for all we serve" builds upon that principal.



Our strategy in action starts a virtuous cycle whereby, as we do better, our community does better and as our community does better, we do better. It's a simple premise that plays out in a big way every day. Research studies validate the direct link between engagement and a company's financial performance. Our strategy, which triggers our virtuous cycle, ensures that research and reinforces our culture that is evidenced in our Company results.

### *Human Capital*

At December 31, 2020, we had 1,838 full-time equivalent Associates. Our Associates are not represented by a collective bargaining unit and we believe our relationship with our Associates is strong.

During 2020, WSFS captured the voice of our Associates and our Customers through multiple channels, including our ongoing partnership with Gallup Inc. (Gallup). During this pivotal year with the continued onboarding of former Beneficial customers and the impact of the COVID-19 pandemic, we continued to use these tools to measure our Associate and Customer engagement.

Surveys conducted for us by Gallup indicate that, in 2020:

- Our Associate engagement survey results placed WSFS in the 94th percentile of Gallup's overall company-level database. Our Associate engagement ratio was 13.4:1, which means there were 13.4 engaged Associates for every actively disengaged Associate. This compares to a U.S. working population ratio of 2.7:1.
- Our Customer engagement survey results reflected that 60% of Customers polled ranked WSFS a “five” out of five, strongly agreeing with the statement “WSFS is the perfect bank for people like me.” Our Customer engagement ratio was 5.4:1, which means there were 5.4 engaged Customers for every actively disengaged Customer.
- Customer loyalty grew during the year, as measured by our Net Promoter Scores (NPS). Our branch network achieved an overall NPS of 72.3 in 2020, with the fourth quarter of 2020 resulting in the highest quarter performance since program inception. Surveys are conducted utilizing Medallia.

By fostering a culture of engaged and empowered Associates, we believe we have become the employer and bank of choice in our market. In 2020, we were honored to receive the following accolades:

- Ranked #21 in the United States on the Forbes World's Best Banks Listing;
- Selected as one of only two companies nationwide to receive the Gallup Culture Transformation Award in its inaugural year;
- Named a Top Workplace in Delaware for the 15th year in a row, and the second consecutive year in first place;
- Named a Top Workplace in Philadelphia and southeastern PA for the sixth year in a row;
- Named to the 'Soaring 76', recognizing us as one of the 76 fastest growing companies in the greater Philadelphia region for the fourth year in a row by the Philadelphia Business Journal; and
- Ranked 4th Best Overall Bank in Bank Director's 2021 RankingBanking study, while placing first in the Best Board and Best Technology Strategy categories.

### *Diversity, Equity and Inclusion*

Diversity, Equity and Inclusion (DE&I) is supported by the values of WSFS. In 2020, as a commitment to those values, we launched our DE&I Initiative to continue to assess diversity, equity and inclusion with respect to WSFS and our interactions in and with the communities we serve. In support of the DE&I Initiative, WSFS formed an advisory group of 16 Associates representing all of the divisions of the Company. The advisory group works alongside an assembled group of division advocates of over 40 Associates to maintain open lines of communication with our Associates to help generate ideas and vet concepts in furtherance of the DE&I Initiative's goals.

During 2020, we began a search to hire a director of DE&I, who will focus on supporting, managing and implementing diversity and inclusion strategies and programs, and create and deliver initiatives designed to sustain a culture of inclusion.

## 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 full complement of products and services, all aimed at meeting the needs of our retail, business and wealth 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, yet
- Large enough to provide the products, services and balance sheet lending capacity 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 and focused their product offerings on a regional or even national customer base. As a result, many of these banks have lost the deep knowledge of the local markets expected by our Customer base. We believe this trend has underserved small and medium size business owners who have become accustomed to dealing directly with their bank's senior executives, discouraged retail customers who often experience deteriorating levels of service in branches and other service outlets, and resulted in less empowered bank employees who are less engaged to provide good and timely service to their customers.

We have created the largest, premier, locally-headquartered community bank in the Delaware and greater Philadelphia region, offering the benefits of local market knowledge and decision-making, a full-service product suite, the balance sheet to compete with larger regional and national banks, and most importantly, a culture of engaged Associates that bring to life WSFS' mission of *We Stand For Service* in our daily delivery of stellar Customer experiences.

WSFS Bank offers:

- One primary point of contact: Each of our relationship managers is responsible for understanding his or her Customers' needs and bringing together the right resources in WSFS Bank to meet those needs.
- A customized approach to serving our Customers: We believe that 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.

Our community banking model continues to be a key differentiating point and drove our response in assisting our Customers and the communities we serve and who have been impacted by the COVID-19 pandemic. This was reflected in our active involvement in many relief programs in our community, such as PPP, our payment deferral programs, the Micro-Loan Recovery Program, and grants to the WSFS Community Foundation in support of various outreach programs in our communities to provide long-term support for education, health and human services, and economic development.

## Our Diversified Business

### *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. At December 31, 2020 all regulatory capital levels for WSFS Bank and the Company were in excess of "well-capitalized" levels. For the capital position of WSFS Bank and the Company, refer to Note 14 of the Consolidated Financial Statements. At December 31, 2020, the Company's common equity to assets ratio was 12.50% and its tangible common equity to tangible assets ratio, which is a non-GAAP financial measure, was 8.96%. For a reconciliation of tangible common equity and tangible assets to net income and total assets, the most comparable measures in accordance with U.S. generally accepted accounting principles (GAAP), refer to "Reconciliation of non-GAAP financial measures included in Item 1" located at the end of this section.
- Disciplined lending - We maintain discipline in our lending with a particular focus on portfolio diversification and granularity. Diversification includes limits on loans to one borrower as well as industry and product concentrations. We supplement this portfolio diversification with a disciplined underwriting process and the benefit of knowing our customers. We have also taken a proactive approach to identifying trends in our local economy and have responded to areas of concern.

- Focus on credit quality - We seek to control 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 marginal income and tax relief. Our philosophy and pre-purchase due diligence has allowed us to avoid the significant investment write-downs in the current economic climate.
- Asset/liability management strategies - Our investment portfolio is consistent with the approved risk appetite of our Board of Directors. We work to optimize duration, yield and liquidity and to minimize credit risk within policy guidelines. The concentration in agency MBS (96% of investment portfolio) and bank qualified municipal bonds (4% of investment portfolio) provides liquidity, yield and credit to meet the intended risk profile.

#### *Disciplined Capital Management*

We understand that our capital (or stockholders' equity) belongs to our stockholders. They have entrusted this capital to us with the expectation that it will earn an appropriate return relative to the risks we take. Mindful of this balance, we prudently, but aggressively, manage our capital. We continue to execute our current Board-approved share repurchase plan, as well as any future Board-approved share repurchase plans, including opportunistically repurchasing shares, based on current valuation levels, above our stated practice of returning a minimum of 25% of annual net income to stockholders through dividends and share repurchases.

#### *Performance Expectations and Alignment with Stockholder Priorities*

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). Management incentives are, in large part, based on driving performance of ROA as well as return on average tangible common equity (ROTCE) and EPS growth. More details on management incentive plans will be included in the proxy statement for our 2021 Annual Meeting of Stockholders.

For the year ended December 31, 2020, WSFS reported ROA of 0.87%. Core ROA, which excludes non-core items and is a non-GAAP financial measure, was 0.74% for the year ended December 31, 2020.

Core ROA for 2020 excludes (i) securities gains, (ii) realized and unrealized gains on equity investments, net, (iii) corporate development and restructuring expense, (iv) loss on early extinguishment of debt, and (v) contribution to WSFS Community Foundation. For a reconciliation of Core ROA to ROA, the most comparable GAAP measure, refer to "Reconciliation of non-GAAP financial measures included in Item 1" located at the end of this section.

#### *Growth*

We have achieved success over the long-term in lending and deposit gathering, growing the Wealth Management segment's client base and growing Cash Connect®'s customer base and services. Our success has been the result of a focused strategy that provides service, responsiveness and careful execution in a consolidating marketplace.

We plan to continue to grow by:

- Developing talented, service-minded Associates: We have successfully recruited Associates with strong ties to, and the passion to serve, their communities to enhance our service in existing markets and to provide a strong start in new communities. We also focus 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. During 2020, the following key Associate and Board updates occurred:
  - Michael P. Reed, joined as Executive Vice President, Chief Risk Officer;
  - Michael L. Conklin, joined as Executive Vice President, Chief Human Resources Officer;
  - Peggy H. Eddens, will be retiring at the end of 2021, and has transitioned to Executive Vice President, Chief Customer Officer; and
  - Nancy J. Foster, was appointed to the WSFS Board of Directors.
- 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.

- Building fee income through investment in and growth of our Wealth Management and Cash Connect<sup>®</sup> segments.
  - Wealth Management experienced record growth during 2020 in AUM and corresponding AUM-based revenues largely due to market performance. WSFS Institutional Services<sup>®</sup> ended 2020 as the securitization industry's sixth most active trustee for U.S. Asset and Mortgage Backed Securities according to Asset-Backed Alert's ABS Database.
  - Cash Connect<sup>®</sup>, in partnership with our retail strategy, expanded its WSFS branded ATM network by adding over 150 ATMs during 2020 to serve Delaware and the Greater Philadelphia region. The number of owned and branded ATMs increased to 626 as of December 31, 2020.
- Continuing strong growth in commercial and retail lending by:
  - Offering local decision-making by seasoned banking professionals with significant local market experience.
  - Executing our community banking model that combines stellar experiences with the banking products and services our business customers demand.
  - Continuing to expand our NewLane Finance<sup>®</sup> leasing business, including an insurance product through a newly formed subsidiary, Prime Protect, as described above.
  - Adding seasoned lending professionals that have helped us win customers in our Delaware, southeastern Pennsylvania and southern New Jersey markets, which contributes to our expanding commercial small business leasing portfolio and residential mortgage, small business and SBA portfolios in the footprint we operate. In the past 12 months, we expanded our Commercial and Small Business Banking teams in the Greater Philadelphia region with the addition of nine experienced relationship managers.
- Continuing to grow deposits by:
  - Offering products through an expanded and updated branch network, increasing our market presence in Philadelphia, southeastern Pennsylvania and southern New Jersey.
  - Providing a stellar experience to our Customers.
  - Further expanding our commercial Customer relationships with deposit and cash management products.
  - Finding creative ways to build deposit market share such as targeted marketing programs.
- Continuing investment in our Delivery Transformation initiative (described in greater detail below) to increase adoption and usage of digital channels aligned with our strategy by:
  - Improving branch NPS scores and expanding NPS surveys to our contact center.
  - Providing a deeper adoption of myWSFS to provide a personalized mobile experience.
  - Deploying Medallia for real-time customer feedback from our branches and contact center.
  - Expanding DocuSign capabilities to improve turnaround time and document retention across the Company.
  - Executing multichannel target marketing campaigns with our Customers.
  - Implementing Salesforce to support our customer relationship management with focus on change management, adoption and governance.
- Seeking strategic acquisitions over the next several years, as we expect our growth to continue to be a mix of organic and acquisition-related growth, consistent with our long-term strategy.

#### *Disciplined Cost Management*

We maintain a disciplined cost management strategy while continuing to make prudent investments in our businesses through the lens of our Strategic Plan. This was evident in management's execution of the cost synergies and branch optimization plan following the acquisition of Beneficial. Further, we have experienced and continue to anticipate increased costs as a result of our previously announced Delivery Transformation initiative and investment in marketing technology, fully supported by business cases indicating strong return on investment, and driving our future growth.

### *Innovation*

Our organization is committed to product and service innovation as a means to drive growth and to stay ahead of changing customer demands and emerging competition. We are focused on developing and maintaining a strong “culture of innovation” that solicits, captures, prioritizes and executes innovation initiatives, including feedback from our customers, as well as leveraging technology from product creation to process improvements. Cash Connect®, a premier provider of ATM vault cash, smart safe and other cash logistics services in the U.S., serves as an innovation engine by driving enhancements such as mobile phone cash withdrawals from WSFS ATMs, and has developed best-in-class cash logistics and reconciliation software. WSFS Institutional Services®, which offers owner and indenture trustee services for asset-backed securities, custody, escrow, verification agent services as well as numerous other services, has partnered with several technology firms and fintechs to enhance and expand our client offerings. These innovations have created internal efficiencies and valued services for our local banking customers, institutional clients and merchants across the nation. We intend to continue to leverage technology and innovation to grow our business and to successfully execute on our strategy.

In 2019, we embarked on a multi-year Delivery Transformation initiative focused on melding our physical and digital delivery, consistent with our brand, by enabling our Associates with the latest technology and actionable data to better serve our Customers. Industry and customer behavior trends continue to shift as observed in reduced branch traffic and increased mobile adoption. As such, we have concluded that we need to transform our delivery channels to meet these new expectations. As we continue to make progress on our 2019-2021 Strategic Plan, we have accelerated our transformation by optimizing our physical branch network and making strategic investments in meaningful technology solutions, supported by specialized talent. Those investments are expected to provide our Customers with leading edge products and elevate our Associates, as they strive to serve in a competitive and compelling way. We are designing and integrating solutions to provide personalized experiences to our Customers, while retaining the essence of what makes WSFS great. Through our Delivery Transformation and our ongoing commitment to Stellar Service, we intend to continue to lead the community and regional banking industry with regards to service delivery and Customer experience.

We have formed several strategic alliances and investments, which have allowed us to stay at the forefront of emerging technology in our industry. Through these partnerships, we look forward to offering and supporting even more innovative products to the financial services marketplace, continuing our organizational learning in this fast-developing space, and participating in value creation for our stockholders.

### *Enterprise Risk Management*

We manage our risks through our Enterprise Risk Management (ERM) program administered by the Chief Risk Officer (CRO) and ERM department. Our stand-alone ERM department is separate from our lines of business. Formal Risk Appetite Statements have been developed for each risk category throughout the institution; these statements are reviewed and approved by the Board annually. From a regulatory perspective, our ERM program is evaluated as part of the regular Safety and Soundness examination by the OCC.

Key Risk Indicators (KRI's) or Risk metrics are continually monitored in relation to risk appetite through a Risk Assessment Summary (RAS) dashboard. Each KRI has an assigned quantitative tolerance level which considers our overall risk appetite, regulatory requirements, the bank's peer group statistics, best practices, and general industry guidelines. As part of our ERM program, approximately 90 KRIs are monitored company-wide. In the event that risk levels exceed our defined risk appetite, management action is required.

The CRO and the ERM department conduct meetings with management of respective business lines and support areas to discuss and gather information for ERM reporting. ERM reporting is also provided to the Board of Directors quarterly. In addition, our Management Risk Committee (MRC), which meets each quarter, provides management governance and oversight of the Company's risk management program on an enterprise-wide basis, and includes members of the Company's executive and senior management teams.

Market Demographics

Our primary market is Delaware and the Greater Philadelphia region, including southeastern Pennsylvania and southern New Jersey. This market benefits from an urban concentration as well as from a unique political, legal, tax and business environment. The following table shows key demographics for our markets compared to the national average.

| (Most recent available statistics)                      | Delaware | Southeastern Pennsylvania <sup>(1)</sup> | Southern New Jersey <sup>(2)</sup> | National Average |
|---------------------------------------------------------|----------|------------------------------------------|------------------------------------|------------------|
| Unemployment (For November 2020) <sup>(3) (4) (5)</sup> | 5.1%     | 6.2%                                     | 9.4%                               | 6.7%             |
| Median Household Income (2015-2019) <sup>(6)</sup>      | \$68,287 | \$80,261                                 | \$78,934                           | \$62,843         |
| Population Growth (2010-2019) <sup>(7)</sup>            | 8.4%     | 3.1%                                     | (1.1)%                             | 6.3%             |

(1) Comprised of Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties  
(2) Comprised of Burlington and Camden Counties  
(3) Bureau of Labor Statistics - Delaware and National unemployment rates are as of November 2020, seasonally adjusted  
(4) Bureau of Labor Statistics - Southeastern Pennsylvania unemployment rate is a simple average of the November 2020 not seasonally adjusted unemployment rates for Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties  
(5) Bureau of Labor Statistics - Southern New Jersey unemployment rate is a simple average of the November 2020 not seasonally adjusted unemployment rates for Burlington and Camden Counties  
(6) U.S. Census Bureau - Quick Facts 2015 - 2019  
(7) U.S. Census Bureau - Quick Facts 2010 - 2019

## DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

Condensed average balance sheets for each of the last two 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."

## CREDIT EXTENSION ACTIVITIES

Over the past several years we have focused on growing the more profitable, relationship-oriented segments of our loan portfolio. Our current portfolio lending activity is concentrated on small- to mid-sized businesses in the mid-Atlantic region of the U.S., primarily in Delaware, southeastern Pennsylvania, southern New Jersey, Maryland and northern Virginia. Based on current market conditions, we expect our focus on growing commercial and industrial loans and other relationship-based commercial loans to continue during the remainder of 2021 and beyond.

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

| (Dollars in thousands)                   | At December 31,     |         |              |         |              |         |              |         |              |         |
|------------------------------------------|---------------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|
|                                          | 2020 <sup>(1)</sup> |         | 2019         |         | 2018         |         | 2017         |         | 2016         |         |
|                                          | Amount              | Percent | Amount       | Percent | Amount       | Percent | Amount       | Percent | Amount       | Percent |
| <b>Types of Loans</b>                    |                     |         |              |         |              |         |              |         |              |         |
| Commercial and industrial <sup>(2)</sup> | \$ 2,700,418        | 30.7 %  | \$ 2,046,798 | 24.3 %  | \$ 1,472,489 | 30.3 %  | \$ 1,464,554 | 30.7 %  | \$ 1,287,731 | 29.0 %  |
| Owner-occupied commercial                | 1,332,727           | 15.2    | 1,296,466    | 15.4    | 1,059,974    | 21.8    | 1,079,247    | 22.6    | 1,078,162    | 24.3    |
| Commercial mortgages                     | 2,086,062           | 23.7    | 2,222,976    | 26.4    | 1,162,739    | 23.9    | 1,187,705    | 24.9    | 1,163,554    | 26.2    |
| Construction                             | 716,275             | 8.1     | 581,082      | 6.9     | 316,566      | 6.5     | 281,608      | 5.9     | 222,712      | 5.0     |
| Commercial small business leases         | 248,885             | 2.8     | 188,630      | 2.2     | —            | —       | —            | —       | —            | —       |
| Residential <sup>(3)</sup>               | 774,455             | 8.8     | 1,016,500    | 12.1    | 218,099      | 4.5     | 253,301      | 5.3     | 289,611      | 6.5     |
| Consumer                                 | 1,165,917           | 13.3    | 1,128,731    | 13.4    | 680,939      | 14.0    | 558,493      | 11.7    | 450,029      | 10.1    |
| Gross loans and leases                   | 9,024,739           | 102.6   | 8,481,183    | 100.7   | 4,910,806    | 101.0   | 4,824,908    | 101.1   | 4,491,799    | 101.1   |
| Less:                                    |                     |         |              |         |              |         |              |         |              |         |
| Deferred fees (unearned income)          | —                   | —       | 9,143        | 0.1     | 7,348        | 0.2     | 7,991        | 0.2     | 7,673        | 0.2     |
| Allowance for credit losses              | 228,804             | 2.6     | 47,576       | 0.6     | 39,539       | 0.8     | 40,599       | 0.9     | 39,751       | 0.9     |
| Net loans and leases <sup>(4)</sup>      | \$ 8,795,935        | 100.0 % | \$ 8,424,464 | 100.0 % | \$ 4,863,919 | 100.0 % | \$ 4,776,318 | 100.0 % | \$ 4,444,375 | 100.0 % |

<sup>(1)</sup> Includes the impact of our adoption of CECL on January 1, 2020.

<sup>(2)</sup> Commercial and industrial loans include \$751.2 million of PPP loans at December 31, 2020.

<sup>(3)</sup> Includes reverse mortgages, at fair value of \$10.1 million, \$16.6 million, \$16.5 million, \$19.8 million, and \$22.6 million at December 31, 2020, 2019, 2018, 2017, and 2016, respectively.

<sup>(4)</sup> Excludes \$197.5 million, \$83.9 million, \$25.3 million, \$31.1 million, and \$54.8 million of commercial and industrial loans and residential mortgage loans held for sale at December 31, 2020, 2019, 2018, 2017, and 2016, respectively.

The following tables show our loan portfolio by remaining contractual maturity as of December 31, 2020. The first table details the total loan portfolio by type of loan. The second table details the total loan portfolio by those with fixed interest rates and those with adjustable interest rates. Loans may be pre-paid, so the actual maturity may differ from 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.

| <i>(Dollars in thousands)</i>    | Less than<br>One Year | One to<br>Five Years | Over Five Years | Total        |
|----------------------------------|-----------------------|----------------------|-----------------|--------------|
| Commercial and industrial loans  | \$ 213,970            | \$ 1,836,619         | \$ 649,829      | \$ 2,700,418 |
| Commercial owner-occupied loans  | 18,010                | 432,568              | 882,149         | 1,332,727    |
| Commercial mortgage loans        | 25,273                | 1,106,516            | 954,273         | 2,086,062    |
| Construction loans               | 6,497                 | 542,553              | 167,225         | 716,275      |
| Commercial small business leases | 10                    | 212,886              | 35,989          | 248,885      |
| Residential loans <sup>(1)</sup> | 1,776                 | 24,468               | 738,149         | 764,393      |
| Consumer loans                   | 11,760                | 82,938               | 1,071,219       | 1,165,917    |
| Total gross loans and leases     | \$ 277,296            | \$ 4,238,548         | \$ 4,498,833    | \$ 9,014,677 |
| Rate sensitivity:                |                       |                      |                 |              |
| Fixed                            | \$ 17,367             | \$ 2,362,302         | \$ 2,533,542    | \$ 4,913,211 |
| Adjustable <sup>(2)</sup>        | 259,929               | 1,876,246            | 1,965,291       | 4,101,466    |
| Total gross loans and leases     | \$ 277,296            | \$ 4,238,548         | \$ 4,498,833    | \$ 9,014,677 |

<sup>(1)</sup> Excludes reverse mortgages at fair value of \$10.1 million.

<sup>(2)</sup> Includes hybrid adjustable-rate mortgages.

### 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 their assets in commercial loans, but no more than 10% may be in loans that do not qualify as small business loans. As a federal savings bank that was formerly chartered as a Delaware savings bank, the Bank has certain additional lending authority.

Commercial, commercial owner-occupied, commercial mortgage and construction loans have higher levels 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 than residential mortgage loans. The majority of our commercial and commercial real estate loans are concentrated in Delaware and Pennsylvania.

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

Our commercial mortgage portfolio was \$2.1 billion at December 31, 2020. Generally, this portfolio is diversified by property type, with no type representing more than 32% of the portfolio. The largest type is retail-related (non-mall, neighborhood shopping centers and other retail) with balances of \$667.6 million at December 31, 2020. The average size of a loan in the commercial mortgage portfolio is \$0.8 million and only 13 loans are greater than \$12.0 million, with one loan greater than \$24.0 million.

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 with the option of conversion to mini-permanent loans (one - five years) upon completion of construction. These construction loans are short-term, usually not exceeding two years, with interest rates generally indexed to our WSFS prime rate, the "Wall Street" prime rate or LIBOR, and are adjusted periodically as these indices 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 each loan, these criteria 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 business development 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, 2020, \$1.1 billion was committed for construction loans, of which \$716.3 million was outstanding. The residential construction and land development (CLD) portfolio represented \$331.4 million, or 4%, of total loans and 22% of Tier 1 capital (Tier 1 + ACL), and the commercial CLD portfolio represented \$275.4 million, or 3%, of total loans. These portfolios include \$25.4 million of "land hold" loans, which are land loans not currently being developed, at December 31, 2020.

Commercial and industrial and owner-occupied commercial loans include loans for working capital, financing equipment and real estate acquisitions, business expansion and other business purposes. These relationships generally range in amounts of up to \$45.0 million with an average loan balance in the portfolio of \$0.3 million (excluding PPP loans), and terms ranging from less than one year to ten years. The loans generally carry variable interest rates indexed to our WSFS prime rate, "Wall Street" prime rate or LIBOR. At December 31, 2020, our commercial and industrial and owner-occupied commercial loan portfolios were \$4.0 billion and represented 46% of our total loan and lease portfolio. These loans are diversified by industry, with no industry representing more than 17% of the portfolio. During 2020, we participated in certain regulatory relief programs under the CARES Act, which include the Paycheck Protection Program (PPP). At December 31, 2020, we had \$751.2 million in PPP loans.

Federal law limits the Bank's extensions of credit to any one borrower to 15% of our unimpaired capital (approximately \$226.8 million), and an additional 10% if the additional extensions of credit are secured by readily marketable collateral. Extensions of credit include outstanding loans as well as contractual commitments to advance funds, such as standby letters of credit. At December 31, 2020, no borrower had collective (relationship) total extensions of credit exceeding these legal lending limits. Our internal "House Limit" to any one borrowing relationship is \$70.0 million.

Small business and middle market commercial loans that include specialty-lending products, including small business leases and SBA loans, comprise the remainder of our commercial portfolio. Our small business and SBA loans include loan exposures up to \$1.5 million and \$5.0 million, respectively.

Our commercial small business leases generated through NewLane Finance Company finance critical equipment through advanced technologies, a customer-centric approach and transparent business lending practices. The commercial small business leases portfolio was \$248.9 million at December 31, 2020. These leases included initial average deal sizes of approximately \$30 thousand, with yields ranging from 4% to 29% and initial maturity terms of 12 to 72 months.

### ***Residential Lending***

Generally, we originate held-for-sale residential first mortgage loans with loan-to-value ratios of up to 90% and require private mortgage insurance or government guarantee for up to 35% of the mortgage amount for mortgage loans with loan-to-value ratios exceeding 80%. On a very limited basis, we have originated or purchased loans with loan-to-value ratios exceeding 80% without a private mortgage insurance requirement or government guarantee. At December 31, 2020, the balance of all such loans was approximately \$57.9 million.

Our residential mortgage loans generally are underwritten and documented in accordance with standard underwriting criteria published by Fannie Mae, Freddie Mac, Federal Housing Agency, Veterans Administration, the U.S. Department of Agriculture and other secondary market participants to assure maximum eligibility for subsequent sale in the secondary market.

To protect the propriety of our liens, we require borrowers to provide title insurance. We also require fire, extended coverage casualty and flood insurance (where applicable) for properties securing residential loans. All properties securing our residential loans 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 loans have interest rates that adjust yearly after an initial period. The change in rate for the first adjustment date could be higher than the typical limited rate change of two percentage points at each subsequent adjustment date. Adjustments are generally based upon a margin (ranging from 2.25% to 2.75%) over the weekly average yield on U.S. Treasury securities adjusted to a constant maturity, as published by the Board of Governors of the Federal Reserve System (the Federal Reserve).

Usually, the maximum rate on these loans is five 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 the risk related to our exposure 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. 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, yields on our adjustable-rate mortgages may not 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. 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. 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 120 days. 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. There were no repurchases in 2020, one repurchase in 2019 with minimal impact, and no repurchases in 2018.

### Consumer Lending

Our primary consumer credit products (excluding first mortgage loans) are home equity lines of credit and installment loans. At December 31, 2020, home equity lines of credit outstanding totaled \$348.7 million and installment loans totaled \$552.7 million. In total, these product lines represented approximately 78% of total consumer loans. Typically, maximum loan to value (LTV) limits are 85% for primary residences and 70% for all other properties. At December 31, 2020, we had \$866.1 million in total commitments for home equity lines of credit. Home equity lines of credit offer customers the convenience of checkbook and debit card access, and revolving credit features for a portion of the life of the loan and typically are more attractive in a low interest rate environment. Home equity lines of credit expose us to the risk that falling collateral values may leave us inadequately secured. This credit risk is mitigated by our underwriting standards and limit on the combined LTV on residences with a value greater than \$750 thousand.

We purchase certain second-lien home equity installment loans through our partnership with Spring EQ, LLC (Spring EQ). These select loans meet or exceed our current underwriting standards and are similar to home equity loans originated through our branch network. We have student loans through our partnership with LendKey Technologies Inc. (LendKey). LendKey student loans are primarily to consolidate existing student debt and are also underwritten in accordance with our current credit standards. The student loans portfolio also includes loans acquired from Beneficial, which are U.S. government guaranteed with little risk of credit loss.

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

|                                          | At December 31,     |         |              |         |            |         |            |         |            |         |
|------------------------------------------|---------------------|---------|--------------|---------|------------|---------|------------|---------|------------|---------|
|                                          | 2020 <sup>(1)</sup> |         | 2019         |         | 2018       |         | 2017       |         | 2016       |         |
|                                          | Amount              | Percent | Amount       | Percent | Amount     | Percent | Amount     | Percent | Amount     | Percent |
| <i>(Dollars in thousands)</i>            |                     |         |              |         |            |         |            |         |            |         |
| Home equity lines of credit              | \$ 348,715          | 30 %    | \$ 370,504   | 33 %    | \$ 286,271 | 42 %    | \$ 295,525 | 53 %    | \$ 295,211 | 66 %    |
| Installment Loans - Other <sup>(2)</sup> | 552,685             | 48      | 469,013      | 42      | 259,574    | 38      | 174,360    | 31      | 99,366     | 22      |
| Unsecured lines of credit                | 26,773              | 2       | 26,536       | 2       | 23,174     | 3       | 16,505     | 3       | 12,520     | 3       |
| Education loans                          | 237,744             | 20      | 262,678      | 23      | 111,920    | 17      | 72,103     | 13      | 42,932     | 9       |
| Total consumer loans                     | \$ 1,165,917        | 100 %   | \$ 1,128,731 | 100 %   | \$ 680,939 | 100 %   | \$ 558,493 | 100 %   | \$ 450,029 | 100 %   |

<sup>(1)</sup> Includes the impact of our adoption of CECL on January 1, 2020.

<sup>(2)</sup> Includes equity-secured installment loans, personal and other loans.

### Loan Originations, Purchases and Sales

We engage in traditional lending activities primarily in Delaware, southeastern Pennsylvania, southern New Jersey, and contiguous areas of neighboring states. As a federal savings bank, however, we may originate, purchase and sell loans throughout the U.S. We purchase loans from outside our traditional lending area through our relationships with Spring EQ and LendKey, when such purchases are deemed appropriate. We originate fixed-rate and adjustable-rate residential loans through our banking offices and WSFS Mortgage®, our mortgage banking company.

**Commercial:** We originate commercial real estate and commercial loans through our commercial lending division and SBA loan program. Commercial loans are made for working capital, financing equipment acquisitions, business expansion and other business purposes. During 2020, we originated \$2.8 billion of commercial and commercial real estate loan exposures (including nearly \$1.0 billion of PPP loans) compared to \$1.6 billion in 2019. To reduce our exposure on certain types of these loans, and/or to maintain relationships within internal lending limits, at times we will sell a portion of our commercial loan portfolio, typically through loan participations. Commercial loan sales totaled \$159.3 million and \$21.9 million in 2020 and 2019, respectively. These amounts represent gross contract amounts and do not necessarily reflect amounts outstanding on those loans. We also periodically buy loan participations from other banks. Commercial loan participation purchases totaled \$93.4 million and \$56.9 million in 2020 and 2019, respectively.

Any significant modification or additional exposure to one borrowing relationship exceeding \$7.5 million must be approved by the Loan Committee. Any additional exposure to one borrowing relationship exceeding \$25.0 million must be approved by the Senior Loan Committee. During 2020, we adopted interim underwriting guidelines to help us manage our credit exposures in response to the COVID-19 pandemic. The Executive and Risk Committee of the Board of Directors reviews the minutes of the Loan Committee and Senior Loan Committee meetings. The Executive and Risk Committee also approves new credit exposures exceeding \$20.0 million and new credit exposures in excess of \$10.0 million with two or more Tier 1 policy exceptions. Depending upon their experience and management position, individual officers of the Bank have the authority to approve smaller loan amounts. Our credit policy includes a “House Limit” to any one borrowing relationship, which increased from \$40.0 million to \$70.0 million in March 2019 in connection with the Beneficial acquisition, consistent with overall growth in capital and the size of our loan portfolio. In rare circumstances, we will approve exceptions to the “House Limit.” Our policy allows for only 10 such relationships with an aggregate exposure of 10% of Tier 1 Capital plus ACL. At December 31, 2020, one C&I relationship exceeded the \$70.0 million “House Limit.” The loans in this relationship were performing in accordance with their original terms at December 31, 2020.

**Residential and Consumer:** During 2020, we originated \$929.7 million of residential loans, an increase compared to \$438.1 million in 2019 as a result of the lower interest rate environment and increased volume during the COVID-19 pandemic. From time to time, we have purchased whole loans and loan participations in accordance with our ongoing asset and liability management objectives. There were \$6.5 million of purchases in 2019 related to our Community Reinvestment Act (CRA) obligations. There were no such purchases in 2020. We sell most newly originated mortgage loans in the secondary market to generate fee income, to control the interest rate sensitivity of our balance sheet and to manage overall balance sheet mix. Residential loan sales totaled \$798.9 million in 2020 and \$375.2 million in 2019. We hold certain fixed-rate mortgage loans for investment, consistent with our current asset/liability management strategies and our relationship-based lending philosophy.

At December 31, 2020, we serviced \$132.4 million of residential first mortgage loans and reverse mortgage loans for others, compared to \$165.7 million at December 31, 2019. We also serviced residential first mortgage loans and reverse mortgage loans for our own portfolio totaling \$0.8 billion and \$1.0 billion at December 31, 2020 and 2019, respectively.

Our consumer lending activity is conducted through our branch offices, our partnerships with Spring EQ and LendKey and referrals from other parts of our business. 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. We offer government-insured reverse mortgages to our customers. These loans do not close in our name and we process them as a reverse mortgage broker. During 2020 and 2019, we originated \$1.0 million and \$0.6 million in reverse mortgages, respectively.

#### ***Fee Income from Lending Activities***

We earn fee income from lending activities, including fees for originating loans, servicing loans and selling loans and 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 interest rate swap fees. As part of the loan application process, the borrower also 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 our Consolidated Statements of Income immediately, but are deferred as adjustments to yield in accordance with GAAP, and are reflected in interest income over the expected life of the loan. Those fees represented interest income of \$23.5 million, \$7.1 million and \$5.5 million during 2020, 2019 and 2018 respectively. Loan fee income was mainly due to fee accretion on new and existing loans (including the acceleration of the accretion on loans that paid early), loan growth and prepayment penalties. The increase in loan fee income was concentrated in commercial and industrial due to \$15.6 million in fees earned on PPP loans.

#### **LOAN LOSS EXPERIENCE, PROBLEM ASSETS AND DELINQUENCIES**

Our results of operations can be negatively impacted by nonperforming assets, which include nonaccruing loans, other real estate owned 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 and collateral is insufficient to cover principal and interest payments. 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 accretion 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 our assessment of the ultimate collectability of principal and interest.

We 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 loans and investments in real estate portfolios and reports such information to the Credit Policy Committee, the Finance Department, and the Audit Committee of our Board of Directors.

## SOURCES OF FUNDS

We manage our liquidity risk and funding needs through our Treasury function and our Asset/Liability Committee. We have significant experience managing our funding needs through both borrowings and deposit growth.

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

- Retained earnings
- Commercial and retail deposit programs
- Loan repayments
- Federal funds purchased
- Federal Home Loan Banks (FHLB) borrowings
- Federal Reserve Discount Window access
- Brokered deposits
- Senior debt

Our branch strategy has been focused on expanding our market penetration and retail footprint in Delaware, southeastern Pennsylvania and southern New Jersey and attracting new customers in part to provide additional deposit growth.

### *Deposits*

WSFS Bank is the largest locally-headquartered community bank in the Delaware and greater Philadelphia region. WSFS Bank primarily attracts deposits through its retail branch offices and loan production offices, in Delaware, southeastern Pennsylvania and southern New Jersey, as well as through our digital banking platforms.

WSFS Bank offers various deposit products to our customers, including savings accounts, demand deposits, interest-bearing demand deposits, money market deposit accounts and certificates of deposit. In addition, WSFS Bank accepts “jumbo” certificates of deposit with balances in excess of \$100,000 from individuals, businesses and municipalities.

The following table shows the maturities of certificates of deposit of \$100,000 or more as of December 31, 2020:

(Dollars in Thousands)

| Maturity Period            | December 31, 2020 |         |
|----------------------------|-------------------|---------|
| Less than 3 months         | \$                | 182,688 |
| Over 3 months to 6 months  |                   | 55,786  |
| Over 6 months to 12 months |                   | 110,922 |
| Over 12 months             |                   | 135,052 |
| Total                      | \$                | 484,448 |

### *Federal Home Loan Bank Advances*

As a member of the FHLB, we are able to obtain FHLB advances. At December 31, 2020, we had \$6.6 million in FHLB advances, compared with \$112.7 million at December 31, 2019. The lower outstanding advances from the FHLB at December 31, 2020 were impacted by prepayments made during the year as part of routine balance sheet and liquidity management. During 2020, the weighted average interest rate of FHLB advances was 2.22%, a decrease from 2.43% at December 31, 2019, as the current period was impacted by the lower interest rate environment and the aforementioned prepayment of higher cost borrowings. 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. As a member of the FHLB, we are required to purchase and hold shares of capital stock in the FHLB and we were in compliance with this requirement with a stock investment in FHLB of \$5.8 million as of December 31, 2020 and with \$21.1 million at December 31, 2019.

We received \$0.5 million in dividends from the FHLB during 2020 compared to \$1.5 million during 2019. For additional information regarding FHLB stock, see Note 13 to the Consolidated Financial Statements.

### *Trust Preferred Borrowings*

In 2005, the Trust 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. These securities are callable and have a maturity date of June 1, 2035.

***Federal Funds Purchased and Securities Sold Under Agreements to Repurchase***

During 2020 and 2019, we purchased federal funds as a short-term funding source. At December 31, 2020, we had no federal funds purchased, compared to \$195.0 million at an average rate of 1.60% at December 31, 2019. As of December 31, 2020 and 2019, we had no securities under agreements to repurchase as a funding source.

***Senior Debt***

On June 13, 2016, we issued \$100.0 million of senior notes due 2026 (the 2016 senior notes). The 2016 senior notes mature on June 15, 2026 and have a fixed coupon rate of 4.50% from issuance to, but excluding, June 15, 2021, and a variable coupon rate of three month LIBOR plus 3.30% from June 15, 2021 until maturity. The 2016 senior notes may be redeemed beginning on June 15, 2021 at 100% of principal plus accrued and unpaid interest. The proceeds remaining after the redemption of the 2012 notes are being used for general corporate purposes.

On December 3, 2020, we issued \$150.0 million of senior notes due 2030 (the 2020 senior notes). The 2020 senior notes mature on December 15, 2030 and have a fixed coupon rate of 2.75% from issuance until December 15, 2025 and a variable coupon rate equal to the three-month term Secured Overnight Funding Rate, (SOFR), reset quarterly, plus 2.485% from December 15, 2025 until maturity. The 2020 senior notes may be redeemed beginning December 15, 2025 at 100% of principal plus accrued and unpaid interest. The net proceeds from the issuance of the 2020 senior notes are being used for general corporate purposes, including, but not limited to, financing organic growth, acquisitions, repurchases of common stock, and redemption of outstanding indebtedness.

### Reconciliation of non-GAAP financial measures included in Item 1

We prepare our financial statements in accordance with U.S. GAAP. To supplement our financial information presented in accordance with U.S. GAAP, we provide the following non-GAAP financial measures in Item 1: core ROA, the tangible common equity to tangible assets ratio, core EPS, and core ROTCE. We believe these measures provide investors with useful information for understanding of the company's performance when analyzing changes in our underlying business between reporting periods and provide for greater transparency with respect to supplemental information used by management in its financial and operational decision making. We believe the presentation of these non-GAAP financial measures, when used in conjunction with GAAP financial measures, is a useful financial analysis tool that can assist investors in assessing the company's operating performance and underlying prospects. This analysis should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

Core ROA, Core EPS and Core ROTCE are calculated as follows:

|                                                                                                                                                                                                                                           |    | For the year ended<br>December 31, 2020 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------------------------------|
| <i>(Dollars in thousands)</i>                                                                                                                                                                                                             |    |                                         |
| <b>Calculation of Core ROA (non-GAAP):</b>                                                                                                                                                                                                |    |                                         |
| Net income attributable to WSFS (GAAP)                                                                                                                                                                                                    | \$ | 114,774                                 |
| (Less): Securities gains                                                                                                                                                                                                                  |    | (9,076)                                 |
| Unrealized gains on equity investments, net                                                                                                                                                                                               |    | (761)                                   |
| Realized gains on equity investments, net                                                                                                                                                                                                 |    | (22,052)                                |
| Plus: Corporate development and restructuring expenses                                                                                                                                                                                    |    | 4,838                                   |
| Loss on early extinguishment of debt                                                                                                                                                                                                      |    | 2,280                                   |
| Contribution to WSFS Community Foundation                                                                                                                                                                                                 |    | 3,000                                   |
| Plus: Tax impact of pre-tax adjustments                                                                                                                                                                                                   |    | 3,645                                   |
| Adjusted net income (non-GAAP)                                                                                                                                                                                                            | \$ | 96,648                                  |
| Average assets                                                                                                                                                                                                                            | \$ | 13,148,317                              |
| ROA (GAAP)                                                                                                                                                                                                                                |    | 0.87 %                                  |
| Core ROA (non-GAAP)                                                                                                                                                                                                                       |    | 0.74 %                                  |
| <b>Calculation of Core EPS (non-GAAP):</b>                                                                                                                                                                                                |    |                                         |
| EPS (GAAP)                                                                                                                                                                                                                                | \$ | 2.27                                    |
| Plus/(less): Pre-tax adjustments: Securities gains, realized/unrealized gains on equity investments, corporate development and restructuring expense, loss on early extinguishment of debt, and contribution to WSFS Community Foundation |    | (0.43)                                  |
| (Plus)/less: Tax impact of pre-tax adjustments                                                                                                                                                                                            |    | 0.07                                    |
| Core EPS (non-GAAP)                                                                                                                                                                                                                       | \$ | 1.91                                    |
| <b>Calculation of Core ROTCE (non-GAAP):</b>                                                                                                                                                                                              |    |                                         |
| <b>Net average tangible common equity</b>                                                                                                                                                                                                 |    |                                         |
| Average stockholders' equity of WSFS                                                                                                                                                                                                      | \$ | 1,836,115                               |
| Less: average goodwill and intangible assets                                                                                                                                                                                              |    | 563,126                                 |
| Net average tangible common equity                                                                                                                                                                                                        | \$ | 1,272,989                               |
| <b>Core ROTCE</b>                                                                                                                                                                                                                         |    |                                         |
| Adjusted net income (non-GAAP) attributable to WSFS                                                                                                                                                                                       | \$ | 96,648                                  |
| Plus: Tax effected amortization of intangible assets                                                                                                                                                                                      |    | 8,481                                   |
| Core net tangible income (non-GAAP)                                                                                                                                                                                                       | \$ | 105,129                                 |
| Net average tangible common equity                                                                                                                                                                                                        | \$ | 1,272,989                               |
| Core return on average tangible common equity (non-GAAP)                                                                                                                                                                                  |    | 8.26 %                                  |

The tangible common equity to tangible assets ratio is calculated as follows:

(Dollars in thousands)

|                                          | December 31, 2020 |            |
|------------------------------------------|-------------------|------------|
| <b>Period End Tangible Assets</b>        |                   |            |
| Period end assets                        | \$                | 14,333,914 |
| Goodwill and intangible assets           |                   | (557,386)  |
| Tangible assets                          | \$                | 13,776,528 |
| <b>Period End Tangible Common Equity</b> |                   |            |
| Period end Stockholder's equity of WSFS  | \$                | 1,791,726  |
| Goodwill and intangible assets           |                   | (557,386)  |
| Tangible common equity                   | \$                | 1,234,340  |
| Tangible common equity to assets         |                   | 8.96 %     |

## REGULATION

### Overview

The Company and the Bank are subject to extensive federal and state banking laws, regulations, and policies that are intended primarily for the protection of depositors, the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (FDIC) and the banking system as a whole, and not for the protection of our other creditors and stockholders. The Office of the Comptroller of the Currency (OCC) is the Bank's primary regulator and the Federal Reserve is the Company's primary regulator. The Consumer Financial Protection Bureau (CFPB) regulates the Bank's compliance with federal consumer financial protection laws.

The statutes enforced by, and regulations and policies of, these agencies affect most aspects of our business, including prescribing permissible types of activities and investments, the amount of required capital and reserves, requirements for branch offices, the permissible scope of our activities and various other requirements. These laws and regulations and the ways in which they are applied to us can change significantly. For example, the Dodd-Frank Act, which was enacted in 2010 and amended by the Economic Growth Act in 2018, imposed significant new restrictions and an expanded framework of regulatory oversight for banking institutions and their holding companies.

The Bank's deposits are insured by the FDIC to the fullest extent allowed by law. As an insurer of bank deposits, the FDIC promulgates regulations, requires the filing of reports, and has authority to examine the operations of all institutions to which it provides deposit insurance for insurance purposes.

The laws and regulations to which the Company and the Bank are subject cover all aspects of our business, including lending and collection practices, treatment of our customers, safeguarding deposits, customer privacy and information security, capital structure, liquidity, dividends and other capital distributions, transactions with affiliates and conduct and qualifications of personnel. Such laws and regulations directly and indirectly affect key drivers of our profitability, including, for example, capital and liquidity, product offerings, risk management, and costs of compliance. As a result, the extensive laws and regulations to which we are subject and with which we must comply significantly impact our earnings, results of operations, financial condition and competitive position. The impact of such regulations on our business is discussed further below, as well as in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors – Risks Relating to Regulation."

### Coronavirus Aid, Relief, and Economic Security (CARES) Act

On March 27, 2020, the CARES Act was enacted, providing wide ranging economic relief for individuals and businesses impacted by COVID-19. These economic relief initiatives included the Paycheck Protection Program (PPP), relief with respect to troubled debt restructurings (TDRs), mortgage forbearance, government stimulus payments and extended unemployment benefits. The Consolidated Appropriations Act, 2021, enacted on December 27, 2020, extended some of these relief provisions in certain respects.

The CARES Act created the PPP and funded it with \$349 billion. The PPP is a stimulus response to the potential economic impacts of COVID-19, and its purpose is to provide forgivable loans to smaller businesses that use the proceeds of the loans for payroll and certain other qualifying expenses. The Small Business Administration (SBA) manages and backs the PPP. If a loan is fully forgiven, SBA will repay the lending bank in full. If a loan is partially forgiven or not forgiven at all, a bank must look to the borrower for repayment of unforgiven principal and interest. If the borrower defaults, the loan is guaranteed by SBA.

On April 6, 2020, WSFS Bank began participating in the PPP. We processed PPP loan applications until April 16, 2020, when the SBA announced that it had exhausted the \$349 billion appropriated in the CARES Act, and stopped accepting PPP applications. On April 24, 2020, the President signed into law the Paycheck Protection Program and Health Care Enhancement Act, which supplemented certain programs established by the CARES Act and provided \$310 billion in additional funding for the PPP. To date, we have provided nearly \$1.0 billion in PPP loans for more than 5,400 new and existing WSFS Customers and are now processing loan forgiveness applications. The Bank has not accepted any applications since August 8, 2020, the statutory deadline for submissions by prospective borrowers under the first round of PPP lending. The Consolidated Appropriations Act, 2021 appropriated a further \$284 billion to the PPP (PPP 2.0), and permitted certain PPP borrowers to receive “second draw” loans. In January 2021, WSFS Bank began participating in the PPP 2.0 by outsourcing the processing and servicing of PPP 2.0 loans to third party providers. The PPP 2.0 loans will not be originated on our balance sheet; however, we anticipate the resulting deposits from our Customers obtaining PPP 2.0 loans from other originating lenders will impact our financial condition in 2021.

The CARES Act and related guidance from the federal banking agencies provide financial institutions the option to temporarily suspend requirements under GAAP related to classification of certain loan modifications as TDRs, to account for the current and anticipated effects of COVID-19. The CARES Act, as amended by the Consolidated Appropriations Act, 2021, specified that COVID-19 related loan modifications executed between March 1, 2020 and the earlier of (i) 60 days after the date of termination of the national emergency declared by the President and (ii) January 1, 2022, on loans that were current as of December 31, 2019 are not subject to TDR accounting requirements under GAAP. Additionally, under guidance from the federal banking agencies, other short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs under ASC Subtopic 310-40, “Troubled Debt Restructuring by Creditors.” These modifications include short-term (e.g., up to six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. We have provided a number of customer relief programs in our commercial and retail portfolios, such as payment deferrals or interest only payments on loans and leases, disaster assistance, and waiving minimum deposit balance and direct deposit requirements as well as early withdrawal penalties for CDs or IRAs. Additionally, we are offering new lines of credit or increases to existing lines of credit and increased remote deposit limits for those individuals and businesses impacted by COVID-19. To date, we made short-term modifications for approximately \$2.1 billion of loans and leases to provide our customers monetary relief, which were reduced to \$114.8 million or less than 2% of our loan and lease portfolio as of December 31, 2020. In general, pursuant to the CARES Act and related guidance from the federal banking agencies, we have not reported these short-term modifications as TDRs.

The CARES Act also provides for an opportunity to carry back net operating losses (NOLs) arising from 2018, 2019 and 2020 to the prior five tax years. We have such NOLs reflected on our balance sheet as a portion of our current tax receivables, which were previously valued at the federal corporate income tax rate of 21%. However, the provisions of the CARES Act provide for NOL carryback claims to be calculated based on a rate of 35%, which was the federal corporate tax rate in effect for the carryback years. Consequently, effective December 31, 2020, we have revalued the benefit from our NOLs to reflect a 35% tax rate.

The CARES Act also includes a range of other provisions designed to support the U.S. economy and mitigate the impact of COVID-19 on financial institutions and their customers. For example, provisions of the CARES Act require mortgage servicers to grant, on a borrower’s request, forbearance for up to 180 days (which can be extended for an additional 180 days) on a federally-backed single-family mortgage loan, or forbearance up to 30 days (which can be extended for two additional 30-day periods) on a federally-backed multifamily mortgage loan when the borrower experiences financial hardship due to the COVID-19 pandemic. Further, in response to the COVID-19 pandemic, the Federal Reserve has established a number of facilities to provide emergency liquidity to various segments of the U.S. economy and financial markets. Many of these facilities expired on December 31, 2020, or were extended for brief periods into 2021. The expiration of these facilities could have adverse effects on the U.S. economy and ultimately on our business.

#### ***Debit Card Interchange Fees***

The Federal Reserve has issued rules under the Electronic Fund Transfer Act, as amended by a section of the Dodd-Frank Act, known as the Durbin Amendment, to limit interchange fees that an issuer with \$10 billion or more in assets, such as the Bank, may receive or charge for an electronic debit card transaction. Under the rules, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction and five basis points multiplied by the value of the transaction. In addition, the rules allow for an upward adjustment of no more than one cent to an issuer’s debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve the fraud-prevention standards set out in the rule. The Bank became subject to these rules beginning July 1, 2020.

### ***Transition from London Inter-Bank Offered Rate (LIBOR)***

In 2014, a committee of private-market derivative participants and their regulators, the Alternative Reference Rate Committee (ARRC), was convened by the Federal Reserve to identify an alternative reference interest rate to replace LIBOR. In June 2017, the ARRC announced the Secured Overnight Funding Rate (SOFR), a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, as its preferred alternative to LIBOR. In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (FCA), which regulates LIBOR, announced its intention to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The FCA has since announced its intention to extend the publication of most LIBOR term rates through June 30, 2023 (excluding 1-week U.S. LIBOR and 2-month U.S. LIBOR), but the Federal Reserve has continued to encourage banks to transition away from LIBOR as soon as practicable. The Federal Reserve Bank of New York has published SOFR rates on a daily basis since April 2018 and has published SOFR "term rates" daily since early 2020. The ARRC and other institutions continue to take steps to advance SOFR as an alternative benchmark. In July 2020, the federal banking agencies issued guidance for banking organizations on managing the transition to an alternative reference rate; for the agencies, however, SOFR is not the exclusive alternative. The International Swaps and Derivatives Association, which develops standardized language for the derivatives contracts that we enter into, has developed language that took effect in January 2021 replacing LIBOR with alternative risk-free benchmark rates, including SOFR for derivative contracts denominated in U.S. dollars.

Given LIBOR's extensive use across financial markets, the transition away from LIBOR presents various risks and challenges to financial markets and institutions, including to the Company. The Company's commercial and consumer businesses issue, trade, and hold various products that are indexed to LIBOR. As of December 31, 2020, the Company had approximately \$1.8 billion of loans and \$1.0 billion of derivatives that are utilized for customer guarantees, indexed to LIBOR, that mature after 2021. In addition, the Company had approximately \$167.0 million of debt securities outstanding that are indexed to LIBOR (either currently or in the future) as of December 31, 2020. The Company had one investment security totaling \$0.5 million, and no repurchase and resale agreements or FHLB advances indexed to LIBOR as of December 31, 2020.

Due to the uncertainty surrounding the future of LIBOR, it is expected that the transition will span several reporting periods through, and potentially beyond, the end of 2021. A cross-functional team from Finance, Lending, Risk and IT is leading our efforts to monitor this activity and evaluate the related risks and potential process changes arising from the transition from LIBOR. We have completed our initial assessment, including our internal risk assessment procedures, and the cross-functional team is working towards the migration of our existing contracts and system implementation. Our variable or floating rate instruments currently use LIBOR and give us discretion to determine a replacement benchmark rate if LIBOR becomes unavailable. We are still considering the appropriate transition for our legacy contracts; however, we have begun to shift some new products from LIBOR. Most recently, the floating rate on our \$150 million of senior notes issued in 2020 (due 2030), beginning on December 15, 2025, is based on an alternative benchmark rate (which is expected to be the three-month term SOFR).

For additional information related to the potential impact surrounding the transition from LIBOR on the Company's business, see "Risk Factors."

### **Regulation of the Company**

#### ***General***

The Company is a registered savings and loan holding company and is subject to the regulation, examination, supervision and reporting requirements of the Federal Reserve. The Federal Reserve conducts regular safety and soundness examinations or inspections of the Company, which result in ratings for risk management, financial condition, and potential impact on subsidiary depository institution(s), a composite rating, and a rating for subsidiary depository institution(s) (referred to collectively as the "RFI/C(D)" rating). The Federal Reserve treats the ratings and the examination reports as highly confidential, and they are not available to the public.

The Company is also a public company subject to the reporting requirements of the SEC. We file electronically with the SEC our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. We make available on the investor relations page of our website at [www.wsfsbank.com](http://www.wsfsbank.com), free of charge, copies of these reports as soon as reasonably practicable after filing or furnishing them to the SEC. The information on our website is not incorporated by reference in this Annual Report on Form 10-K.

### ***Restrictions on Acquisitions***

Federal law generally prohibits a savings and loan holding company from acquiring, without prior regulatory approval, direct or indirect control, all or substantially all of the assets, or more than 5% of the voting shares of a savings association or savings and loan holding company. These provisions also prohibit, among other things, any director or officer of a savings and loan holding company, or any individual who owns or controls more than 25% of the voting shares of such holding company, from acquiring control of any savings association that is not a subsidiary of such savings and loan holding company, unless the acquisition is approved by the Federal Reserve. Comparable restrictions apply to a savings and loan holding company's acquisition or control of a bank or bank holding company although in such event the savings and loan holding company would become a bank holding company.

The Company is a grandfathered unitary thrift holding company, a status that allows us to acquire companies or business lines that engage in a wide range of non-banking activities. Should we lose that status, we will be constrained in our ability to acquire many non-banking companies or business lines.

### ***Safe and Sound Banking Practices***

Savings and loan holding companies and their non-bank subsidiaries are prohibited from engaging in activities that represent unsafe and unsound banking practices or constitute violations of laws or regulations. For example, the Federal Reserve opposes any repurchase of common stock or any other regulatory capital instrument if the repurchase would be inconsistent with the savings and loan holding company's prospective capital needs and continued safe and sound operation. As another example, a savings and loan holding company may not impair its subsidiary savings association's soundness by causing it to make funds available to non-depository subsidiaries or their customers if the Federal Reserve believes it not prudent for the Company to do so. The Federal Reserve can assess civil money penalties on a party for unsafe and unsound activities conducted on a knowing or reckless basis, if those activities caused a loss to an institution or pecuniary gain to the party. The penalties can range up to \$25,000 for certain reckless violations and up to \$1.0 million for certain knowing violations for each day such a violation continues.

### ***Source of Strength***

Confirming a longstanding policy of the Federal Reserve, the Dodd-Frank Act requires the Company to act as a source of financial strength to the Bank in the event of financial distress at the Bank. Under this standard, the Company is expected to commit resources to support the Bank, including at times when the Company would not otherwise be inclined to do so. The Federal Reserve also expects the Company to provide managerial support to the Bank as needed. The Federal Reserve may require a savings and loan holding company to terminate an otherwise lawful activity or divest control of a subsidiary if the activity or subsidiary poses a serious risk to the financial safety, soundness, or stability of a subsidiary savings association and is inconsistent with sound banking principles.

In addition, pursuant to the Dodd-Frank Act, the capital rules for savings and loan holding companies are no less stringent than those that apply to their subsidiary savings associations.

### ***Dividends***

The principal sources of the Company's cash are debt issuances and dividends from the Bank, supplemented by dividends from its other operating subsidiaries (Powdermill®, West Capital, Cypress, Christiana Trust DE, and WSFS SPE Services, LLC). Our earnings and activities are affected by federal, state and local laws and regulations. For example, these include limitations on the ability of the Bank to pay dividends to the holding company and our ability to pay dividends to our stockholders. It is the policy of the Federal Reserve that holding companies should pay cash dividends on common stock only out of earnings available for the period for which the dividend is being paid and only if prospective earnings retention is consistent with the organization's expected future capital needs and current and prospective financial condition. The policy provides that holding companies should not maintain a level of cash dividends that undermines the holding company's ability to serve as a source of strength to its banking subsidiary. Consistent with this policy, a banking organization should have comprehensive policies on dividend payments that clearly articulate the organization's objectives and approaches for maintaining a strong capital position and achieving the objectives of the Federal Reserve's policy statement.

A Federal Reserve supervisory letter setting forth expectations for the payment of dividends by holding companies states that a holding company's board of directors considering the payment of dividends should consider, among other things, the following factors: (i) overall asset quality, potential need to increase reserves and write down assets, and concentrations of credit; (ii) the potential for unanticipated losses and declines in asset values; (iii) implicit and explicit liquidity and credit commitments, including off-balance sheet and contingent liabilities; (iv) the quality and level of current and prospective earnings, including earnings capacity under a number of plausible economic scenarios; (v) current and prospective cash flow and liquidity; (vi) the ability to serve as an ongoing source of financial and managerial strength to depository institution subsidiaries insured by the FDIC, including the extent of double leverage and the condition of subsidiary depository institutions; (vii) other risks that affect the holding company's financial condition and are not fully captured in regulatory capital calculations; (viii) the level, composition, and quality of capital; and (ix) the ability to raise additional equity capital in prevailing market and economic conditions (the Dividend Factors). It is particularly important for a holding company's board of directors to ensure that the level of a prospective dividend is prudent relative to the organization's financial position and is not based on overly optimistic earnings scenarios. In addition, a holding company's board of directors should strongly consider, after careful analysis of the Dividend Factors, reducing, deferring, or eliminating dividends when the quantity and quality of the holding company's earnings have declined or the holding company is experiencing other financial problems, or when the macroeconomic outlook for the holding company's primary profit centers has deteriorated. The supervisory letter also states that, as a general matter, a holding company should eliminate, defer or significantly reduce its distributions if: (i) its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition, or (iii) it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. Failure to do so could result in a supervisory finding that the holding company is operating in an unsafe and unsound manner.

Additionally, as discussed above, the Federal Reserve possesses enforcement powers over savings and loan holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices, or violations of applicable statutes and regulations. Among these powers is the authority to proscribe the payment of dividends by bank and savings and loan holding companies.

#### ***Cypress and West Capital***

Cypress and West Capital are registered investment advisers under the Investment Advisers Act of 1940 (the Investment Advisers Act) and as such are supervised by the SEC. The Investment Advisers Act imposes numerous obligations on registered investment advisers, including record-keeping, operational and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from fines and censure to termination of an investment adviser's registration. Investment advisers also are subject to certain state securities laws and regulations. Noncompliance with the Investment Advisers Act or other federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines and reputation damage.

## **Regulation of WSFS Bank**

### ***General***

As a federally chartered savings association the Bank is subject to regulation, examination and supervision by the OCC. The OCC conducts regular safety and soundness examinations of the Bank, which result in ratings for capital, asset quality, management, earnings, liquidity, and sensitivity to market risk and a composite rating (referred to collectively as the “CAMELS” ratings). The OCC treats the CAMELS ratings and the examination reports as highly confidential, and they are not available to the public. The lending activities and other investments of the Bank must comply with various federal regulatory requirements. The OCC periodically examines the Bank regarding information technology, asset management/trust, and compliance with certain regulatory requirements. The Bank must file reports with the OCC describing its activities and financial condition, including a quarterly “call report” that is publicly available. The FDIC also has the authority to conduct special examinations of the Bank. The CFPB has exclusive authority to examine the Bank for compliance with federal consumer financial laws. The Bank is also subject to certain reserve requirements promulgated by the Federal Reserve.

### ***Transactions with Affiliates and Insiders; 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, with additional limitations found in Section 11 of the Home Owners’ Loan Act. An affiliate of a savings association, generally, is any company or entity which controls or is under common control with the savings association. Some but not all subsidiaries of a savings association may be exempt from the definition of an affiliate. In a holding company context, the parent holding company of a savings association (such as the Company) 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 association 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 that would be provided to a non-affiliate. The term “covered transaction” includes the making of loans to an affiliate, purchase of assets from an affiliate, issuance of a guarantee on behalf of an affiliate and several other types of transactions. Extensions of credit to an affiliate usually must be over-collateralized. In addition to the restrictions imposed by Sections 23A and 23B, the Home Owners’ Loan Act also prohibits a savings association from (i) lending or otherwise extending credit to an affiliate that engages in any activity impermissible for bank holding companies, or (ii) purchasing or investing in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for the purchase of shares of a subsidiary.

Restrictions also apply to extensions of credit by the Bank to its executive officers, directors, principal shareholders, and their related interests and to similar individuals at the Company and the Bank’s affiliates. In general, such extensions of credit (i) may not exceed certain dollar limitations, (ii) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and (iii) must not involve more than the normal risk of repayment or present other unfavorable features. Certain extensions of credit also require the approval of the Bank’s Board of Directors.

The Bank may not extend credit, lease, sell property, or furnish any service or fix or vary the consideration for the foregoing on the condition that (i) the customer obtain or provide some additional credit, property, or service from or to the Bank or the Company or their subsidiaries (other than a loan, discount, deposit, or trust service or that are related to and usually provided in connection with any such product or service) or (ii) the customer not obtain some other credit, property, or services from a competitor, except to the extent such a condition is reasonably imposed to assure the soundness of the credit extended. The federal banking agencies have, however, allowed banks and savings associations to offer combined-balance discount packages and otherwise to offer more favorable terms if a customer obtains two or more traditional bank products. The law authorizes the Federal Reserve to grant additional exceptions by regulation or order.

### ***Regulatory Capital Requirements***

The regulatory capital rules require savings associations and their holding companies to maintain minimum levels of common equity Tier 1 capital equal to at least 4.5% of risk-weighted assets, Tier 1 capital equal to at least 6% of risk-weighted assets, total capital (the aggregate of Tier 1 and Tier 2 capital) equal to at least 8% of risk-weighted assets, and a leverage ratio of Tier 1 capital to average total consolidated assets equal to at least 4%. In addition, the capital rules subject savings associations and their holding companies to certain limitations on capital distributions and discretionary bonus payments to executive officers if the organization does not maintain a capital conservation buffer with a ratio of common equity Tier 1 to total risk-based assets of at least 2.5% on top of the minimum risk-based capital requirements. As a result, the Bank and the Company must adhere to the following minimum capital ratios to satisfy minimum regulatory capital requirements and to avoid limitations on capital distributions and discretionary bonus payments to executive officers: (i) common equity Tier 1 risk-based capital ratio of at least 7.0%; (ii) a Tier 1 risk-based capital ratio of at least 8.5%; (iii) a total risk-based capital ratio of at least 10.5%, and (iv) a Tier 1 leverage ratio of at least 4.0%.

A related set of rules, discussed below under “Prompt Corrective Action,” imposes additional requirements on insured depository institutions based on the same risk-based capital ratios and leverage ratio. Separately, the Home Owners’ Loan Act requires a savings association to maintain a ratio of tangible capital to total assets of at least 1.5%. In general terms, tangible capital is Tier 1 capital less intangible assets and certain other assets.

Under the regulatory capital rules, the components of common equity Tier 1 capital include common stock instruments (including related surplus), retained earnings, and certain minority interests in the equity accounts of fully consolidated subsidiaries (subject to certain limitations). A savings association must make certain deductions from and adjustments to the sum of these components to determine common equity Tier 1 capital. The required deductions for federal savings associations include, among other items, goodwill (net of associated deferred tax liabilities), certain other intangible assets (net of deferred tax liabilities), certain deferred tax assets, gains on sale in connection with securitization exposures and investments in and extensions of credit to certain subsidiaries engaged in activities not permissible for national banks. The adjustments require several complex calculations and include adjustments to the amounts of deferred tax assets, mortgage servicing assets, and certain investments in the capital of unconsolidated financial institutions that are includable in common equity Tier 1 capital. Additional Tier 1 capital includes noncumulative perpetual preferred stock and related surplus, and certain minority interests in the equity accounts of fully consolidated subsidiaries not included in common equity Tier 1 capital (subject to certain limitations). Tier 2 capital includes subordinated debt with a minimum original maturity of five years, related surplus, certain minority interests in the equity accounts of fully consolidated subsidiaries not included in Tier 1 capital (subject to certain limitations), and limited amounts of a bank’s allowance for credit losses (ACL). Certain deductions and adjustments are necessary for both additional Tier 1 capital and Tier 2 capital.

Risk weights under the capital rules range from 0% for cash, U.S. government securities, and certain other assets, 50% for qualifying residential mortgage exposures, 100% for corporate exposures and non-qualifying mortgage loans and certain other assets, to 600% for certain equity exposures. Loans that are past due by 90 days or more must be risk-weighted at 150%. Mortgage servicing assets and certain deferred tax assets that are not deducted from common equity Tier 1 capital in accordance with required adjustments are risk-weighted at 250%.

The regulatory capital rules apply a risk weight of 150% to “high volatility commercial real estate loans,” commercial real estate CRE loans that fails to meet certain prerequisites. The Economic Growth Act limits the 150% risk weight to “high volatility acquisition, development, and construction” loans and lifts certain restrictions that previously applied for a commercial real estate loan to receive a 100% risk weight.

In December 2018, the federal banking agencies issued a final rule that allows institutions to elect to phase in the regulatory capital effects of the Current Expected Credit Losses (CECL) accounting standard over three years. In addition, as a result of the CARES Act enacted on March 27, 2020 in response to the COVID-19 pandemic, the federal bank regulatory agencies issued rules that allow banking organizations that implemented CECL in 2020 to elect to mitigate the effects of the CECL accounting standard on their regulatory capital for two years. This two-year delay is in addition to the three-year transition period that the agencies had already made available. We have elected to phase in the regulatory capital effects of CECL over three years, beginning in 2020, and have not opted to defer the effects of CECL for two years before the three-year phase-in period.

At December 31, 2020, the Bank was in compliance with the minimum common equity Tier 1 capital, Tier 1 capital, total capital, tangible capital and leverage capital requirements.

As of December 31, 2020, the Company was in compliance with the minimum common equity Tier 1 capital, Tier 1 capital, total capital, and leverage capital requirements.

### ***Prompt Corrective Action***

All banks and savings associations are subject to a “prompt corrective action” regime. This regime is designed primarily to impose increasingly stringent limits on insured depository institutions as their capital deteriorates below certain levels. There are five different capital levels: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. A well-capitalized institution usually is entitled to various regulatory advantages, such as expedited treatment of applications, and no express restrictions on brokered deposits. In order to be “well capitalized”, an OCC-regulated savings association must have a common equity Tier 1 risk-based capital ratio of at least 6.5%, a Tier 1 risk-based capital ratio of at least 8.0%, a total risk-based capital ratio of at least 10.0%, and a Tier 1 leverage ratio of at least 5.0%, and not be subject to any written agreement, order or capital directive, or prompt corrective action directive issued by the OCC. An adequately capitalized savings association must maintain a common equity Tier 1 risk-based capital ratio of at least 4.5%, a Tier 1 risk-based capital ratio of at least 6.0%, a total risk-based capital ratio of at least 8.0%, and a Tier 1 leverage ratio of at least 4.0%. If a savings association falls below any one of these floors, it becomes undercapitalized and subject to a variety of restrictions on its operations. There is no tangible capital requirement under prompt corrective action.

As of December 31, 2020, the Bank met all of the prerequisites for well-capitalized status. Additionally, for the Company to be considered “well capitalized” under Federal Reserve regulations, the Bank must be well-capitalized and the Company must not be subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Federal Reserve to meet and maintain a specific capital level for any capital measure. As of December 31, 2020, the Company met all the requirements to be deemed well-capitalized.

### ***Dividend Restrictions***

Both OCC and Federal Reserve regulations govern capital distributions by Federal savings associations to their holding companies. Covered distributions include cash dividends, stock repurchases and other transactions charged to the capital account of a savings association. A savings association must file a notice with the Federal Reserve at least 30 days before making any capital distribution. A federal savings association also must file an application with the OCC for approval of a capital distribution if either (1) the total capital distributions for the current calendar year (including the proposed capital distribution) exceed the sum of the institution’s net income for that year to date plus the institution’s retained net income for the preceding two years, (2) the institution would not be at least adequately capitalized following the distribution, (3) the distribution would violate any applicable statute, regulation, agreement or OCC-imposed condition, or (4) the institution is not eligible for expedited treatment of its filings. In certain situations, a federal savings association may be able to file a notice with the OCC rather than an application; in other situations, no application or notice is required for the OCC, although notice to the Federal Reserve still is necessary.

The OCC may prohibit a proposed capital distribution, which would otherwise be permitted by OCC regulations, if the OCC determines that such distribution would constitute an unsafe or unsound practice.

Under federal law, an insured depository institution cannot make any capital distribution if the capital distribution would cause the institution to become undercapitalized or if it is already undercapitalized. The FDIC also prohibits an insured depository institution from paying dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distributing any of its capital assets while it remains in default in the payment of any assessment due the FDIC. The Bank is currently not in default in any assessment payment to the FDIC.

### ***Insurance of Deposit Accounts***

The Bank’s deposits are insured to the maximum extent permitted by the Deposit Insurance Fund. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the OCC an opportunity to take such action.

The maximum deposit insurance amount per depositor per insured depository institution per certain types of accounts is \$250,000.

The FDIC uses a risk-based premium system to calculate quarterly assessments for FDIC-insured institutions. It has revised its methodology from time to time. The current methodology has a range of initial assessment rates from 3 basis points to 30 basis points on insured deposits, subject to adjustments. An insured depository institution’s rate is determined within a range of base assessment rates based in part on its CAMELS composite rating, taking into account other factors and adjustments. The methodology that the FDIC uses to calculate assessment amounts is also based on whether the Deposit Insurance Fund has met the FDIC’s designated reserve ratio, which is currently 2%, and the minimum reserve ratio of 1.35% set forth in the Dodd-Frank Act. As of December 31, 2020, the reserve ratio was 1.29%. 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.

The FDIC may terminate the deposit insurance of any insured depository institution, including the Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. Management is not aware of any existing circumstances that would result in termination of our deposit insurance.

#### ***Reserves***

Pursuant to regulations of the Federal Reserve, a savings association must maintain reserves against its transaction accounts. Because required reserves must be maintained in the form of vault cash or in a noninterest bearing account at a Federal Reserve Bank, the effect of the reserve requirement may reduce the amount of an institution's interest-earning assets. During 2020, in response to the COVID-19 pandemic, the Federal Reserve reduced all reserve requirement ratios to zero. The Federal Reserve indicated that it may adjust reserve requirement ratios in the future if conditions warrant.

#### ***Retail Branch Network***

The Bank maintains branch offices in three states, Delaware, Pennsylvania and New Jersey. A federal savings association may open new branch offices in any state or relocate branch offices. Prior OCC approval is necessary unless the association is an "eligible" savings association and meets certain other conditions. The Bank currently qualifies as an eligible savings association. If prior approval is necessary, the OCC will consider the effect of the acquisition on a safe and sound banking system, the branch office's role in providing fair access to financial services by helping to meet the credit needs of the entire community, the association's compliance with laws and regulations, and the fair treatment of customers including efficiency and better service. If a federal savings association acquires branch offices through a merger with or through a branch purchase from another bank or savings association, the acquiring federal savings association must submit a Bank Merger Act application to the OCC, which requires a favorable decision on the acquisition of the branch offices. The Bank has grown its branch office network primarily through mergers with other institutions, rather than branch office purchases or de novo offices. A federal savings association also may open agency offices for certain purposes without prior OCC approval. The Bank does not have any agency offices and has no plans to open any such offices.

#### ***Consumer Protection Regulations***

The Bank's offerings of retail products and services to consumers are subject to a large number of statutes and regulations designed to protect the finances of consumers and to promote lending to various sectors of the economy and population. These laws include, but are not limited to the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Truth in Savings Act, the Electronic Funds Transfer Act, federal and state prohibitions on unfair, deceptive, and abusive practices, and regulations implementing each of these statutes. Beginning in the first quarter of 2020, the CFPB has exclusive authority to examine the Bank for compliance with these laws. States may adopt more stringent consumer financial protection statutes that could apply to us as well. State attorneys general also may file suit to enforce federal and state laws.

Since the CFPB first began operations, the CFPB's supervisory, enforcement, and rulemaking priorities have shifted as its leadership has changed, and we are unable to predict what effect, if any, future changes to the CFPB's leadership and priorities may have on the Bank.

Since its creation in 2011, the CFPB has issued a number of significant rules, including rules that affect nearly every aspect of the residential mortgage lending and servicing process, from origination through maturity or foreclosure. Among other things, the rules require home mortgage lenders to: (i) develop and implement procedures to ensure compliance with a "reasonable ability to repay" test and identify whether a loan meets a new definition for a "qualified mortgage," in which case a rebuttable presumption exists that the creditor extending the loan has satisfied the reasonable ability to repay test; (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; (iv) comply with new disclosure requirements and standards for appraisals and certain financial products; and (v) maintain escrow accounts for higher-priced mortgage loans for a longer period of time. Some of these rules may be modified, but the CFPB has not finalized any changes. The CFPB also has authority to establish rules prohibiting unfair, deceptive, or abusive acts or practices.

### ***Privacy and Cybersecurity***

Several federal statutes and regulations require savings associations (as well as banks and other financial institutions) to take several steps to protect nonpublic consumer financial information. The Bank has prepared a privacy policy, which it must disclose to consumers annually. In some cases, the Bank must obtain a consumer's consent before sharing information with an unaffiliated third party, and the Bank must allow a consumer to opt out of the Bank's sharing of information with its affiliates for marketing and certain other purposes. Additional conditions come into play in the Bank's information exchanges with credit reporting agencies. The Bank's privacy practices and the effectiveness of its systems to protect consumer privacy are one of the subjects covered in the OCC's periodic compliance examinations.

The federal banking agencies pay close attention to the cybersecurity practices of savings associations, banks, and their holding companies and affiliates. The interagency council of the agencies, the Federal Financial Institutions Examination Council, has issued several policy statements and other guidance for banks as new cybersecurity threats arise. FFIEC has recently focused on such matters as compromised customer credentials and business continuity planning. Examinations by the banking agencies now include review of an institution's information technology and its ability to thwart or mitigate cyber attacks.

### ***Bank Secrecy Act and Anti-Money Laundering***

The Bank Secrecy Act requires federal savings associations and other financial institutions to establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. Principal requirements for an insured depository institution include (i) establishment of an anti-money laundering program that includes training and audit components; (ii) establishment of a "know your customer" program involving due diligence to confirm the identity of persons seeking to open accounts and to deny accounts to those persons unable to demonstrate their identities; (iii) the filing of currency transaction reports for deposits and withdrawals of large amounts of currency; (iv) additional precautions for accounts sought and managed for non-U.S. persons; (v) verification and certification of money laundering risk with respect to private banking and foreign correspondent banking relationships; and (vi) the filing of suspicious activity reports for suspicious transactions. For many of these tasks an insured depository institution must keep records to be made available to its primary federal regulator. Anti-money laundering rules and policies are developed and enforced by a bureau within the U.S. Department of the Treasury, the Financial Crimes Enforcement Network (FinCEN), but compliance by individual institutions is also overseen by their primary federal regulator, which in the Bank's case is the OCC.

Bank Secrecy Act and anti-money laundering compliance has been a special focus of the OCC and the other federal banking agencies in recent years. Any non-compliance is likely to result in an enforcement action, often with substantial monetary penalties and reputation damage. A savings association or bank that is required to strengthen its compliance program often must put on hold any initiatives that require banking agency approval.

The Office of Foreign Assets Control (OFAC), an office within the U.S. Treasury Department, administers laws and Executive Orders that prohibit U.S. entities from engaging in transactions with certain prohibited parties. OFAC publishes lists of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Generally, if a bank or savings association identifies a transaction, account or wire transfer relating to a person or entity on an OFAC list, it must freeze the account or block the transaction, file a suspicious activity report and notify the appropriate authorities.

### ***Community Reinvestment Act***

All savings associations and banks are subject to the Community Reinvestment Act (CRA), which requires each such institution to help meet the credit needs of low- to moderate-income communities and individuals within the institution's assessment area. The CRA does not impose specific lending requirements, and it does not contemplate that a savings association or bank would take any action inconsistent with safety and soundness. The federal banking agencies evaluate the performance of each of their regulated institutions periodically. Evaluations that result in a conclusion of "Needs to Improve" or "Substantial Non-Compliance" may block or impede regulatory approvals for other actions by an institution.

The Bank received a rating of "Outstanding" in its most recent performance evaluation, dated October 26, 2020, for its existing assessment area of the state of Delaware, counties in the Greater Philadelphia region in Pennsylvania, and counties in southern New Jersey.

On May 20, 2020, the OCC issued a final rule that substantially revises how the agency will assess an institution's CRA performance beginning in 2023. We are continuing to evaluate the impact of the final rule on the Bank.

## **ITEM 1A. RISK FACTORS**

As a financial services organization, we are subject to a number of risks inherent in our transactions and present in the business decisions we make. Described below are the primary risks and uncertainties that if realized could have a material and adverse effect on our business, financial condition, results of operations, cash flows, and liquidity. The risks and uncertainties described below are not the only risks we face.

We have identified our major risk categories as: market risk, credit risk, capital and liquidity risk, compliance risk, operational risk, strategic risk, reputation risk and model risk. Market risk is the risk of loss due to changes in external market factors such as interest rates. Credit risk is the risk of loss that arises when an obligor fails to meet the terms of an obligation. We are exposed to both customer credit risk, from our loans, and institutional credit risk, principally from our various business partners and counterparties. Capital and liquidity risk is the risk that financial condition or overall safety and soundness are adversely affected by an inability, or perceived inability, to meet obligations and support business growth. Compliance risk is the risk that we fail to adequately comply with applicable laws, rules and regulations. Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (such as natural disasters) or compliance, reputation or legal matters and includes those risks as they relate directly to the Company as well as to third parties with whom we contract or otherwise do business. Strategic risk is the risk from changes in the business environment, improper implementation of decisions or inadequate responsiveness to changes in the business environment. Reputation risk is the risk of loss that arises from negative publicity or perceptions regarding our business practices. Model risk refers to the possibility of unintended business outcomes arising from the design, implementation or use of models.

### **1. Market Risk**

*The novel coronavirus (“COVID-19”) pandemic and the impact of actions to mitigate the spread of the virus has adversely affected our business, financial condition and results of operations and is likely to continue to do so.*

Federal, state and local governments have enacted various restrictions in an attempt to limit the spread of COVID-19. Such measures have disrupted economic activity and contributed to job losses and reductions in consumer and business spending. In response to the economic and financial effects of COVID-19, the Federal Reserve has sharply reduced interest rates (which we expect will likely remain low for a considerable period) and instituted quantitative easing measures as well as domestic and global capital market support programs. In addition, the Trump and Biden Administrations, Congress, various federal government agencies and state governments have taken measures to address the economic and social consequences of the pandemic, including the passage of the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act.

The CARES Act, among other things, provides certain measures to support individuals and businesses in maintaining solvency through monetary relief, including in the form of financing, loan forgiveness and automatic forbearance. Beginning April 6, 2020, we began processing loan applications, under the Paycheck Protection Program (PPP) created under the CARES Act. All of the federal banking regulatory agencies have encouraged lenders to extend additional loans, and the federal government is considering additional stimulus and support legislation focused on providing aid to various sectors, including small businesses. We are also making a high level of loan modifications under our deferred payment program. The ultimate impact over the longer term on our lending and other business activities as a result of new government and regulatory policies, programs and guidelines, as well as regulators’ reaction to such activities, remains uncertain.

The continuation of the economic effects of the COVID-19 pandemic have had a destabilizing effect on financial markets, key market indices and overall economic activity. The uncertainty regarding the duration of the pandemic and the resulting economic disruption has caused increased market volatility and has led to an economic recession and a significant decrease in consumer confidence and business generally. The continuation of these conditions, including whether due to a resurgence or additional waves of COVID-19 infections, particularly as the geographic areas in which we operate continue to re-open, how quickly and to what extent normal economic and operating conditions can resume, especially as a vaccine becomes widely available, as well as the impacts of the CARES Act and other federal and state measures, specifically with respect to loan forbearances, has adversely affected our results of operations and financial condition, and have and can be expected to further adversely impact our businesses and results of operations and the operations of our borrowers, customers and business partners. In particular, these events have had, and/or can be expected to continue to have, the following effects, among other things:

- impair the ability of borrowers to repay outstanding loans or other obligations, resulting in increases in delinquencies and modifications to loans;
- impair the value of collateral securing loans (particularly with respect to real estate);
- impair the value of our assets, including our securities portfolio, goodwill and intangible assets;
- require an increase in our allowance for credit losses, particularly in light of our adoption of CECL in the first quarter of 2020;
- adversely affect the stability of our deposit base or otherwise impair our liquidity;

- reduce our revenues from fee-based services, including wealth management and the demand for our products and services;
- negatively impact our self-insurance healthcare costs;
- result in increased compliance risk as we become subject to new regulatory and other requirements, including new and changing guidance, associated with the PPP and other new programs in which we participate;
- impair the ability of loan guarantors to honor commitments;
- negatively impact our regulatory capital ratios;
- risks to our business model and operation by having a large part of our workforce continuing to work remotely, which may negatively impact the productivity and availability of key personnel and other Associates necessary to conduct our business, as well as third-party service providers who perform critical services for us (including the processing of forgiveness applications associated with our PPP loans), or otherwise cause operational failures due to changes in our normal business practices necessitated by the pandemic and related governmental actions; and
- increase cyber and payment fraud risk and other operational risks, given increased online and remote activity, which may adversely affect the realization of the anticipated benefits of our Delivery Transformation initiative.

Prolonged measures by health or other governmental authorities encouraging or requiring significant restrictions on travel, assembly or other core business practices could further harm our business and those of our customers, in particular our small to medium sized business customers. Although we have business continuity plans and other safeguards in place, there is no assurance that they will be effective.

Our loan portfolio includes loans that are in forbearance but which are not classified as TDRs because they were current at the time forbearance began. When the forbearance periods end, we may be required to classify a substantial portion of these loans as problem loans.

Our results of operations have been adversely affected by the factors described above. For example, for the year ended December 31, 2020 these factors caused a substantial increase in our provision for credit losses and the amount of our problem loans. While the ultimate impact of these factors over the longer term is uncertain and we do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole, nor the pace of economic recovery when the COVID-19 pandemic subsides, the decline in economic conditions generally and a prolonged negative impact on small to medium sized businesses, in particular, due to COVID-19 is likely to result in an adverse effect on our business, financial condition and results of operations in future periods.

***Difficult market conditions and unfavorable economic trends could adversely affect our industry and our business.***

We are exposed to downturns in the Delaware and greater Philadelphia region, Mid-Atlantic and overall U.S. economy and housing markets. Unfavorable economic trends, sustained high unemployment, and declines in real estate values can cause a reduction in the availability of commercial credit and can negatively impact the credit performance of commercial and consumer loans, resulting in increased write-downs. These negative trends can cause economic pressure on consumers and businesses and diminish confidence in the financial markets, which may adversely affect our business, financial condition, results of operations and ability to access capital. A worsening of these conditions, such as a recession or economic slowdown, would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial services industry. In particular, we may face the following risks in connection with these events:

- An increase in the number of customers unable to repay their loans in accordance with the original terms, which could result in a higher level of loan and lease losses and provision for loan and lease losses;
- Impaired ability to assess the creditworthiness of customers as the models and approaches we use to select, manage and underwrite our customers become less predictive of future performance;
- Impaired ability to estimate the losses inherent in our credit exposure as the process we use to make such estimates requires difficult, subjective and complex judgments based on forecasts of economic or market conditions that might impair the ability of our customers to repay their loans, and this estimating process becomes less accurate and thus less reliable as economic conditions worsen;
- Increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to commercial credit;
- Decreases in our Wealth Management segment's AUM portfolios as a result of, among other things, decreases in market value from investment performance losses;

- Downward pressure on our stock price or an impaired ability to access the capital markets or otherwise obtain needed funding on attractive terms or at all;
- Changes in the regulatory environment, including regulations promulgated or to be promulgated under federal banking legislation or other new regulations, and changes in accounting standards (such as the new CECL accounting policy), could influence recognition of loan and lease losses and our allowance for credit losses, and could result in earlier recognition of loan losses and decreases in capital; and
- Increased competition due to intensified consolidation of the financial services industry.

***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 significant 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. 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 seek to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing, and balances of our different types of interest-earning assets and interest-bearing liabilities, but these interest rate risk management techniques are not capable of eliminating such risks and they may not be as effective as we intend. 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 inaccurate. We may not be able to successfully manage our interest rate risk. In addition, increases in market interest rates and/or adverse changes in the local residential real estate market, the general economy or consumer confidence would likely have a significant adverse impact on our noninterest income, as a result of reduced demand for residential mortgage loans that we pre-sell.

Interest rate increases often result in larger payment requirements for our borrowers, which increase the potential for default and could result in a decrease in the demand for loans. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their loans at lower rates. In addition, in a low interest rate environment, loan customers often pursue long-term fixed rate credits, which could adversely affect our earnings and net interest margin if rates increase. Changes in interest rates also can affect the value of loans, securities and other assets. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. At the same time, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income.

***The market value of our investment securities portfolio may be impacted by the level of interest rates and the credit quality and strength of the underlying collateral.***

Our net interest income varies as a result of changes in interest rates as well as changes in interest rates across the yield curve. When interest rates are low, borrowers have an incentive to refinance into mortgages with longer initial fixed rate periods and fixed rate mortgages, causing our securities to experience faster prepayments. Increases in prepayments on our portfolio will cause our premium amortization to accelerate, lowering the yield on such assets. If this happens, we could experience a decrease in interest income, which may negatively impact our results of operations and financial position.

Future changes in interest rates may reduce the market value of our investment securities. In addition, our securities portfolio is subject to risk as a result of our exposure to the credit quality and strength of the issuers of the securities or the collateral backing such securities. Any decrease in the value of the underlying collateral will likely decrease the overall value of our securities, affecting equity and possibly impacting earnings.

***Changes in or questions about 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 of and changes in the 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. Such events could materially and adversely affect our results of operations.

## 2. Credit Risk

***Significant increases of nonperforming assets from the current level, or greater than anticipated costs to resolve these credits, will have an adverse effect on our earnings.***

Our nonperforming assets, which consist of non-accrual loans, assets acquired through foreclosure and troubled debt restructurings (TDRs) 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 credit losses which reserves for losses inherent in the loan and lease portfolio that are both probable and reasonably estimable. 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 daily operations and other income producing activities. Finally, if our estimate of the allowance for credit losses is inadequate, we will have to increase the allowance for credit losses accordingly, which will have an adverse effect on our earnings. Significant increases in the level of our nonperforming assets from the current level, or greater than anticipated costs to resolve these credits, will have an adverse effect on our earnings.

***Our loan portfolio includes a substantial amount of commercial real estate, construction and land development 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 includes commercial and industrial loans, commercial real estate loans and construction and land development loans. Commercial real estate 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 adversely affect 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 larger size of loan balances, and the potential that adverse changes in general economic conditions can adversely affect income-producing properties. A portion of our commercial real estate, construction and land development 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 and industrial loans secured by owner-occupied properties are dependent upon the successful operation of the borrower's business. If the operating company suffers difficulties, including reduction in 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 exposed to increased credit losses and credit related expenses in the event of a major natural disaster, public health crisis, other catastrophic event or significant climate change effects.***

The occurrence of a major natural or environmental disaster, public health crisis or similar catastrophic event, as well as significant climate change effects such as rising sea levels or wildfires, especially in densely populated geographic areas, could increase our credit losses and credit related expenses. A natural disaster, public health crisis or catastrophic event or other significant climate change effect that either damages or destroys residential or multifamily real estate underlying mortgage loans or REO properties, or negatively affects the ability of borrowers to continue to make payments on loans, could increase our serious delinquency rates and average loan loss severity in the affected areas. Such events could also cause downturns in economic and market conditions generally, which could have a material adverse effect on our business and financial results. We may not have adequate insurance coverage for some of these natural, catastrophic, public health or climate change-related events.

***Concentration of loans in our primary markets may increase our risk.***

Our success depends primarily on the general economic conditions and housing markets in the state of Delaware, southeastern Pennsylvania, southern New Jersey and northern Virginia, as a large portion of our loans are made to customers in these markets. This makes us vulnerable to a downturn in the local economy and real estate markets in these areas. Declines in real estate valuations in these markets would lower the value of the collateral securing those loans, which could cause us to realize losses in the event of increased foreclosures. Local economic conditions have a significant impact on the ability of borrowers to repay loans as well as our ability to originate new loans. In addition, weakening in general economic conditions such as inflation, recession, unemployment, natural disasters or other factors beyond our control could negatively affect demand for loans, the performance of our borrowers and our financial results.

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

We make various assumptions and judgments about the collectability of the loans and leases in our 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 and leases. In determining the amount of the allowance for credit losses, we review our portfolio mix and segmentation, modeling methodology, historical loss experience, relevant available information from internal and external sources relating to qualitative adjustment factors, prepayment speeds and reasonable and supportable forecasts about future economic conditions. If our assumptions are incorrect or if there is a significant deterioration in economic conditions, our allowance for credit losses may not be sufficient to cover expected credit losses in our loan and lease portfolio, resulting in unanticipated losses and additions to our allowance for credit losses. Material additions to our allowance for credit losses could materially decrease our net income.

### **3. Capital and Liquidity Risk**

*Our inability to grow deposits in the future could materially adversely affect our liquidity and ability to grow our business.*

A key part of our strategy is to grow deposits. The market for deposits is highly competitive, with intense competition in attracting and retaining deposits. We compete on the basis of the rates we pay on deposits, features and benefits of our products, the quality of our customer service and the competitiveness of our digital banking capabilities. Our ability to originate and maintain deposits is also highly dependent on the strength of the Bank and the perceptions of customers and others of our business practices and our financial health. Adverse perceptions regarding our reputation could lead to difficulties in attracting and retaining deposits accounts. Negative public opinion could result from actual or alleged conduct in a number of areas, including lending practices, regulatory compliance, inadequate protection of customer information or sales and marketing activities, and from actions taken by regulators or others in response to such conduct.

The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products or the availability of competing products. Competition from other financial services firms and others that use deposit funding products may affect deposit renewal rates, costs or availability. Changes we make to the rates offered on our deposit products may affect our profitability and liquidity.

The FDIA prohibits an insured bank from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is "well capitalized," or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. There are no such restrictions under the FDIA on a bank that is "well capitalized" and at December 31, 2020, the Bank met or exceeded all applicable requirements to be deemed "well capitalized" for purposes of the FDIA. However, the Bank may not continue to meet these requirements. Limitations on the Bank's ability to accept brokered deposits (including regulatory limitations on the amount of brokered deposits in total or as a percentage of total assets) for any reason in the future could materially adversely impact our funding costs and liquidity. Any limitation on the interest rates the Bank can pay on deposits could competitively disadvantage us in attracting and retaining deposits and have a material adverse effect on our business.

*We could experience an unexpected inability to obtain needed liquidity.*

Liquidity is essential to our business, as we use cash to fund loans and investments, other interest-earning assets and deposit withdrawals that occur in the ordinary course of our business. We also are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. Additionally, the operations of our Cash Connect® segment depends on us having access to large amounts of cash.

Our principal sources of liquidity include customer deposits, FHLB borrowings, brokered certificates of deposit, sales of loans, repayments to the Bank from borrowers and paydowns and sales of investment securities. Our ability to obtain funds from these sources could become limited, or our costs to obtain such funds could increase, due to a variety of factors, including changes in our financial performance, the imposition of regulatory restrictions on us, or adverse developments in the capital markets, including weakening economic conditions or negative views and expectations about the prospects for the financial services industry as a whole. If our ability to obtain necessary funding is limited or the costs of such funding increase, our ability to meet our obligations or grow our banking business would be adversely affected and our financial condition and results of operations could be harmed.

***Restrictions on our subsidiaries' ability to pay dividends to us could negatively affect our liquidity and ability to pay dividends.***

We are a separate and distinct legal entity from our subsidiaries, including the Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common stock, and interest and principal on our debt. Various federal and/or state laws and regulations limit the amount of dividends that the Bank and certain of our nonbank subsidiaries may pay us, and the OCC may block dividend payments by the Bank. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. Limitations on our subsidiaries to pay dividends to us could have a material adverse effect on our liquidity and on our ability to pay dividends on our common stock. Additionally, if our subsidiaries' earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels; we may not be able to make dividend payments to our common stockholders.

**4. Compliance Risk**

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

We are subject to extensive federal and state regulation, supervision and examination governing almost all aspects of our operations. The laws and regulations governing our business are intended primarily to protect depositors, our customers, the public, the FDIC's Deposit Insurance Fund, and the banking system as a whole, and not our stockholders or holders of our debt. The Federal Reserve is the primary federal regulator for the Company and the OCC is the Bank's primary regulator. The banking laws, regulations and policies applicable to us govern a variety of matters, including certain debt obligations, changes in control, maintenance of adequate capital, and general business operations, including permissible types, amounts and terms of loans and investments, the amount of reserves held against deposits, restrictions on dividends, establishment of new offices and the maximum interest rate that may be charged by law. In addition, federal and state banking regulators have broad authority to supervise our banking business, including the authority to prohibit activities that represent unsafe or unsound banking practices or constitute violations of statute, rule, regulation or administrative order. Failure to appropriately comply with any such laws, regulations or regulatory policies could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, results of operations, financial condition or prospects.

We are subject to changes in federal and state banking statutes, regulations and governmental policies, and their interpretation or implementation. Certain of our subsidiaries are registered with the SEC as investment advisers and, as such, are subject to regulation, supervision and enforcement by the SEC under the Investment Advisers Act. Regulations affecting banks and other financial institutions in particular are undergoing continuous review and frequently change and the ultimate effect of such changes cannot be predicted. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect us. Any changes in any federal and state law, as well as regulations and governmental policies could subject us to additional compliance costs and otherwise affect us in substantial and unpredictable ways, including ways that may adversely affect our business, results of operations, financial condition or prospects.

***We face a risk of noncompliance and enforcement action under the Bank Secrecy Act and other anti-money laundering statutes and regulations.***

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports when appropriate. These laws and regulations also provide that we are ultimately responsible to ensure our third party vendors adhere to the same laws and regulations. In addition to other bank regulatory agencies, FinCEN is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the state and federal banking regulators, as well as the U.S. Department of Justice, CFPB, Drug Enforcement Administration, and Internal Revenue Service.

We are also subject to increased scrutiny of compliance with the rules enforced by OFAC regarding, among other things, the prohibition on transacting business with, and the need to freeze assets of, certain persons and organizations identified as a threat to the national security, foreign policy or economy of the United States. If our policies, procedures and systems or those of our third party vendors are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including any acquisition plans. Any of these results could have a material adverse effect on our business, financial condition, results of operations and future prospects.

***We are subject to numerous laws designed to protect consumers and promote community investment, including fair lending laws and the Community Reinvestment Act, and failure to comply with these laws or perform satisfactorily could lead to a wide variety of sanctions.***

The Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CFPB, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. Adverse findings in an evaluation of an institution's fair lending compliance could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and future prospects.

The Community Reinvestment Act imposes community investment obligations on insured depository institutions. If the Bank does not perform satisfactorily under the Community Reinvestment Act, as determined by the OCC, the Company and the Bank could be restricted in their ability to expand through mergers, acquisitions, and the establishment of branches.

***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 U.S. 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 our net interest margin. Its policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Congress controls fiscal policy through decisions on taxation and expenditures. Depending on industries and markets involved, changes to tax law and increased or reduced public expenditures could affect us directly or the business operations of our customers. Changes in Federal Reserve policies, fiscal policy, 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 operations.

***The intention of the United Kingdom's FCA to cease support of LIBOR could negatively affect the fair value of our financial assets and liabilities, results of operations and net worth. A transition to an alternative reference interest rate could present operational problems and result in market disruption, including inconsistent approaches for different financial products, as well as disagreements with counterparties.***

Although we expect that the capital and debt markets will cease to use LIBOR as a benchmark in the near future and the administrator of LIBOR has announced its intention to extend the publication of most LIBOR term rates through June 30, 2023, we cannot predict whether LIBOR will actually cease to be available after its current expiration dates, whether the Secured Overnight Funding Rate (SOFR) will become the market benchmark in its place or what impact such a transition may have on our business, results of operations and financial condition.

The selection of SOFR as the alternative reference rate for these products currently presents certain market concerns because SOFR (unlike LIBOR) does not have an inherent term structure or credit risk component. A methodology has been developed to calculate SOFR-based term rates, and the Federal Reserve Bank of New York has published such rates daily since early 2020 and encouraged banks to transition away from LIBOR as soon as practicable. However, the methodology has not been tested for an extended period of time, which may limit market acceptance of the use of SOFR. In addition, SOFR may not be a suitable alternative to LIBOR for all of our financial products, and it is uncertain what other rates might be appropriate for that purpose. It is uncertain whether these other indices will remain acceptable alternatives for such products.

We have a significant number of financial products, including mortgage loans, mortgage-related securities, other debt securities and derivatives, that are tied to LIBOR, and we continue to enter into transactions involving such products that will mature after 2021, with appropriate alternative reference rates to take effect after LIBOR's discontinuation. The replacement of LIBOR also may result in economic mismatches between different categories of instruments that now consistently rely on the LIBOR benchmark. Additionally, inconsistent approaches to a transition from LIBOR to an alternative rate among different market participants and for different financial products may cause market disruption and operational problems, which could adversely affect us, including by exposing us to increased basis risk and resulting costs in connection with remediating these problems, and by creating the possibility of disagreements with counterparties.

***If we fail to comply with legal standards, we could incur liability to our clients or lose clients, which could negatively affect our earnings.***

Managing or servicing assets with reasonable prudence in accordance with the terms of governing documents and applicable laws is important to client satisfaction, which in turn is important to the earnings and growth of our investment businesses. Failure to comply with these standards, adequately manage these risks or manage the differing interests often involved in the exercise of fiduciary responsibilities could also result in liability.

***WSFS and WSFS Bank have over \$10 billion in total consolidated assets, which leads to increased regulatory scrutiny.***

Banking and thrift organizations with \$10 billion or more in assets are subject to debit card interchange fee restrictions set forth in section 1075 of the Dodd-Frank Act, known as the Durbin Amendment, and implemented by regulations of the Federal Reserve, cap the maximum debit interchange fee that an issuer may receive per transaction at the sum of 21 cents plus five basis points. An issuer that adopts certain fraud prevention procedures may charge an additional one cent per transaction. The Bank became subject to the interchange restrictions of the Durbin Amendment on July 1, 2020.

Additionally, an insured depository institution with \$10 billion or more in total assets is subject to supervision, examination, and enforcement with respect to consumer protection laws by the CFPB. WSFS Bank became subject to CFPB supervision, examination, and enforcement at the beginning of the first quarter of 2020.

Other regulatory requirements apply, and have previously applied, to insured depository institution holding companies and insured depository institutions with \$10 billion or more in total consolidated assets. Congress and/or regulatory agencies may impose new requirements or surcharges on such institutions in the future. The Economic Growth Act includes provisions that relieve banking organizations with less than \$10 billion in total consolidated assets (and that satisfy certain other conditions) from risk-based capital requirements, restrictions on proprietary trading and investment and sponsorship in hedge funds and private equity funds known as the Volcker Rule, and certain other regulatory requirements. By exceeding \$10 billion in total consolidated assets, WSFS and WSFS Bank do not qualify for any of this relief.

***The CFPB has reshaped consumer financial regulations through rulemaking and enforcement of prohibitions against unfair, deceptive and abusive business practices. Compliance with any such change may impact the manner in which WSFS and WSFS Bank offer consumer financial products or services, and our results of operations.***

The CFPB has broad authority to administer and carry out provisions of the Dodd-Frank Act with respect to the Company's consumer financial products and services. As a relatively new independent agency with new rulemaking and enforcement authority, the CFPB may impose requirements more onerous than those of other bank regulatory agencies. For example, the Dodd-Frank Act authorizes the CFPB to write rules or bring enforcement actions to prohibit acts or practices that are unfair, deceptive or abusive in connection with consumer financial products or services, and the concept of an "abusive" act or practice did not previously exist in federal banking law.

The CFPB has initiated enforcement actions against a variety of bank and non-bank market participants with respect to a number of consumer financial products and services, which has resulted in those participants expending significant time and money, including the costs of penalties, to respond to the actions pursued by the CFPB. As part of its rulemaking and enforcement activities, the CFPB has adopted interpretations of consumer protection laws that have required many market participants to change their practices and expend substantial resources to do so.

There continues to be uncertainty as to how CFPB's strategies and priorities will impact the Company's business and operations. Any changes by the CFPB in regulatory expectations, interpretations or practices could increase the risk of additional enforcement actions, fines and penalties, which could have a material impact to the Company's business and results of operations.

***As a participating lender in the SBA's Paycheck Protection Program (PPP), the Company is subject to added risks, including credit, fraud, and litigation risks.***

Beginning in April 2020, WSFS Bank began processing loan applications under the PPP as an eligible lender with the benefit of a government guarantee of loans to small business clients, many of whom may face difficulties even after being granted such a loan. A significant amount of our loan growth since December 31, 2019 has been a direct result of PPP loans. However, PPP loan growth depends on governmental action to renew and fund the program.

As a participant in the PPP, we face increased risks, particularly in terms of credit, fraud and litigation risks. The PPP opened to borrower applications shortly after the enactment of its authorizing legislation, and, as a result, there is some ambiguity in the laws, rules and guidance regarding the program's operation. Subsequent rounds of legislation and associated agency guidance have not provided needed clarity and in certain instances have potentially created additional inconsistencies and ambiguities. Accordingly, the Company is exposed to risks relating to compliance with PPP requirements, including the risk of becoming the subject of governmental investigations, enforcement actions, private litigation, and negative publicity.

We have additional credit risk with respect to PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded or serviced, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by the Bank, the SBA may deny its liability under the guaranty, reduce the amount of the guarantee or, if it has already paid under the guarantee, seek recovery of any loss related to the deficiency from the Bank.

Also, PPP loans are fixed, low interest rate loans that are guaranteed by the SBA and subject to numerous other regulatory requirements, and a borrower may apply to have all or a portion of the loan forgiven. If PPP borrowers fail to qualify for loan forgiveness, we face a heightened risk of holding these loans at unfavorable interest rates for an extended period of time.

Furthermore, since the launch of the PPP, several larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP, and the Company and the Bank may be exposed to the risk of litigation, from both customers and non-customers that approached us regarding PPP loans, relating to these or other matters. Also many financial institutions throughout the country have been named in putative class actions regarding the alleged nonpayment of fees that may be due to certain agents who facilitated PPP loan applications. The costs and effects of litigation related to PPP participation could have an adverse effect on our business, financial condition and results of operations.

## **5. Operational Risk**

***Our risk management processes and procedures may not be effective in mitigating our risks.***

We have established processes and procedures intended to identify, measure, monitor and control material risks to which we are subject, including, for example, credit risk, market risk, liquidity risk, strategic risk and operational risk.

We seek to monitor and control our risk exposure through a framework that includes our risk appetite statement, enterprise risk assessment process, risk policies, procedures and controls, reporting requirements, credit risk culture and governance structure. Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models that we use to manage these risks are ineffective at predicting future losses or are otherwise inadequate, we may incur unexpected losses or otherwise be adversely affected. In addition, the information we use in managing our credit and other risk may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid. There may also be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated, including when processes are changed or new products and services are introduced. If our risk management framework does not effectively identify and control our risks, we could suffer unexpected losses or be adversely affected, and that could have a material adverse effect on our business, results of operations and financial condition.

***Our results of operations and financial condition could be materially adversely affected if our Cash Connect® segment's policies, procedures and controls are inadequate to prevent a misappropriation of funds, or if a misappropriation of funds is not insured or not fully covered through insurance.***

The profitability of our Cash Connect® segment depends to a large degree on its ability to accurately and efficiently distribute, track, and settle large amounts of cash to its customers' ATMs which, in turn, depends on the successful implementation and monitoring of a comprehensive system of financial and operational controls that are designed to help prevent, detect, and recover any potential loss of funds. These controls require the implementation and maintenance of complex proprietary software, the ability to track and monitor an extensive network of armored car companies, and the ability to settle large amounts of electronic funds transfers (EFT) from various ATM networks. There is a risk that those associated with armored car companies, ATM networks and processors, ATM operators, or other parties may misappropriate funds belonging to Cash Connect®. Cash Connect® has experienced such occurrences in the past. If our Cash Connect® division's established policies, procedures and controls are inadequate, or not properly executed to prevent or detect a misappropriation of funds, or if a misappropriation of funds is not insured or not fully covered through any insurance maintained by us, our results of operations or financial condition could be materially affected.

***System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.***

Failures in, or breaches of, our computer systems and network infrastructure, or those of our third party vendors or other service providers, including as a result of cyber-attacks, could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure utilized by us, including our Internet banking activities, against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the Internet or other users. Cybersecurity breaches and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and damage to our reputation, and may discourage current and potential customers from using our Internet banking services. Our security measures, including firewalls and penetration testing, may not prevent or detect future potential losses from system failures or cybersecurity breaches.

In the normal course of business, we collect, process, and retain sensitive and confidential information regarding our Customers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security and business continuity programs, our facilities and systems, and those of our third-party service providers, are vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. In particular, the technologies and digital solutions we have introduced as part of our Delivery Transformation initiative, including our enhanced website and personalized messaging app, are susceptible to these events. We and our third-party service providers have experienced all of these events in the past and expect to continue to experience them in the future. These events could interrupt our business or operations, result in significant legal and financial exposure, supervisory liability, regulatory enforcement action, damage to our reputation, loss of customers and business or a loss of confidence in the security of our systems, products and services. Although the impact to date from these events has not had a material adverse effect on us, we cannot be sure this will be the case in the future. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.

Information security risks for financial institutions like us have increased recently in part because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions that are designed to disrupt key business services, such as consumer-facing web sites. We are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. Our early detection and response mechanisms may be thwarted by sophisticated attacks and malware designed to avoid detection.

***We rely on third parties for certain important functions. Any failures by those vendors and service providers could disrupt our business operations or expose us to loss of confidential information or intellectual property.***

Our use of third-party service providers exposes us to the risk of failures in their risk and control environments. We outsource certain key functions to external parties, including some that are critical to financial reporting (including our use of hedge accounting), valuations, our mortgage-related investment activity, loan underwriting, and loan servicing. We may enter into other key outsourcing relationships in the future and continue to expand our existing reliance on third-party service providers. If one or more of these key external parties were not able to perform their functions for a period of time, perform them at an acceptable service level or handle increased volumes, or if one of them experiences a disruption in its own business or technology from any cause, our business operations could be constrained, disrupted, or otherwise negatively affected. Our use of third-party service providers also exposes us to the risk of losing intellectual property or confidential information and to other harm, including to our reputation. Our ability to monitor the activities or performance of third-party service providers may be constrained, which may make it difficult for us to assess and manage the risks associated with these relationships.

***Our business may be adversely impacted by litigation and regulatory enforcement, which could expose us to significant liabilities and/or damage our reputation.***

From time to time, we have and may become party to various litigation claims and legal proceedings. Our businesses involve the risk that clients or others may sue us, claiming that we have failed to perform under a contract or otherwise failed to carry out a duty perceived to be owed to them. Our trust, custody and investment management businesses are particularly subject to this risk. This risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are particularly volatile, or when clients or investors are experiencing losses. In addition, as a publicly-held company, we are subject to the risk of claims under the federal securities laws, and volatility in our stock price and those of other financial institutions increases this risk. Actions brought against us may result in injunctions, settlements, damages, fines or penalties, which could have a material adverse effect on our financial condition or results of operations or require changes to our business. Even if we defend ourselves successfully, the cost of litigation may be substantial, and public reports regarding claims made against us may cause damage to our reputation among existing and prospective clients or negatively impact the confidence of counterparties, rating agencies and stockholders, consequently negatively affecting our earnings.

In the ordinary course of our business, we also are subject to various regulatory, governmental and enforcement inquiries, investigations and subpoenas. These may be directed generally to participants in the businesses in which we are involved or may be specifically directed at us. In enforcement matters, claims for disgorgement, the imposition of civil and criminal penalties and the imposition of other remedial sanctions are possible.

WSFS Bank provides indenture trustee and loan agency services, including administrative and collateral agent fee-based services for first lien, second lien, debtor-in-possession and exit facilities, and WSFS Bank professionals work with ad hoc committees, unsecured creditors' committees, borrowers and other professionals involved in restructuring and bankruptcy. In this capacity, in the normal course of business, WSFS Bank may be named as a party in litigation. Although WSFS Bank has no credit or direct exposure in conjunction with this administrative role, the fact that the Bank's name appears in the case caption may create the erroneous impression that WSFS Bank may have financial exposure in such a lawsuit.

Actual outcomes, losses and related expenses of pending legal proceedings may differ materially from assessments and estimates, and may exceed the amount of any reserves we have established, which could adversely affect our reputation, financial condition and results of operations.

***Errors, breakdowns in controls or other mistakes in the provision of services to clients or in carrying out transactions for our own account can subject us to liability, result in losses or negatively affect our earnings in other ways.***

In our asset servicing, investment management, fiduciary administration and other business activities, we effect or process transactions for clients and for us that involve very large amounts of money. Failure to properly manage or mitigate operational risks can have adverse consequences, and increased volatility in the financial markets may increase the magnitude of resulting losses. Given the high volume of transactions we process, errors that affect earnings may be repeated or compounded before they are discovered and corrected.

## **6. Strategic Risk**

***Our business strategy includes significant investment in 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 and investment in infrastructure effectively.***

We are pursuing a significant growth strategy for our business. Our growth initiatives have required us to recruit experienced personnel to assist in such initiatives. The failure to 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.

A weak economy, low demand and competition for credit may impact our ability to successfully execute our growth plan and 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 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. We may not successfully identify appropriate opportunities, may not be able to negotiate or finance such activities and such activities, if undertaken, may not be successful.

***We have in the past and may in the future pursue acquisitions, which may disrupt our business and adversely affect our operating results, and we may fail to realize all of the anticipated benefits of any such acquisition.***

We have historically pursued acquisitions, and may seek acquisitions in the future. We may not be able to successfully identify suitable candidates, negotiate appropriate acquisition terms, complete proposed acquisitions, successfully integrate acquired businesses into the existing operations, or expand into new markets. Once integrated, acquired operations may not achieve levels of revenues, profitability, or productivity comparable with those achieved by our existing operations, or otherwise perform as expected.

Acquisitions involve numerous risks, including difficulties in the integration of the operations, technologies, services and products of the acquired companies, and the diversion of management's attention from other business concerns. We may not properly ascertain all such risks prior to an acquisition or prior to such a risk impacting us while integrating an acquired company. As a result, difficulties encountered with acquisitions could have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, we must generally receive federal regulatory approval before we can acquire another insured depository institution or its holding company. In determining whether to approve a proposed acquisition, federal regulators will consider, among other factors, the effect of the acquisition on competition, the financial condition of the acquiring institution and the target, the future prospects of the acquiring institution, including current and projected capital levels, the competence, experience, and integrity of management, compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the Community Reinvestment Act, and the effectiveness of the acquiring institution in combating money laundering. In addition, we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. Consequently, we may not obtain regulatory approval for a proposed acquisition on acceptable terms or at all, in which case we would not be able to complete the acquisition despite the time and expenses invested in pursuing it.

***The anticipated benefits of our Delivery Transformation initiative may not be fully realized.***

We have devoted substantial resources to our strategic Delivery Transformation initiative. The success of this initiative will depend on, among other things, our ability to upgrade our technology and digital solutions in a manner that improves experiences of customers and employees. If we are unable to successfully achieve this objective, the anticipated benefits of the Delivery Transformation initiative may not be realized fully, or at all, or may take longer to realize than expected. Additionally, the implementation of new technologies and digital solutions may cause business disruptions that affect our ability to maintain relationships with clients, customers, depositors and employees and could have an adverse effect on WSFS for an undetermined period.

***Key employees may be difficult to attract and retain.***

Our Associates are our most important resource and, in many areas of the financial services industry, competition for qualified personnel is intense. We invest significantly in recruitment, training, development and talent management as our Associates are the cornerstone of our model. If we were unable to continue to attract and retain qualified key employees to support the various functions of our businesses, our performance, including our competitive position, could be materially adversely affected. As economic conditions improve, we may face increased difficulty in retaining top performers and critical skilled employees. If key personnel were to leave us and equally knowledgeable or skilled personnel are unavailable within WSFS or could not be sourced in the market, our ability to manage our business may be hindered or impaired.

## **7. Reputation Risk**

***Damage to our reputation could significantly harm our businesses.***

Our ability to attract and retain customers, clients, investors, and highly-skilled management and employees is affected by our reputation. Public perception of the financial services industry declined as a result of the recent economic downturn and related government response, and we face increased public and regulatory scrutiny as a result. Adverse developments with respect to the financial services industry may also, by association, negatively impact our reputation, or result in greater regulatory or legislative scrutiny or litigation against us. Although we monitor developments for areas of potential risk to our reputation and brand, negative perceptions or publicity could materially and adversely impact our financial condition and results of operations.

Significant harm to our reputation can also arise from other sources, including employee misconduct, actual or perceived unethical behavior, litigation or regulatory outcomes, failing to deliver minimum or required standards of service and quality, compliance failures, disclosure of confidential information, significant or numerous failures, interruptions or breaches of our information systems, and the activities of our clients, customers and counterparties, including vendors.

In particular, the success of our Wealth Management segment is highly dependent on reputation. Our Wealth Management segment derives the majority of its revenue from noninterest income which consists of trust, investment and other servicing fees, and our ability to attract trust and wealth management clients is highly dependent upon external perceptions of this segment's level of service, trustworthiness, business practices and financial condition. Negative perceptions or publicity regarding these matters could damage the division's and our reputation among existing customers and corporate clients, which could make it difficult for the Wealth Management segment to attract new clients and maintain existing ones.

We could also suffer significant harm to our reputation if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The actual or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, which could adversely affect our businesses.

## 8. Model Risk

***The quantitative models we use to manage certain accounting and risk management functions may not be effective, which may cause material adverse effects on our results of operations and financial condition.***

We use quantitative models to help manage certain aspects of our business and to assist with certain business decisions, including estimating probable loan losses, measuring the fair value of financial instruments when reliable market prices are unavailable and estimating the effects of changing interest rates and other market measures on our financial condition and results of operations. Our modeling methodologies rely on many assumptions, historical analyses and correlations. These assumptions may be incorrect, particularly in times of market distress, and the historical correlations on which we rely may no longer be relevant. Additionally, as businesses and markets evolve, our measurements may not accurately reflect this evolution. Even if the underlying assumptions and historical correlations used in our models are adequate, our models may be deficient due to errors in computer code, bad data, misuse of data, or the use of a model for a purpose outside the scope of the model's design.

As a result, our models may not capture or fully express the risks we face, may suggest that we have sufficient capitalization when we do not, or may lead us to misjudge the business and economic environment in which we will operate. If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management or other business or financial decisions. Furthermore, strategies that we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable, and as a result, we may realize losses or other lapses.

Banking regulators continue to focus on the models used by banks and bank holding companies in their businesses. The failure or inadequacy of a model may result in increased regulatory scrutiny on us or may result in an enforcement action or proceeding against us by one of our regulators.

## 9. General Risk

***Impairment of goodwill and/or intangible assets could require charges to earnings, which could negatively impact our results of operations.***

Goodwill and other intangible assets arise 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. We evaluate goodwill and intangibles for impairment at least annually. Although we have determined that goodwill and other intangible assets were not impaired during 2020, 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. Any future write-down of the goodwill or intangible assets could result in a material charge to earnings.

***Changes in accounting standards or changes in how the accounting standards are interpreted or applied could materially impact the Company's financial statements.***

From time to time, the Financial Accounting Standards Board (FASB) or the SEC may change the financial accounting and reporting standards that govern the preparation of the Company's financial statements. In addition, the FASB, SEC, banking regulators and the Company's independent registered public accounting firm may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes may be difficult to predict and could impact how we prepare and report the Company's financial statements. In some cases, the Company could be required to apply a new or revised standard retroactively, potentially resulting in the Company restating prior period's financial statements.

***Changes in the value of our deferred tax assets could adversely affect our operating results and regulatory capital ratios.***

Our deferred tax assets are subject to an evaluation of whether it is more likely than not that they will be realized for financial statement purposes. In making this determination, we consider all positive and negative evidence available, including the impact of recent operating results, as well as potential carryback of tax to prior years' taxable income, changes in statutory tax rates, reversals of existing taxable temporary differences, tax planning strategies and projected earnings within the statutory tax loss carryover period. If we conclude in the future that a significant portion of our deferred tax assets are not more likely than not to be realized, we will record a valuation allowance, which could adversely affect our financial position, results of operations and regulatory capital ratios.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our headquarters are located at 500 Delaware Ave., Wilmington, Delaware where we lease 78,432 square feet of space. At December 31, 2020, we conducted our business through 89 banking offices located in Delaware, southeastern Pennsylvania and southern New Jersey. We owned 33 of our banking offices while all other facilities were leased.

In addition to our branch network, we lease office space for 23 other loan production offices and facilities located in Delaware, southeastern Pennsylvania, southern New Jersey, Virginia and Nevada to house operational activities, Cash Connect<sup>®</sup> and our Wealth Management businesses.

At December 31, 2020, our premises and equipment had a net book value of \$96.6 million. All of these properties are generally in good condition and are appropriate for their intended use. While these facilities are adequate to meet our current needs, available space is limited and additional facilities may be required to support future expansion.

For additional detail regarding our properties and equipment, see Note 9 to the Consolidated Financial Statements.

**ITEM 3. LEGAL PROCEEDINGS**

For information regarding legal proceedings, see Note 25 to the Consolidated Financial Statements.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## 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 February 26, 2021, we had 3,372 registered common stockholders of record. The closing market price of our common stock at February 26, 2021 was \$53.14.

#### **Dividends**

For a discussion of dividend restrictions on our common stock, or of restrictions on dividends from the Company's subsidiaries to the Company, see “Business - Regulation - Regulation of the Company - Dividends” and “Business - Regulation - Regulation of WSFS Bank - Dividends Restrictions.”

#### **Securities Authorized for Issuance Under Equity Compensation Plans**

Shown below is information as of December 31, 2020 with respect to compensation plans under which equity securities of the Registrant are authorized for issuance.

|                                                                   | <b>Equity Compensation Plan Information</b>                                                                |                                                                                            | <b>(c)<br/>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                   | <b>(a)<br/>Number of Securities to be issued upon exercise of outstanding options, warrants and rights</b> | <b>(b)<br/>Weighted-Average exercise price of outstanding options, warrants and rights</b> |                                                                                                                                                            |
| Equity compensation plans approved by stockholders <sup>(1)</sup> | 449,761                                                                                                    | \$ 36.80                                                                                   | 504,931                                                                                                                                                    |
| Equity compensation plans not approved by stockholders            | N/A                                                                                                        | N/A                                                                                        | N/A                                                                                                                                                        |
| <b>Total</b>                                                      | <b>449,761</b>                                                                                             | <b>\$ 36.80</b>                                                                            | <b>504,931</b>                                                                                                                                             |

<sup>(1)</sup> Plans approved by stockholders include the 2013 Incentive Plan and the 2018 Incentive Plan.

#### **Share Repurchases:**

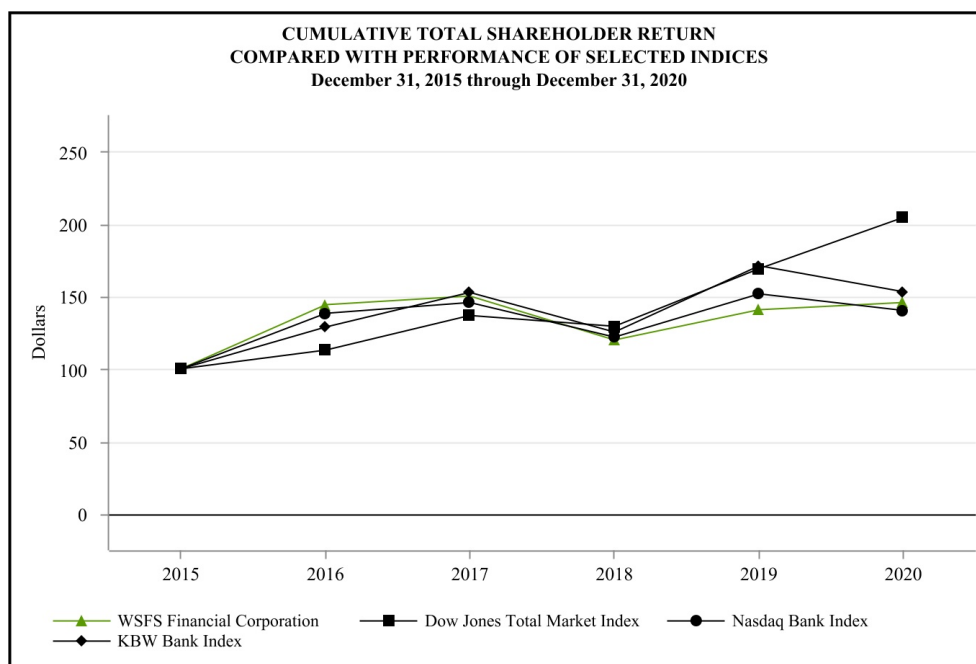
During the first quarter of 2020, the Board of Directors approved a share repurchase program authorizing the repurchase of 7,594,977 shares, or 15% of our outstanding shares as of March 31, 2020. Under the program, repurchases may be made from time to time in the open market or through negotiated transactions, subject to market conditions and other factors, and in accordance with applicable securities laws. The program is consistent with our intent to return a minimum of 25% of annual net income to stockholders through dividends and share repurchases while maintaining capital ratios in excess of regulatory minimums and, in the case of the Bank, the “well-capitalized” benchmarks. During the three months ended December 31, 2020, the Company repurchased 2,946,507 shares of common stock under the share repurchase program approved in the first quarter of 2020.

The following table provides information regarding purchases of common stock during the fourth quarter of 2020.

| <b>Month</b>                         | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid Per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Programs</b> | <b>Maximum Number of Shares that May Yet Be Purchased Under the Programs</b> |
|--------------------------------------|-----------------------------------------|-------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| October 1, 2020 - October 31, 2020   | 279,500                                 | \$ 31.02                            | 279,500                                                                        | 7,315,477                                                                    |
| November 1, 2020 - November 30, 2020 | 1,178,841                               | 37.35                               | 1,178,841                                                                      | 6,136,636                                                                    |
| December 1, 2020 - December 31, 2020 | 1,488,166                               | 42.69                               | 1,488,166                                                                      | 4,648,470                                                                    |
| <b>Total</b>                         | <b>2,946,507</b>                        | <b>39.45</b>                        | <b>2,946,507</b>                                                               |                                                                              |

## COMPARATIVE STOCK PERFORMANCE GRAPH

The graph and table which follow show the yearly percentage change in the cumulative total shareholder return on our common stock over the last five years compared with the cumulative total shareholder return of the Dow Jones Total Market Index, the Nasdaq Bank Index and KBW Bank Index over the same period as obtained from Bloomberg L.P. Cumulative total shareholder return on our common stock or the indices equals the total increase in value since December 31, 2015, 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, 2015 in our common stock and in each of the indices. 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.



|                              | December 31, 2015 through December 31, 2020 Cumulative Total Return |        |        |        |        |        |
|------------------------------|---------------------------------------------------------------------|--------|--------|--------|--------|--------|
|                              | 2015                                                                | 2016   | 2017   | 2018   | 2019   | 2020   |
| WSFS Financial Corporation   | \$ 100                                                              | \$ 144 | \$ 150 | \$ 120 | \$ 141 | \$ 146 |
| Dow Jones Total Market Index | 100                                                                 | 113    | 136    | 129    | 169    | 204    |
| Nasdaq Bank Index            | 100                                                                 | 138    | 146    | 122    | 152    | 140    |
| KBW Bank Index               | 100                                                                 | 129    | 152    | 125    | 171    | 153    |

## ITEM 6. SELECTED FINANCIAL DATA

The following sets forth certain of our financial and statistical information for the years ended December 31, 2020, 2019, 2018, 2017 and 2016. This data should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto contained elsewhere in this Annual Report on Form 10-K.

(Dollars in thousands, except per share and branch data)

|                                                                      | 2020 <sup>(1)</sup> | 2019          | 2018         | 2017         | 2016         |
|----------------------------------------------------------------------|---------------------|---------------|--------------|--------------|--------------|
| <b>At December 31.</b>                                               |                     |               |              |              |              |
| Total assets                                                         | \$ 14,333,914       | \$ 12,256,302 | \$ 7,248,870 | \$ 6,999,540 | \$ 6,765,270 |
| Net loans and leases <sup>(2)(7)</sup>                               | 8,993,476           | 8,508,336     | 4,889,237    | 4,807,373    | 4,499,157    |
| Investment securities <sup>(3)</sup>                                 | 2,640,798           | 2,078,515     | 1,355,029    | 998,685      | 958,266      |
| Other investments <sup>(4)</sup>                                     | 23,003              | 91,350        | 57,662       | 52,863       | 48,887       |
| Total deposits                                                       | 11,856,664          | 9,586,857     | 5,640,431    | 5,247,604    | 4,738,438    |
| Borrowings <sup>(5)</sup>                                            | 27,013              | 323,672       | 534,389      | 772,624      | 1,048,386    |
| Trust preferred borrowings                                           | 67,011              | 67,011        | 67,011       | 67,011       | 67,011       |
| Senior debt                                                          | 246,617             | 98,605        | 98,388       | 98,171       | 152,050      |
| Noncontrolling interest                                              | (2,246)             | (815)         | —            | —            | —            |
| Stockholders' equity of WSFS                                         | 1,791,726           | 1,850,306     | 820,920      | 724,345      | 687,336      |
| Number of banking offices                                            | 89                  | 93            | 58           | 58           | 60           |
| <b>For the Year Ended December 31.</b>                               |                     |               |              |              |              |
| Interest income                                                      | \$ 514,405          | \$ 521,092    | \$ 292,973   | \$ 254,726   | \$ 216,578   |
| Interest expense                                                     | 48,450              | 76,144        | 46,499       | 33,455       | 22,833       |
| Net interest income                                                  | 465,955             | 444,948       | 246,474      | 221,271      | 193,745      |
| Noninterest income                                                   | 201,025             | 188,109       | 162,541      | 124,644      | 105,061      |
| Noninterest expenses                                                 | 368,844             | 413,127       | 225,047      | 226,461      | 188,666      |
| Provision for credit losses                                          | 153,180             | 25,560        | 13,170       | 10,964       | 12,986       |
| Income tax provision                                                 | 31,636              | 46,452        | 36,055       | 58,246       | 33,074       |
| Net income                                                           | \$ 113,320          | \$ 147,918    | \$ 134,743   | \$ 50,244    | \$ 64,080    |
| Less: Net loss attributed to noncontrolling interest                 | (1,454)             | (891)         | —            | —            | —            |
| Net income attributable to WSFS                                      | \$ 114,774          | \$ 148,809    | \$ 134,743   | \$ 50,244    | \$ 64,080    |
| Earnings per share allocable to common stockholders:                 |                     |               |              |              |              |
| Basic                                                                | \$ 2.27             | \$ 3.02       | \$ 4.27      | \$ 1.60      | \$ 2.12      |
| Diluted                                                              | \$ 2.27             | \$ 3.00       | \$ 4.19      | \$ 1.56      | \$ 2.06      |
| Interest rate spread                                                 | 3.77 %              | 4.15 %        | 3.87 %       | 3.81 %       | 3.79 %       |
| Net interest margin                                                  | 3.96                | 4.44          | 4.09         | 3.95         | 3.88         |
| Efficiency ratio                                                     | 55.21               | 65.13         | 54.84        | 64.91        | 62.52        |
| Noninterest income as a percentage of total revenue <sup>(6)</sup>   | 30.09               | 29.66         | 39.61        | 35.72        | 34.81        |
| Return on average assets                                             | 0.87                | 1.30          | 1.92         | 0.74         | 1.06         |
| Return on average equity                                             | 6.25                | 8.91          | 17.63        | 6.92         | 10.03        |
| Return on average tangible common equity <sup>(8)</sup>              | 9.68                | 13.48         | 23.72        | 9.73         | 12.84        |
| Average equity to average assets                                     | 13.96               | 14.56         | 10.90        | 10.64        | 10.57        |
| Tangible common equity to tangible assets <sup>(8)</sup>             | 8.96                | 10.97         | 8.99         | 7.87         | 7.55         |
| Ratio of nonperforming assets to total assets                        | 0.42                | 0.32          | 0.66         | 0.84         | 0.60         |
| Ratio of allowance for credit losses to total gross loans and leases | 2.51                | 0.56          | 0.81         | 0.84         | 0.89         |
| Ratio of allowance for credit losses to nonaccruing loans            | 546                 | 208           | 132          | 111          | 174          |
| Ratio of charge-offs to average gross loans and leases               | 0.09                | 0.22          | 0.29         | 0.22         | 0.25         |

<sup>(1)</sup> Includes the impact of our adoption of CECL on January 1, 2020.

<sup>(2)</sup> Includes loans held for sale and reverse mortgages.

<sup>(3)</sup> Includes securities available for sale and held to maturity.

<sup>(4)</sup> Includes equity investments as well as interest bearing deposits in other banks and FHLB stock.

<sup>(5)</sup> Borrowings consist of FHLB advances, federal funds purchased and other borrowed funds.

<sup>(6)</sup> Computed on a fully tax-equivalent basis.

<sup>(7)</sup> Net of unearned income.

<sup>(8)</sup> Ratio is a non-GAAP financial measure. See "Reconciliation of non-GAAP financial measures included in Item 6."

**Reconciliation of non-GAAP financial measures included in Item 6**

We prepare our financial statements in accordance with U.S. GAAP. To supplement our financial information presented in accordance with U.S. GAAP, we provide the following non-GAAP financial measures: return on average tangible common equity and the tangible common equity to tangible assets ratio. We believe these measures provide investors with useful information for understanding of the Company's performance when analyzing changes in our underlying business between reporting periods and provide for greater transparency with respect to supplemental information used by management in its financial and operational decision making. We believe the presentation of these non-GAAP financial measures, when used in conjunction with GAAP financial measures, is a useful financial analysis tool that can assist investors in assessing the Company's operating performance and underlying prospects. This analysis should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

(Dollars in thousands, except ratio data)

|                                                | 2020                 | 2019                 | 2018                | 2017                | 2016                |
|------------------------------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| <b>At December 31,</b>                         |                      |                      |                     |                     |                     |
| <b>Period End Tangible Assets</b>              |                      |                      |                     |                     |                     |
| Period end assets                              | \$ 14,333,914        | \$ 12,256,302        | \$ 7,248,870        | \$ 6,999,540        | \$ 6,765,270        |
| Less: Goodwill and intangible assets           | 557,386              | 568,745              | 186,023             | 188,444             | 191,247             |
| Tangible assets                                | <u>\$ 13,776,528</u> | <u>\$ 11,687,557</u> | <u>\$ 7,062,847</u> | <u>\$ 6,811,096</u> | <u>\$ 6,574,023</u> |
| <b>Period End Tangible Common Equity</b>       |                      |                      |                     |                     |                     |
| Period end Stockholder's equity of WSFS        | \$ 1,791,726         | \$ 1,850,306         | \$ 820,920          | \$ 724,345          | \$ 687,336          |
| Less: Goodwill and intangible assets           | 557,386              | 568,745              | 186,023             | 188,444             | 191,247             |
| Tangible common equity                         | <u>\$ 1,234,340</u>  | <u>\$ 1,281,561</u>  | <u>\$ 634,897</u>   | <u>\$ 535,901</u>   | <u>\$ 496,089</u>   |
| Tangible common equity to tangible assets      | 8.96 %               | 10.97 %              | 8.99 %              | 7.87 %              | 7.55 %              |
| <b>Period End Tangible Income</b>              |                      |                      |                     |                     |                     |
| GAAP net income attributable to WSFS           | \$ 114,774           | \$ 148,809           | \$ 134,743          | \$ 50,244           | \$ 64,080           |
| Tax effected amortization of intangible assets | 8,481                | 7,373                | 2,164               | 1,915               | 1,587               |
| Net tangible income                            | <u>\$ 123,255</u>    | <u>\$ 156,182</u>    | <u>\$ 136,907</u>   | <u>\$ 52,159</u>    | <u>\$ 65,667</u>    |
| <b>Average Tangible Common Equity</b>          |                      |                      |                     |                     |                     |
| Average stockholder's equity                   | \$ 1,836,115         | \$ 1,670,869         | \$ 764,489          | \$ 725,763          | \$ 638,624          |
| Less: Average goodwill and intangible assets   | 563,126              | 512,187              | 187,297             | 189,784             | 127,168             |
| Average tangible common equity                 | <u>\$ 1,272,989</u>  | <u>\$ 1,158,682</u>  | <u>\$ 577,192</u>   | <u>\$ 535,979</u>   | <u>\$ 511,456</u>   |
| Return on average tangible common equity       | 9.68 %               | 13.48 %              | 23.72 %             | 9.73 %              | 12.84 %             |

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

### **OVERVIEW**

WSFS Financial Corporation (the Company or WSFS) is a savings and loan holding company headquartered in Wilmington, Delaware. Substantially all of our assets are held by the Company's subsidiary, Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), one of the ten oldest bank and trust companies in the United States (U.S.) continuously operating under the same name. With \$14.3 billion in assets and \$24.2 billion in assets under management (AUM) and assets under administration (AUA) at December 31, 2020, WSFS Bank is the oldest and largest locally-managed bank and trust company headquartered in the Delaware and Greater Philadelphia region. As a federal savings bank that was formerly chartered as a state mutual savings bank, WSFS Bank enjoys a broader scope of permissible activities than most other financial institutions.

A fixture in the community, we have been in operation for more than 189 years. In addition to our focus on stellar customer experience, we have continued to fuel growth and remain a leader in our community. We are a relationship-focused, locally-managed, community banking institution. Our mission is simple: "We Stand for Service." Our strategy of "Engaged Associates, living our culture, making a better life for all we serve" focuses on exceeding customer expectations, delivering stellar experiences and building customer advocacy through highly-trained, relationship-oriented, friendly, knowledgeable and empowered Associates.

As of December 31, 2020, we service our customers primarily from our 112 offices located in Pennsylvania (52), Delaware (42), New Jersey (16) Virginia (1) and Nevada (1), our ATM network, our website at [www.wsfsbank.com](http://www.wsfsbank.com), and our mobile apps.

We have six consolidated subsidiaries: WSFS Bank, WSFS Wealth Management, LLC (Powdermill®), WSFS Capital Management, LLC (West Capital), Cypress Capital Management, LLC (Cypress), Christiana Trust Company of Delaware® (Christiana Trust DE) and WSFS SPE Services, LLC. We also have one unconsolidated subsidiary, WSFS Capital Trust III. WSFS Bank has three wholly owned subsidiaries: Beneficial Equipment Finance Corporation (BEFC), WSFS Investment Group, Inc. (WSFS Wealth® Investments), and 1832 Holdings, Inc., and one majority-owned subsidiary, NewLane Finance Company (NewLane Finance®).

Our banking business had a total loan and lease portfolio of \$9.0 billion as of December 31, 2020, which was funded primarily through commercial relationships and retail and customer generated deposits. We have built a \$7.1 billion commercial loan and lease portfolio by recruiting seasoned commercial lenders in our markets, offering the high level of service and flexibility typically associated with a community bank and through acquisitions. We also offer a broad variety of consumer loan products, retail securities and insurance brokerage through our retail branches, and mortgage and title services through our branches and WSFS Mortgage®. WSFS Mortgage® is a mortgage banking company specializing in a variety of residential mortgage and refinancing solutions.

Our leasing business is conducted by NewLane Finance®. NewLane Finance® originates small business leases and provides commercial financing to businesses nationwide, targeting various equipment categories including technology, software, office, medical, veterinary and other areas. In addition, NewLane Finance® offers new product offerings for insurance through a newly-formed subsidiary, Prime Protect, which commenced operations during the fourth quarter of 2020.

Our Cash Connect® business is a premier provider of ATM vault cash, smart safe (safes that automatically accept, validate, record and hold cash in a secure environment) and other cash logistics services in the U.S. Cash Connect® manages approximately \$1.6 billion in total cash and services approximately 27,900 non-bank ATMs and approximately 4,500 smart safes nationwide. Cash Connect® provides related services such as online reporting and ATM cash management, predictive cash ordering and reconciliation services, armored carrier management, loss protection, ATM processing equipment sales and deposit safe cash logistics. Cash Connect® also supports over 600 owned and branded ATMs for WSFS Bank Customers, which has one of the largest branded ATM networks in our market.

Our Wealth Management business provides a broad array of planning and advisory services, investment management, trust services, and credit and deposit products to individual, corporate and institutional clients through multiple integrated businesses. Combined, these businesses had \$24.2 billion of AUM and AUA at December 31, 2020. WSFS Wealth® Investments provides financial advisory services along with insurance and brokerage products. Cypress, a registered investment adviser, is a fee-only wealth management firm managing a “balanced” investment style portfolio focused on preservation of capital and generating current income. West Capital, a registered investment adviser, is a fee-only wealth management firm operating under a multi-family office philosophy to provide customized solutions to institutions and high-net-worth individuals. The trust division of WSFS, comprised of WSFS Institutional Services® and Christiana Trust DE, provides trustee, agency, bankruptcy administration, custodial and commercial domicile services to institutional and corporate clients. Christiana Trust DE, a subsidiary of WSFS, provides personal trust and fiduciary services to families and individuals across the U.S. Powdermill® is a multi-family office specializing in providing independent solutions to high-net-worth individuals, families and corporate executives through a coordinated, centralized approach. WSFS Wealth Client Management serves high-net-worth clients by delivering credit and deposit products and partnering with other Wealth Management businesses to provide comprehensive solutions to clients.

#### **Notable Items Impacting Results of Operations, Financial Condition and Business Outlook**

Our results in 2020 were significantly impacted by the COVID-19 pandemic and its impact on the economic forecasts that drive the estimates we use to determine the allowance for credit losses. Contributing to the magnitude of the pandemic's effect is our adoption, as of January 1, 2020, of the Current Expected Credit Loss (CECL) method of accounting, which considers forward-looking information when establishing reserves for credit losses.

Notable items in 2020 include the following:

- The COVID-19 pandemic resulted in acute deterioration in the economic forecast used in our CECL modeling, resulting in additional provision for credit losses of \$153.2 million for the year ended December 31, 2020. Including the impact of our adoption of CECL, the allowance for credit losses increased by \$181.2 million during the year ended December 31, 2020. We continue to incur other costs related to COVID-19 as we navigate through the pandemic. During the year ended December 31, 2020, we recorded \$4.9 million of such other COVID-19 related costs. The COVID-19 pandemic has also contributed to a lower interest rate environment, impacting our asset/liability management strategies. See "Quantitative and Qualitative Disclosures About Market Risk" and "Results of Operations" for further details.
- We participated in some of the regulatory relief programs offered as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including the Paycheck Protection Program (PPP). We have provided nearly \$1.0 billion in PPP loans to more than 5,400 new and existing WSFS Customers, which resulted in \$21.7 million of additional interest income from PPP loans and \$3.3 million of PPP related costs during the year ended December 31, 2020. We experienced an increase in deposits and liquidity due to these PPP loans and the current economic environment. See "Financial Condition," "Results of Operations" and "Regulation" for further details.
- In June 2020, WSFS recorded net realized gains on our equity investments of \$22.1 million from the sale of 360,000 Visa Class B shares. Since our adoption of ASU 2016-01 in the first quarter of 2018, cumulative realized and unrealized gains and dividends on Visa Class B shares have totaled \$78.1 million.
- During 2020, we repurchased 3,950,855 shares of WSFS common stock totaling \$155.1 million, which included 2,946,507 shares totaling \$116.3 million during the fourth quarter of 2020 as we resumed our common stock repurchase program.
- In December 2020, WSFS issued \$150.0 million of fixed-to-floating rate senior notes due 2030 with a fixed interest rate of 2.75% for the first five years, and afterwards at an annual floating rate equal to a benchmark rate expected to be three-month term SOFR (as defined in the senior notes) plus 2.485%.

For a discussion of additional risk factors relating to COVID-19, see "Risk Factors."

Looking ahead, the continuation of the economic effects of COVID-19 and actions taken in response to it, including the impacts of loan forbearances and forgiveness and other provisions of the CARES Act and other federal and state measures, may adversely impact our business and results of operations and the operations of our borrowers, customers and business partners. The uncertainty regarding the duration of the pandemic and the resulting economic disruption has caused increased market volatility and has led to an economic recession and a significant decrease in consumer confidence and business generally.

The continuation of these conditions including whether due to a resurgence of COVID-19 infections, particularly as the geographic areas in which we operate begin to re-open, how quickly and to what extent normal economic and operating conditions can resume, especially as a vaccine becomes widely available, as well as the impacts of the CARES Act and other federal and state measures, specifically with respect to loan forbearances, and their ultimate impact of these factors is highly uncertain at this time and we do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. However, the decline in economic conditions generally and a prolonged negative impact on small-to-medium sized businesses, in particular, due to COVID-19 may result in an adverse effect to our business, financial condition and results of operations. For more information about these risks and uncertainties, see “Risk Factors.”

## FINANCIAL CONDITION

Total assets increased \$2.1 billion, or 17%, to \$14.3 billion as of December 31, 2020, compared to \$12.3 billion as of December 31, 2019. These increases are primarily comprised of the following (in descending order of magnitude):

- **Cash, cash equivalents, and restricted cash:** *Cash, cash equivalents, and restricted cash* increased \$1.1 billion, or 189%, primarily reflecting excess cash held due to increased deposits related to PPP loans and CARES Act payments.
- **Investment securities, available-for-sale:** *Investment securities, available for sale* increased \$584.1 million, or 30%, primarily due to \$1.5 billion in purchases and favorable market-value changes on available-for-sale securities of \$33.0 million, partially offset by repayments of \$606.2 million and sales of \$305.8 million.
- **Loans, net of allowance:** *Loans, net of allowance*, increased \$371.5 million, or 4%, which included:
  - An increase of \$751.2 million from PPP loans, in addition to growth in construction, owner-occupied commercial, and commercial small business leases, as well as an increase in home equity installment loans originated through our partnership with Spring EQ; partially offset by
  - A decline during the year of \$423.5 million from residential and commercial real estate, primarily in the non-relationship run-off portfolios predominantly acquired from the Beneficial Bancorp, Inc. (Beneficial) acquisition; and
  - An increase of \$181.2 million in the allowance for credit losses, primarily from \$153.2 million of provision for credit losses during the year due to the implementation of CECL in January 2020, as well as the acute deterioration in the economic forecast used in our CECL models related to the impact of the COVID-19 pandemic, and loan migration that occurred during the year in several specific portfolios, mainly in the accommodation, retail and food service industries.
- **Loans, held for sale:** *Loans, held for sale* are recorded at fair value and increased \$113.7 million, driven by an increase in residential mortgage loan originations.
- **Other assets:** *Other assets* increased \$33.9 million, or 13%, primarily due to an increase in our deferred tax asset from the large nondeductible provision for credit losses (as described above) combined with the taxable gain from the sale of Visa Class B shares (as described below).
- **Other investments:** *Other investments* decreased \$60.5 million, or 86%, as we sold 360,000 Visa Class B shares during the second quarter of 2020.
- **Investment securities, held-to-maturity:** *Investment securities, held-to-maturity* decreased \$21.9 million, or 16%, primarily reflecting repayments, maturities and calls during the year.

Total liabilities increased \$2.1 billion, or 21%, to \$12.5 billion at December 31, 2020 compared to the prior year, primarily comprised of the following (in descending order of magnitude):

- **Total Deposits:** *Total deposits* increased \$2.3 billion, or 24%, to \$11.9 billion, primarily due to an increase in customer funding during the COVID-19 pandemic, which reflected elevated deposits from Customers who received PPP loans, the impact of government stimulus and lower customer spending. The ratio of loans to customer deposits (excludes brokered deposits) was 77% at December 31, 2020 reflecting significant liquidity capacity.
- **Borrowings:** Borrowings increased primarily due to the net proceeds of \$147.8 million received in December 2020 from the issuance of senior notes due 2030.
- **Federal funds purchased:** *Federal funds purchased* decreased \$195.0 million, due to paydowns of these borrowings, as a result of the significant liquidity provided by the increase in customer funding, as described above. We did not have any securities sold under repurchase agreements at December 31, 2020.
- **FHLB advances:** *FHLB advances* decreased \$106.1 million due to the termination of fixed rate FHLB term advances as part of our routine balance sheet and liquidity management.

### ***Stockholders' Equity***

Stockholders' equity decreased \$58.6 million to \$1.8 billion at December 31, 2020 compared to \$1.9 billion at December 31, 2019 primarily due to decreases of \$155.8 million related to share repurchases, and \$24.4 million in common stock dividends paid during 2020. These decreases in stockholders' equity were partially offset by earnings of \$114.8 million during the year and \$32.5 million in favorable market-value changes on available-for-sale securities.

We repurchased 3,950,855 and 2,132,390 shares of our common stock in 2020 and 2019 respectively. We held 9,819,627 shares and 5,868,772 shares of our common stock as treasury shares at December 31, 2020 and 2019, respectively.

### **CAPITAL RESOURCES**

Regulatory capital requirements for the Bank and the Company include a minimum common equity Tier 1 capital ratio of 4.50% of risk-weighted assets, a Tier 1 capital ratio of 6.00% of risk-weighted assets, a minimum Total capital ratio of 8.00% of risk-weighted assets and a minimum Tier 1 leverage capital ratio of 4.00% of average assets. PPP loans receive a zero percent risk weighting under the regulators' capital rules. In order to avoid limits on capital distributions and discretionary bonus payments, the Bank and the Company must maintain a capital conservation buffer of 2.5% of common equity Tier 1 capital over each of the risk-based capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory actions and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements.

Regulators have 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 leveraged and risk-based capital measures and certain other factors. Under the Prompt Corrective Action framework of the Federal Deposit Insurance Corporation Act, 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, 2020, WSFS Bank was in compliance with regulatory capital requirements and all of its regulatory ratios exceeded "well-capitalized" regulatory benchmarks. WSFS Bank's December 31, 2020 common equity Tier 1 capital ratio of 12.50%, Tier 1 capital ratio of 12.50%, total risk based capital ratio of 13.76% and Tier 1 leverage capital ratio of 9.74%, all remain substantially in excess of "well-capitalized" regulatory benchmarks, the highest regulatory capital rating. In addition, and not included in the Bank's capital, the holding company held \$244.9 million in cash to support potential dividends, acquisitions and strategic growth plans.

As part of our adoption of CECL, we elected the *Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations*, which permits the Company to phase in the day-one adverse effects on regulatory capital that may result from the adoption of CECL over a three-year period, which began for us on January 1, 2020. In addition, the final rule revises the agencies' regulatory capital rule, stress testing rules, and regulatory disclosure requirements to reflect CECL, and makes conforming amendments to other regulations that reference allowance for credit losses.

As a result of the three-year phase-in period related to our CECL adoption, the impact (by bps) to our capital ratios were as follows:

| (Dollars in thousands)                                        | December 31, 2020 |                         |             |
|---------------------------------------------------------------|-------------------|-------------------------|-------------|
|                                                               | As Reported       | Proforma <sup>(1)</sup> | CECL Impact |
| <b>Total Capital (to Risk-Weighted Assets)</b>                |                   |                         |             |
| Wilmington Savings Fund Society, FSB                          | 13.76 %           | 13.83 %                 | (0.07)%     |
| WSFS Financial Corporation                                    | 13.76 %           | 13.82 %                 | (0.06)%     |
| <b>Tier 1 Capital (to Risk-Weighted Assets)</b>               |                   |                         |             |
| Wilmington Savings Fund Society, FSB                          | 12.50 %           | 12.58 %                 | (0.08)%     |
| WSFS Financial Corporation                                    | 12.50 %           | 12.57 %                 | (0.07)%     |
| <b>Common Equity Tier 1 Capital (to Risk-Weighted Assets)</b> |                   |                         |             |
| Wilmington Savings Fund Society, FSB                          | 12.50 %           | 12.58 %                 | (0.08)%     |
| WSFS Financial Corporation                                    | 11.87 %           | 11.94 %                 | (0.07)%     |
| <b>Tier 1 Leverage Capital</b>                                |                   |                         |             |
| Wilmington Savings Fund Society, FSB                          | 9.74 %            | 9.79 %                  | (0.05)%     |
| WSFS Financial Corporation                                    | 9.76 %            | 9.81 %                  | (0.05)%     |

<sup>(1)</sup> Includes the full impact of CECL, not accounting for the three-year phase-in period we have elected to use.

In 2021, we plan to invest \$17.5 million in our Delivery Transformation initiative to increase adoption and usage of digital channels aligned with our strategy. Our organization is committed to product and service innovation as a means to drive growth and to stay ahead of changing customer demands and emerging competition. We are focused on developing and maintaining a strong “culture of innovation” that solicits, captures, prioritizes and executes innovation initiatives, including feedback from our customers, as well as leveraging technology from product creation to process improvements.

## LIQUIDITY

We manage our liquidity and funding needs through our Treasury function and our Asset/Liability Committee. We have a policy that separately addresses liquidity, and management monitors our adherence to policy limits. Also, liquidity risk management is a primary area of examination by the banking regulators.

Funding sources to support growth and meet our liquidity needs include cash from operations, commercial and retail deposit programs, loan repayments, FHLB borrowings, repurchase agreements, access to the Federal Reserve Discount Window, and access to the brokered deposit market as well as other wholesale funding avenues. In addition, we have a large portfolio of high-quality, liquid investments, primarily short-duration mortgage-backed securities, that provide a near-continuous source of cash flow to meet current cash needs, or can be sold to meet larger discrete needs for cash. We believe these sources are sufficient to meet our funding needs as well as maintain required and prudent levels of liquidity over the next twelve months.

During the year ended December 31, 2020, cash, cash equivalents and restricted cash increased \$1.1 billion to \$1.7 billion from \$571.8 million as of December 31, 2019. Cash provided by operating activities was \$15.1 million, primarily reflecting the cash impact of earnings and gains of \$22.8 million from the sale of debt and equity securities (including Visa Class B shares), offset by a \$118.1 million increase in net activity from loans held for sale during the year ended December 31, 2020. Cash used in investing activities was \$874.9 million primarily due to net purchases of available-for-sale debt securities of \$848.5 million and \$449.1 million from increased lending activity related to PPP loans in 2020 (net of forgiveness), partially offset by proceeds of \$305.8 million from sales of debt securities and net proceeds of \$85.9 million from the sale of Visa Class B shares. Cash provided by financing activities was \$1.9 billion, primarily due to a \$2.3 billion net increase in deposits, as a result of the increase in customer funding discussed above, and \$147.8 million from the issuance of senior notes due 2030, partially offset by \$195.0 million for repayment of federal funds purchased, \$155.8 million for repurchases of common stock under the previously announced stock repurchase plan, \$106.1 million for repayment of FHLB advances due to the termination of fixed rate FHLB term advances as part of our routine balance sheet and liquidity management and common stock dividends of \$24.4 million.

## NONPERFORMING ASSETS

Nonperforming assets (NPAs) include nonaccruing loans, other real estate owned (OREO) and restructured loans. 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:

| (Dollars in thousands)                                                              | At December 31,     |           |           |           |           |
|-------------------------------------------------------------------------------------|---------------------|-----------|-----------|-----------|-----------|
|                                                                                     | 2020 <sup>(1)</sup> | 2019      | 2018      | 2017      | 2016      |
| Nonaccruing loans:                                                                  |                     |           |           |           |           |
| Commercial and industrial                                                           | \$ 13,816           | \$ 11,031 | \$ 14,056 | \$ 19,057 | \$ 2,015  |
| Owner-occupied commercial                                                           | 5,360               | 4,060     | 4,406     | 3,654     | 2,078     |
| Commercial mortgages                                                                | 17,175              | 1,626     | 3,951     | 5,870     | 9,821     |
| Construction                                                                        | —                   | —         | 2,781     | 1,804     | —         |
| Residential                                                                         | 3,247               | 4,490     | 2,854     | 4,124     | 4,967     |
| Consumer                                                                            | 2,310               | 1,715     | 2,006     | 1,927     | 3,995     |
| Total nonaccruing loans                                                             | 41,908              | 22,922    | 30,054    | 36,436    | 22,876    |
| Other real estate owned (OREO)                                                      | 3,061               | 2,605     | 2,668     | 2,503     | 3,591     |
| Restructured loans <sup>(2)(7)</sup>                                                | 15,539              | 14,281    | 14,953    | 20,061    | 14,336    |
| Total nonperforming assets (NPAs)                                                   | \$ 60,508           | \$ 39,808 | \$ 47,675 | \$ 59,000 | \$ 40,803 |
| Past due loans:                                                                     |                     |           |           |           |           |
| Commercial                                                                          | \$ 5,634            | \$ 2,968  | \$ 71     | \$ —      | \$ —      |
| Residential                                                                         | 25                  | 437       | 660       | 356       | 153       |
| Consumer <sup>(3)</sup>                                                             | 11,035              | 12,745    | 104       | 105       | 285       |
| Total past due loans                                                                | \$ 16,694           | \$ 16,150 | \$ 835    | \$ 461    | \$ 438    |
| Ratio of allowance for credit losses to total gross loans and leases <sup>(4)</sup> | 2.51 %              | 0.56 %    | 0.81 %    | 0.84 %    | 0.89 %    |
| Ratio of nonaccruing loans to total gross loans and leases <sup>(5)</sup>           | 0.46                | 0.27      | 0.62      | 0.76      | 0.51      |
| Ratio of nonperforming assets to total assets                                       | 0.42                | 0.32      | 0.66      | 0.84      | 0.60      |
| Ratio of allowance for credit losses to nonaccruing loans                           | 546                 | 208       | 132       | 111       | 174       |
| Ratio of allowance for credit losses to total nonperforming assets <sup>(6)</sup>   | 378                 | 120       | 83        | 69        | 97        |

<sup>(1)</sup> Includes the impact of our adoption of CECL on January 1, 2020.

<sup>(2)</sup> Accruing loans only, which includes acquired nonimpaired loans. Nonaccruing Troubled Debt Restructurings (TDRs) are included in their respective categories of nonaccruing loans.

<sup>(3)</sup> Includes delinquent, but still accruing, U.S. government guaranteed student loans with little risk of credit loss

<sup>(4)</sup> Represents amortized cost basis for loans, leases and held-to-maturity securities.

<sup>(5)</sup> Total loans exclude loans held for sale and reverse mortgages.

<sup>(6)</sup> Excludes acquired impaired loans.

<sup>(7)</sup> Balance excludes COVID-19 modifications.

Nonperforming assets increased \$20.7 million between December 31, 2019 and December 31, 2020. Non-performing loans increased \$19.0 million, primarily due to the move to non-accrual of one large CRE investor loan for \$15.1 million, which occurred in the fourth quarter of 2020. Restructured loans at December 31, 2020 slightly increased by \$1.3 million compared to December 31, 2019. The ratio of nonperforming assets to total assets increased from 0.32% at December 31, 2019 to 0.42% at December 31, 2020.

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

|                               | Year Ended December 31, |           |
|-------------------------------|-------------------------|-----------|
|                               | 2020                    | 2019      |
| <i>(Dollars in thousands)</i> |                         |           |
| Beginning balance             | \$ 39,808               | \$ 47,675 |
| Additions                     | 45,929                  | 57,427    |
| Collections                   | (16,192)                | (37,554)  |
| Transfers to accrual          | (134)                   | (7,786)   |
| Charge-offs                   | (8,903)                 | (19,954)  |
| Ending balance                | \$ 60,508               | \$ 39,808 |

The timely identification of problem loans is a key element in our strategy to manage our loan portfolio. Timely identification enables us to take appropriate action and, accordingly, minimize losses. An asset review system established to monitor the asset quality of our loans and investments in real estate portfolios facilitates the identification of problem assets. In general, this system utilizes guidelines established by federal regulation.

In response to the COVID-19 pandemic, the CARES Act was enacted to provide certain measures to support individuals and businesses in maintaining solvency through monetary relief, including in the form of financing and automatic forbearance. During 2020, we put significant effort into evaluating the needs of our Customers and offering targeted relief through loan modifications. Our modified loans, most of which were short-term in duration, decreased significantly from the amounts reported for the second quarter of 2020.

The following table summarizes the COVID-19 related loan modifications by portfolio segment as of December 31, 2020, September 30, 2020, and June 30, 2020:

|                                          | December 31, 2020 |                | September 30, 2020 |                | June 30, 2020 |                |
|------------------------------------------|-------------------|----------------|--------------------|----------------|---------------|----------------|
|                                          | Loan Balances     | % of Portfolio | Loan Balances      | % of Portfolio | Loan Balances | % of Portfolio |
| <i>(Dollars in thousands)</i>            |                   |                |                    |                |               |                |
| Commercial and industrial <sup>(1)</sup> | \$ 49,038         | 2 %            | \$ 139,856         | 7 %            | \$ 675,724    | 30 %           |
| Owner-occupied commercial                | —                 | — %            | 10,643             | 1 %            | 380,432       | 28 %           |
| Commercial mortgages                     | 16,008            | 1 %            | 53,122             | 2 %            | 700,889       | 32 %           |
| Construction                             | 8,740             | 1 %            | 1,748              | — %            | 109,861       | 17 %           |
| Residential                              | 13,717            | 2 %            | 34,985             | 4 %            | 86,581        | 9 %            |
| Consumer <sup>(2)(3)</sup>               | 27,291            | 2 %            | 42,406             | 4 %            | 65,162        | 7 %            |
|                                          | \$ 114,794        | 1 %            | \$ 282,760         | 3 %            | \$ 2,018,649  | 24 %           |

<sup>(1)</sup> Includes modifications of leases with balances of \$0.2 million, \$0.2 million, and \$39.3 million at December 31, 2020, September 30, 2020, and June 30, 2020, respectively.

<sup>(2)</sup> Includes modifications of education loans with balances of \$17.1 million, \$27.7 million, and \$29.3 million at December 31, 2020, September 30, 2020, and June 30, 2020, respectively.

<sup>(3)</sup> Includes modifications of credit card loans with balances of \$0.1 million, \$0.1 million, and \$0.3 million at December 31, 2020, September 30, 2020, and June 30, 2020, respectively.

## RESULTS OF OPERATIONS

### 2019 compared with 2018

For a discussion of our results for the year ended December 31, 2019 compared to the year ended December 31, 2018, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 2, 2020.

### 2020 compared with 2019

We recorded net income attributable to WSFS of \$114.8 million, or \$2.27 per diluted common share, for the year ended December 31, 2020, a decrease of \$34.0 million compared to \$148.8 million, or \$3.00 per diluted common share, for the year ended December 31, 2019.

- Net interest income for the year ended December 31, 2020 was \$466.0 million, an increase of \$21.0 million compared to 2019, primarily due to decreases in rates on deposits, the impact of PPP loans, and lower interest on borrowings. See "Net Interest Income" for further information.
- Our provision for credit losses increased \$127.6 million in 2020, primarily due to the COVID-19 pandemic and its impact on the economic forecast used in our CECL modeling. See "Provision/Allowance for Credit Losses" for further information.
- Noninterest income increased \$12.9 million in 2020, primarily due to growth across most of our business lines with the full impact of the Beneficial acquisition during the year ended December 31, 2020 as well as an increase in the sale of MBS compared to the prior period. Partially offsetting these increases were lower interchange fees (as a result of the Durbin Amendment impacting us beginning July 2020), the net change in realized and unrealized gains from Visa Class B shares and lower deposit service charges. See "Noninterest Income" for further information.
- Noninterest expense decreased \$44.3 million in 2020, primarily reflecting a decrease in net corporate development and restructuring costs related to our acquisition of Beneficial in 2019, partially offset by higher expenses related to overall growth of the Company, such as employee-related costs and professional fees, as well as increased credit-related costs (including loan workout expenses, OREO expenses and other credit costs), additional contributions to the WSFS Community Foundation and the loss on early extinguishment of debt. See "Noninterest Expense" for further information.

### Net Interest Income

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,                                             | 2020            |                      |                           | 2019            |                      |                           |
|---------------------------------------------------------------------|-----------------|----------------------|---------------------------|-----------------|----------------------|---------------------------|
| (Dollars in thousands)                                              | Average Balance | Interest & Dividends | Yield/Rate <sup>(1)</sup> | Average Balance | Interest & Dividends | Yield/Rate <sup>(1)</sup> |
| <b>Assets:</b>                                                      |                 |                      |                           |                 |                      |                           |
| Interest-earning assets:                                            |                 |                      |                           |                 |                      |                           |
| Loans: <sup>(2)</sup>                                               |                 |                      |                           |                 |                      |                           |
| Commercial loans and leases                                         | \$ 4,174,451    | \$ 221,595           | 5.32 %                    | \$ 3,383,440    | \$ 202,660           | 6.00 %                    |
| Commercial real estate loans                                        | 2,827,875       | 125,811              | 4.45                      | 2,597,508       | 147,486              | 5.68                      |
| Residential mortgage                                                | 910,263         | 53,780               | 5.91                      | 934,250         | 51,882               | 5.55                      |
| Consumer                                                            | 1,144,435       | 55,304               | 4.83                      | 1,062,641       | 59,243               | 5.58                      |
| Loans held for sale                                                 | 106,398         | 3,904                | 3.67                      | 44,620          | 1,949                | 4.37                      |
| Total loans and leases                                              | 9,163,422       | 460,394              | 5.03                      | 8,022,459       | 463,220              | 5.78                      |
| Mortgage-backed securities <sup>(3)</sup>                           | 2,052,672       | 48,377               | 2.36                      | 1,715,826       | 48,954               | 2.85                      |
| Investment securities <sup>(3)</sup>                                | 219,603         | 4,619                | 2.47                      | 142,295         | 4,015                | 3.37                      |
| Other interest-earning assets                                       | 369,229         | 1,015                | 0.27                      | 176,494         | 4,903                | 2.78                      |
| Total interest-earning assets                                       | 11,804,926      | 514,405              | 4.37                      | 10,057,074      | 521,092              | 5.19                      |
| Allowance for credit losses                                         | (177,052)       |                      |                           | (45,288)        |                      |                           |
| Cash and due from banks                                             | 119,337         |                      |                           | 111,723         |                      |                           |
| Cash in non-owned ATMs                                              | 347,925         |                      |                           | 365,575         |                      |                           |
| Bank owned life insurance                                           | 30,729          |                      |                           | 38,164          |                      |                           |
| Other noninterest-earning assets                                    | 1,022,452       |                      |                           | 950,608         |                      |                           |
| Total assets                                                        | \$ 13,148,317   |                      |                           | \$ 11,477,856   |                      |                           |
| <b>Liabilities and stockholders' equity:</b>                        |                 |                      |                           |                 |                      |                           |
| Interest-bearing liabilities:                                       |                 |                      |                           |                 |                      |                           |
| Interest-bearing deposits:                                          |                 |                      |                           |                 |                      |                           |
| Interest-bearing demand                                             | \$ 2,304,558    | \$ 4,229             | 0.18 %                    | \$ 1,903,208    | \$ 8,794             | 0.46 %                    |
| Money market                                                        | 2,324,259       | 9,423                | 0.41                      | 1,890,042       | 18,169               | 0.96                      |
| Savings                                                             | 1,690,240       | 3,518                | 0.21                      | 1,437,293       | 7,053                | 0.49                      |
| Customer time deposits                                              | 1,247,197       | 18,699               | 1.50                      | 1,290,813       | 19,642               | 1.52                      |
| Total interest-bearing customer deposits                            | 7,566,254       | 35,869               | 0.47                      | 6,521,356       | 53,658               | 0.82                      |
| Brokered deposits                                                   | 246,644         | 3,393                | 1.38                      | 266,298         | 6,417                | 2.41                      |
| Total interest-bearing deposits                                     | 7,812,898       | 39,262               | 0.50                      | 6,787,654       | 60,075               | 0.89                      |
| Federal Home Loan Bank advances                                     | 88,011          | 1,950                | 2.22                      | 226,728         | 5,520                | 2.43                      |
| Trust preferred borrowings                                          | 67,011          | 1,751                | 2.61                      | 67,011          | 2,772                | 4.14                      |
| Senior debt                                                         | 108,420         | 4,998                | 4.61                      | 98,492          | 4,717                | 4.79                      |
| Other borrowed funds <sup>(4)</sup>                                 | 53,828          | 489                  | 0.91                      | 165,506         | 3,060                | 1.85                      |
| Total interest-bearing liabilities                                  | 8,130,168       | 48,450               | 0.60                      | 7,345,391       | 76,144               | 1.04                      |
| Noninterest-bearing demand deposits                                 | 2,848,243       |                      |                           | 2,156,046       |                      |                           |
| Other noninterest-bearing liabilities                               | 335,456         |                      |                           | 305,838         |                      |                           |
| Stockholders' equity of WSFS                                        | 1,836,115       |                      |                           | 1,670,869       |                      |                           |
| Noncontrolling interest                                             | (1,665)         |                      |                           | (288)           |                      |                           |
| Total liabilities and stockholders' equity                          | \$ 13,148,317   |                      |                           | \$ 11,477,856   |                      |                           |
| Excess of interest-earning assets over interest-bearing liabilities | \$ 3,674,758    |                      |                           | \$ 2,711,683    |                      |                           |
| Net interest and dividend income                                    |                 | \$ 465,955           |                           |                 | \$ 444,948           |                           |
| Interest rate spread                                                |                 |                      | 3.77 %                    |                 |                      | 4.15 %                    |
| Net interest margin                                                 |                 |                      | 3.96 %                    |                 |                      | 4.44 %                    |

See "Notes"

(1) Weighted average yields for tax-exempt securities and loans have been computed on a tax-equivalent basis.

(2) Average balances are net of unearned income and include nonperforming loans.

(3) Includes securities held-to-maturity (at amortized cost) and securities available-for-sale (at fair value).

(4) Includes federal funds purchased.

Net interest income increased \$21.0 million, or 5%, to \$466.0 million in 2020, from 2019 primarily due to \$29.5 million from lower funding costs primarily due to deposit repricing, \$21.7 million increase in PPP income and \$4.0 million in higher purchase accounting accretion, primarily offset by a \$31.2 million decrease due to the lower rate environment and \$3.0 million from a decline in excess liquidity. Net interest margin decreased 48 bps to 3.96% in 2020 from 4.44% in 2019. The decrease was primarily due to a 69 bps net decline from the lower interest rate environment and balance sheet mix, 9 bps decline in excess liquidity and 3 bps from PPP, partially offset by a 33 bps increase resulting from lower funding costs.

The following table provides 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,<br>(Dollars in thousands) | 2020 vs. 2019 |             |           |
|---------------------------------------------------|---------------|-------------|-----------|
|                                                   | Volume        | Yield/Rate  | Net       |
| Interest Income:                                  |               |             |           |
| Loans:                                            |               |             |           |
| Commercial loans and leases <sup>(1)</sup>        | \$ 43,744     | \$ (24,809) | \$ 18,935 |
| Commercial real estate loans                      | 12,268        | (33,943)    | (21,675)  |
| Residential mortgage                              | (1,369)       | 3,267       | 1,898     |
| Consumer                                          | 4,370         | (8,309)     | (3,939)   |
| Loans held for sale                               | 2,312         | (357)       | 1,955     |
| Mortgage-backed securities                        | 8,657         | (9,234)     | (577)     |
| Investment securities <sup>(2)</sup>              | 2,122         | (1,518)     | 604       |
| Other interest-earning assets                     | 2,722         | (6,610)     | (3,888)   |
| Favorable (unfavorable)                           | 74,826        | (81,513)    | (6,687)   |
| Interest expense:                                 |               |             |           |
| Deposits:                                         |               |             |           |
| Interest-bearing demand                           | 1,568         | (6,133)     | (4,565)   |
| Money market                                      | 3,447         | (12,193)    | (8,746)   |
| Savings                                           | 1,062         | (4,597)     | (3,535)   |
| Customer time deposits                            | (679)         | (264)       | (943)     |
| Brokered certificates of deposits                 | (446)         | (2,578)     | (3,024)   |
| FHLB advances                                     | (3,128)       | (442)       | (3,570)   |
| Trust preferred borrowings                        | —             | (1,021)     | (1,021)   |
| Senior debt                                       | 463           | (182)       | 281       |
| Other borrowed funds                              | (1,467)       | (1,104)     | (2,571)   |
| (Favorable) unfavorable                           | 820           | (28,514)    | (27,694)  |
| Net change, as reported                           | \$ 74,006     | \$ (52,999) | \$ 21,007 |

<sup>(1)</sup> Includes a tax-equivalent income adjustment related to commercial loans.

<sup>(2)</sup> Includes a tax-equivalent income adjustment related to municipal bonds.

***Provision/Allowance for Credit Losses***

We maintain an allowance for credit losses at an appropriate level based on our assessment of estimable and probable losses in the loan portfolio, which we evaluate in accordance with applicable accounting principles, as discussed further in “*Nonperforming Assets*.” Our evaluation is based on a review of the portfolio and requires significant, complex and difficult judgments.

For the year ended December 31, 2020, we recorded a provision for credit losses of \$153.2 million, an increase of \$127.6 million compared to \$25.6 million in 2019. The increase was primarily due to acute deterioration in the economic forecast used in our CECL models related to the impact of COVID-19 pandemic, and enhanced loan reviews which resulted in risk migration that occurred during the year in several specific portfolios, mainly in the accommodation and food service industries.

The allowance for credit losses increased to \$228.8 million at December 31, 2020 from \$47.6 million at December 31, 2019. Of this increase, \$35.9 million was due to our adoption of CECL as of January 1, 2020 and \$153.2 million was due to the additional provision for credit losses during the year ended December 31, 2020. The ratio of allowance for credit losses to total loans and leases was 2.51% at December 31, 2020 and 0.56% at December 31, 2019.

During the years ended December 31, 2020 and 2019, net charge-offs totaled \$7.8 million, or 0.09% of average loans, and \$17.5 million or 0.22% of average loans, respectively.

***Noninterest Income***

Noninterest income increased \$12.9 million, or 7%, to \$201.0 million in 2020 from \$188.1 million in 2019. The increase in noninterest income is primarily comprised of the following:

- a \$19.1 million increase in mortgage banking activities due to improved secondary market conditions and increased volume from refinancings resulting from the lower interest rate environment;
- an \$8.7 million increase in securities gains, net;
- a \$6.5 million increase in investment management and fiduciary revenue driven by trust and wealth services revenue;
- a \$15.4 million decrease in credit/debit card and ATM income primarily due to less interchange fees (as a result of the Durbin Amendment impacting us beginning July 1, 2020), and the impact of a lower interest rate environment;
- a \$3.4 million decrease in the amount of net realized and unrealized gain on equity investments, which includes the combination of higher unrealized gains compared to the prior period partially offset by the gain on sale of 360,000 Visa Class B shares that occurred in the second quarter of 2020; and
- a \$3.0 million decrease in deposit service charges due to lower transaction volume in 2020 as a result of the COVID-19 pandemic.

***Noninterest Expenses***

Noninterest expense in 2020 decreased \$44.3 million to \$368.8 million from \$413.1 million in 2019. The decrease in noninterest is primarily comprised of the following:

- a \$67.0 million decrease in net corporate development and restructuring costs as compared to the prior period related to our acquisition of Beneficial in 2019;
- an \$11.8 million increase in salary-related expenses, and \$7.6 million in professional fees to support our Delivery Transformation initiative, process improvements and overall growth of the Company;
- a \$3.3 million increase in credit-related costs, driven by the increase in the unfunded commitment reserve expense in the current period;
- a \$3.0 million contribution to the WSFS Community Foundation during the first quarter of 2020; and
- a \$2.3 million loss on early extinguishment of FHLB debt, as described above.

***Income Taxes***

We recorded \$31.6 million of income tax expense for the year ended December 31, 2020 compared to \$46.5 million for the year ended December 31, 2019. The effective tax rates for the years ended December 31, 2020 and 2019 were 21.8% and 23.9%, respectively. The effective tax rate for year ended December 31, 2020 decreased primarily due to lower nondeductible expenses associated with the acquisition of Beneficial which occurred during 2019. Nondeductible acquisition costs of \$9.1 million were recognized during the year ended December 31, 2019, whereas none were incurred in the same period in 2020. In addition, we recognized \$1.7 million in tax benefits during the year ended December 31, 2020 related to tax law changes contained in the CARES Act (see "Regulation - Coronavirus Aid, Relief, and Economic Security (CARES) Act"), related to the ability to carry back certain acquired net operating losses to prior years where the statutory tax rate was higher than the current statutory tax rate. Further and partially offsetting the favorable tax benefits above, the tax benefit related to stock-based compensation activity for the year ended December 31, 2020 decreased compared to the prior year. We recorded less than \$0.1 million of income tax expense during the year ended December 31, 2020 compared to \$2.0 million of income tax benefits for the same period in 2019.

The effective tax rate reflects the recognition of certain tax benefits in the financial statements including those benefits from tax-exempt interest income, federal low-income housing/research and development tax credits, and excess tax benefits from recognized stock compensation. These tax benefits are offset by the tax effect of stock-based compensation expense related to incentive stock options, nondeductible acquisition costs and a provision for state income tax expense.

We frequently analyze our projections of taxable income and make adjustments to our provision for income taxes accordingly.

## SEGMENT INFORMATION

For financial reporting purposes, our business has three reporting segments: WSFS Bank, Cash Connect<sup>®</sup>, and Wealth Management. The WSFS Bank segment provides loans and leases and other financial products to commercial and retail customers. Cash Connect<sup>®</sup> provides ATM vault cash, smart safe and other cash logistics services in the U.S through strategic partnerships with several of the largest networks, manufacturers and service providers in the ATM industry. Cash Connect<sup>®</sup> services non-bank and WSFS-branded ATMs and retail safes nationwide. The Wealth Management segment provides a broad array of planning and advisory services, investment management, trust services, and credit and deposit products to individual, corporate and institutional clients.

### ***WSFS Bank Segment***

The WSFS Bank segment income before taxes decreased \$49.3 million, or 30%, in 2020 compared to 2019 due primarily to a \$124.6 million increase in the provision for credit losses due to the CECL implementation, the impact of COVID-19 on the economic forecasts used in our CECL model and loan migration that occurred during the year in several specific portfolios, as previously mentioned. These credit losses were partially offset by a decrease in external operating expenses of \$37.6 million or 11%, primarily driven by cost synergies since the Beneficial acquisition, an increase in external net interest income of \$19.5 million, or 4%, reflecting lower funding costs from deposit repricing, and an increase of \$17.7 million, or 19%, in external noninterest income primarily due to the realized/unrealized gains on equity investments from our investments in Visa Class B shares, and growth in our mortgage business due to the lower interest rates environment and its impact on customer demand.

### ***Cash Connect<sup>®</sup> Segment***

The Cash Connect<sup>®</sup> segment income before taxes increased to \$9.2 million in 2020 from \$6.1 million in 2019. During 2020, the Cash Connect<sup>®</sup> segment focused on expanding smart safe and ATM managed services to increase fee income and margins. This focus on improving margin and moving to off balance sheet cash resulted in a full-year 2020 ROA of 1.97%, an increase of 68 bps in comparison with full-year 2019. Cash Connect<sup>®</sup> had \$1.6 billion and \$1.4 billion in total cash managed at December 31, 2020 and 2019, respectively. At year-end 2020, Cash Connect<sup>®</sup> serviced approximately 27,900 non-bank ATMs and approximately 4,500 retail smart safes nationwide compared to approximately 27,900 non-bank ATMs and approximately 3,200 smart safes at year-end 2019.

### ***Wealth Management Segment***

The Wealth Management segment income before taxes decreased \$3.3 million in 2020 compared to 2019, impacted by the CECL implementation on its private banking business, which resulted in an increase of \$3.1 million in the provision for credit losses. Wealth Management's 2019 results also included \$1.7 million of net interest income from a large short-term noninterest bearing trust deposit. These decreases were partially offset higher noninterest income in 2020 attributed to institutional trust activity and AUM growth from both equity market performance and strong net client cash inflows.

Segment financial information for the years ended December 31, 2020, 2019 and 2018 is provided in Note 22 to the Consolidated Financial Statements.

## ASSET/LIABILITY MANAGEMENT

Our primary asset/liability management goal is to optimize long term net interest income opportunities within the constraints of managing interest rate risk, 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 our 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 using a number of methods including by examining the extent to which such assets and liabilities are “interest-rate sensitive” and by monitoring our 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. For additional information related to interest rate sensitivity, see “Quantitative and Qualitative Disclosures About Market Risk.”

The repricing and maturities of our interest-rate sensitive assets and interest-rate sensitive liabilities at December 31, 2020 are shown in the following table:

| <i>(Dollars in thousands)</i>                                                                                      | Less than<br>One Year | One to Five<br>Years | Over Five<br>Years | Total         |
|--------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|--------------------|---------------|
| <b>Interest-rate sensitive assets:</b>                                                                             |                       |                      |                    |               |
| Loans:                                                                                                             |                       |                      |                    |               |
| Commercial loans and leases (2)                                                                                    | \$ 3,567,992          | \$ 1,189,252         | \$ 313,700         | \$ 5,070,944  |
| Commercial real estate loans (2)                                                                                   | 1,199,883             | 729,132              | 172,389            | 2,101,404     |
| Residential loans (1) (2)                                                                                          | 289,303               | 402,416              | 118,915            | 810,634       |
| Consumer (2)                                                                                                       | 519,059               | 323,756              | 319,580            | 1,162,395     |
| Loans held for sale (2)                                                                                            | 225,182               | 1,263                | 2,080              | 228,525       |
| Investment securities, available-for-sale                                                                          | 1,711,746             | 1,208,558            | 681,910            | 3,602,214     |
| Investment securities, held-to-maturity                                                                            | 19,366                | 84,146               | 8,235              | 111,747       |
| Total interest-rate sensitive assets:                                                                              | \$ 7,532,531          | \$ 3,938,523         | \$ 1,616,809       | \$ 13,087,863 |
| <b>Interest-rate sensitive liabilities:</b>                                                                        |                       |                      |                    |               |
| Interest-bearing deposits:                                                                                         |                       |                      |                    |               |
| Interest-bearing demand                                                                                            | \$ 1,317,870          | \$ —                 | \$ —               | \$ 1,317,870  |
| Savings                                                                                                            | 1,030,818             | —                    | —                  | 1,030,818     |
| Money market                                                                                                       | 2,098,534             | —                    | —                  | 2,098,534     |
| Customer time deposits                                                                                             | 817,282               | 339,368              | 1,352              | 1,158,002     |
| FHLB advances                                                                                                      | 6,623                 | —                    | —                  | 6,623         |
| Trust preferred borrowings                                                                                         | 67,011                | —                    | —                  | 67,011        |
| Senior debt                                                                                                        | 98,823                | 147,794              | —                  | 246,617       |
| Other borrowed funds                                                                                               | 222,214               | 14,950               | 1,512              | 238,676       |
| Total interest-rate sensitive liabilities:                                                                         | \$ 5,659,175          | \$ 502,112           | \$ 2,864           | \$ 6,164,151  |
| Off-balance sheet instruments:                                                                                     | \$ —                  | \$ —                 | \$ —               | \$ —          |
| Excess (deficiency) of interest-rate sensitive assets over interest-rate liabilities (interest-rate sensitive gap) | \$ 1,873,356          | \$ 3,436,411         | \$ 1,613,945       | \$ 6,923,712  |
| One-year interest-rate sensitive assets/interest-rate sensitive liabilities                                        | 133.10 %              |                      |                    |               |
| One-year interest-rate sensitive gap as a percent of total assets                                                  | 13.07 %               |                      |                    |               |

(1) Includes reverse 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 reprice at the same price, at 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. For the purpose of this analysis, we estimate, based on historical trends of our deposit accounts, with the exception of certain deposits estimated at 100%, that the majority of our money market deposits are 75%, and the majority of our savings and interest-bearing demand deposits are 50% 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 Years” category. Deposit rates other than time deposit rates are variable. Changes in deposit rates are generally subject to local market conditions and our discretion and are not indexed to any particular rate.

## OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. For a description of certain financial instruments to which we are party and which expose us to certain credit risk not recognized in our financial statements, see Note 18 to the Consolidated Financial Statements.

## IMPACT OF INFLATION AND CHANGING PRICES

Our Consolidated Financial Statements have been prepared in accordance with GAAP, 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.

## CONTRACTUAL OBLIGATIONS

At December 31, 2020, we had contractual obligations relating to operating leases, long-term debt, data processing and credit obligations. These obligations are summarized below. See Notes 10, 13 and 18 to the Consolidated Financial Statements for further information.

| <i>(Dollars in thousands)</i>                          | <b>Total</b>        | <b>2021</b>         | <b>2022-2023</b> | <b>2024-2025</b> | <b>2026 and Beyond</b> |
|--------------------------------------------------------|---------------------|---------------------|------------------|------------------|------------------------|
| Commitments to extend credit <sup>(1)</sup>            | \$ 2,351,630        | \$ 2,351,630        | \$ —             | \$ —             | \$ —                   |
| FHLB advances                                          | 6,623               | 6,623               | —                | —                | —                      |
| Principal payments on long term debt <sup>(2)(3)</sup> | 250,000             | —                   | —                | —                | 250,000                |
| Interest payments on long term debt <sup>(4)</sup>     | 66,000              | 8,625               | 17,250           | 17,250           | 22,875                 |
| Operating lease obligations                            | 263,140             | 17,013              | 34,069           | 31,839           | 180,219                |
| Data processing obligations                            | 29,918              | 9,262               | 15,792           | 4,864            | —                      |
| <b>Total</b>                                           | <b>\$ 2,967,311</b> | <b>\$ 2,393,153</b> | <b>\$ 67,111</b> | <b>\$ 53,953</b> | <b>\$ 453,094</b>      |

(1) Includes loan commitments and commercial standby letters of credit. Does not reflect commitments to sell residential mortgages.

(2) The 2016 senior notes are redeemable on June 15, 2021 or on any interest payment date thereafter.

(3) The 2020 senior notes are redeemable on December 15, 2025 or on any interest payment date thereafter.

(4) To calculate payments due for interest, we assumed that interest rates were unchanged from December 31, 2020 through maturity.

## CRITICAL ACCOUNTING ESTIMATES

The discussion and analyses of the financial condition and results of operations are based on the Consolidated Financial Statements, which are prepared in conformity with U.S. GAAP and general practices within the banking industry. The significant accounting policies of the Company are described in Note 2 to the Consolidated Financial Statements. The preparation of these Consolidated Financial Statements requires us to make estimates and assumptions that may materially affect the reported amounts of assets, liabilities, revenues and expenses. We regularly evaluate these estimates and assumptions including those related to the allowance for credit losses, business combinations, deferred taxes, fair value measurements and 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 certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following critical accounting policies involve more significant judgments and estimates. We have reviewed these critical accounting policies and estimates with the Audit Committee.

### ***Allowance for Credit Losses***

We maintain an allowance for credit losses which represents our best estimate of expected losses in our financial assets, which include loans, leases and held-to-maturity debt securities. We establish our allowance in accordance with guidance provided in ASC 326, *Financial Instruments – Credit Losses*, as adopted on January 1, 2020. The allowance includes two primary components: (i) an allowance established on financial assets which share similar risk characteristics collectively evaluated for credit losses (collective basis), and (ii) an allowance established on financial assets which do not share similar risk characteristics with any loan segment and is individually evaluated for credit losses (individual basis).

We consider the determination of the allowance for credit losses to be critical because it requires significant judgment reflecting our best estimate of expected credit losses based on our historical loss experience, current conditions and economic forecasts. Our evaluation is based upon a continuous review of our financial assets, with consideration given to evaluations resulting from examinations performed by regulatory authorities. See Note 8 to the Consolidated Financial Statements, for further discussion of the allowance for credit losses.

### ***Recent Accounting Pronouncements***

For information on Recent Accounting Pronouncements see Note 2 to the Consolidated Financial Statements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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. Interest rates are partly a function of decisions by the Federal Open Market Committee (FOMC) on the target range for the federal funds rate, and these decisions are sometimes difficult to anticipate. In response to the pandemic, in March the FOMC lowered the range 150 basis points to 0 to 1/4 percent. The FOMC recently indicated that the target range will remain at this level for some time, but the FOMC is not locked into this result. In order to manage the risks associated with changes or possible changes in interest rates, we rely primarily on our asset/liability structure.

The matching of maturities or repricing periods of interest rate-sensitive assets and liabilities to promote a favorable interest rate spread and mitigate exposure to fluctuations in interest rates is our primary tool for achieving our asset/liability management strategies. We regularly review our interest rate sensitivity and adjust the sensitivity within acceptable tolerance ranges. At December 31, 2020 interest-earning assets exceeded interest-bearing liabilities that mature or reprice within one year (interest-sensitive gap) by \$1.9 billion. Our interest-sensitive assets as a percentage of interest-sensitive liabilities within the one-year window was 133.10% at December 31, 2020 compared with 95.02% at December 31, 2019. In addition, the one-year interest-sensitive gap as a percentage of total assets was 13.07% at December 31, 2020 compared to (2.06)% at December 31, 2019.

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, which we are required to perform by federal regulation, measures the impact of an immediate change in interest rates in 100 basis point increments on the economic value of equity ratio. The economic value of the equity ratio is defined as the economic value of the estimated cash flows from assets and liabilities as a percentage of economic value of cash flows from total assets.

The following table shows the estimated impact of immediate changes in interest rates on our net interest margin and economic value of equity at the specified levels at December 31, 2020 and December 31, 2019.

| Change in Interest Rate (Basis Points) | December 31, 2020                              |                                         | December 31, 2019                              |                                         |
|----------------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------------|-----------------------------------------|
|                                        | % Change in Net Interest Margin <sup>(1)</sup> | Economic Value of Equity <sup>(2)</sup> | % Change in Net Interest Margin <sup>(1)</sup> | Economic Value of Equity <sup>(2)</sup> |
| 300                                    | 19.7%                                          | 19.10%                                  | 5.8%                                           | 18.97%                                  |
| 200                                    | 13.1%                                          | 18.69%                                  | 4.0%                                           | 19.18%                                  |
| 100                                    | 6.5%                                           | 18.05%                                  | 2.0%                                           | 19.23%                                  |
| 50                                     | 3.2%                                           | 17.59%                                  | 1.0%                                           | 19.14%                                  |
| 25                                     | 1.5%                                           | 17.32%                                  | 0.5%                                           | 19.06%                                  |
| —                                      | —%                                             | 17.04%                                  | —%                                             | 18.97%                                  |
| (25)                                   | (1.5)%                                         | 16.62%                                  | (0.5)%                                         | 18.85%                                  |
| (50)                                   | (2.1)%                                         | 16.20%                                  | (0.9)%                                         | 18.72%                                  |
| (100)                                  | (2.8)%                                         | 15.16%                                  | (2.4)%                                         | 18.30%                                  |
| (200) <sup>(3)</sup>                   | NMF                                            | NMF                                     | NMF                                            | NMF                                     |
| (300) <sup>(3)</sup>                   | NMF                                            | NMF                                     | NMF                                            | NMF                                     |

(1) The percentage difference between net interest income in a stable interest rate environment and net interest margin as projected under the various rate change environments.

(2) The economic value of equity ratio in a stable interest rate environment and the economic value of equity 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.

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.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors  
WSFS Financial Corporation:

#### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of financial condition of WSFS Financial Corporation and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2020, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

#### *Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC Topic 326, *Financial Instruments - Credit Losses*.

#### *Basis for Opinion*

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Assessment of the allowance for credit losses for loans and leases evaluated on a collective basis*

As discussed in Note 2 to the consolidated financial statements, the Company adopted ASU No. 2016-13, Financial Instruments – Credit Losses (ASC Topic 326) as of January 1, 2020. The total allowance for credit losses for loans and leases as of January 1, 2020 was \$83.4 million, which included an allowance for credit losses for loans and leases evaluated on a collective basis (the January 1, 2020 collective ACL). As discussed in Note 8 to the consolidated financial statements, the Company's total allowance for credit losses for loans and leases evaluated on a collective basis as of December 31, 2020 was \$228.8 million (the December 31, 2020 collective ACL). The collective ACL includes the measure of expected credit losses on a collective (pooled) basis for those loans and leases that share similar risk characteristics. For the commercial portfolio, the Company uses a base loss rate methodology which applies a probability of default (PD) and loss given default (LGD) which are calculated based on the historical rate of migration. The historical rate of migration is based on the historical rate of credit loss measured during a look-back period (LBP). The historical rate of credit loss is determined based on internally assessed risk ratings and loan segments and then adjusted for the economic forecast scenario and macroeconomic assumptions over reasonable and supportable forecast periods. For the retail portfolio, the Company uses a base loss rate methodology which calculates historical loss rates based on average net loss rates over the LBP that incorporates the economic forecast assigned to that loan. After the reasonable and supportable forecast periods, the Company reverts on a straight-line basis over the reversion period to its historical loss rates, evaluated over the LBP, for the remaining life of both commercial and retail loans and leases. The LBP, reasonable and supportable forecast, and reversion period are established for each portfolio segment. The Company estimates the exposure at default using a method which projects prepayments over the life of the loans and leases. In order to capture the unique risks of the loan and lease portfolio within the PD, LGD and average net loss rates, the Company segments the portfolio into pools, considering similar risk characteristics. A portion of the collective ACL is comprised of adjustments to historical loss information for various internal and external conditions. These adjustments are based on qualitative factors not reflected in the quantitative model but are likely to impact the measurement of estimated credit losses.

We identified the assessment of the January 1, 2020 collective ACL and December 31, 2020 collective ACL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment. Specifically, the assessment encompassed the evaluation of the collective ACL methodology, including the methods and quantitative model used to estimate (1) the PD, LGD and average net loss rates and their significant assumptions, including portfolio segmentation, the economic forecast scenario and macroeconomic assumptions, the reasonable and supportable forecast periods, the LBP for both the commercial and retail portfolios, and credit risk ratings for commercial loans, and (2) the qualitative factors. The assessment also included an evaluation of the conceptual soundness and performance of the quantitative model. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the collective ACL estimates, including controls over the:

- development of the collective ACL methodology
- development of the quantitative model
- identification and determination of the significant assumptions used in the quantitative model
- development of certain qualitative factors
- analysis of the collective ACL results, trends, and ratios.

We evaluated the Company's process to develop the collective ACL estimates by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's collective ACL methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the Company relative to the development and performance testing of the quantitative model used
- assessing the conceptual soundness and performance of the quantitative model used by inspecting the model documentation to determine whether the model is suitable for its intended use
- evaluating the economic forecast scenario by comparing it to the Company's business environment and relevant industry practices
- assessing the economic forecast scenario through comparison to publicly available forecasts
- evaluating the length of the historical observation period and reasonable and supportable forecast periods by comparing to specific portfolio risk characteristics and trends
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business environment and relevant industry practices
- testing individual credit risk ratings for a selection of commercial loans by evaluating the financial performance of the borrower, sources of repayment, and any relevant guarantees or underlying collateral
- evaluating the effect of certain qualitative factors on the December 31, 2020 collective ACL compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative model.

We also assessed the sufficiency of the audit evidence obtained related to the January 1, 2020 collective ACL and December 31, 2020 collective ACL by evaluating:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the account estimates

/s/ KPMG LLP

We have served as the Company's auditor since 1994.

Philadelphia, Pennsylvania  
March 1, 2021

# CONSOLIDATED STATEMENTS OF INCOME

|                                                        | Year Ended December 31, |                   |                   |
|--------------------------------------------------------|-------------------------|-------------------|-------------------|
|                                                        | 2020                    | 2019              | 2018              |
| <i>(Dollars in thousands, except per share data)</i>   |                         |                   |                   |
| <b>Interest income:</b>                                |                         |                   |                   |
| Interest and fees on loans and leases                  | \$ 460,394              | \$ 463,220        | \$ 260,506        |
| Interest on mortgage-backed securities                 | 48,377                  | 48,954            | 26,065            |
| Interest and dividends on investment securities:       |                         |                   |                   |
| Taxable                                                | 1,191                   | 131               | 61                |
| Tax-exempt                                             | 3,428                   | 3,884             | 4,317             |
| Other interest income                                  | 1,015                   | 4,903             | 2,024             |
|                                                        | <u>514,405</u>          | <u>521,092</u>    | <u>292,973</u>    |
| <b>Interest expense:</b>                               |                         |                   |                   |
| Interest on deposits                                   | 39,262                  | 60,075            | 29,068            |
| Interest on Federal Home Loan Bank advances            | 1,950                   | 5,520             | 8,395             |
| Interest on senior debt                                | 4,998                   | 4,717             | 4,717             |
| Interest on trust preferred borrowings                 | 1,751                   | 2,772             | 2,573             |
| Interest on federal funds purchased                    | 471                     | 2,971             | 1,695             |
| Interest on other borrowings                           | 18                      | 89                | 51                |
|                                                        | <u>48,450</u>           | <u>76,144</u>     | <u>46,499</u>     |
| Net interest income                                    | 465,955                 | 444,948           | 246,474           |
| Provision for credit losses                            | 153,180                 | 25,560            | 13,170            |
| Net interest income after provision for credit losses  | <u>312,775</u>          | <u>419,388</u>    | <u>233,304</u>    |
| <b>Noninterest income:</b>                             |                         |                   |                   |
| Credit/debit card and ATM income                       | 35,014                  | 50,383            | 43,837            |
| Investment management and fiduciary revenue            | 48,979                  | 42,450            | 39,602            |
| Deposit service charges                                | 19,999                  | 22,972            | 18,771            |
| Mortgage banking activities, net                       | 30,201                  | 11,053            | 6,286             |
| Loan and lease fee income                              | 4,518                   | 3,577             | 2,492             |
| Security gains, net                                    | 9,076                   | 333               | 21                |
| Unrealized gains on equity investments, net            | 761                     | 26,175            | 20,745            |
| Realized gain on sale of equity investment, net        | 22,052                  | —                 | 3,757             |
| Bank owned life insurance income                       | 1,280                   | 1,247             | 175               |
| Other income                                           | 29,145                  | 29,919            | 26,855            |
|                                                        | <u>201,025</u>          | <u>188,109</u>    | <u>162,541</u>    |
| <b>Noninterest expense:</b>                            |                         |                   |                   |
| Salaries, benefits and other compensation              | 194,317                 | 182,564           | 122,983           |
| Occupancy expense                                      | 32,105                  | 33,068            | 19,783            |
| Equipment expense                                      | 23,793                  | 20,879            | 12,609            |
| Professional fees                                      | 18,757                  | 11,167            | 8,733             |
| Data processing and operations expenses                | 12,600                  | 13,373            | 7,757             |
| Marketing expense                                      | 5,677                   | 6,714             | 4,586             |
| FDIC expenses                                          | 2,148                   | 1,483             | 2,117             |
| Loan workout and other credit costs                    | 6,899                   | 3,616             | 1,470             |
| Corporate development expense                          | 4,328                   | 55,697            | 6,456             |
| Restructuring expense                                  | 510                     | 16,133            | —                 |
| Recovery of legal settlement                           | —                       | —                 | (7,938)           |
| Recovery of fraud loss                                 | —                       | (463)             | (1,675)           |
| Loss on early extinguishment of debt                   | 2,280                   | —                 | —                 |
| Other operating expense                                | 65,430                  | 68,896            | 48,166            |
|                                                        | <u>368,844</u>          | <u>413,127</u>    | <u>225,047</u>    |
| Income before taxes                                    | 144,956                 | 194,370           | 170,798           |
| Income tax provision                                   | 31,636                  | 46,452            | 36,055            |
| Net income                                             | \$ 113,320              | \$ 147,918        | \$ 134,743        |
| Less: Net loss attributable to noncontrolling interest | (1,454)                 | (891)             | —                 |
| <b>Net income attributable to WSFS</b>                 | <u>\$ 114,774</u>       | <u>\$ 148,809</u> | <u>\$ 134,743</u> |
| Basic                                                  | \$ 2.27                 | \$ 3.02           | \$ 4.27           |
| Diluted                                                | \$ 2.27                 | \$ 3.00           | \$ 4.19           |

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Dollars in thousands)                                                                                                                                                      | Year Ended December 31, |            |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|------------|
|                                                                                                                                                                             | 2020                    | 2019       | 2018       |
| Net income                                                                                                                                                                  | \$ 113,320              | \$ 147,918 | \$ 134,743 |
| Less: Net loss attributable to noncontrolling interest                                                                                                                      | (1,454)                 | (891)      | —          |
| Net income attributable to WSFS                                                                                                                                             | \$ 114,774              | \$ 148,809 | \$ 134,743 |
| Other comprehensive income (loss):                                                                                                                                          |                         |            |            |
| Net change in unrealized gains (losses) on investment securities available-for-sale                                                                                         |                         |            |            |
| Net unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$12,585, \$13,179, and \$(2,223), respectively                                    | 39,853                  | 41,733     | (6,695)    |
| Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of \$2,178, \$80, and \$5, respectively                                 | (6,898)                 | (253)      | (16)       |
|                                                                                                                                                                             | 32,955                  | 41,480     | (6,711)    |
| Net change in securities held-to-maturity                                                                                                                                   |                         |            |            |
| Amortization of unrealized gain on securities reclassified to held-to-maturity, net of tax expense of \$60, \$98, and \$136, respectively                                   | (192)                   | (311)      | (444)      |
| Net change in unfunded pension liability                                                                                                                                    |                         |            |            |
| Change in unfunded pension liability related to unrealized loss, prior service cost and transition obligation, net of tax benefit of \$585, \$1,439, and \$10, respectively | (1,683)                 | (4,151)    | (31)       |
| Pension settlement, net of tax expense of \$67, \$— and \$—, respectively                                                                                                   | 212                     | —          | —          |
|                                                                                                                                                                             | (1,471)                 | (4,151)    | (31)       |
| Net change in cash flow hedge                                                                                                                                               |                         |            |            |
| Net unrealized gain (loss) arising during the period, net of tax expense (benefit) of \$493, \$593, and \$(29), respectively                                                | 1,560                   | 1,877      | (56)       |
| Amortization of unrealized gain on terminated cash flow hedges, net of tax benefit of \$106, \$— and \$—, respectively                                                      | (337)                   | —          | —          |
|                                                                                                                                                                             | 1,223                   | 1,877      | (56)       |
| Net change in equity method investments                                                                                                                                     |                         |            |            |
| Net change in other comprehensive loss of equity method investments, net of tax benefit of \$3, \$—, and \$—, respectively                                                  | (9)                     | —          | —          |
| Total other comprehensive income (loss)                                                                                                                                     | 32,506                  | 38,895     | (7,242)    |
| Total comprehensive income                                                                                                                                                  | \$ 147,280              | \$ 187,704 | \$ 127,501 |

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

# CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

|                                                                                                                                                                                        | December 31,         |                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                                                                                                                        | 2020                 | 2019                 |
| <i>(Dollars in thousands, except per share and share data)</i>                                                                                                                         |                      |                      |
| <b>Assets:</b>                                                                                                                                                                         |                      |                      |
| Cash and due from banks                                                                                                                                                                | \$ 1,244,705         | \$ 164,021           |
| Cash in non-owned ATMs                                                                                                                                                                 | 402,339              | 407,524              |
| Interest-bearing deposits in other banks including collateral (restricted cash) of \$7,390 at December 31, 2020 and \$0 at December 31, 2019                                           | 7,691                | 207                  |
| Total cash, cash equivalents, and restricted cash                                                                                                                                      | 1,654,735            | 571,752              |
| Investment securities, available for sale (amortized cost of \$2,450,265 at December 31, 2020 and \$1,909,483 at December 31, 2019)                                                    | 2,529,057            | 1,944,914            |
| Investment securities, held to maturity, net of allowance for credit losses of \$6 at December 31, 2020 (fair value \$116,421 at December 31, 2020 and \$136,625 at December 31, 2019) | 111,741              | 133,601              |
| Other investments                                                                                                                                                                      | 9,541                | 70,046               |
| Loans held for sale at fair value                                                                                                                                                      | 197,541              | 83,872               |
| Loans and leases, net of allowance of \$228,804 at December 31, 2020 and \$47,576 at December 31, 2019                                                                                 | 8,795,935            | 8,424,464            |
| Bank-owned life insurance                                                                                                                                                              | 32,051               | 30,294               |
| Stock in Federal Home Loan Bank of Pittsburgh, at cost                                                                                                                                 | 5,771                | 21,097               |
| Other real estate owned                                                                                                                                                                | 3,061                | 2,605                |
| Accrued interest receivable                                                                                                                                                            | 44,335               | 38,094               |
| Premises and equipment                                                                                                                                                                 | 96,556               | 104,465              |
| Goodwill                                                                                                                                                                               | 472,828              | 472,828              |
| Intangible assets                                                                                                                                                                      | 84,558               | 95,917               |
| Other assets                                                                                                                                                                           | 296,204              | 262,353              |
| <b>Total assets</b>                                                                                                                                                                    | <b>\$ 14,333,914</b> | <b>\$ 12,256,302</b> |
| <b>Liabilities and Stockholders' Equity</b>                                                                                                                                            |                      |                      |
| <b>Liabilities:</b>                                                                                                                                                                    |                      |                      |
| Deposits:                                                                                                                                                                              |                      |                      |
| Noninterest-bearing                                                                                                                                                                    | \$ 3,415,021         | \$ 2,189,573         |
| Interest-bearing demand                                                                                                                                                                | 8,441,643            | 7,397,284            |
| Total deposits                                                                                                                                                                         | 11,856,664           | 9,586,857            |
| Federal funds purchased                                                                                                                                                                | —                    | 195,000              |
| Federal Home Loan Bank advances                                                                                                                                                        | 6,623                | 112,675              |
| Trust preferred borrowings                                                                                                                                                             | 67,011               | 67,011               |
| Senior debt                                                                                                                                                                            | 246,617              | 98,605               |
| Other borrowed funds                                                                                                                                                                   | 20,390               | 15,997               |
| Accrued interest payable                                                                                                                                                               | 1,450                | 3,103                |
| Other liabilities                                                                                                                                                                      | 345,679              | 327,563              |
| <b>Total liabilities</b>                                                                                                                                                               | <b>12,544,434</b>    | <b>10,406,811</b>    |
| <b>Stockholders' Equity:</b>                                                                                                                                                           |                      |                      |
| Common stock 0.01 par value, shares authorized of 90,000,000; shares issued of 57,575,783 at December 31, 2020 and 57,435,658 at December 31, 2019                                     | 576                  | 575                  |
| Capital in excess of par value                                                                                                                                                         | 1,053,022            | 1,049,064            |
| Accumulated other comprehensive income                                                                                                                                                 | 56,007               | 23,501               |
| Retained earnings                                                                                                                                                                      | 977,414              | 917,377              |
| Treasury stock at cost, 9,819,627 shares at December 31, 2020 and 5,868,772 shares at December 31, 2019                                                                                | (295,293)            | (140,211)            |
| <b>Total stockholders' equity of WSFS</b>                                                                                                                                              | <b>1,791,726</b>     | <b>1,850,306</b>     |
| Noncontrolling interest                                                                                                                                                                | (2,246)              | (815)                |
| <b>Total stockholders' equity</b>                                                                                                                                                      | <b>1,789,480</b>     | <b>1,849,491</b>     |
| <b>Total liabilities and stockholders' equity</b>                                                                                                                                      | <b>\$ 14,333,914</b> | <b>\$ 12,256,302</b> |

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

# CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share and share amounts)

|                                                                                   | Shares     | Common Stock | Capital in Excess of Par Value | Accumulated Other Comprehensive (Loss) Income | Retained Earnings | Treasury Stock | Total Stockholders' Equity of WSFS | Non-controlling Interest | Total Stockholders' Equity |
|-----------------------------------------------------------------------------------|------------|--------------|--------------------------------|-----------------------------------------------|-------------------|----------------|------------------------------------|--------------------------|----------------------------|
| Balance, December 31, 2017                                                        | 56,279,527 | \$ 563       | \$ 336,271                     | \$ (8,152)                                    | \$ 669,557        | \$ (273,894)   | \$ 724,345                         | \$ —                     | \$ 724,345                 |
| Net income                                                                        | —          | —            | —                              | —                                             | 134,743           | —              | 134,743                            | —                        | 134,743                    |
| Other comprehensive loss                                                          | —          | —            | —                              | (7,262)                                       | —                 | —              | (7,262)                            | —                        | (7,262)                    |
| Cash dividend, \$0.42 per share                                                   | —          | —            | —                              | —                                             | (13,249)          | —              | (13,249)                           | —                        | (13,249)                   |
| Reclassification due to the adoption of ASU No. 2016-01                           | —          | —            | —                              | 20                                            | (20)              | —              | —                                  | —                        | —                          |
| Issuance of common stock including proceeds from exercise of common stock options | 647,451    | 6            | 11,247                         | —                                             | —                 | —              | 11,253                             | —                        | 11,253                     |
| Stock-based compensation expense                                                  | —          | —            | 2,292                          | —                                             | —                 | —              | 2,292                              | —                        | 2,292                      |
| Repurchase of common stock, 691,742 shares                                        | —          | —            | —                              | —                                             | —                 | (31,202)       | (31,202)                           | —                        | (31,202)                   |
| Balance, December 31, 2018                                                        | 56,926,978 | \$ 569       | \$ 349,810                     | \$ (15,394)                                   | \$ 791,031        | \$ (305,096)   | \$ 820,920                         | \$ —                     | \$ 820,920                 |
| Net income (loss)                                                                 | —          | —            | —                              | —                                             | 148,809           | —              | 148,809                            | (891)                    | 147,918                    |
| Other comprehensive income                                                        | —          | —            | —                              | 38,895                                        | —                 | —              | 38,895                             | —                        | 38,895                     |
| Cash dividend, \$0.47 per share                                                   | —          | —            | —                              | —                                             | (22,463)          | —              | (22,463)                           | —                        | (22,463)                   |
| Issuance of common stock including proceeds from exercise of common stock options | 508,680    | 6            | 7,749                          | —                                             | —                 | —              | 7,755                              | —                        | 7,755                      |
| Re-issuance of treasury stock in connection with BNCL merger and related items    | —          | —            | 687,897                        | —                                             | —                 | 262,071        | 949,968                            | 76                       | 950,044                    |
| Stock-based compensation expense                                                  | —          | —            | 3,608                          | —                                             | —                 | —              | 3,608                              | —                        | 3,608                      |
| Repurchase of common stock <sup>(1)</sup>                                         | —          | —            | —                              | —                                             | —                 | (97,186)       | (97,186)                           | —                        | (97,186)                   |
| Balance, December 31, 2019                                                        | 57,435,658 | \$ 575       | \$ 1,049,064                   | \$ 23,501                                     | \$ 917,377        | \$ (140,211)   | \$ 1,850,306                       | \$ (815)                 | \$ 1,849,491               |
| Cumulative change in accounting principle (Note 2)                                | —          | —            | —                              | —                                             | (30,368)          | —              | (30,368)                           | —                        | (30,368)                   |
| Balance, January 1, 2020 (as adjusted for change in accounting principle)         | 57,435,658 | 575          | 1,049,064                      | 23,501                                        | 887,009           | (140,211)      | 1,819,938                          | (815)                    | 1,819,123                  |
| Net income (loss)                                                                 | —          | —            | —                              | —                                             | 114,774           | —              | 114,774                            | (1,454)                  | 113,320                    |
| Other comprehensive income                                                        | —          | —            | —                              | 32,506                                        | —                 | —              | 32,506                             | —                        | 32,506                     |
| Cash dividend, \$0.48 per share                                                   | —          | —            | —                              | —                                             | (24,369)          | —              | (24,369)                           | —                        | (24,369)                   |
| Issuance of common stock including proceeds from exercise of common stock options | 140,125    | 1            | 2,031                          | —                                             | —                 | —              | 2,032                              | —                        | 2,032                      |
| Contributions from noncontrolling shareholders                                    | —          | —            | —                              | —                                             | —                 | —              | —                                  | 23                       | 23                         |
| Stock-based compensation expense                                                  | —          | —            | 2,677                          | —                                             | —                 | —              | 2,677                              | —                        | 2,677                      |
| Repurchase of common stock <sup>(1)</sup>                                         | —          | —            | (750)                          | —                                             | —                 | (155,082)      | (155,832)                          | —                        | (155,832)                  |
| Balance, December 31, 2020                                                        | 57,575,783 | \$ 576       | \$ 1,053,022                   | \$ 56,007                                     | \$ 977,414        | \$ (295,293)   | \$ 1,791,726                       | \$ (2,246)               | \$ 1,789,480               |

(1) Repurchase of common stock for the years ended December 31, 2020 and 2019 included 3,950,855 and 2,132,390 shares repurchased, respectively, in connection with the Company's share buyback program approved by the Board of Directors, and 24,910 and 132,993 shares repurchased, respectively, to cover taxes due on the consideration transferred in the Beneficial acquisition related to the vesting of unrestricted Beneficial stock awards.

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Dollars in thousands)                                                            | Year Ended December 31, |                   |                     |
|-----------------------------------------------------------------------------------|-------------------------|-------------------|---------------------|
|                                                                                   | 2020                    | 2019              | 2018                |
| <b>Operating activities:</b>                                                      |                         |                   |                     |
| Net income                                                                        | \$ 113,320              | \$ 147,918        | \$ 134,743          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |                   |                     |
| Provision for credit losses                                                       | 153,180                 | 25,560            | 13,170              |
| Depreciation of premises and equipment, net                                       | 14,999                  | 15,852            | 8,329               |
| (Accretion) amortization of fees, premiums and discounts, net                     | (60,159)                | (45,548)          | 15,255              |
| Amortization of intangible assets                                                 | 10,909                  | 11,113            | 2,942               |
| Amortization of right of use lease asset                                          | 12,290                  | 22,850            | —                   |
| Decrease in operating lease liability                                             | (12,170)                | (12,507)          | —                   |
| Income from mortgage banking activities, net                                      | (30,201)                | (11,053)          | (6,286)             |
| Gain on sale of securities, net                                                   | (9,076)                 | (333)             | (21)                |
| (Gain) loss on sale of other real estate owned and valuation adjustments, net     | (25)                    | 125               | 100                 |
| Stock-based compensation expense                                                  | 2,677                   | 3,608             | 2,292               |
| Unrealized gains on equity investments, net                                       | (761)                   | (26,175)          | (20,745)            |
| Realized gain on sale of equity investment, net                                   | (22,052)                | —                 | (3,757)             |
| Deferred income tax (benefit) expense                                             | (32,848)                | 7,074             | 3,378               |
| (Increase) decrease in accrued interest receivable                                | (6,241)                 | 1,406             | (2,596)             |
| Increase in other assets                                                          | (18,339)                | (4,676)           | (6,297)             |
| Origination of loans held-for-sale                                                | (942,188)               | (479,289)         | (351,108)           |
| Proceeds from sales of loans held-for-sale                                        | 824,134                 | 406,012           | 352,002             |
| (Decrease) increase in accrued interest payable                                   | (1,653)                 | 1,203             | 863                 |
| Increase (decrease) in other liabilities                                          | 24,675                  | 30,922            | (2,931)             |
| Increase in value of bank-owned life insurance                                    | (1,757)                 | (806)             | (158)               |
| Increase in capitalized interest, net                                             | (3,572)                 | (3,390)           | (3,601)             |
| <b>Net cash provided by operating activities</b>                                  | <b>\$ 15,142</b>        | <b>\$ 89,866</b>  | <b>\$ 135,574</b>   |
| <b>Investing activities:</b>                                                      |                         |                   |                     |
| Purchases of investment securities held to maturity                               | \$ (6,307)              | \$ —              | \$ —                |
| Repayments, maturities and calls of investment securities held to maturity        | 27,085                  | 16,170            | 9,245               |
| Sale of investment securities available-for-sale                                  | 305,812                 | 618,194           | 7,012               |
| Purchases of investment securities available-for-sale                             | (1,454,699)             | (958,259)         | (498,465)           |
| Repayments of investment securities available-for-sale                            | 606,156                 | 269,697           | 112,665             |
| Proceeds from bank-owned life insurance surrender                                 | —                       | 59,710            | 96,429              |
| Net proceeds from sale of Visa Class B shares                                     | 85,850                  | —                 | —                   |
| Net cash from business combinations                                               | —                       | 76,072            | —                   |
| Net (increase) decrease in loans and leases                                       | (449,091)               | 201,934           | (101,174)           |
| Purchases of Visa Class B shares                                                  | —                       | —                 | (1,568)             |
| Sale of Visa Class B shares                                                       | —                       | —                 | 6,186               |
| Purchases of FHLB stock                                                           | (145,400)               | (394,428)         | (169,613)           |
| Redemption of FHLB stock                                                          | 160,726                 | 415,771           | 181,638             |
| Sales of assets acquired through foreclosure, net                                 | 2,014                   | 3,089             | 3,037               |
| Sale of premise and equipment                                                     | 69                      | 71                | 198                 |
| Investment in premises and equipment, net                                         | (7,159)                 | (14,198)          | (5,500)             |
| <b>Net cash (used in) provided by investing activities</b>                        | <b>\$ (874,944)</b>     | <b>\$ 293,823</b> | <b>\$ (359,910)</b> |

(continued on following page)

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| (Dollars in thousands)                                             | Year Ended December 31, |                     |                   |
|--------------------------------------------------------------------|-------------------------|---------------------|-------------------|
|                                                                    | 2020                    | 2019                | 2018              |
| <b>Financing activities:</b>                                       |                         |                     |                   |
| Net increase in demand and saving deposits                         | \$ 2,501,442            | \$ 69,761           | \$ 393,827        |
| (Decrease) increase in time deposits                               | (197,765)               | (55,400)            | 43,871            |
| Decrease in brokered deposits                                      | (29,474)                | (156,396)           | (31,712)          |
| Receipts from FHLB advances                                        | 5,047,424               | 32,320,456          | 83,721,532        |
| Repayments of FHLB advances                                        | (5,153,476)             | (32,536,246)        | (84,103,068)      |
| Receipts from federal funds purchased                              | 8,030,475               | 32,252,775          | 21,239,675        |
| Repayments of federal funds purchased                              | (8,225,475)             | (32,215,750)        | (21,109,700)      |
| Contribution from noncontrolling shareholders                      | 23                      | —                   | —                 |
| Cash dividend                                                      | (24,369)                | (22,463)            | (13,249)          |
| Issuance of common stock and exercise of common stock options      | 2,032                   | 7,755               | 11,253            |
| Issuance of senior debt, net of costs                              | 147,780                 | —                   | —                 |
| Repurchase of common shares                                        | (155,832)               | (97,186)            | (31,202)          |
| <b>Net cash provided by (used in) financing activities</b>         | <b>\$ 1,942,785</b>     | <b>\$ (432,694)</b> | <b>\$ 121,227</b> |
| Increase (decrease) in cash, cash equivalents, and restricted cash | \$ 1,082,983            | \$ (49,005)         | \$ (103,109)      |
| Cash, cash equivalents, and restricted cash at beginning of period | 571,752                 | 620,757             | 723,866           |
| Cash, cash equivalents, and restricted cash at end of period       | <u>\$ 1,654,735</u>     | <u>\$ 571,752</u>   | <u>\$ 620,757</u> |
| <b>Supplemental disclosure of cash flow information:</b>           |                         |                     |                   |
| Cash paid for interest during the period                           | \$ 50,103               | \$ 74,942           | \$ 45,636         |
| Cash paid for income taxes, net                                    | 72,756                  | 33,843              | 33,316            |
| <b>Non-cash information:</b>                                       |                         |                     |                   |
| Loans transferred to other real estate owned                       | \$ 2,674                | \$ 2,541            | \$ 3,302          |
| Loans transferred to portfolio from held-for-sale at fair value    | 34,517                  | 24,862              | 9,553             |
| Fair value of assets acquired, net of cash received                | —                       | 5,032,156           | —                 |
| Fair value of liabilities assumed                                  | —                       | 5,108,228           | —                 |
| Impact of ASC 842 Adoption:                                        |                         |                     |                   |
| Right of use asset                                                 | —                       | 121,288             | —                 |
| Lease liability                                                    | —                       | (132,346)           | —                 |
| Impact of ASC 326 Adoption (Note 2):                               |                         |                     |                   |
| Allowance for credit losses on held-to-maturity debt securities    | (8)                     | —                   | —                 |
| Allowance for credit losses on loans and leases                    | (35,855)                | —                   | —                 |
| Deferred tax assets                                                | 8,461                   | —                   | —                 |
| Allowance for credit losses on unfunded lending commitments        | (2,966)                 | —                   | —                 |
| Retained earnings                                                  | 30,368                  | —                   | —                 |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

#### *General*

WSFS Financial Corporation (the Company or WSFS) is a savings and loan holding company organized under the laws of the State of Delaware. Substantially all of the Company's assets are held by its subsidiary, Wilmington Savings Fund Society, FSB (WSFS Bank or the Bank), is a federal savings bank organized under the laws of the United States (U.S.).

The Consolidated Financial Statements include the accounts of the Company, WSFS Bank, WSFS Wealth Management, LLC (Powdermill®), WSFS Capital Management, LLC (West Capital), Cypress Capital Management, LLC (Cypress), Christiana Trust Company of Delaware® (Christiana Trust DE) and WSFS SPE Services, LLC. The Company also has one unconsolidated subsidiary, WSFS Capital Trust III (the Trust). WSFS Bank has three wholly owned subsidiaries: Beneficial Equipment Finance Corporation (BEFC), WSFS Investment Group, Inc. (WSFS Wealth Investments) and 1832 Holdings, Inc., and one majority-owned subsidiary, NewLane Finance Company (NewLane Finance®).

#### *Overview*

Founded in 1832, the Bank is one of the ten oldest bank and trust companies continuously operating under the same name in the U.S. The Company provides residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services. The Company's core banking business is commercial lending funded primarily by customer-generated deposits. In addition, the Company offers a variety of wealth management and trust services to individual, corporate and institutional clients. The Federal Deposit Insurance Corporation (FDIC) insures the Company's customers' deposits to their legal maximums.

The Company serves its Customers primarily from 112 offices located in Pennsylvania (52), Delaware (42), New Jersey (16), Virginia (1), and Nevada (1), its ATM network, website at [www.wsfsbank.com](http://www.wsfsbank.com), and mobile apps. Information on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

#### *Basis of Presentation*

The Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the U.S. (GAAP). In preparing the Consolidated Financial Statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Although the Company's estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions in 2021 could be worse than anticipated in those estimates, which could materially affect its results of operations and financial condition. The accounting for the allowance for credit losses and reserves for lending related commitments, goodwill, intangible assets, post-retirement benefit obligations, the fair value of financial instruments, and income taxes are subject to significant estimates. Among other effects, changes to these estimates could result in future impairment of investment securities, goodwill and intangible assets and the establishment of the allowance and reserve for lending related commitments as well as increased post-retirement benefits expense.

Certain reclassifications have been made to the prior year's Consolidated Financial Statements to conform to the current year's presentation. All significant intercompany accounts and transactions were eliminated in consolidation.

#### *Business Combinations*

On March 1, 2019, the Company acquired Beneficial Bancorp, Inc. (Beneficial), including its subsidiary Beneficial Bank, a community bank headquartered in Philadelphia, Pennsylvania, creating the largest, premier, locally-headquartered community bank in the Delaware and greater Philadelphia region. Beneficial merged with and into WSFS, with WSFS continuing as the surviving corporation and simultaneously, Beneficial Bank merged with and into WSFS Bank, with WSFS Bank continuing as the surviving bank. This acquisition grew the Company's market share, deepened the Company's presence in the Philadelphia, southeastern Pennsylvania and New Jersey markets, and enhanced its customer base. The results of Beneficial's operations are included in the Company's Consolidated Financial Statements since the date of the acquisition. See Note 3 for further information.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES

#### *Cash, Cash Equivalents and Restricted Cash*

For purposes of reporting cash flows, cash, cash equivalents and restricted cash include cash, cash in non-owned ATMs, amounts due from banks, federal funds sold and securities purchased under agreements to resell and cash collateral held for a financial derivative related to the sale of certain Visa Class B shares.

#### *Debt Securities*

Debt securities mostly include mortgage-backed securities (MBS), municipal bonds, and U.S. government and agency securities and are classified into one of the following three categories and accounted for as follows:

- Securities purchased with the intent of selling them in the near future are classified as “trading” and reported at fair value, with unrealized gains and losses included in earnings.
- Securities purchased with the positive intent and ability to hold to maturity are classified as “held to maturity” and reported at amortized cost.
- Securities not classified as either trading or held to maturity are classified as “available-for-sale” and reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, as a separate component of stockholders’ equity in accumulated other comprehensive income (loss).

Realized gains and losses are determined using the specific identification method and included in *Security gains, net* on the Consolidated Statements of Income. All sales are made without recourse.

The fair value of debt securities is primarily obtained from third-party pricing services. Implicit in the valuation of MBS are estimated prepayments based on historical and current market conditions.

Premiums and discounts on MBS collateralized by residential 1-4 family loans are recognized in interest income using a level yield method over the period to expected maturity. Premiums and discounts on all other securities are recognized on a straight line basis over the period to expected maturity, with the exception of premiums on callable debt securities, which are recognized over the period to the earliest call date.

A debt security is placed on nonaccrual status at the time any principal or interest payments are contractually past due 90 days or more. Interest accrued but not received for a security placed on nonaccrual status is reversed against interest income.

The Company's investment portfolio is reviewed each quarter for indications of potential credit losses. Refer to the respective held-to-maturity and available-for-sale debt securities sections for the allowance for credit loss policies for each portfolio.

#### *Allowance for Credit Losses - Held-to-Maturity Debt Securities*

The Company follows Accounting Standards Codification (ASC) 326-20, *Financial Instruments - Credit Loss - Measured at Amortized Cost*, to measure expected credit losses on held-to-maturity debt securities on a collective basis by security investment grade. The estimate of expected credit losses considers historical credit loss information adjusted by a security's credit rating.

The Company classifies the held-to-maturity debt securities into the following major security types: state and political subdivisions, and foreign bonds. These securities are highly rated with a history of no credit losses, and are assigned ratings based on the most recent data from ratings agencies depending on the availability of data for the security. Credit ratings of held-to-maturity debt securities, which are a significant input in calculating the expected credit loss, are reviewed on a quarterly basis.

Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses and is included in *Accrued interest receivable* on the Consolidated Statements of Financial Condition.

#### *Allowance for Credit Losses - Available-for-Sale Debt Securities*

The Company follows ASC 326-30, *Financial Instruments - Credit Loss - Available-for-Sale Debt Securities*, which provides guidance related to the recognition of and expanded disclosure requirements for expected credit losses on available-for-sale debt securities. For available-for-sale debt securities in an unrealized loss position, the Company first evaluates whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is reduced to fair value and recognized as a reduction to *Noninterest income* in the Consolidated Statements of Income.

For debt securities available-for-sale in which the Company does not intend to sell, or it is not likely the security would be required to be sold before recovery, it evaluates whether a decline in fair value has resulted from credit losses or other adverse factors, such as a change in the security's credit rating. In assessing whether a credit loss exists, the Company compares the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance is recorded, limited to the fair value of the security.

The Company performs these analyses on a quarterly basis to review the conditions and risks associated with the individual securities. Credit losses on an impaired security is measured using the present value of expected future cash flows. Any impairment not recorded through an allowance for credit loss is included in other comprehensive income (loss), net of the tax effect. The Company is required to use its judgment in determining impairment in certain circumstances.

For additional detail regarding debt securities, see Note 6.

#### *Equity Investments*

The Company has equity investments accounted for in accordance with both ASC 321-10, *Investments - Equity Securities* and ASC 323-10, *Investments - Equity Method and Joint Ventures*.

Equity investments recorded in accordance with ASC 321-10 are classified into one of the following two categories and accounted for as follows:

- Investments with a readily determinable fair value are reported at fair value, with unrealized gains and losses included in earnings. Any dividends received are recorded in interest income.
- Investments without a readily determinable fair value are reported at cost less impairment, if any, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. Any dividends received are recorded in interest income.

The fair value of equity investments with readily determinable fair values is primarily obtained from third-party pricing services. For equity investments without readily determinable fair values, when an orderly transaction for the identical or similar investment of the same issuer is identified, the Company uses valuation techniques permitted under ASC 820, *Fair Value Measurement*, to evaluate the observed transaction(s) and adjust the carrying value.

ASC 321-10 also provides impairment accounting guidance for equity investments without readily determinable fair values. The qualitative assessment to determine whether impairment exists requires the use of the Company's judgment. If, after completing the qualitative assessment, the Company concludes an equity investment without a readily determinable fair value is impaired, a loss for the difference between the equity investment's carrying value and its fair value may be recognized as a reduction to noninterest income in the Consolidated Statements of Income.

Equity investments recorded in accordance with ASC 323-10 are initially recorded at cost based on the Company's percentage ownership in the investee. Subsequently, the carrying amount of the investment is adjusted to reflect the recognition of the Company's proportionate share of income or loss of the investee based on the investee's earnings for the reporting period, recorded on a one-quarter lag.

The Company assesses its equity method investments for impairment using ASC 323-10 guidance. The qualitative assessment to determine whether impairment exists requires the use of the Company's judgment. If, after completing the qualitative assessment, the Company concludes an equity method investment is impaired, a loss for the difference between the equity investment's carrying value and its fair value may be recognized in the Consolidated Statements of Income. After an impairment charge is recorded, the new cost basis cannot be subsequently written up to a higher value as a result of increases in fair value.

For additional detail regarding equity securities, see Note 6.

### *Loans and leases*

Loans and leases held for investment are recorded at amortized cost, net of allowance for credit losses. Amortized cost is the amount at which a financial asset is originated or acquired, adjusted for the amortization of premium and discount, net deferred fees or costs, collection of cash, and write-offs. Interest income on loans is recognized using the level yield method. Loan origination fees, commitment fees and direct loan origination costs are deferred and recognized over the life of the related loans using a level yield method over the period to maturity.

### *Past Due and Nonaccrual Loans*

Past due loans are defined as loans contractually past due 90 days or more as to principal or interest payments. Past due loans 90 days or more that remain in accrual status are considered well secured and in the process of collection.

Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of the Company, collection is doubtful, or when principal or interest is past due 90 days or more and the loan is not well secured and in the process of collection. 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 the Company's assessment of the ultimate collectability of principal and interest. Loans are returned to accrual status when the Company assesses that the borrower has the ability to make all principal and interest payments in accordance with the terms of the loan (i.e. a consistent repayment record, generally six consecutive payments, has been demonstrated).

Unless loans are well-secured and collection is imminent, for loans greater than 90 days past due their respective reserves are generally charged off once the loss has been confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

A loan, for which the terms have been modified resulting in a concession to the borrower experiencing financial difficulty, is considered a TDR. Principal balances are generally not forgiven when a loan is modified as a TDR. Nonaccruing restructured loans remain in nonaccrual status until there has been a period of sustained repayment performance demonstrated, as noted above, and repayment is reasonably assured.

The CARES Act which was signed into law on March 27, 2020 allows financial institutions to exclude eligible loan modifications from TDR reporting. The Consolidated Appropriations Act, 2021 modified the CARES Act to extend the TDR reporting relief period. Under the CARES Act, as amended, eligible modifications must be related to the COVID-19 pandemic, executed on a loan that was not more than 30 days past due as of December 31, 2019 and executed between March 1, 2020 and the earlier of 60 days after the date of the termination of the national emergency or January 1, 2022.

In addition, certain regulatory agencies have issued guidance during the year stating certain loan modifications to borrowers experiencing financial distress as a result of the economic impacts created by COVID-19 may also exclude eligible loan modifications from TDR reporting. For COVID-19 related loan modifications which met the criteria under either the CARES Act, as amended, or the interagency guidance, the Company has elected to account for and report eligible modifications under this guidance.

For additional detail regarding past due and nonaccrual loans, see Note 8.

### *Allowance for Credit Losses - Loans and Leases*

The Company establishes its allowance in accordance with guidance provided in ASC 326, *Financial Instruments - Credit Losses*. The allowance for credit losses includes quantitative and qualitative factors that comprise the Company's current estimate of expected credit losses, including the Company's portfolio mix and segmentation, modeling methodology, historical loss experience, relevant available information from internal and external sources relating to qualitative adjustment factors, prepayment speeds and reasonable and supportable forecasts about future economic conditions.

The Company's portfolio segments, established based on similar risk characteristics and loss behaviors, are:

- Commercial and industrial - real estate secured, commercial and industrial - non-real estate secured, owner-occupied commercial, commercial mortgages, construction and commercial small business leases (collectively, commercial loans), and
- Residential, equity secured lines and loans, installment loans, unsecured lines of credit, originated education loans and previously acquired education loans (collectively, retail loans).

Expected credit losses are net of expected recoveries and estimated over the contractual term, adjusted for expected prepayments. The contractual term excludes any extensions, renewals and modifications unless the Company has reasonable expectations at the reporting date that it will result in a troubled debt restructuring (TDR) or they are not unconditionally cancellable. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Expected prepayments are based on historical experience and considers adjustments for current and future economic conditions.

The allowance includes two primary components: (i) an allowance established on loans which share similar risk characteristics collectively evaluated for credit losses (collective basis) and (ii) an allowance established on loans which do not share similar risk characteristics with any loan segment and are individually evaluated for credit losses (individual basis).

Loans that share similar risk characteristics are collectively reviewed for credit loss and are evaluated based on historical loss experience, adjusted for current economic conditions and future economic forecasts. Estimated losses are determined differently for commercial and retail loans, and each portfolio segment is further segmented by internally assessed risk ratings.

The Company uses a single scenario third-party economic forecast to adjust the calculated historical loss rates of the portfolio segments to incorporate the effects of current and future economic conditions. The Company's economic forecast considers the general health of the economy, the interest rate environment, real estate pricing and market risk. The Company's forecast extends out 6 quarters (the forecast period) and reverts to the historical loss rates on a straight-line basis over 4 quarters (the reversion period) as it believes this to be reasonable and supportable in the current environment. The economic forecast and reversion periods will be evaluated periodically by the Company and updated as appropriate.

The historical loss rates for commercial loans are estimated by determining the probability of default (PD) and expected loss given default (LGD) and are applied to the loans' exposure at default. The probability of default is calculated based on the historical rate of migration to an event of credit loss during the look-back period. The historical loss rates for retail loans is calculated based on average net loss rates over the same look-back period. The current look-back period is 40 quarters which ensures historical loss rates are adequately considering losses within a full credit cycle.

Loans that do not share similar risk characteristics with any loan segments are evaluated on an individual basis. These loans, which may include TDRs, are not included in the collective basis evaluation. When it is probable the Company will not collect all principal and interest due according to their contractual terms, which is assessed based on the credit characteristics of the loan and/or payment status, these loans are individually reviewed and measured for potential credit loss.

The amount of the potential credit loss is measured using any of the following three methods: (i) the present value of expected future cash flows discounted at the loan's effective interest rate; (ii) the fair value of collateral, if the loan is collateral dependent; or (iii) the loan's observable market price. If the measured fair value of the loan is less than the amortized cost basis of the loan, an allowance for credit loss is recorded.

For collateral dependent loans, the expected credit losses at the individual asset level is the difference between the collateral's fair value (less cost to sell) and the amortized cost.

Qualitative adjustment factors consider various internal and external conditions which are allocated among loan segments and take into consideration:

- Current underwriting policies, staff and portfolio concentrations,
- Risk rating accuracy, credit and administration,
- Internal risk emergence (including internal trends of delinquency, and criticized loans by segment),
- Economic forecasts and conditions - locally and nationally (including market trends impacting collateral values), which is separate from or in addition to the third party economic forecast described above, and
- Competitive environment, as it could impact loan structure and underwriting.

These factors are based on their relative standing compared to the period in which historical losses are used in quantitative reserve estimates and current directional trends, and reasonable and supportable forecasts. Qualitative factors in the model can add to or subtract from quantitative reserves.

The Company's loan officers and risk managers meet at least quarterly to discuss and review the conditions and risks associated with individual problem loans. In addition, various regulatory agencies periodically review the Company's loan ratings and allowance for credit losses and the Bank's internal loan review department performs recurring loan reviews.

Accrued interest receivable on loans is excluded from the estimate of credit losses and is included in *Accrued interest receivable* on the Consolidated Statements of Financial Condition.

For additional detail regarding the allowance for credit losses and the provision for credit losses, see Note 8.

#### *Unfunded Lending Commitments*

For unfunded lending commitments, the Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The estimate includes consideration of the probability of default and utilization rate at default to calculate expected credit losses on commitments expected to be funded based on historical losses.

The allowance for credit losses for off-balance sheet exposures is included in *Other liabilities* on the Consolidated Statements of Financial Condition and the provision for credit losses for off-balance sheet exposure is included in *Loan workout and other credit costs* on the Consolidated Statements of Income.

For additional detail regarding unfunded lending commitments, see Note 18.

#### *Allowance for Loan and Lease Losses (Prior to the Company's Adoption of CECL)*

For periods prior to the adoption of CECL, the Company maintain an allowance for loan and lease losses (allowance) which represents our best estimate of probable losses within our loan portfolio. As losses are realized, they are charged to the allowance. We establish our allowance in accordance with guidance provided in ASC 450, Contingencies, ASC 310, and the SEC's Staff Accounting Bulletin 102, Selected Loan Loss Allowance Methodology and Documentation Issues (SAB 102). The allowance includes two primary components: (i) an allowance established on loans collectively evaluated for impairment (general allowance), and (ii) an allowance established on loans individually evaluated for impairment (specific allowance). In addition, we also maintain an allowance for acquired loans as necessary.

The general allowance is calculated on a pooled loan basis using both quantitative and qualitative factors in accordance with ASC 450. The specific allowance is calculated on an individual loan basis when collectability of all contractually due principal and interest is no longer believed to be probable in accordance with ASC 310. Lastly, the allowance related to acquired loans is calculated when (i) there is deterioration in credit quality subsequent to acquisition for loans accounted for under ASC 310-30, and (ii) the inherent losses in the loans exceed the remaining total loan mark recorded at the time of acquisition for loans accounted for under ASC 310-20, Receivables - Nonrefundable Fees and Other Costs.

Allowances for pooled homogeneous loans, that are not deemed impaired, are based on historical net loss experience. Estimated losses for pooled portfolios are determined differently for commercial loan pools and retail loan pools. Commercial loans are pooled as follows: commercial and industrial, owner-occupied commercial, commercial mortgages and construction. Each pool is further segmented by internally assessed risk ratings. Loan losses for commercial loans are estimated by determining the probability of default and expected loss severity upon default. The probability of default is calculated based on the historical rate of migration to impaired status during the last 36 quarters. During the year ended December 31, 2019, we increased the look-back period to 36 quarters from 32 quarters used at December 31, 2018. This increase in the look-back period allows us to continue to anchor to the fourth quarter of 2010 to ensure that the quantitative reserves calculated by the allowance for loan and lease loss model are adequately considering the losses within a full credit cycle. Loss severity upon default is calculated as the actual loan losses (net of recoveries) on impaired loans in their respective pool during the same time frame. Retail loans are pooled into the following segments: residential mortgage, consumer secured and consumer unsecured loans. Pooled reserves for retail loans are calculated based solely on average net loss rates over the same 36 quarter look-back period.

Qualitative adjustment factors consider various internal and external conditions which are allocated among loan segments and take into consideration:

- Current underwriting policies, staff and portfolio mix,
- Internal trends of delinquency, nonaccrual and criticized loans by segment,
- Risk rating accuracy, control and regulatory assessments/environment,
- General economic conditions - locally and nationally,
- Market trends impacting collateral values, and
- Competitive environment, as it could impact loan structure and underwriting.

The above factors are based on their relative standing compared to the period in which historic losses are used in quantitative reserve estimates and current directional trends. Qualitative factors in our model can add to or subtract from quantitative reserves.

The allowance methodology uses a loss emergence period (LEP), which is the period of time between an event that triggers the probability of a loss and the confirmation of the loss. We estimate the commercial LEP to be approximately nine quarters as of December 31, 2019. Our residential mortgage and consumer LEP remained at four quarters as of December 31, 2019.

We evaluate LEP quarterly for reasonableness and complete a detailed historical analysis of our LEP annually for our commercial portfolio and review of the current four quarter LEP for the retail portfolio to determine the continued reasonableness of this assumption.

Our loan officers and risk managers meet at least quarterly to discuss and review the conditions and risks associated with individual problem loans. In addition, various regulatory agencies periodically review our loan ratings and allowance for loan and lease losses and the Bank's internal loan review department performs loan reviews.

For impaired loans, if the measure is less than the recorded investment in the loan, a related allowance is allocated for the impairment. Impairment of troubled debt restructurings are measured at the present value of estimated future cash flows using the loan's effective interest rate at inception or the fair value of the underlying collateral if the loan is collateral dependent. Troubled debt restructurings consist of concessions granted to borrowers facing financial difficulty.

For additional detail regarding the allowance for loan and lease losses and the provision for loan and lease losses, see Note 8.

#### *Loans Held for Sale*

Mortgage loans held for sale are recorded at fair value on a loan level basis, using pricing information obtained from secondary markets and brokers and applied to loans with similar interest rates and maturities.

Other loans held for sale are carried at the lower of amortized cost or estimated fair value. The estimated fair value is based on pricing information from secondary markets and brokers, when available, or a discounted cash flow analysis when market information is unavailable.

#### *Other Real Estate Owned*

Upon initial receipt, other real estate owned (OREO) is recorded at the estimated fair value less costs to sell. Costs subsequently incurred to improve the assets are capitalized, provided that the resultant carrying value does not exceed the estimated fair value less costs to sell. Costs related to holding or disposing of the assets are charged to expense as incurred. The Company periodically evaluates OREO for impairment and write-down the value of the asset when declines in fair value below the carrying value are identified. *Loan workout and OREO expenses* include costs of holding and operating the assets, net gains or losses on sales of the assets and provisions for losses to reduce such assets to the estimated fair values less costs to sell.

For additional detail regarding other real estate owned, see Note 8.

#### *Premises, Equipment and Software*

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense are computed on a straight-line basis over the estimated useful lives of the assets or, for leasehold improvements, over the terms of the related lease or effective useful lives of the assets, whichever is less. In general, computer equipment, furniture and equipment and building renovations are depreciated over three, five and ten years, respectively. Software, which includes purchased or externally hosted software is recorded in *Other assets* and is amortized on a straight-line basis over the lesser of the contract term or estimated useful life of the software.

Maintenance and repairs are expensed as incurred, while costs of major replacements, improvements and additions are capitalized.

Premises and equipment acquired in business combinations are initially recorded at fair value and subsequently carried at cost less accumulated depreciation and amortization. Assets to be disposed of are recorded at the lower of the carrying amount or fair value less costs to sell.

For additional detail regarding premises and equipment, see Note 9.

### *Goodwill and Intangible Assets*

The Company accounts for goodwill and intangible assets in accordance with ASC 805, *Business Combinations* and ASC 350, *Intangibles-Goodwill and Other*. Accounting for goodwill and other intangible assets requires the Company to make significant judgments, for goodwill particularly, with respect to estimating the fair value of each reporting unit. The estimates utilize historical data, cash flows, and market and industry data specific to each reporting unit as well as projected data. Industry and market data are used to develop material assumptions such as transaction multiples, required rates of return, control premiums, long-term growth rates, and capitalization.

Goodwill is not amortized, rather it is subject to periodic impairment testing. The Company reviews goodwill for impairment annually on October 1 and more frequently if events and circumstances indicate that the fair value of a reporting unit is less than its carrying value. Other intangible assets with finite lives are amortized over their estimated useful lives. The Company reviews other intangible assets with finite lives for impairment if events and circumstances indicate that the carrying value may not be recoverable. For additional information regarding goodwill and intangible assets, see Note 11.

### *Leases*

The Company accounts for its leases in accordance with ASC 842 - *Leases*. Most leases are recognized on the balance sheet by recording a right-of-use asset and lease liability for each lease. The right-of-use asset represents the right to use the asset under lease for the lease term, and the lease liability represents the contractual obligation to make lease payments. The right-of-use asset is tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

As a lessee, the Company enters into operating leases for certain bank branches, office space, and office equipment. The right-of-use assets and lease liabilities are initially recognized based on the net present value of the remaining lease payments which include renewal options where the Company is reasonably certain they will be exercised. The net present value is determined using the incremental collateralized borrowing rate at commencement date. The right-of-use asset is measured at the amount of the lease liability adjusted for any prepaid rent, lease incentives and initial direct costs incurred. The right-of-use asset and lease liability is amortized over the individual lease terms. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

As a lessor, the Company provides direct financing to customers through the Company's equipment and small-business leasing business. Direct financing leases are recorded at the aggregate of minimum lease payments net of unamortized deferred lease origination fees and costs and unearned income. Interest income on direct financing leases is recognized over the term of the lease. Origination fees and costs are deferred, and the net amount is amortized to interest income over the estimated life of the lease. For additional information regarding leases, see Note 10.

### *Derivative Financial Instruments*

The Company accounts for derivatives in accordance with ASC 815, *Derivatives and Hedging*. Derivatives are recognized as either assets or liabilities at fair value in the Consolidated Statements of Financial Condition with changes in fair value recorded to earnings or accumulated other comprehensive income, as appropriate. At the inception of a derivative contract, the Company designates the derivative as a hedging or non-hedging instrument. To qualify for hedge accounting, derivatives must be highly effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the derivative contract. For fair value hedges, changes to the fair value are recorded in earnings, while for cash flow hedges, fair value changes are recorded in accumulated other comprehensive income and subsequently reclassified into earnings in the period that the hedged forecast transaction affects earnings. The ineffective portion of a hedge's change in fair value is recognized in earnings immediately. For derivatives not designated as hedges, adjustments to fair value are recorded through earnings. For additional detail regarding derivatives, see Note 20.

### *Income Taxes*

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred due to temporary differences between the financial statement basis and tax basis of assets and liabilities. Income taxes are accounted for in accordance with ASC 740, *Income Taxes*. ASC 740 requires the recording of deferred income taxes that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. It prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. Benefits from tax positions are recognized in the financial statements only when it is more-likely-than-not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information.

A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. ASC 740 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties. For additional detail regarding income taxes, see Note 16.

#### *Securities Sold Under Agreements to Repurchase*

The Company enters into sales of securities under agreements to repurchase which are treated as financings, with the obligation to repurchase securities sold reflected as a liability in the Consolidated Statements of Financial Condition. The securities underlying the agreements are assets. For additional detail regarding the securities sold under agreements to repurchase, see Note 13.

#### *Stock-Based Compensation*

Stock-based compensation is accounted for in accordance with ASC 718, *Stock Compensation*. Compensation expense relating to all share-based payments is recognized on a straight-line basis, over the applicable vesting period. For additional detail regarding stock-based compensation, see Note 17.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

#### *Accounting Guidance Adopted in 2020*

**ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*:** In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. ASU 2016-13 replaces the incurred loss impairment methodology with the current expected credit losses (CECL) methodology which requires management consideration and judgment of a broader range of information to determine credit loss estimates. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326*, clarifying that operating lease receivables are not within the scope of Topic 326. In December 2018, federal regulators issued a final rule related to regulatory capital and CECL (*Regulatory Capital Rule: Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations*), intended to provide regulatory capital relief for entities transitioning to CECL. In May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief*, providing entities the option to irrevocably elect the fair value option on eligible financial instruments, which excluded held-to-maturity debt securities. In November 2019, the FASB issued ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, clarifying guidance on expected recoveries for purchased credit deteriorated financial assets, accrued interest receivable and collateral maintenance provisions and providing transition relief for troubled debt restructurings. In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*, clarifying the contractual term of a net investment in a lease and the requirement to establish an allowance for credit loss when an entity regains control of sold financial assets.

While the CARES Act provided an option to defer implementation of the CECL methodology, the Company adopted this guidance on January 1, 2020, using the modified retrospective approach for financial assets recorded at amortized cost with the exception of purchase credit deteriorated (PCD) assets, which were previously classified as purchase credit impaired (PCI) accounted for under ASC 310-30, adopted using the prospective approach. The cumulative effect of the adoption resulted in a \$30.4 million decrease to the beginning balance of retained earnings as of January 1, 2020. Results and disclosures for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. For further details on the impact of the adoption, accounting policies, elections, and practical expedients applied, see Summary of Significant Accounting Policies and CECL disclosures throughout the Notes to the Consolidated Financial Statements.

The following table illustrates the impact of ASC 326 on loans, leases, purchased financial assets, debt securities, other assets and unfunded lending commitments compared to the incurred loss approach, as disclosed prior to adoption on January 1, 2020.

|                                                                 | January 1, 2020           |                      |                            |
|-----------------------------------------------------------------|---------------------------|----------------------|----------------------------|
|                                                                 | As reported under ASC 326 | Pre-ASC 326 Adoption | Impact of ASC 326 Adoption |
| <i>(Dollars in thousands)</i>                                   |                           |                      |                            |
| <b>Assets:</b>                                                  |                           |                      |                            |
| <i>Investment securities, held-to-maturity</i>                  |                           |                      |                            |
| State and political subdivisions                                | \$ (8)                    | \$ —                 | \$ (8)                     |
| Allowance for credit losses on held-to-maturity debt securities | \$ (8)                    | \$ —                 | \$ (8)                     |
| <i>Loans and leases</i>                                         |                           |                      |                            |
| Commercial and industrial <sup>(1)</sup>                        | (42,596)                  | (22,849)             | (19,747)                   |
| Owner-occupied commercial                                       | (3,144)                   | (4,616)              | 1,472                      |
| Commercial mortgages                                            | (9,114)                   | (7,452)              | (1,662)                    |
| Construction                                                    | (4,572)                   | (3,891)              | (681)                      |
| Residential                                                     | (8,903)                   | (1,381)              | (7,522)                    |
| Consumer                                                        | (15,102)                  | (7,387)              | (7,715)                    |
| Allowance for credit losses on loans and leases                 | \$ (83,431)               | \$ (47,576)          | \$ (35,855)                |
| <i>Other assets</i>                                             |                           |                      |                            |
| Deferred tax assets                                             | 18,452                    | 9,991                | 8,461                      |
| <b>Liabilities:</b>                                             |                           |                      |                            |
| <i>Other liabilities</i>                                        |                           |                      |                            |
| Allowance for credit losses on unfunded lending commitments     | (4,513)                   | (1,547)              | (2,966)                    |
| <b>Total ASC 326 impact to retained earnings</b>                |                           |                      | <b>\$ 30,368</b>           |

<sup>(1)</sup> Includes commercial small business leases.

**ASU No. 2018-13, Fair Value Measurement Disclosure Framework:** In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement Disclosure Framework*, which amended ASC 820 - *Fair Value Measurement*. The new guidance modifies, adds and removes certain disclosures aimed to improve the overall usefulness of the disclosure requirements for fair value measurements. The guidance is effective in annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted. Adoption is required on either a prospective or retrospective basis, depending on the amendment. The Company adopted this standard on January 1, 2020. See Note 19 for changes to financial statement disclosures resulting from the adoption of this standard.

**ASU No. 2018-14, Compensation-Retirement Benefits - Defined Benefit Plans-General (Topic 715):** In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits - Defined Benefit Plans-General (Topic 715)* which applies to all employers that provide defined benefit pension or other postretirement benefit plans for their employees. The new guidance modifies, adds and removes certain disclosures aimed to improve the overall usefulness of the disclosure requirements to financial statement users. The guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. Use of the retrospective method is required. The Company early adopted this standard on January 1, 2020. See Note 15 for changes to financial statement disclosures resulting from the adoption of this standard.

**ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Topic 350):** In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Topic 350)*. The new guidance provided clarity on capitalizing and expensing implementation costs for cloud computing arrangements in a service contract. If an implementation cost is capitalized, the cost should be recognized over the noncancellable term and periodically assessed for impairment. The guidance is effective in annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted. Adoption can be applied retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company adopted this standard on January 1, 2020, on a prospective basis with no impact to the Consolidated Financial Statements at the time of adoption.

**ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments:** In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The new guidance amended ASU 2016-13 to address topics related to accrued interest receivables, recoveries, disclosures, and provides certain other clarifications. The new guidance also amended ASU 2017-12 to provide clarification on certain hedge accounting topics and transition requirements. Lastly, the new guidance amended ASU 2016-01, *Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities*, to add clarifying guidance when using the measurement alternative under ASC 820, among certain other clarifications. The guidance is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. Adoption is required on a prospective, modified-retrospective or retrospective basis, depending on the amendment. The Company included the amendments related to ASU 2016-13 as part of its CECL guidance implementation and adoption at January 1, 2020. The Company adopted other amendments within this guidance on January 1, 2020 with no impact to the Consolidated Financial Statements at the time of adoption.

*Accounting Guidance Pending Adoption at December 31, 2020*

**ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes:** In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The guidance adds new amendments to simplify income tax accounting and removes certain exceptions and modifies the accounting for certain income tax transactions. The guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. Adoption is required on a prospective, modified-retrospective or retrospective basis, depending on the amendment. The Company does not expect the application of this guidance to have a material impact on the Consolidated Financial Statements.

**ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815:** In January 2020, the FASB issued ASU No. 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The new guidance clarifies that observable transactions under the measurement alternative method (ASC 321) should be considered when applying or discontinuing the equity method of accounting (ASC 323). The guidance also clarifies that certain non-derivative forward contracts and purchase call options to acquire securities, should be measured at fair value before settlement or exercise. The guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. Use of the prospective method is required. The Company does not expect the application of this guidance to have a material impact on the Consolidated Financial Statements.

**ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting:** In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide optional guidance to entities for a limited period of time to ease the transition in accounting for and recognizing the effects of reference rate reform on financial reporting. Under the guidance, modifications of contracts due to reference rate reform will not require contract remeasurement or reassessment of a previous accounting determination. For hedge accounting, modification of critical terms of the hedge due to changes in reference rate reform will not affect hedge accounting or dedesignate the hedging relationship. The guidance also provides specific expedients for fair value hedges, cash flow hedges, and excluded components. Further, the guidance provides a one-time election to sell or transfer held to maturity debt securities that are affected by the reference rate change. The guidance is effective upon issuance through December 31, 2022. The Company will apply the guidance to any contracts modifications made due to reference rate reform.

**ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope:** In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. The new guidance expands and clarifies the scope of ASU No. 2020-04 to include derivatives affected by changes in interest rates used for margining, discounting, or contract price alignment, commonly referred to as the “discounting transaction”. Derivatives impacted by the discounting transaction will be eligible for certain optional expedients and exceptions related to contract modifications and hedge accounting as defined in Topic 848. The guidance is effective upon issuance through December 31, 2022 and there was no impact to the Company at the time the guidance became effective. The Company will apply this guidance to any derivatives affected by the discounting transition due to reference rate reform.

### 3. BUSINESS COMBINATIONS

#### *Beneficial Bancorp, Inc.*

On March 1, 2019, the Company acquired Beneficial. Subject to the terms and conditions of the merger agreement, the Beneficial stockholders received 0.3013 shares of WSFS common stock and \$2.93 in cash for each share of Beneficial common stock. Based on the February 28, 2019 closing share price of \$43.28, the value of the stock consideration was \$950.0 million and cash consideration was \$228.2 million, for total transaction value of \$1.2 billion. Results of the combined Company's operations are included in the Consolidated Financial Statements since the date of the acquisition.

Beneficial conducted its primary business operations through its wholly owned subsidiary, Beneficial Bank, which was merged into WSFS Bank. At closing, Beneficial had 74 branches and offices in southeastern Pennsylvania and southern New Jersey. WSFS acquired Beneficial to expand the scale and efficiency of its operations in the Philadelphia, southeastern Pennsylvania and New Jersey markets, and to create opportunities to generate additional revenue by providing its full suite of banking, mortgage banking, wealth management and insurance services to the legacy Beneficial markets.

The acquisition of Beneficial was accounted for as a business combination using the acquisition method of accounting and, accordingly, the assets acquired, liabilities assumed and consideration transferred were recorded at their estimated fair values as of the acquisition date. The excess of consideration transferred over the fair value of net assets acquired was recorded as goodwill, which is not amortizable nor deductible for tax purposes. The Company allocated the total balance of goodwill to its WSFS Bank segment. The remeasurement period expired on February 29, 2020, and the Company does not expect any further material adjustments impacting the identified intangibles and goodwill. During the year ended December 31, 2020, there were no remeasurement period adjustments made to the fair values of assets acquired and liabilities assumed. The following table summarizes the consideration transferred and the fair values of identifiable assets acquired and liabilities assumed:

(Dollars in thousands)

#### Consideration Transferred:

|                                                   | Fair Value        |
|---------------------------------------------------|-------------------|
| Common shares issued (21,816,355)                 | \$ 949,968        |
| Cash paid to Beneficial stock and option holders  | 228,239           |
| Value of consideration                            | <u>1,178,207</u>  |
| Assets acquired:                                  |                   |
| Cash and due from banks                           | 304,311           |
| Investment securities                             | 619,834           |
| Loans and leases, net                             | 3,711,246         |
| Premises and equipment                            | 69,873            |
| Deferred income taxes                             | 18,463            |
| Bank owned life insurance                         | 82,510            |
| Core deposit intangible                           | 85,053            |
| Servicing rights intangible                       | 2,466             |
| Other assets                                      | <u>135,890</u>    |
| Total assets                                      | 5,029,646         |
| Liabilities assumed:                              |                   |
| Deposits                                          | 4,056,506         |
| Other liabilities                                 | <u>101,754</u>    |
| Total liabilities                                 | 4,158,260         |
| Net assets acquired:                              | <u>871,386</u>    |
| Goodwill resulting from acquisition of Beneficial | <u>\$ 306,821</u> |

As a result of the merger, the Company developed a comprehensive integration plan under which it has incurred direct costs, which were expensed as incurred. These direct costs include costs related to: (i) terminated contracts, (ii) consolidated facilities (including lease termination expenses), (iii) severance, (iv) marketing, and (v) professional and legal fees. Costs related to the acquisition and restructuring are included in the *Corporate Development* and *Restructuring* expense line items, respectively, on the Consolidated Statements of Income.

During the fourth quarter of 2018, WSFS announced a retail banking office optimization plan that included the consolidation of fourteen Beneficial and eleven WSFS Bank banking offices. Most of the consolidations and rebranding of the remaining Beneficial banking offices were completed during the conversion, which occurred during the third quarter of 2019. As of December 31, 2020, there were six retail locations remaining to complete the optimization plan. Costs related to this plan are included in the *Corporate Development* and *Restructuring* expense line items on the Consolidated Statements of Income. Additionally, during the second quarter of 2019, WSFS completed the sale of five legacy Beneficial retail banking offices in New Jersey to the Bank of Princeton, a New Jersey-based financial institution, at a deposit premium of 7.37%.

#### 4. NONINTEREST INCOME

##### Credit/debit card and ATM income

The following table presents the components of credit/debit card and ATM income:

|                                        | Twelve Months Ended December 31, |           |           |
|----------------------------------------|----------------------------------|-----------|-----------|
|                                        | 2020                             | 2019      | 2018      |
| <i>(Dollars in thousands)</i>          |                                  |           |           |
| Bailment fees                          | \$ 14,615                        | \$ 26,256 | \$ 27,767 |
| Interchange fees                       | 17,747                           | 22,975    | 14,982    |
| Other card and ATM fees                | 2,652                            | 1,152     | 1,088     |
| Total credit/debit card and ATM income | \$ 35,014                        | \$ 50,383 | \$ 43,837 |

Credit/debit card and ATM income is composed of bailment fees, interchange fees, and other card and ATM fees are earned from bailment arrangements with customers. Bailment arrangements are legal relationships in which property is delivered to another party without a transfer of ownership. The party who transferred the property (the bailor) retains ownership interest of the property. In the event that the bailee files for bankruptcy protection, the property is not included in the bailee's assets. The bailee pays an agreed-upon fee for the use of the bailor's property in exchange for the bailor allowing use of the assets at the bailee's site. Bailment fees are earned from cash that is made available for customers' use at an offsite location, such as cash located in an ATM at a customer's place of business. These fees are typically indexed to a market interest rate. This revenue stream generates fee income through monthly billing for bailment services. Bailment fees decreased in 2020 as compared to 2019 due to the lower interest rate environment.

Credit/debit card and ATM income also includes interchange fees. Interchange fees are paid by a merchant's bank to a bank that issued a debit or credit card used in a transaction to compensate the issuing bank for the value and benefit the merchant receives from accepting electronic payments. These revenue streams generate fee income at the time a transaction occurs and are recorded as revenue at the time of the transaction. Interchange fees decreased in 2020 as compared to 2019 as a result of the Durbin Amendment impacting the Company beginning on July 1, 2020.

##### Investment management and fiduciary income

The following table presents the components of investment management and fiduciary income:

|                                                  | Twelve Months Ended December 31, |           |           |
|--------------------------------------------------|----------------------------------|-----------|-----------|
|                                                  | 2020                             | 2019      | 2018      |
| <i>(Dollars in thousands)</i>                    |                                  |           |           |
| Trust fees                                       | \$ 33,288                        | \$ 27,383 | \$ 23,386 |
| Wealth management and advisory fees              | 15,691                           | 15,067    | 16,216    |
| Total investment management and fiduciary income | \$ 48,979                        | \$ 42,450 | \$ 39,602 |

Investment management and fiduciary income is composed of trust, wealth management and advisory fees. Trust fees are based on revenue earned from custody, escrow and trustee services on structured finance transactions; indenture trustee, administrative agent and collateral agent services to institutions and corporations; commercial domicile and independent director services; and investment and trustee services to families and individuals across the U.S. Most fees are flat fees, except for a portion of personal and corporate trustee fees where the Company earns a percentage on the assets under management (AUM). This revenue stream primarily generates fee income through monthly, quarterly and annual billings for services provided. Trust fees increased in 2020 as compared to 2019 primarily due to increased institutional trust activity.

Wealth management and advisory fees consists of fees from West Capital, Cypress, Powdermill® and WSFS Wealth Investments. Wealth management and advisory fees are based on revenue earned from services including asset management, financial planning, family office, and brokerage. The fees are based on the market value of assets, are assessed as a flat fee, or are brokerage commissions. This revenue stream primarily generates fee income through quarterly and annual billing for the services.

### Deposit service charges

The following table presents the components of deposit service charges:

| (Dollars in thousands)        | Twelve Months Ended December 31, |           |           |
|-------------------------------|----------------------------------|-----------|-----------|
|                               | 2020                             | 2019      | 2018      |
| Service fees                  | \$ 12,725                        | \$ 12,420 | \$ 10,526 |
| Return and overdraft fees     | 6,819                            | 9,911     | 7,676     |
| Other deposit service fees    | 455                              | 641       | 569       |
| Total deposit service charges | \$ 19,999                        | \$ 22,972 | \$ 18,771 |

Deposit service charges includes revenue earned from core deposit products, certificates of deposit, and brokered deposits. The Company generates fee revenues from deposit service charges primarily through service charges and overdraft fees. Service charges consist primarily of monthly account maintenance fees, cash management fees, foreign ATM fees and other maintenance fees. All of these revenue streams generate fee income through service charges for monthly account maintenance and similar items, transfer fees, late fees, overlimit fees, and stop payment fees. Revenue is recorded at the time of the transaction. Return and overdraft fees declined in 2020 due to elevated deposits from customers who received PPP loans, government stimulus impact and lower customer spending.

### Other income

The following table presents the components of other income:

| (Dollars in thousands)              | Twelve Months Ended December 31, |           |           |
|-------------------------------------|----------------------------------|-----------|-----------|
|                                     | 2020                             | 2019      | 2018      |
| Managed service fees                | \$ 15,448                        | \$ 14,152 | \$ 12,113 |
| Currency preparation                | 3,854                            | 3,195     | 3,575     |
| ATM loss protection                 | 2,401                            | 2,551     | 2,394     |
| Miscellaneous products and services | 7,442                            | 10,021    | 8,773     |
| Total other income                  | \$ 29,145                        | \$ 29,919 | \$ 26,855 |

Other income consists of managed service fees, which are primarily courier fees related to cash management, currency preparation, ATM loss protection and other miscellaneous products and services offered by the Bank. These fees are primarily generated through monthly billings or at the time of the transaction. Miscellaneous products and services was higher in 2019, as compared to 2020 and 2018, primarily due to a non-recurring transfer of client accounts to a departing Wealth investment advisor in accordance with the buy-out provisions of the advisor's contract.

### Arrangements with multiple performance obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers.

### Practical expedients and exemptions

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

See Note 22 for further information about the disaggregation of noninterest income by segment.

## 5. EARNINGS PER SHARE

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

(Dollars and shares in thousands, except per share data)

|                                                                | 2020       | 2019       | 2018       |
|----------------------------------------------------------------|------------|------------|------------|
| <b>Numerator:</b>                                              |            |            |            |
| Net income attributable to WSFS                                | \$ 114,774 | \$ 148,809 | \$ 134,743 |
| <b>Denominator:</b>                                            |            |            |            |
| Weighted average basic shares                                  | 50,510     | 49,298     | 31,570     |
| Dilutive potential common shares                               | 37         | 256        | 597        |
| Weighted average fully diluted shares                          | 50,547     | 49,554     | 32,167     |
| <b>Earnings per share:</b>                                     |            |            |            |
| Basic                                                          | \$ 2.27    | \$ 3.02    | \$ 4.27    |
| Diluted                                                        | \$ 2.27    | \$ 3.00    | \$ 4.19    |
| Outstanding common stock equivalents having no dilutive effect | 12         | 1          | 18         |

Basic earnings per share is calculated by dividing *Net income attributable to WSFS* by the weighted-average number of basic shares outstanding. Diluted earnings per share is calculated by dividing *Net income attributable to WSFS* by the weighted-average fully diluted shares outstanding, using the treasury stock method. Fully diluted shares include the adjustment for the dilutive effect of common stock awards, which include outstanding stock options and unvested restricted stock units from the 2013 Incentive Plan and the 2018 Incentive Plan.

## 6. INVESTMENT SECURITIES

The following tables detail the amortized cost, allowance for credit losses and the estimated fair value of the Company's investments in available-for-sale and held-to-maturity debt securities. None of the Company's investments in debt securities are classified as trading.

|                                                       | December 31, 2020   |                       |                       |                             |                     |
|-------------------------------------------------------|---------------------|-----------------------|-----------------------|-----------------------------|---------------------|
|                                                       | Amortized Cost      | Gross Unrealized Gain | Gross Unrealized Loss | Allowance for Credit Losses | Fair Value          |
| <i>(Dollars in thousands)</i>                         |                     |                       |                       |                             |                     |
| <b>Available-for-Sale Debt Securities</b>             |                     |                       |                       |                             |                     |
| CMO                                                   | \$ 461,819          | \$ 9,949              | \$ 443                | \$ —                        | \$ 471,325          |
| FNMA MBS                                              | 1,544,105           | 55,747                | 882                   | —                           | 1,598,970           |
| FHLMC MBS                                             | 190,856             | 12,142                | 105                   | —                           | 202,893             |
| GNMA MBS                                              | 22,716              | 1,046                 | —                     | —                           | 23,762              |
| GSE agency notes                                      | 230,769             | 1,987                 | 649                   | —                           | 232,107             |
|                                                       | <u>\$ 2,450,265</u> | <u>\$ 80,871</u>      | <u>\$ 2,079</u>       | <u>\$ —</u>                 | <u>\$ 2,529,057</u> |
| <b>Held-to-Maturity Debt Securities<sup>(1)</sup></b> |                     |                       |                       |                             |                     |
| State and political subdivisions                      | \$ 111,246          | \$ 4,678              | \$ —                  | \$ 6                        | \$ 115,918          |
| Foreign bonds                                         | 501                 | 2                     | —                     | —                           | 503                 |
|                                                       | <u>\$ 111,747</u>   | <u>\$ 4,680</u>       | <u>\$ —</u>           | <u>\$ 6</u>                 | <u>\$ 116,421</u>   |

<sup>(1)</sup> Held-to-maturity securities transferred from available-for-sale are included in held-to-maturity at amortized cost basis at the time of transfer. The amortized cost of transferred held-to-maturity securities included net unrealized gains of \$0.4 million at December 31, 2020, which are offset in *Accumulated other comprehensive income*. At the time of transfer, there was no allowance for credit loss on the available-for-sale securities. Subsequent to transfer, the securities were evaluated for credit loss.

|                                                       | December 31, 2019   |                       |                       |                     |
|-------------------------------------------------------|---------------------|-----------------------|-----------------------|---------------------|
|                                                       | Amortized Cost      | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value          |
| <i>(Dollars in thousands)</i>                         |                     |                       |                       |                     |
| <b>Available-for-Sale Debt Securities</b>             |                     |                       |                       |                     |
| CMO                                                   | \$ 336,194          | \$ 4,578              | \$ 542                | \$ 340,230          |
| FNMA MBS                                              | 1,219,522           | 25,717                | 2,786                 | 1,242,453           |
| FHLMC MBS                                             | 320,896             | 8,641                 | 591                   | 328,946             |
| GNMA MBS                                              | 32,871              | 477                   | 63                    | 33,285              |
|                                                       | <u>\$ 1,909,483</u> | <u>\$ 39,413</u>      | <u>\$ 3,982</u>       | <u>\$ 1,944,914</u> |
| <b>Held-to-Maturity Debt Securities<sup>(1)</sup></b> |                     |                       |                       |                     |
| State and political subdivisions                      | \$ 131,600          | \$ 3,023              | \$ —                  | \$ 134,623          |
| Foreign bonds                                         | 2,001               | 1                     | —                     | 2,002               |
|                                                       | <u>\$ 133,601</u>   | <u>\$ 3,024</u>       | <u>\$ —</u>           | <u>\$ 136,625</u>   |

<sup>(1)</sup> Held-to-maturity securities transferred from available-for-sale are included in held-to-maturity at fair value at the time of transfer. The amortized cost of transferred held-to-maturity securities included net unrealized gains of \$0.6 million at December 31, 2019, which are offset in *Accumulated other comprehensive income*.

The scheduled maturities of the Company's available-for-sale and held-to-maturity investments at December 31, 2020 and December 31, 2019 are presented in the table below:

(Dollars in thousands)

**December 31, 2020 <sup>(1)</sup>**

|                                       | Available-for-Sale  |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | Amortized Cost      | Fair Value          |
| Within one year                       | \$ —                | \$ —                |
| After one year but within five years  | 37,852              | 39,985              |
| After five years but within ten years | 239,845             | 251,874             |
| After ten years                       | 2,172,568           | 2,237,198           |
|                                       | <u>\$ 2,450,265</u> | <u>\$ 2,529,057</u> |

**December 31, 2019 <sup>(1)</sup>**

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| Within one year                       | \$ —                | \$ —                |
| After one year but within five years  | 22,136              | 22,207              |
| After five years but within ten years | 194,197             | 194,376             |
| After ten years                       | 1,693,150           | 1,728,331           |
|                                       | <u>\$ 1,909,483</u> | <u>\$ 1,944,914</u> |

(Dollars in thousands)

**December 31, 2020 <sup>(1)</sup>**

|                                       | Held-to-Maturity  |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | Amortized Cost    | Fair Value        |
| Within one year                       | \$ 1,144          | \$ 1,154          |
| After one year but within five years  | 972               | 990               |
| After five years but within ten years | 35,967            | 37,317            |
| After ten years                       | 73,664            | 76,960            |
|                                       | <u>\$ 111,747</u> | <u>\$ 116,421</u> |

**December 31, 2019 <sup>(1)</sup>**

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Within one year                       | \$ 2,649          | \$ 2,653          |
| After one year but within five years  | 4,239             | 4,270             |
| After five years but within ten years | 35,288            | 35,967            |
| After ten years                       | 91,425            | 93,735            |
|                                       | <u>\$ 133,601</u> | <u>\$ 136,625</u> |

(1) Actual maturities could differ from contractual maturities.

MBS may have expected maturities that differ from their contractual maturities. These differences arise because issuers may have the right to call securities and borrowers may have the right to prepay obligations with or without prepayment penalty. The estimated weighted average duration of MBS was 2.7 years at December 31, 2020.

The held-to-maturity debt securities are not collateral-dependent securities as these are general obligation bonds issued by cities, states, counties, or other local and foreign governments.

Investment securities with fair market values aggregating \$1.3 billion and \$1.1 billion were pledged as collateral for retail customer repurchase agreements, municipal deposits, and other obligations as of December 31, 2020 and 2019, respectively.

During the year ended December 31, 2020, the Company sold \$305.8 million of debt securities categorized as available-for-sale, resulting in \$9.1 million of realized gains and no realized losses. During the year ended December 31, 2019, the Company sold \$618.2 million of debt securities categorized as available-for-sale, of which \$578.8 million was related to the acquisition of Beneficial. The remaining \$39.8 million resulted in realized gains of \$0.3 million and no realized losses. During the year ended December 31, 2018, the Company sold \$7.0 million of investment securities categorized as available-for-sale, resulting in realized gains of less than \$0.1 million and no realized losses.

As of December 31, 2020, and December 31, 2019, the Company's debt securities portfolio had remaining unamortized premiums of \$60.4 million and \$15.1 million, respectively, and unaccreted discounts of \$2.6 million and \$4.1 million, respectively.

For debt securities in an unrealized loss position and an allowance has not been recorded, the table below shows the gross unrealized losses and fair value by investment category and length of time that individual debt securities were in a continuous unrealized loss position at December 31, 2020.

| (Dollars in thousands)                     | Duration of Unrealized Loss Position |                 |                     |                 |            |                 | Total |   |    |         |    |       |
|--------------------------------------------|--------------------------------------|-----------------|---------------------|-----------------|------------|-----------------|-------|---|----|---------|----|-------|
|                                            | Less than 12 months                  |                 | 12 months or longer |                 |            |                 |       |   |    |         |    |       |
|                                            | Fair Value                           | Unrealized Loss | Fair Value          | Unrealized Loss | Fair Value | Unrealized Loss |       |   |    |         |    |       |
| <u>Available-for-sale debt securities:</u> |                                      |                 |                     |                 |            |                 |       |   |    |         |    |       |
| CMO                                        | \$                                   | 183,983         | \$                  | 443             | \$         | —               | \$    | — | \$ | 183,983 | \$ | 443   |
| FNMA MBS                                   |                                      | 289,338         |                     | 879             |            | 4,355           |       | 3 |    | 293,693 |    | 882   |
| FHLMC MBS                                  |                                      | 5,191           |                     | 105             |            | —               |       | — |    | 5,191   |    | 105   |
| GSE agency notes                           |                                      | 101,016         |                     | 649             |            | —               |       | — |    | 101,016 |    | 649   |
|                                            | \$                                   | 579,528         | \$                  | 2,076           | \$         | 4,355           | \$    | 3 | \$ | 583,883 | \$ | 2,079 |

For debt securities in an unrealized loss position, the table below shows the Company's gross unrealized losses and fair value by investment category and length of time that individual debt securities were in a continuous unrealized loss position at December 31, 2019.

|                                                 | Duration of Unrealized Loss Position |                 |                     |                 | Total             |                 |
|-------------------------------------------------|--------------------------------------|-----------------|---------------------|-----------------|-------------------|-----------------|
|                                                 | Less than 12 months                  |                 | 12 months or longer |                 |                   |                 |
|                                                 | Fair Value                           | Unrealized Loss | Fair Value          | Unrealized Loss | Fair Value        | Unrealized Loss |
| (Dollars in thousands)                          |                                      |                 |                     |                 |                   |                 |
| Available-for-sale debt securities:             |                                      |                 |                     |                 |                   |                 |
| CMO                                             | \$ 47,376                            | \$ 481          | \$ 7,999            | \$ 61           | \$ 55,375         | \$ 542          |
| FNMA MBS                                        | 310,312                              | 2,681           | 6,522               | 105             | 316,834           | 2,786           |
| FHLMC MBS                                       | 35,354                               | 541             | 2,836               | 50              | 38,190            | 591             |
| GNMA MBS                                        | 1,847                                | 4               | 5,742               | 59              | 7,589             | 63              |
|                                                 | <u>\$ 394,889</u>                    | <u>\$ 3,707</u> | <u>\$ 23,099</u>    | <u>\$ 275</u>   | <u>\$ 417,988</u> | <u>\$ 3,982</u> |
|                                                 |                                      |                 |                     |                 |                   |                 |
| Held-to-maturity debt securities:               |                                      |                 |                     |                 |                   |                 |
| State and political subdivisions <sup>(1)</sup> | \$ 523                               | \$ —            | \$ —                | \$ —            | \$ 523            | \$ —            |

(1) State and political subdivisions with an unrealized loss position of less than twelve months had an unrealized loss of less than \$1 thousand at December 31, 2019.

At December 31, 2020, available-for-sale debt securities for which the amortized cost basis exceeded fair value totaled \$583.9 million. Total unrealized losses on these securities were \$2.1 million at December 31, 2020. The Company does not have the intent to sell, nor is it more likely than not it will be required to sell these securities before it is able to recover the amortized cost basis. The unrealized losses are the result of changes in market interest rates subsequent to purchase, not credit loss, as these are highly rated agency securities with no expected credit loss, in the event of a default. As a result, there is no allowance for credit losses recorded for available-for-sale debt securities as of December 31, 2020.

At December 31, 2020, held-to-maturity debt securities had an amortized cost basis of \$111.7 million. The held-to-maturity debt security portfolio primarily consists of highly rated municipal bonds. The Company monitors credit quality of its debt securities through credit ratings.

The following table summarizes the amortized cost of debt securities held-to-maturity as of December 31, 2020, aggregated by credit quality indicator:

| <i>(Dollars in thousands)</i> | State and political subdivisions | Foreign bonds |
|-------------------------------|----------------------------------|---------------|
| A+ rated or higher            | \$ 110,959                       | \$ 501        |
| Not rated                     | 287                              | —             |
| Ending balance                | <u>\$ 111,246</u>                | <u>\$ 501</u> |

As a result of the adoption of ASC 326 on January 1, 2020, the Company reviewed its held-to-maturity debt securities for potential credit losses. The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity by major security type for the year ended December 31, 2020:

| <i>(Dollars in thousands)</i> | State and political subdivisions | Foreign bonds |
|-------------------------------|----------------------------------|---------------|
| Allowance for credit losses:  |                                  |               |
| Beginning balance             | \$ —                             | \$ —          |
| Impact of adoption ASC 326    | 8                                | —             |
| Provision for credit losses   | (2)                              | —             |
| Charge-offs, net              | —                                | —             |
| Ending balance                | \$ 6                             | \$ —          |

Accrued interest receivable of \$1.1 million as of December 31, 2020 for held-to-maturity debt securities was excluded from the evaluation of allowance for credit losses. There were no nonaccrual or past due held-to-maturity debt securities as of December 31, 2020.

### Equity Investments

The following tables detail the amortized cost, and the estimated fair value of the Company's equity investments, which are included in *Other investments* in the audited Consolidated Statements of Financial Condition.

| <i>(Dollars in thousands)</i>           | December 31, 2020 |                       |                       |                 |
|-----------------------------------------|-------------------|-----------------------|-----------------------|-----------------|
|                                         | Amortized Cost    | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value      |
| <b>Equity Investments</b>               |                   |                       |                       |                 |
| Visa Class B shares <sup>(1)</sup>      | \$ 618            | \$ 185                | \$ —                  | \$ 803          |
| Other equity investments <sup>(2)</sup> | 10,384            | —                     | 1,646                 | 8,738           |
|                                         | <u>\$ 11,002</u>  | <u>\$ 185</u>         | <u>\$ 1,646</u>       | <u>\$ 9,541</u> |

| <i>(Dollars in thousands)</i>           | December 31, 2019 |                       |                       |                  |
|-----------------------------------------|-------------------|-----------------------|-----------------------|------------------|
|                                         | Amortized Cost    | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value       |
| <b>Equity Investments</b>               |                   |                       |                       |                  |
| Visa Class B shares <sup>(1)</sup>      | \$ 15,716         | \$ 45,565             | \$ —                  | \$ 61,281        |
| Other equity investments <sup>(2)</sup> | 8,140             | 625                   | —                     | 8,765            |
|                                         | <u>\$ 23,856</u>  | <u>\$ 46,190</u>      | <u>\$ —</u>           | <u>\$ 70,046</u> |

<sup>(1)</sup> The Company recorded a net realized gain on sale of Visa Class B shares of \$22.1 million and \$3.8 million during the years ended December 31, 2020 and 2018, respectively. There were no such sales in 2019. These gains are recorded in *Realized gain on sale of equity investment* in the Consolidated Statements of Income. The Company recorded unrealized gains on its remaining investment in Visa Class B shares of \$3.0 million, \$25.6 million, and \$20.7 million during the years ended December 31, 2020, 2019, and 2018, respectively, which is recorded in *Unrealized gain on equity investment, net* in the Consolidated Statements of Income.

<sup>(2)</sup> As of December 31, 2020 and 2019, the fair value balance of the investment in Spring EQ was \$4.2 million and \$3.4 million, respectively. The Company recorded an impairment loss of \$2.3 million in the investment in Spring EQ during the first quarter of 2020, which is recorded in *Unrealized gain on equity investment, net* in the Consolidated Statements of Income. There were no impairment losses recorded on the Company's equity investments during the year ended December 31, 2019. During the second quarter of 2020, the Company amended its agreement with Spring EQ in an exchange for additional equity interest. The additional equity interest in Spring EQ was valued at \$2.4 million.

## 7. LOANS

The following table shows the Company's loan portfolio by category:

|                                          | December 31,        |                     |
|------------------------------------------|---------------------|---------------------|
|                                          | 2020                | 2019                |
| <i>(Dollars in thousands)</i>            |                     |                     |
| Commercial and industrial <sup>(1)</sup> | \$ 2,700,418        | \$ 2,046,798        |
| Owner-occupied commercial                | 1,332,727           | 1,296,466           |
| Commercial mortgages                     | 2,086,062           | 2,222,976           |
| Construction                             | 716,275             | 581,082             |
| Commercial small business leases         | 248,885             | 188,630             |
| Residential <sup>(2)</sup>               | 774,455             | 1,016,500           |
| Consumer <sup>(3)</sup>                  | 1,165,917           | 1,128,731           |
|                                          | <u>9,024,739</u>    | <u>8,481,183</u>    |
| Less:                                    |                     |                     |
| Deferred fees, net <sup>(4)</sup>        | —                   | 9,143               |
| Allowance for credit losses              | 228,804             | 47,576              |
| Net loans and leases                     | <u>\$ 8,795,935</u> | <u>\$ 8,424,464</u> |

(1) Includes PPP loans of \$751.2 million at December 31, 2020

(2) Includes reverse mortgages, at fair value of \$10.1 million and \$16.6 million at December 31, 2020 and 2019, respectively.

(3) Includes home equity lines of credit, installment loans unsecured lines of credit and education loans.

(4) At December 31, 2020, deferred fees, net are included in portfolio segment totals to present the amortized cost basis in accordance with the adoption of CECL. At December 31, 2019, deferred fees, net are excluded from portfolio segment totals to present the unpaid principal balance under the incurred loss methodology.

Accrued interest receivable on loans outstanding was \$37.6 million and \$31.5 million at December 31, 2020 and 2019, respectively.

## 8. ALLOWANCE FOR CREDIT LOSSES AND CREDIT QUALITY INFORMATION

The following table provides the activity of the Company's allowance for credit losses and loan and lease balances for the year ended December 31, 2020 under the CECL model in accordance with ASC 326 (as adopted on January 1, 2020). During 2020, the increase to the allowance for credit losses was primarily due to the Company's initial adoption of CECL, acute deterioration in the economic forecast used in its CECL models related to the impact of COVID-19 pandemic and enhanced loan reviews which resulted in risk migration that occurred during the year in several specific portfolios, mainly in the accommodation and food service industries.

| <i>(Dollars in thousands)</i>                   | Commercial and Industrial <sup>(1)</sup> | Owner-occupied Commercial | Commercial Mortgages | Construction      | Residential <sup>(2)</sup> | Consumer <sup>(3)</sup> | Total               |
|-------------------------------------------------|------------------------------------------|---------------------------|----------------------|-------------------|----------------------------|-------------------------|---------------------|
| <b>Year Ended December 31, 2020</b>             |                                          |                           |                      |                   |                            |                         |                     |
| Allowance for credit losses                     |                                          |                           |                      |                   |                            |                         |                     |
| Beginning balance, prior to adoption of ASC 326 | \$ 22,849                                | \$ 4,616                  | \$ 7,452             | \$ 3,891          | \$ 1,381                   | \$ 7,387                | \$ 47,576           |
| Impact of adopting ASC 326 <sup>(4)</sup>       | 19,747                                   | (1,472)                   | 1,662                | 681               | 7,522                      | 7,715                   | 35,855              |
| Charge-offs                                     | (10,388)                                 | (336)                     | (104)                | —                 | (229)                      | (2,464)                 | (13,521)            |
| Recoveries                                      | 4,255                                    | 142                       | 158                  | 36                | 230                        | 893                     | 5,714               |
| Provision (credit)                              | 114,412                                  | 6,665                     | 21,903               | 7,582             | (2,011)                    | 4,629                   | 153,180             |
| Ending balance                                  | <u>\$ 150,875</u>                        | <u>\$ 9,615</u>           | <u>\$ 31,071</u>     | <u>\$ 12,190</u>  | <u>\$ 6,893</u>            | <u>\$ 18,160</u>        | <u>\$ 228,804</u>   |
| <b>Period-end allowance allocated to:</b>       |                                          |                           |                      |                   |                            |                         |                     |
| Loans evaluated on an individual basis          | \$ 1                                     | \$ —                      | \$ 13                | \$ —              | \$ —                       | \$ —                    | \$ 14               |
| Loans evaluated on a collective basis           | <u>150,874</u>                           | <u>9,615</u>              | <u>31,058</u>        | <u>12,190</u>     | <u>6,893</u>               | <u>18,160</u>           | <u>228,790</u>      |
| Ending balance                                  | <u>\$ 150,875</u>                        | <u>\$ 9,615</u>           | <u>\$ 31,071</u>     | <u>\$ 12,190</u>  | <u>\$ 6,893</u>            | <u>\$ 18,160</u>        | <u>\$ 228,804</u>   |
| <b>Period-end loan balances:</b>                |                                          |                           |                      |                   |                            |                         |                     |
| Loans evaluated on an individual basis          | \$ 14,048                                | \$ 6,496                  | \$ 20,309            | \$ 79             | \$ 5,921                   | \$ 2,371                | \$ 49,224           |
| Loans evaluated on a collective basis           | <u>2,935,255</u>                         | <u>1,326,231</u>          | <u>2,065,753</u>     | <u>716,196</u>    | <u>758,472</u>             | <u>1,163,546</u>        | <u>8,965,453</u>    |
| Ending balance                                  | <u>\$ 2,949,303</u>                      | <u>\$ 1,332,727</u>       | <u>\$ 2,086,062</u>  | <u>\$ 716,275</u> | <u>\$ 764,393</u>          | <u>\$ 1,165,917</u>     | <u>\$ 9,014,677</u> |

<sup>(1)</sup> Includes commercial small business leases and PPP loans.

<sup>(2)</sup> Period-end loan balance excludes reverse mortgages at fair value of \$10.1 million.

<sup>(3)</sup> Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

<sup>(4)</sup> The impact of adopting ASC 326 includes \$0.1 million for the initial allowance on loans purchased with credit deterioration.

The following tables provide the activity of the allowance for loan and lease losses and loan and lease balances for the years ended December 31, 2019 and 2018 under the incurred loss model:

(Dollars in thousands)

|                                                      | Commercial and<br>Industrial <sup>(1)</sup> | Owner-<br>occupied<br>Commercial | Commercial<br>Mortgages | Construction      | Residential <sup>(2)</sup> | Consumer            | Total               |
|------------------------------------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|----------------------------|---------------------|---------------------|
| <b>Year Ended December 31, 2019</b>                  |                                             |                                  |                         |                   |                            |                     |                     |
| Allowance for loan and lease losses                  |                                             |                                  |                         |                   |                            |                     |                     |
| Beginning balance                                    | \$ 14,211                                   | \$ 5,057                         | \$ 6,806                | \$ 3,712          | \$ 1,428                   | \$ 8,325            | \$ 39,539           |
| Charge-offs                                          | (17,258)                                    | (354)                            | (159)                   | (42)              | (322)                      | (4,138)             | (22,273)            |
| Recoveries                                           | 1,621                                       | 200                              | 1,546                   | 4                 | (84)                       | 1,463               | 4,750               |
| Provision (credit)                                   | 23,977                                      | (472)                            | (830)                   | 207               | 126                        | 1,465               | 24,473              |
| Provision (credit) for acquired loans                | 298                                         | 185                              | 89                      | 10                | 233                        | 272                 | 1,087               |
| Ending balance                                       | <u>\$ 22,849</u>                            | <u>\$ 4,616</u>                  | <u>\$ 7,452</u>         | <u>\$ 3,891</u>   | <u>\$ 1,381</u>            | <u>\$ 7,387</u>     | <u>\$ 47,576</u>    |
| <b>Period-end allowance allocated to:</b>            |                                             |                                  |                         |                   |                            |                     |                     |
| Individually evaluated for impairment                | \$ 1,179                                    | \$ 23                            | \$ —                    | \$ —              | \$ 463                     | \$ 176              | \$ 1,841            |
| Collectively evaluated for impairment                | 21,664                                      | 4,383                            | 7,387                   | 3,867             | 824                        | 7,210               | 45,335              |
| Acquired loans evaluated for impairment              | 6                                           | 210                              | 65                      | 24                | 94                         | 1                   | 400                 |
| Ending balance                                       | <u>\$ 22,849</u>                            | <u>\$ 4,616</u>                  | <u>\$ 7,452</u>         | <u>\$ 3,891</u>   | <u>\$ 1,381</u>            | <u>\$ 7,387</u>     | <u>\$ 47,576</u>    |
| <b>Period-end loan balances:</b>                     |                                             |                                  |                         |                   |                            |                     |                     |
| Individually evaluated for impairment <sup>(3)</sup> | \$ 11,158                                   | \$ 4,060                         | \$ 1,753                | \$ —              | \$ 12,151                  | \$ 7,467            | \$ 36,589           |
| Collectively evaluated for impairment                | 1,619,549                                   | 971,694                          | 1,105,174               | 437,999           | 145,582                    | 899,724             | 5,179,722           |
| Acquired nonimpaired loans                           | 603,157                                     | 313,955                          | 1,107,379               | 142,592           | 834,820                    | 219,413             | 3,221,316           |
| Acquired impaired loans                              | 1,564                                       | 6,757                            | 8,670                   | 491               | 7,326                      | 2,127               | 26,935              |
| Ending balance <sup>(4)</sup>                        | <u>\$ 2,235,428</u>                         | <u>\$ 1,296,466</u>              | <u>\$ 2,222,976</u>     | <u>\$ 581,082</u> | <u>\$ 999,879</u>          | <u>\$ 1,128,731</u> | <u>\$ 8,464,562</u> |

(Dollars in thousands)

|                                                      | Commercial and Industrial | Owner-<br>occupied<br>Commercial | Commercial<br>Mortgages | Construction      | Residential <sup>(2)</sup> | Consumer          | Total               |
|------------------------------------------------------|---------------------------|----------------------------------|-------------------------|-------------------|----------------------------|-------------------|---------------------|
| <b>Year Ended December 31, 2018</b>                  |                           |                                  |                         |                   |                            |                   |                     |
| Allowance for loan and lease losses                  |                           |                                  |                         |                   |                            |                   |                     |
| Beginning balance                                    | \$ 16,732                 | \$ 5,422                         | \$ 5,891                | \$ 2,861          | \$ 1,798                   | \$ 7,895          | \$ 40,599           |
| Charge-offs                                          | (12,130)                  | (417)                            | (255)                   | (1,475)           | (91)                       | (2,615)           | (16,983)            |
| Recoveries                                           | 1,381                     | 34                               | 255                     | 3                 | 154                        | 926               | 2,753               |
| Provision (credit)                                   | 8,328                     | (38)                             | 924                     | 2,341             | (404)                      | 2,126             | 13,277              |
| Provision (credit) for acquired loans                | (100)                     | 56                               | (9)                     | (18)              | (29)                       | (7)               | (107)               |
| Ending balance                                       | <u>\$ 14,211</u>          | <u>\$ 5,057</u>                  | <u>\$ 6,806</u>         | <u>\$ 3,712</u>   | <u>\$ 1,428</u>            | <u>\$ 8,325</u>   | <u>\$ 39,539</u>    |
| <b>Period-end allowance allocated to:</b>            |                           |                                  |                         |                   |                            |                   |                     |
| Individually evaluated for impairment                | \$ 876                    | \$ —                             | \$ —                    | \$ 444            | \$ 543                     | \$ 168            | \$ 2,031            |
| Collectively evaluated for impairment                | 13,334                    | 4,965                            | 6,727                   | 3,254             | 847                        | 8,155             | 37,282              |
| Acquired loans evaluated for impairment              | 1                         | 92                               | 79                      | 14                | 38                         | 2                 | 226                 |
| Ending balance                                       | <u>\$ 14,211</u>          | <u>\$ 5,057</u>                  | <u>\$ 6,806</u>         | <u>\$ 3,712</u>   | <u>\$ 1,428</u>            | <u>\$ 8,325</u>   | <u>\$ 39,539</u>    |
| <b>Period-end loan balances:</b>                     |                           |                                  |                         |                   |                            |                   |                     |
| Individually evaluated for impairment <sup>(3)</sup> | \$ 14,837                 | \$ 4,406                         | \$ 4,083                | \$ 2,781          | \$ 11,017                  | \$ 7,883          | \$ 45,007           |
| Collectively evaluated for impairment                | 1,366,151                 | 938,934                          | 1,005,504               | 310,511           | 132,064                    | 651,160           | 4,404,324           |
| Acquired nonimpaired loans                           | 89,970                    | 112,386                          | 145,648                 | 2,525             | 57,708                     | 21,745            | 429,982             |
| Acquired impaired loans                              | 1,531                     | 4,248                            | 7,504                   | 749               | 761                        | 151               | 14,944              |
| Ending balance <sup>(4)</sup>                        | <u>\$ 1,472,489</u>       | <u>\$ 1,059,974</u>              | <u>\$ 1,162,739</u>     | <u>\$ 316,566</u> | <u>\$ 201,550</u>          | <u>\$ 680,939</u> | <u>\$ 4,894,257</u> |

<sup>(1)</sup> Includes commercial small business leases.

<sup>(2)</sup> Period-end loan balance excludes reverse mortgages at fair value of \$16.6 million as of December 31, 2019 and \$16.5 million as of December 31, 2018.

<sup>(3)</sup> The difference between this amount and nonaccruing loans represents accruing troubled debt restructured loans which are considered to be impaired loans of \$14.3 million as of December 31, 2019 and \$15.0 million as of December 31, 2018.

<sup>(4)</sup> Ending loan balances do not include net deferred fees.

The following table shows nonaccrual and past due loans presented at amortized cost at the date indicated under the CECL model:

|                                          | December 31, 2020                            |                                                           |                                            |                                 |                                    |                |
|------------------------------------------|----------------------------------------------|-----------------------------------------------------------|--------------------------------------------|---------------------------------|------------------------------------|----------------|
| (Dollars in thousands)                   | 30–89 Days<br>Past Due and<br>Still Accruing | Greater Than<br>90 Days<br>Past Due and<br>Still Accruing | Total Past<br>Due<br>And Still<br>Accruing | Accruing<br>Current<br>Balances | Nonaccrual<br>Loans <sup>(1)</sup> | Total<br>Loans |
| Commercial and industrial <sup>(2)</sup> | \$ 7,313                                     | \$ 3,652                                                  | \$ 10,965                                  | \$ 2,924,522                    | \$ 13,816                          | \$ 2,949,303   |
| Owner-occupied commercial                | 3,120                                        | 892                                                       | 4,012                                      | 1,323,355                       | 5,360                              | 1,332,727      |
| Commercial mortgages                     | 5,944                                        | 1,090                                                     | 7,034                                      | 2,061,853                       | 17,175                             | 2,086,062      |
| Construction                             | 371                                          | —                                                         | 371                                        | 715,904                         | —                                  | 716,275        |
| Residential <sup>(3)</sup>               | 3,049                                        | 25                                                        | 3,074                                      | 758,072                         | 3,247                              | 764,393        |
| Consumer <sup>(4)</sup>                  | 8,355                                        | 11,035                                                    | 19,390                                     | 1,144,217                       | 2,310                              | 1,165,917      |
| Total <sup>(4)</sup>                     | \$ 28,152                                    | \$ 16,694                                                 | \$ 44,846                                  | \$ 8,927,923                    | \$ 41,908                          | \$ 9,014,677   |
| % of Total Loans                         | 0.31 %                                       | 0.19 %                                                    | 0.50 %                                     | 99.04 %                         | 0.46 %                             | 100.00 %       |

(1) Nonaccrual loans with an allowance totaled \$13 thousand.

(2) Includes commercial small business leases and PPP loans.

(3) Residential accruing current balances excludes reverse mortgages at fair value of \$10.1 million.

(4) Includes \$18.2 million of delinquent, but still accruing, U.S. government-guaranteed student loans that carry little risk of credit loss.

The following table shows nonaccrual and past due loans presented at unpaid principal balance at the date indicated under the incurred loss model:

|                                          | December 31, 2019                            |                                                           |                                            |                                 |                               |                     |              |
|------------------------------------------|----------------------------------------------|-----------------------------------------------------------|--------------------------------------------|---------------------------------|-------------------------------|---------------------|--------------|
| (Dollars in thousands)                   | 30–89 Days<br>Past Due and<br>Still Accruing | Greater Than<br>90 Days<br>Past Due and<br>Still Accruing | Total Past<br>Due<br>And Still<br>Accruing | Accruing<br>Current<br>Balances | Acquired<br>Impaired<br>Loans | Nonaccrual<br>Loans | Total Loans  |
| Commercial and industrial <sup>(1)</sup> | \$ 6,289                                     | \$ 2,038                                                  | \$ 8,327                                   | \$ 2,214,506                    | \$ 1,564                      | \$ 11,031           | \$ 2,235,428 |
| Owner-occupied commercial                | 1,498                                        | 831                                                       | 2,329                                      | 1,283,320                       | 6,757                         | 4,060               | 1,296,466    |
| Commercial mortgages                     | 4,999                                        | 99                                                        | 5,098                                      | 2,207,582                       | 8,670                         | 1,626               | 2,222,976    |
| Construction                             | —                                            | —                                                         | —                                          | 580,591                         | 491                           | —                   | 581,082      |
| Residential <sup>(2)</sup>               | 6,733                                        | 437                                                       | 7,170                                      | 980,893                         | 7,326                         | 4,490               | 999,879      |
| Consumer <sup>(3)</sup>                  | 13,164                                       | 12,745                                                    | 25,909                                     | 1,098,980                       | 2,127                         | 1,715               | 1,128,731    |
| Total <sup>(4)</sup>                     | \$ 32,683                                    | \$ 16,150                                                 | \$ 48,833                                  | \$ 8,365,872                    | \$ 26,935                     | \$ 22,922           | \$ 8,464,562 |
| % of Total Loans                         | 0.39 %                                       | 0.19 %                                                    | 0.58 %                                     | 98.83 %                         | 0.32 %                        | 0.27 %              | 100.00 %     |

(1) Includes commercial small business leases.

(2) Residential accruing current balances excludes reverse mortgages at fair value of \$16.6 million.

(3) Includes \$22.3 million of delinquent, but still accruing, U.S. government-guaranteed student loans that carry little risk of credit loss.

(4) Balances in table above includes \$3.2 billion in acquired non-impaired loans.

The following table presents the amortized cost basis of nonaccruing collateral-dependent loans by class at December 31, 2020 under the CECL model:

|                                          | December 31, 2020 |                     |
|------------------------------------------|-------------------|---------------------|
| (Dollars in thousands)                   | Property          | Equipment and other |
| Commercial and industrial <sup>(1)</sup> | \$ 10,646         | \$ 3,170            |
| Owner-occupied commercial                | 5,360             | —                   |
| Commercial mortgages                     | 17,175            | —                   |
| Construction                             | —                 | —                   |
| Residential <sup>(2)</sup>               | 3,247             | —                   |
| Consumer <sup>(3)</sup>                  | 2,294             | 16                  |
| Total                                    | \$ 38,722         | \$ 3,186            |

(1) Includes commercial small business leases.

(2) Excludes reverse mortgages at fair value.

(3) Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

The following table provides an analysis of the Company's impaired loans at December 31, 2019 under the incurred loss model:

|                           | December 31, 2019          |                                                       |                                                 |                    |                                                     |                             |
|---------------------------|----------------------------|-------------------------------------------------------|-------------------------------------------------|--------------------|-----------------------------------------------------|-----------------------------|
| (Dollars in thousands)    | Ending<br>Loan<br>Balances | Loans<br>with No<br>Related<br>Reserve <sup>(1)</sup> | Loans with<br>Related<br>Reserve <sup>(2)</sup> | Related<br>Reserve | Contractual<br>Principal<br>Balances <sup>(2)</sup> | Average<br>Loan<br>Balances |
| Commercial and industrial | \$ 11,900                  | \$ 9,979                                              | \$ 1,921                                        | \$ 1,185           | \$ 14,653                                           | \$ 17,033                   |
| Owner-occupied commercial | 5,596                      | 3,919                                                 | 1,677                                           | 233                | 6,083                                               | 7,869                       |
| Commercial mortgages      | 4,888                      | 1,753                                                 | 3,135                                           | 65                 | 5,215                                               | 4,607                       |
| Construction              | 435                        | —                                                     | 435                                             | 24                 | 488                                                 | 1,686                       |
| Residential               | 14,119                     | 8,858                                                 | 5,261                                           | 557                | 16,721                                              | 12,031                      |
| Consumer                  | 7,584                      | 5,876                                                 | 1,708                                           | 178                | 8,444                                               | 7,729                       |
| Total                     | <u>\$ 44,522</u>           | <u>\$ 30,385</u>                                      | <u>\$ 14,137</u>                                | <u>\$ 2,242</u>    | <u>\$ 51,604</u>                                    | <u>\$ 50,955</u>            |

<sup>(1)</sup> Reflects loan balances at or written down to their remaining book balance.

<sup>(2)</sup> The above includes acquired impaired loans totaling \$7.9 million in the ending loan balance and \$9.0 million in the contractual principal balance.

Interest income of \$0.8 million was recognized on individually reviewed loans during 2020. Interest income of \$0.8 million was recognized on impaired loans during 2019.

As of December 31, 2020, there were 27 residential loans and 23 commercial loans in the process of foreclosure. The total outstanding balance on the loans was \$1.9 million and \$12.8 million, respectively. As of December 31, 2019, there were 33 residential loans and 29 commercial loans in the process of foreclosure. The total outstanding balance on the loans was \$3.2 million and \$9.5 million, respectively. Loan workout and OREO expenses recognized were \$3.2 million in 2020, \$2.7 million in 2019, and \$1.5 million in 2018. Loan workout and OREO expenses are included in *Loan workout and other credit costs* on the Consolidated Statement of Income.

#### Credit Quality Indicators

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

- *Pass.* These borrowers currently show no indication of deterioration or potential problems and their loans are considered fully collectible.
- *Special Mention.* Borrowers have potential weaknesses that deserve management's close attention. Borrowers in this category may be experiencing adverse operating trends, for example, declining revenues or margins, high leverage, tight liquidity, or increasing inventory without increasing sales. These adverse trends can have a potential negative effect on the borrower's repayment capacity. These assets are not adversely classified and do not expose the Bank to significant risk that would warrant a more severe rating. Borrowers in this category may also be experiencing significant management problems, pending litigation, or other structural credit weaknesses.
- *Substandard or Lower.* Borrowers have well-defined weaknesses that require extensive oversight by management. Borrowers in this category may exhibit one or more of the following: inadequate debt service coverage, unprofitable operations, insufficient liquidity, high leverage, and weak or inadequate capitalization. Relationships in this category are not adequately protected by the sound financial worth and paying capacity of the obligor or the collateral pledged on the loan, if any. A distinct possibility exists that the Bank will sustain some loss if the deficiencies are not corrected. In addition, some borrowers in this category could have the added characteristic that the possibility of loss is extremely high. Current circumstances in the credit relationship make collection or liquidation in full highly questionable. Such impending events include: perfecting liens on additional collateral, obtaining collateral valuations, an acquisition or liquidation preceding, proposed merger, or refinancing plan.

#### Residential and Consumer Loans

The residential and consumer loan portfolios are monitored on an ongoing basis using delinquency information and loan type as credit quality indicators. These credit quality indicators are assessed in the aggregate in these relatively homogeneous portfolios. Loans that are greater than 90 days past due are generally considered nonperforming and placed on nonaccrual status.

The following tables provide an analysis of loans by portfolio segment based on the credit quality indicators used to determine the allowance for credit losses, as of December 31, 2020 under the CECL model.

|                                            | Term Loans Amortized Cost Basis by Origination Year |            |            |            |            |            |                                            |                                      |              |  |
|--------------------------------------------|-----------------------------------------------------|------------|------------|------------|------------|------------|--------------------------------------------|--------------------------------------|--------------|--|
|                                            | 2020                                                | 2019       | 2018       | 2017       | 2016       | Prior      | Revolving loans<br>amortized cost<br>basis | Revolving loans<br>converted to term | Total        |  |
| (Dollars in thousands)                     |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Commercial and industrial <sup>(1)</sup> : |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Risk Rating                                |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Pass <sup>(2)</sup>                        | \$ 1,250,528                                        | \$ 448,704 | \$ 296,594 | \$ 157,359 | \$ 97,036  | \$ 125,361 | \$ 6,182                                   | \$ 136,110                           | \$ 2,517,874 |  |
| Special mention                            | 3,040                                               | 26,470     | 28,636     | 8,482      | 2,577      | 16,993     | —                                          | 34,403                               | 120,601      |  |
| Substandard or Lower                       | 82,868                                              | 60,227     | 57,880     | 50,446     | 15,151     | 35,150     | 63                                         | 9,043                                | 310,828      |  |
|                                            | \$ 1,336,436                                        | \$ 535,401 | \$ 383,110 | \$ 216,287 | \$ 114,764 | \$ 177,504 | \$ 6,245                                   | \$ 179,556                           | \$ 2,949,303 |  |
| Owner-occupied commercial:                 |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Risk Rating                                |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Pass                                       | \$ 220,165                                          | \$ 225,766 | \$ 90,515  | \$ 135,903 | \$ 123,897 | \$ 271,086 | \$ —                                       | \$ 123,194                           | \$ 1,190,526 |  |
| Special mention                            | 1,525                                               | 5,885      | 1,838      | 17,578     | 4,125      | 1,997      | —                                          | 14,467                               | 47,415       |  |
| Substandard or Lower                       | 3,703                                               | 13,426     | 15,272     | 19,883     | 11,581     | 19,331     | —                                          | 11,590                               | 94,786       |  |
|                                            | \$ 225,393                                          | \$ 245,077 | \$ 107,625 | \$ 173,364 | \$ 139,603 | \$ 292,414 | \$ —                                       | \$ 149,251                           | \$ 1,332,727 |  |
| Commercial mortgages:                      |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Risk Rating                                |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Pass                                       | \$ 379,592                                          | \$ 283,004 | \$ 240,924 | \$ 257,809 | \$ 254,780 | \$ 375,473 | \$ —                                       | \$ 148,210                           | \$ 1,939,792 |  |
| Special mention                            | 8,324                                               | 1,774      | 21,762     | 21,269     | 1,274      | 6,507      | —                                          | 1,870                                | 62,780       |  |
| Substandard or Lower                       | 26,343                                              | 25,402     | 2,253      | 1,950      | 3,242      | 24,300     | —                                          | —                                    | 83,490       |  |
|                                            | \$ 414,259                                          | \$ 310,180 | \$ 264,939 | \$ 281,028 | \$ 259,296 | \$ 406,280 | \$ —                                       | \$ 150,080                           | \$ 2,086,062 |  |
| Construction:                              |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Risk Rating                                |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Pass                                       | \$ 189,257                                          | \$ 214,956 | \$ 208,981 | \$ 11,414  | \$ 7,414   | \$ 3,645   | \$ —                                       | \$ 66,018                            | \$ 701,685   |  |
| Special mention                            | —                                                   | —          | —          | 3,515      | —          | —          | —                                          | —                                    | 3,515        |  |
| Substandard or Lower                       | —                                                   | 8,648      | —          | —          | —          | 79         | —                                          | 2,348                                | 11,075       |  |
|                                            | \$ 189,257                                          | \$ 223,604 | \$ 208,981 | \$ 14,929  | \$ 7,414   | \$ 3,724   | \$ —                                       | \$ 68,366                            | \$ 716,275   |  |
| Residential <sup>(3)</sup> :               |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Risk Rating                                |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Performing                                 | \$ 42,475                                           | \$ 26,309  | \$ 71,410  | \$ 85,277  | \$ 149,643 | \$ 383,358 | \$ —                                       | \$ —                                 | \$ 758,472   |  |
| Nonperforming <sup>(4)</sup>               | 113                                                 | —          | —          | —          | 283        | 5,525      | —                                          | —                                    | 5,921        |  |
|                                            | \$ 42,588                                           | \$ 26,309  | \$ 71,410  | \$ 85,277  | \$ 149,926 | \$ 388,883 | \$ —                                       | \$ —                                 | \$ 764,393   |  |
| Consumer <sup>(5)</sup> :                  |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Risk Rating                                |                                                     |            |            |            |            |            |                                            |                                      |              |  |
| Performing                                 | \$ 235,948                                          | \$ 134,064 | \$ 251,087 | \$ 63,713  | \$ 44,700  | \$ 53,717  | \$ 371,842                                 | \$ 8,287                             | \$ 1,163,358 |  |
| Nonperforming <sup>(6)</sup>               | —                                                   | —          | 636        | 232        | —          | —          | 1,396                                      | 295                                  | 2,559        |  |
|                                            | \$ 235,948                                          | \$ 134,064 | \$ 251,723 | \$ 63,945  | \$ 44,700  | \$ 53,717  | \$ 373,238                                 | \$ 8,582                             | \$ 1,165,917 |  |

<sup>(1)</sup> Includes commercial small business leases.

<sup>(2)</sup> Includes \$751.2 million of PPP loans

<sup>(3)</sup> Excludes reverse mortgages at fair value.

<sup>(4)</sup> Includes troubled debt restructured mortgages performing in accordance with the loans' modified terms and are accruing interest.

<sup>(5)</sup> Includes home equity lines of credit, installment loans, unsecured lines of credit and education loans.

<sup>(6)</sup> Includes troubled debt restructured home equity installment loans performing in accordance with the loans' modified terms and are accruing interest.

The following tables provide an analysis of loans by portfolio segment based on the credit quality indicators used to determine the allowance for loan and lease loss, as of December 31, 2019 under the incurred loss model.

#### Commercial Credit Exposure

|                                              | December 31, 2019                        |                           |                      |                   |                                 |              |
|----------------------------------------------|------------------------------------------|---------------------------|----------------------|-------------------|---------------------------------|--------------|
|                                              | Commercial and Industrial <sup>(1)</sup> | Owner-occupied Commercial | Commercial Mortgages | Construction      | Total Commercial <sup>(2)</sup> |              |
|                                              |                                          |                           |                      |                   | Amount                          | %            |
| <i>(Dollars in thousands)</i>                |                                          |                           |                      |                   |                                 |              |
| <b>Risk Rating:</b>                          |                                          |                           |                      |                   |                                 |              |
| Special mention                              | \$ 12,287                                | \$ —                      | \$ 40,478            | \$ —              | \$ 52,765                       |              |
| <b>Substandard:</b>                          |                                          |                           |                      |                   |                                 |              |
| Accrual                                      | 78,809                                   | 32,679                    | 23,017               | —                 | 134,505                         |              |
| Nonaccrual                                   | 9,852                                    | 4,037                     | 1,626                | —                 | 15,515                          |              |
| Doubtful                                     | 1,179                                    | 23                        | —                    | —                 | 1,202                           |              |
| <b>Total Special Mention and Substandard</b> | <b>102,127</b>                           | <b>36,739</b>             | <b>65,121</b>        | <b>—</b>          | <b>203,987</b>                  | <b>3 %</b>   |
| Acquired impaired                            | 1,564                                    | 6,757                     | 8,670                | 491               | 17,482                          | — %          |
| Pass                                         | 2,131,737                                | 1,252,970                 | 2,149,185            | 580,591           | 6,114,483                       | 97 %         |
| <b>Total</b>                                 | <b>\$ 2,235,428</b>                      | <b>\$ 1,296,466</b>       | <b>\$ 2,222,976</b>  | <b>\$ 581,082</b> | <b>\$ 6,335,952</b>             | <b>100 %</b> |

<sup>(1)</sup> Includes commercial small business leases.

<sup>(2)</sup> Includes \$2.2 billion of acquired non-impaired loans at December 31, 2019.

#### Residential Credit Exposure

|                               | Residential <sup>(2)</sup> | Consumer          | Total Retail <sup>(3)</sup> |         |
|-------------------------------|----------------------------|-------------------|-----------------------------|---------|
|                               | December 31, 2019          | December 31, 2019 | December 31, 2019           |         |
|                               |                            |                   | Amount                      | Percent |
| <i>(Dollars in thousands)</i> |                            |                   |                             |         |
| Nonperforming <sup>(1)</sup>  | \$ 12,858                  | \$ 7,374          | \$ 20,232                   | 1 %     |
| Acquired impaired loans       | 7,326                      | 2,127             | 9,453                       | — %     |
| Performing                    | 979,695                    | 1,119,230         | 2,098,925                   | 99 %    |
| Total                         | \$ 999,879                 | \$ 1,128,731      | \$ 2,128,610                | 100 %   |

<sup>(1)</sup> Includes \$14.0 million as of December 31, 2019 of troubled debt restructured mortgages and home equity installment loans that are performing in accordance with the loans modified terms and are accruing interest.

<sup>(2)</sup> Residential performing loans excludes \$16.6 million of reverse mortgages at fair value as of December 31, 2019.

<sup>(3)</sup> Total includes acquired non-impaired loans of \$1.1 billion at December 31, 2019.

#### Troubled Debt Restructurings (TDR)

The following table presents the balance of TDRs as of the indicated dates:

|                               | December 31, 2020 | December 31, 2019 |
|-------------------------------|-------------------|-------------------|
| <i>(Dollars in thousands)</i> |                   |                   |
| Performing TDRs               | \$ 15,539         | \$ 14,281         |
| Nonperforming TDRs            | 4,601             | 5,896             |
| Total TDRs                    | \$ 20,140         | \$ 20,177         |

Less than \$0.1 million and \$0.6 million in related reserves have been established for these loans at December 31, 2020 and December 31, 2019, respectively.

The following tables present information regarding the types of loan modifications made and the balances of loans modified as TDRs during the years ended December 31, 2020 and 2019:

|                           | December 31, 2020             |                         |                          |                      |           | December 31, 2019             |                         |                          |                      |           |
|---------------------------|-------------------------------|-------------------------|--------------------------|----------------------|-----------|-------------------------------|-------------------------|--------------------------|----------------------|-----------|
|                           | Contractual payment reduction | Maturity date extension | Discharged in bankruptcy | Other <sup>(1)</sup> | Total     | Contractual payment reduction | Maturity date extension | Discharged in bankruptcy | Other <sup>(1)</sup> | Total     |
| Commercial                | 1                             | —                       | —                        | —                    | 1         | —                             | 1                       | —                        | 2                    | 3         |
| Owner-occupied commercial | 3                             | —                       | —                        | —                    | 3         | —                             | —                       | —                        | 2                    | 2         |
| Commercial mortgages      | —                             | 1                       | —                        | —                    | 1         | 3                             | —                       | —                        | 1                    | 4         |
| Construction              | —                             | —                       | —                        | —                    | —         | —                             | —                       | —                        | —                    | —         |
| Residential               | —                             | —                       | 6                        | 4                    | 10        | 4                             | —                       | 3                        | 3                    | 10        |
| Consumer                  | —                             | —                       | 12                       | 7                    | 19        | 5                             | 3                       | 8                        | 5                    | 21        |
|                           | <u>4</u>                      | <u>1</u>                | <u>18</u>                | <u>11</u>            | <u>34</u> | <u>12</u>                     | <u>4</u>                | <u>11</u>                | <u>13</u>            | <u>40</u> |

<sup>(1)</sup> Other includes interest rate reduction, forbearance, and interest only payments.

|                               | Year Ended December 31, |                   |                  |                   |
|-------------------------------|-------------------------|-------------------|------------------|-------------------|
|                               | 2020                    |                   | 2019             |                   |
|                               | Pre Modification        | Post Modification | Pre Modification | Post Modification |
| <i>(Dollars in thousands)</i> |                         |                   |                  |                   |
| Commercial                    | \$ 1                    | \$ 1              | \$ 1,134         | \$ 1,134          |
| Owner-occupied commercial     | 1,192                   | 1,192             | 1,367            | 1,367             |
| Commercial mortgages          | 93                      | 93                | 1,136            | 1,136             |
| Construction                  | —                       | —                 | —                | —                 |
| Residential                   | 1,396                   | 1,396             | 1,231            | 1,231             |
| Consumer                      | 1,714                   | 1,714             | 2,046            | 2,046             |
|                               | <u>\$ 4,396</u>         | <u>\$ 4,396</u>   | <u>\$ 6,914</u>  | <u>\$ 6,914</u>   |

The TDRs set forth in the table above resulted in a \$0.5 million decrease in the Company's allowance for credit losses, and resulted in no additional charge-offs during the year ended December 31, 2020. For the year ended December 31, 2019, the TDRs set forth in the table above resulted in a \$0.2 million decrease in the Company's allowance for credit losses and no additional charge-offs.

For the year ended December 31, 2020, no TDRs defaulted that had received troubled debt modification during the past twelve months, compared with four TDRs with a total loan amount of \$0.3 million during the year ended December 31, 2019.

## 9. PREMISES AND EQUIPMENT

The following table shows the components of premises and equipment, at cost, summarized by major classifications:

| (Dollars in thousands)         | December 31, |            |
|--------------------------------|--------------|------------|
|                                | 2020         | 2019       |
| Land                           | \$ 20,209    | \$ 20,209  |
| Buildings                      | 35,343       | 34,637     |
| Leasehold improvements         | 63,365       | 62,523     |
| Furniture and equipment        | 67,336       | 64,445     |
|                                | 186,253      | 181,814    |
| Less: Accumulated depreciation | 89,697       | 77,349     |
|                                | \$ 96,556    | \$ 104,465 |

The Company recognized depreciation expense of \$14.3 million, \$15.0 million and \$8.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## 10. LEASES

As a lessee, the Company enters into leases for its bank branches, corporate offices, and certain equipment. As a lessor, the Company primarily provides financing through its equipment leasing business.

### Lessee

The Company's ongoing leases have remaining lease terms of less than 1 year to 42 years, which includes renewal options that are exercised at its discretion. The Company's lease terms to calculate the lease liability and right-of-use asset include options to extend the lease when it is reasonably certain that the Company will exercise the option. The lease liability and right-of-use asset is included in *Other liabilities* and *Other assets*, respectively, in the Consolidated Statement of Financial Condition. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized on a straight-line basis over the lease term. Operating lease expense is included in *Occupancy expense* in the Consolidated Statement of Income. The Company accounts for lease components separately from nonlease components and subleases certain real estate to third parties.

The components of the Company's ongoing operating lease cost under ASC 842, *Leases* (as adopted on January 1, 2019) were as follows:

| (Dollars in thousands)              | Twelve months ended |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | December 31, 2020   | December 31, 2019 |
| Operating lease cost <sup>(1)</sup> | \$ 18,690           | \$ 19,574         |
| Sublease income                     | (372)               | (486)             |
| Net lease cost                      | \$ 18,318           | \$ 19,088         |

<sup>(1)</sup> Includes variable lease cost and short-term lease cost.

Rent expense under ASC 840, *Leases* was \$12.9 million in 2018.

Supplemental balance sheet information related to operating leases was as follows:

| <i>(Dollars in thousands)</i>                    | <b>December 31, 2020</b> | December 31, 2019 |
|--------------------------------------------------|--------------------------|-------------------|
| <b>Assets</b>                                    |                          |                   |
| Right-of-use assets                              | \$ 150,985               | \$ 166,221        |
| Total assets                                     | <u>\$ 150,985</u>        | <u>\$ 166,221</u> |
| <b>Liabilities</b>                               |                          |                   |
| Lease liabilities                                | \$ 166,451               | \$ 181,814        |
| Total liabilities                                | <u>\$ 166,451</u>        | <u>\$ 181,814</u> |
| <b>Lease term and discount rate</b>              |                          |                   |
| Weighted average remaining lease term (in years) |                          |                   |
| Operating leases                                 | 19.36                    | 19.06             |
| Weighted average discount rate                   |                          |                   |
| Operating leases                                 | 4.26 %                   | 4.17 %            |

Maturities of operating lease liabilities were as follows:

| <i>(Dollars in thousands)</i>      | <b>December 31, 2020</b> |
|------------------------------------|--------------------------|
| 2021                               | \$ 17,013                |
| 2022                               | 16,976                   |
| 2023                               | 17,093                   |
| 2024                               | 15,919                   |
| 2025                               | 15,920                   |
| After 2025                         | 180,219                  |
| Total lease payments               | <u>263,140</u>           |
| Less: Interest                     | (96,689)                 |
| Present value of lease liabilities | <u>\$ 166,451</u>        |

Supplemental cash flow information related to leases was as follows:

| <i>(Dollars in thousands)</i>                                                           | <b>Twelve months ended</b> |                   |
|-----------------------------------------------------------------------------------------|----------------------------|-------------------|
|                                                                                         | <b>December 31, 2020</b>   | December 31, 2019 |
| <b>Cash paid for amounts included in the measurement of lease liabilities:</b>          |                            |                   |
| Operating cash flows from operating leases                                              | \$ 18,452                  | \$ 17,606         |
| Right of use assets obtained in exchange for new operating lease liabilities (non-cash) | —                          | 61,693            |

## Lessor Equipment Leasing

The Company provides equipment and small business lease financing through its leasing subsidiary, NewLane Finance®, acquired from its Beneficial acquisition. Interest income from direct financing leases where the Company is a lessor is recognized in *Interest and fees on loans and leases* on the Consolidated Statements of Income. The allowance for credit losses on finance leases are included within *Provision for credit losses* on the Consolidated Statements of Income.

The components of direct finance lease income are summarized in the table below:

|                                            | Twelve months ended |                   |
|--------------------------------------------|---------------------|-------------------|
|                                            | December 31, 2020   | December 31, 2019 |
| <i>(Dollars in thousands)</i>              |                     |                   |
| <b>Direct financing leases:</b>            |                     |                   |
| Interest income on lease receivable        | \$ 15,805           | \$ 9,032          |
| Interest income on deferred fees and costs | 433                 | 427               |
| Total direct financing lease income        | <u>\$ 16,238</u>    | <u>\$ 9,459</u>   |

Equipment leasing receivables relate to direct financing leases. The composition of the net investment in direct financing leases was as follows:

|                                           | December 31, 2020 | December 31, 2019 |
|-------------------------------------------|-------------------|-------------------|
| <i>(Dollars in thousands)</i>             |                   |                   |
| Lease receivables                         | \$ 281,601        | \$ 217,076        |
| Unearned income                           | (36,669)          | (28,446)          |
| Deferred fees and costs                   | 3,953             | 1,962             |
| Net investment in direct financing leases | <u>\$ 248,885</u> | <u>\$ 190,592</u> |

Future minimum lease payments to be received for direct financing leases were as follows:

|                               | December 31, 2020 |
|-------------------------------|-------------------|
| <i>(Dollars in thousands)</i> |                   |
| 2021                          | \$ 90,032         |
| 2022                          | 74,821            |
| 2023                          | 57,434            |
| 2024                          | 38,983            |
| 2025                          | 18,005            |
| After 2025                    | 2,326             |
| Total lease payments          | <u>\$ 281,601</u> |

## 11. GOODWILL AND INTANGIBLE ASSETS

In accordance with ASC 805, *Business Combinations* (ASC 805) and ASC 350, *Intangibles - Goodwill and Other* (ASC 350), all assets acquired and liabilities assumed in purchase acquisitions, including goodwill, indefinite-lived intangibles and other intangibles are recorded at fair value as of acquisition date.

### Goodwill

The Company performs its annual impairment test on October 1 or more frequently if events and circumstances indicate that the fair value of a reporting unit is less than its carrying value. In between annual tests, management performs a qualitative review of goodwill quarterly as part of the Company's review of the overall business to ensure no events or circumstances have occurred that would impact its goodwill evaluation. During the year ended December 31, 2020, the Company included considerations of the current economic environment caused by COVID-19 in its evaluation, and determined that it is not more likely than not that the carrying value of goodwill is impaired. No goodwill impairment exists during the year ended December 31, 2020.

The following table shows the allocation of goodwill to the Company's reportable operating segments for purposes of goodwill impairment testing:

| <i>(Dollars in thousands)</i>       | WSFS<br>Bank      | Wealth<br>Management | Consolidated<br>Company |
|-------------------------------------|-------------------|----------------------|-------------------------|
| December 31, 2018                   | \$ 145,808        | \$ 20,199            | \$ 166,007              |
| Goodwill from business combinations | 309,486           | —                    | 309,486                 |
| Remeasurement period adjustments    | (2,665)           | —                    | (2,665)                 |
| December 31, 2019                   | 452,629           | 20,199               | 472,828                 |
| Goodwill adjustments                | —                 | —                    | —                       |
| December 31, 2020                   | <u>\$ 452,629</u> | <u>\$ 20,199</u>     | <u>\$ 472,828</u>       |

### Other intangible assets

ASC 350 also requires that an acquired intangible asset be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so.

The following table summarizes the Company's intangible assets:

| <i>(Dollars in thousands)</i> | Gross<br>Intangible<br>Assets | Accumulated<br>Amortization | Net<br>Intangible<br>Assets | Amortization Period |
|-------------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------|
| <b>December 31, 2020</b>      |                               |                             |                             |                     |
| Core deposits                 | \$ 95,711                     | \$ (22,727)                 | \$ 72,984                   | 10 years            |
| Customer relationships        | 15,281                        | (6,600)                     | 8,681                       | 7-15 years          |
| Non-compete agreements        | 221                           | (190)                       | 31                          | 5 years             |
| Loan servicing rights         | 5,302                         | (2,440)                     | 2,862                       | 10-25 years         |
| Total other intangible assets | <u>\$ 116,515</u>             | <u>\$ (31,957)</u>          | <u>\$ 84,558</u>            |                     |
| December 31, 2019             |                               |                             |                             |                     |
| Core deposits                 | \$ 95,711                     | \$ (13,326)                 | \$ 82,385                   | 10 years            |
| Customer relationships        | 17,561                        | (7,416)                     | 10,145                      | 7-15 years          |
| Non-compete agreements        | 221                           | (146)                       | 75                          | 5 years             |
| Loan servicing rights         | 4,880                         | (1,568)                     | 3,312                       | 10-25 years         |
| Total other intangible assets | <u>\$ 118,373</u>             | <u>\$ (22,456)</u>          | <u>\$ 95,917</u>            |                     |

The Company recognized amortization expense on other intangible assets of \$10.9 million, \$9.7 million and \$2.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The following presents the estimated amortization expense of intangibles:

| <i>(Dollars in thousands)</i> |    | <b>Amortization<br/>of Intangibles</b> |
|-------------------------------|----|----------------------------------------|
| 2021                          | \$ | 9,973                                  |
| 2022                          |    | 11,152                                 |
| 2023                          |    | 10,955                                 |
| 2024                          |    | 10,708                                 |
| 2025                          |    | 11,019                                 |
| Thereafter                    |    | 30,751                                 |
| Total                         | \$ | 84,558                                 |

#### *Servicing Assets*

The Company records mortgage servicing rights on its mortgage loan servicing portfolio, which includes mortgages that it acquires or originates as well as mortgages that it services for others, and servicing rights on Small Business Administration (SBA) loans. Mortgage servicing rights and SBA loan servicing rights are included are in *Intangible assets* in the accompanying Consolidated Statements of Financial Condition. Mortgage loans which the Company services for others are not included in *Loans and leases, net of allowance* in the accompanying Consolidated Statements of Financial Condition. Servicing rights represent the present value of the future net servicing fees from servicing mortgage loans the Company acquires or originates, or that it services for others. The value of the Company's mortgage servicing rights was \$0.6 million and \$1.2 million at December 31, 2020 and 2019, respectively, and the value of its SBA loan servicing rights was \$2.3 million and \$2.1 million at December 31, 2020 and 2019, respectively. Changes in the value of these servicing rights resulted in impairment of \$0.2 million and \$0.7 million during 2020 and 2019, respectively. Revenues from originating, marketing and servicing mortgage loans as well as valuation adjustments related to capitalized mortgage servicing rights are included in *Mortgage Banking Activities, Net* in the Consolidated Statements of Income and revenues from the Company's SBA loan servicing rights are included in *Loan fee income*, in the Consolidated Statements of Income.

Besides the impairment on loan servicing rights noted above, there was no impairment of other intangible assets as of December 31, 2020 or 2019. Changing economic conditions that may adversely affect the Company's performance and could result in impairment, which could adversely affect earnings in the future.

## 12. DEPOSITS

The following table is a summary of the Company's deposits by category:

|                               | December 31,  |              |
|-------------------------------|---------------|--------------|
|                               | 2020          | 2019         |
| <i>(Dollars in thousands)</i> |               |              |
| Noninterest-bearing:          |               |              |
| Noninterest-bearing demand    | \$ 3,415,021  | \$ 2,189,573 |
| Total noninterest-bearing     | \$ 3,415,021  | \$ 2,189,573 |
| Interest-bearing:             |               |              |
| Interest-bearing demand       | \$ 2,635,740  | \$ 2,129,725 |
| Savings                       | 1,774,332     | 1,563,000    |
| Money market                  | 2,654,439     | 2,100,188    |
| Customer time deposits        | 1,158,845     | 1,356,610    |
| Brokered deposits             | 218,287       | 247,761      |
| Total interest-bearing        | \$ 8,441,643  | \$ 7,397,284 |
| Total deposits                | \$ 11,856,664 | \$ 9,586,857 |

The following table is a summary of the remaining time to maturity for customer time deposits:

|                                              | December 31, |              |
|----------------------------------------------|--------------|--------------|
|                                              | 2020         | 2019         |
| <i>(Dollars in thousands)</i>                |              |              |
| Certificates of deposit (not jumbo):         |              |              |
| Less than one year                           | \$ 468,729   | \$ 497,148   |
| One year to two years                        | 116,541      | 140,943      |
| Two years to three years                     | 51,477       | 36,814       |
| Three years to four years                    | 28,105       | 39,352       |
| Over four years                              | 9,545        | 23,192       |
| Total certificates of deposit (not jumbo)    | \$ 674,397   | \$ 737,449   |
| Jumbo certificates of deposit <sup>(1)</sup> |              |              |
| Less than one year                           | \$ 349,396   | \$ 431,242   |
| One year to two years                        | 66,030       | 110,851      |
| Two years to three years                     | 35,830       | 16,590       |
| Three years to four years                    | 30,682       | 31,584       |
| Over four years                              | 2,510        | 28,894       |
| Total jumbo certificates of deposit          | \$ 484,448   | \$ 619,161   |
| Total certificates of deposit                | \$ 1,158,845 | \$ 1,356,610 |

<sup>(1)</sup> Represents certificates of deposit balances in excess of \$0.1 million from individuals, businesses and municipalities.

The following table is a summary of interest expense on deposits by category:

|                                    | Year Ended December 31, |           |           |
|------------------------------------|-------------------------|-----------|-----------|
|                                    | 2020                    | 2019      | 2018      |
| <i>(Dollars in thousands)</i>      |                         |           |           |
| Interest-bearing demand            | \$ 4,229                | \$ 8,794  | \$ 4,523  |
| Money market                       | 9,423                   | 18,169    | 9,854     |
| Savings                            | 3,518                   | 7,053     | 1,030     |
| Time deposits                      | 18,699                  | 19,642    | 8,591     |
| Total customer interest expense    | \$ 35,869               | \$ 53,658 | \$ 23,998 |
| Brokered deposits                  | 3,393                   | 6,417     | 5,070     |
| Total interest expense on deposits | \$ 39,262               | \$ 60,075 | \$ 29,068 |

### 13. BORROWED FUNDS

The following is a summary of borrowed funds by type, at or for the twelve months ended:

| <i>(Dollars in thousands)</i> | Balance at<br>End of<br>Period | Weighted<br>Average<br>Interest<br>Rate | Maximum<br>Outstanding<br>at Month<br>End During<br>the Period | Average<br>Amount<br>Outstanding<br>During the<br>Year | Weighted<br>Average<br>Interest<br>Rate<br>During the<br>Year |
|-------------------------------|--------------------------------|-----------------------------------------|----------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------|
| <b>December 31, 2020</b>      |                                |                                         |                                                                |                                                        |                                                               |
| Federal funds purchased       | \$ —                           | — %                                     | \$ 174,725                                                     | \$ 34,974                                              | 1.35 %                                                        |
| FHLB advances                 | 6,623                          | 2.63                                    | 119,971                                                        | 88,011                                                 | 2.22                                                          |
| Trust preferred borrowings    | 67,011                         | 1.97                                    | 67,011                                                         | 67,011                                                 | 2.61                                                          |
| Senior debt                   | 246,617                        | 3.79                                    | 246,617                                                        | 108,420                                                | 4.61                                                          |
| Other borrowed funds          | 20,390                         | 0.10                                    | 23,673                                                         | 18,854                                                 | 0.10                                                          |
| <b>December 31, 2019</b>      |                                |                                         |                                                                |                                                        |                                                               |
| Federal funds purchased       | \$ 195,000                     | 1.62 %                                  | \$ 200,000                                                     | \$ 135,720                                             | 2.19 %                                                        |
| FHLB advances                 | 112,675                        | 2.20                                    | 635,830                                                        | 226,728                                                | 2.43                                                          |
| Trust preferred borrowings    | 67,011                         | 3.62                                    | 67,011                                                         | 67,011                                                 | 4.14                                                          |
| Senior debt                   | 98,605                         | 4.78                                    | 98,605                                                         | 98,492                                                 | 4.79                                                          |
| Other borrowed funds          | 15,997                         | 0.10                                    | 55,400                                                         | 29,786                                                 | 0.30                                                          |

#### *Federal Funds Purchased and Securities Sold Under Agreements to Repurchase*

During 2020 and 2019, the Company purchased federal funds as a short-term funding source. The Company had no securities sold under agreements to repurchase at December 31, 2020 and December 31, 2019.

#### *Federal Home Loan Bank Advances*

Advances from the FHLB matured in January 2021, with an interest rate of 2.60%.

Pursuant to collateral agreements with the FHLB, advances are secured by qualifying loan collateral, qualifying fixed-income securities, FHLB stock and an interest-bearing demand deposit account with the FHLB. As a member of the FHLB, the Company is required to purchase and hold shares of capital stock in the FHLB and was in compliance with this requirement with a stock investment in FHLB of \$5.8 million at December 31, 2020 and \$21.1 million at December 31, 2019. This stock is carried on the accompanying Consolidated Statements of Financial Condition at cost, which approximates liquidation value.

The Company received dividends on its stock investment in FHLB of \$0.5 million and \$1.5 million for the years ended December 31, 2020 and 2019, respectively. For additional information regarding FHLB Stock, see Note 19.

#### *Trust Preferred Borrowings*

In 2005, the Company issued \$67.0 million of aggregate principal amount of Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month LIBOR rate. These securities are callable and have a maturity date of June 1, 2035.

#### *Senior Debt*

On June 13, 2016, the Company issued \$100.0 million of the 2016 senior notes. The 2016 senior notes mature on June 15, 2026 and have a fixed coupon rate of 4.50% from issuance to but excluding June 15, 2021 and a variable coupon rate of three month LIBOR plus 3.30% from June 15, 2021 until maturity. The 2016 senior notes may be redeemed beginning on June 15, 2021 at 100% of principal plus accrued and unpaid interest. The proceeds are being used for general corporate purposes.

On December 3, 2020, the Company issued \$150.0 million of 2020 senior notes. The 2020 senior notes mature on December 15, 2030 and have a fixed coupon rate of 2.75% from issuance until December 15, 2025 and a variable coupon rate equal to the three-month term SOFR, reset quarterly, plus 2.485% from December 15, 2025 until maturity. The 2020 senior notes may be redeemed beginning December 15, 2025 at 100% of principal plus accrued and unpaid interest. The remaining net proceeds from the issuance of the 2020 senior notes are being used for general corporate purposes, including, but not limited to, financing organic growth, acquisitions, repurchases of common stock, and redemption of outstanding indebtedness.

#### *Other Borrowed Funds*

Included in other borrowed funds are collateralized borrowings of \$20.4 million and \$16.0 million at December 31, 2020 and 2019, respectively, consisting of outstanding retail repurchase agreements, 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.

#### *Borrower in Custody*

The Company had \$347.1 million and \$429.0 million of loans and securities pledged to the Federal Reserve of Philadelphia (FRB) at December 31, 2020 and December 31, 2019, respectively. The Company did not borrow funds from the FRB during 2020 or 2019.

#### 14. STOCKHOLDERS' EQUITY AND REGULATORY CAPITAL

Savings associations such as the Bank are subject to regulatory capital requirements administered by various banking regulators. Failure to meet minimum capital requirements could result in certain actions by regulators that could have a material effect on the Company's Consolidated Financial Statements. Risk-based capital requirements applicable to bank holding companies and depository institutions include a minimum common equity Tier 1 capital ratio of 4.50% of risk-weighted assets, a minimum Tier 1 capital ratio of 6.00% of risk-weighted assets, and a current minimum total capital ratio of 8.00% of risk-weighted assets and a minimum Tier 1 leverage capital ratio of 4.00% of average assets.

As of December 31, 2020 and 2019, the Bank was in compliance with regulatory capital requirements and exceeded the amounts required to be considered "well capitalized" as defined in the regulations.

The following table presents the capital position of the Bank and the Company as of December 31, 2020 and 2019:

|                                                        | Consolidated Bank Capital |         | For Capital Adequacy Purposes |         | To Be Well-Capitalized Under Prompt Corrective Action Provisions |         |
|--------------------------------------------------------|---------------------------|---------|-------------------------------|---------|------------------------------------------------------------------|---------|
|                                                        | Amount                    | Percent | Amount                        | Percent | Amount                                                           | Percent |
| <i>(Dollars in thousands)</i>                          |                           |         |                               |         |                                                                  |         |
| <b>December 31, 2020</b>                               |                           |         |                               |         |                                                                  |         |
| Total Capital (to risk-weighted assets)                |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | \$ 1,412,290              | 13.76 % | \$ 821,012                    | 8.00 %  | \$ 1,026,265                                                     | 10.00 % |
| WSFS Financial Corporation                             | 1,415,780                 | 13.76   | 823,355                       | 8.00    | 1,029,194                                                        | 10.00   |
| Tier 1 Capital (to risk-weighted assets)               |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | 1,283,022                 | 12.50   | 615,759                       | 6.00    | 821,012                                                          | 8.00    |
| WSFS Financial Corporation                             | 1,286,150                 | 12.50   | 617,517                       | 6.00    | 823,355                                                          | 8.00    |
| Common Equity Tier 1 Capital (to risk-weighted assets) |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | 1,283,022                 | 12.50   | 461,819                       | 4.50    | 667,073                                                          | 6.50    |
| WSFS Financial Corporation                             | 1,221,150                 | 11.87   | 463,137                       | 4.50    | 668,976                                                          | 6.50    |
| Tier 1 Leverage Capital                                |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | 1,283,022                 | 9.74    | 526,803                       | 4.00    | 658,503                                                          | 5.00    |
| WSFS Financial Corporation                             | 1,286,150                 | 9.76    | 527,192                       | 4.00    | 658,990                                                          | 5.00    |
| <b>December 31, 2019</b>                               |                           |         |                               |         |                                                                  |         |
| Total Capital (to risk-weighted assets)                |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | \$ 1,414,791              | 14.01 % | \$ 807,877                    | 8.00 %  | \$ 1,009,846                                                     | 10.00 % |
| WSFS Financial Corporation                             | 1,394,666                 | 13.78   | 809,730                       | 8.00    | 1,012,162                                                        | 10.00   |
| Tier 1 Capital (to risk-weighted assets)               |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | 1,365,186                 | 13.52   | 605,908                       | 6.00    | 807,877                                                          | 8.00    |
| WSFS Financial Corporation                             | 1,345,061                 | 13.29   | 607,297                       | 6.00    | 809,730                                                          | 8.00    |
| Common Equity Tier 1 Capital (to risk-weighted assets) |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | 1,365,186                 | 13.52   | 454,431                       | 4.50    | 656,400                                                          | 6.50    |
| WSFS Financial Corporation                             | 1,280,061                 | 12.65   | 455,473                       | 4.50    | 657,906                                                          | 6.50    |
| Tier 1 Leverage Capital                                |                           |         |                               |         |                                                                  |         |
| Wilmington Savings Fund Society, FSB                   | 1,365,186                 | 11.72   | 466,003                       | 4.00    | 582,504                                                          | 5.00    |
| WSFS Financial Corporation                             | 1,345,061                 | 11.54   | 466,088                       | 4.00    | 582,610                                                          | 5.00    |

#### *The Holding Company*

As of December 31, 2020, the Company's capital structure includes one class of stock, \$0.01 par common stock outstanding with each share having equal voting rights.

In 2005, the Trust, the Company's unconsolidated subsidiary, issued Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month LIBOR rate with a scheduled maturity of June 1, 2035. The par value of these securities is \$2.0 million and the aggregate principal is \$67.0 million. The proceeds from the issue were invested in Junior Subordinated Debentures issued by the Company. These securities are treated as borrowings with interest included in *Interest on trust preferred borrowings* on the Consolidated Statements of Income and included in *Trust preferred borrowings* in the Consolidated Statements of Financial Condition. At December 31, 2020, the coupon rate of the Trust securities was 2.00%. The effective rate will vary due to fluctuations in interest rates.

When infused into the Bank, the *Trust preferred borrowings* issued in 2005 qualify as Tier 1 capital. The Bank is prohibited from paying any dividend or making any other capital distribution if, after making the distribution, the Bank would be under-capitalized within the meaning of the Prompt Corrective Action regulations.

At December 31, 2020, \$244.9 million in cash remains at the holding company to support the parent company's needs.

Pursuant to federal laws and regulations, the Company's ability to engage in transactions with affiliated corporations, including the loan of funds to, or guarantee of the indebtedness of, an affiliate, is limited.

During the year ended December 31, 2020, the Company repurchased 3,950,855 common shares at an average price of \$39.21 per share as part of its share buy-back program approved by the Board of Directors. The program is consistent with the Company's intent to return a minimum of 25% of annual net income to stockholders through dividends and share repurchases while maintaining capital ratios in excess of regulatory minimums, and in the case of the Bank, the "well-capitalized" benchmarks.

## 15. ASSOCIATE BENEFIT PLANS

### *Associate 401(k) Savings Plan*

Certain subsidiaries of ours maintain a qualified plan in which Associates may participate. Participants in the plan may elect to direct a portion of their wages into investment accounts that include professionally managed mutual and money market funds and the Company's common stock. Generally, the principal and related earnings are tax deferred until withdrawn. The Company matches a portion of the Associates' contributions. As a result, the Company's total cash contributions to the plan on behalf of its Associates resulted in an expense of \$6.6 million, \$5.8 million, and \$3.8 million for 2020, 2019, and 2018, respectively.

All contributions are invested in accordance with the Associates' selection of investments. If Associates do not designate how discretionary contributions are to be invested, 100% is invested in target-date fund that corresponds with the participant's age. Associates may generally make transfers to various other investment vehicles within the plan. The plan's yearly activity includes net sales of 14,000, 9,000 and 51,000 shares of the Company's common stock in 2020, 2019 and 2018 respectively. There were no purchases in 2020, 2019 or 2018.

### *Postretirement Medical Benefits*

The Company shares certain costs of providing health and life insurance benefits to eligible retired Associates (employees) and their eligible dependents. Previously, all Associates were eligible for these benefits if they reached normal retirement age while working for the Company. Effective March 31, 2014, the Company changed the eligibility of this plan to include only those Associates who have achieved ten years of service with the Company as of March 31, 2014. The Company began to use the mortality table issued by the office of the Actuary of the U.S. Bureau of Census in its calculation.

The Company accounts for its obligations under the provisions of ASC 715, *Compensation - Retirement Benefits* (ASC 715). ASC 715 requires that the Company recognized the costs of these benefits over an Associate's active working career. Amortization of unrecognized net gains or losses resulting from experience different from that assumed and from changes in assumptions is included as a component of net periodic benefit cost over the remaining service period of active employees to the extent that such gains and losses exceed 10% of the accumulated postretirement benefit obligation, as of the beginning of the year. The Company recognizes its service cost in *Salaries, benefits and other compensation* and the other components of net periodic benefit cost in *Other operating expenses* in the Consolidated Statements of Income.

ASC 715 requires that the Company recognizes the funded status of its defined benefit postretirement plan in the statement of financial condition, with a corresponding adjustment to accumulated other comprehensive (loss) income, net of tax. The adjustment to accumulated other comprehensive (loss) income at adoption represented the net unrecognized actuarial losses and unrecognized transition obligation remaining from the initial adoption of ASC 715, all of which were previously netted against the plan's funded status in the statement of financial condition pursuant to the provisions of ASC 715. These amounts will be subsequently recognized as net periodic pension costs pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods, and are not recognized as net periodic pension cost in the same periods, will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income at adoption of ASC 715.

The following disclosures relating to postretirement medical benefits were measured at December 31:

(Dollars in thousands)

|                                                                                           | 2020              | 2019              | 2018              |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| <b>Change in benefit obligation:</b>                                                      |                   |                   |                   |
| Benefit obligation at beginning of year                                                   | \$ 2,170          | \$ 1,893          | \$ 1,990          |
| Service cost                                                                              | 61                | 54                | 60                |
| Interest cost                                                                             | 67                | 78                | 70                |
| Actuarial loss (gain)                                                                     | 80                | 229               | (143)             |
| Benefits paid                                                                             | (90)              | (84)              | (84)              |
| Benefit obligation at end of year                                                         | <u>\$ 2,288</u>   | <u>\$ 2,170</u>   | <u>\$ 1,893</u>   |
| <b>Change in plan assets:</b>                                                             |                   |                   |                   |
| Fair value of plan assets at beginning of year                                            | \$ —              | \$ —              | \$ —              |
| Employer contributions                                                                    | 90                | 84                | 84                |
| Benefits paid                                                                             | (90)              | (84)              | (84)              |
| Fair value of plan assets at end of year                                                  | <u>\$ —</u>       | <u>\$ —</u>       | <u>\$ —</u>       |
| <b>Unfunded status</b>                                                                    | <u>\$ (2,288)</u> | <u>\$ (2,170)</u> | <u>\$ (1,893)</u> |
| <b>Amounts recognized in accumulated other comprehensive income<sup>(1)</sup>:</b>        |                   |                   |                   |
| Net prior service credit                                                                  | \$ 435            | \$ 511            | \$ 587            |
| Net gain                                                                                  | 376               | 491               | 783               |
| Net amount recognized                                                                     | <u>\$ 811</u>     | <u>\$ 1,002</u>   | <u>\$ 1,370</u>   |
| <b>Components of net periodic benefit cost:</b>                                           |                   |                   |                   |
| Service cost                                                                              | \$ 61             | \$ 54             | \$ 60             |
| Interest cost                                                                             | 67                | 78                | 70                |
| Amortization of prior service cost                                                        | (76)              | (76)              | (76)              |
| Net gain recognition                                                                      | (36)              | (63)              | (45)              |
| Net periodic benefit cost                                                                 | <u>\$ 16</u>      | <u>\$ (7)</u>     | <u>\$ 9</u>       |
| <b>Assumption used to determine net periodic benefit cost:</b>                            |                   |                   |                   |
| Discount rate                                                                             | 3.20 %            | 4.20 %            | 3.60 %            |
| <b>Assumption used to value the Accumulated Postretirement Benefit Obligation (APBO):</b> |                   |                   |                   |
| Discount rate                                                                             | 2.40 %            | 3.10 %            | 4.20 %            |

<sup>(1)</sup> Before tax effects

#### Estimated future benefit payments:

The following table shows the expected future payments for the next 10 years:

(Dollars in thousands)

|                          |               |
|--------------------------|---------------|
| During 2021              | \$ 55         |
| During 2022              | 57            |
| During 2023              | 60            |
| During 2024              | 65            |
| During 2025              | 71            |
| During 2026 through 2030 | 425           |
|                          | <u>\$ 733</u> |

The Company assumes medical benefits will increase at an average rate of less than 10% per annum. The costs incurred for retirees' health care are limited since certain current and all future retirees are restricted to an annual medical premium cap indexed (since 1995) by the lesser of 4% or the actual increase in medical premiums paid by us. For 2020, this annual premium cap amounted to \$3,843 per retiree. The Company estimates that it will contribute approximately \$3,997 per retiree to the plan during fiscal 2021.

# Alliance Associate Pension Plan

During the fourth quarter of 2015, the Company completed the acquisition of Alliance. At the time of the acquisition the Company assumed the Alliance pension plan offered to current Alliance associates.

During the fourth quarter of 2018, the Company notified the Alliance pension plan participants, the Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC) of its intention to terminate the plan and received IRS and PBGC approval in the first quarter of 2020. The Company completed the termination and contributed \$0.5 million to the plan to settle the obligation during the three months ended June 30, 2020.

The following disclosures relating to Alliance pension benefits were measured at:

(Dollars in thousands)

|                                                                                    | June 30, 2020 | December 31, 2019 | December 31, 2018 |
|------------------------------------------------------------------------------------|---------------|-------------------|-------------------|
| <b>Change in benefit obligation:</b>                                               |               |                   |                   |
| Benefit obligation at beginning of year                                            | \$ 6,893      | \$ 6,289          | \$ 7,853          |
| Interest cost                                                                      | 105           | 253               | 279               |
| Settlements                                                                        | (7,272)       | (282)             | (1,142)           |
| Disbursements                                                                      | —             | (231)             | (271)             |
| Actuarial loss (gain)                                                              | 274           | 864               | (430)             |
| Benefit obligation at end of period                                                | \$ —          | \$ 6,893          | \$ 6,289          |
| <b>Change in plan assets:</b>                                                      |               |                   |                   |
| Fair value of plan assets at beginning of year                                     | \$ 7,431      | \$ 6,533          | \$ 8,378          |
| Actual return on plan assets                                                       | (159)         | 1,435             | (393)             |
| Settlements                                                                        | (7,272)       | (273)             | (1,146)           |
| Benefits paid                                                                      | —             | (231)             | (271)             |
| Administrative expenses                                                            | —             | (33)              | (35)              |
| Fair value of plan assets at end of period                                         | \$ —          | \$ 7,431          | \$ 6,533          |
| <b>Funded status</b>                                                               | <b>\$ —</b>   | <b>\$ 538</b>     | <b>\$ 244</b>     |
| <b>Amounts recognized in accumulated other comprehensive income<sup>(1)</sup>:</b> |               |                   |                   |
| Net (loss) gain                                                                    | \$ —          | \$ (279)          | \$ (413)          |
| <b>Components of net periodic benefit cost:</b>                                    |               |                   |                   |
| Service cost                                                                       | \$ 17         | \$ 40             | \$ 40             |
| Interest cost                                                                      | 105           | 253               | 279               |
| Expected return on plan assets                                                     | (196)         | (471)             | (596)             |
| Settlements                                                                        | —             | 16                | (24)              |
| Plan settlement loss                                                               | 1,431         | —                 | —                 |
| Net gain recognition                                                               | —             | —                 | 413               |
| Net periodic benefit cost                                                          | \$ 1,357      | \$ (162)          | \$ 112            |

<sup>(1)</sup> Before tax effects

*Beneficial Associate Pension and other postretirement benefit plans*

On March 1, 2019, the Company closed the acquisition of Beneficial. At the time of acquisition, the Company assumed the pension plan covering certain eligible Beneficial Associates. The plan was frozen in 2008.

The following disclosures relating to Beneficial pension benefits and other postretirement benefit plans were measured at December 31, 2020:

|                                                                                    | 2020              |                               | 2019              |                               |
|------------------------------------------------------------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
|                                                                                    | Pension Benefits  | Other Postretirement Benefits | Pension Benefits  | Other Postretirement Benefits |
| <i>(Dollars in thousands)</i>                                                      |                   |                               |                   |                               |
| <b>Change in benefit obligation:</b>                                               |                   |                               |                   |                               |
| Benefit obligation at beginning of year                                            | \$ 102,878        | \$ 20,263                     | \$ —              | \$ —                          |
| Acquired in business combinations                                                  | —                 | —                             | 91,568            | 19,504                        |
| Service cost                                                                       | —                 | 48                            | —                 | 76                            |
| Interest cost                                                                      | 2,910             | 475                           | 2,851             | 588                           |
| Plan participants' contributions                                                   | —                 | 35                            | —                 | 34                            |
| Amendments                                                                         | —                 | (202)                         | —                 | —                             |
| Actuarial gain (loss)                                                              | 11,499            | (520)                         | 12,020            | 1,035                         |
| Benefits paid                                                                      | (5,004)           | (797)                         | (3,561)           | (974)                         |
| Benefit obligation at end of year                                                  | <u>\$ 112,283</u> | <u>\$ 19,302</u>              | <u>\$ 102,878</u> | <u>\$ 20,263</u>              |
| <b>Change in plan assets:</b>                                                      |                   |                               |                   |                               |
| Fair value of plan assets at beginning of year                                     | \$ 100,388        | \$ —                          | \$ —              | \$ —                          |
| Acquired in business combinations                                                  | —                 | —                             | 90,814            | —                             |
| Actual return on Plan Assets                                                       | 15,985            | —                             | 13,350            | —                             |
| Employer contribution                                                              | 340               | 762                           | 293               | 940                           |
| Participants' contributions                                                        | —                 | 35                            | —                 | 34                            |
| Benefits paid                                                                      | (5,004)           | (797)                         | (3,561)           | (974)                         |
| Administrative expenses                                                            | (580)             | —                             | (508)             | —                             |
| Fair value of plan assets at end of year                                           | <u>\$ 111,129</u> | <u>\$ —</u>                   | <u>\$ 100,388</u> | <u>\$ —</u>                   |
| <b>Unfunded status</b>                                                             | <u>\$ (1,154)</u> | <u>\$ (19,302)</u>            | <u>\$ (2,490)</u> | <u>\$ (20,263)</u>            |
| <b>Amounts recognized in accumulated other comprehensive income<sup>(1)</sup>:</b> |                   |                               |                   |                               |
| Net loss                                                                           | \$ 6,635          | \$ 517                        | \$ (4,174)        | \$ (1,035)                    |
| <b>Components of net periodic benefit cost:</b>                                    |                   |                               |                   |                               |
| Service cost                                                                       | \$ —              | \$ 48                         | \$ —              | \$ 76                         |
| Interest cost                                                                      | 2,910             | 475                           | 2,851             | 588                           |
| Expected return on plan assets                                                     | (6,363)           | —                             | (4,829)           | —                             |
| Net (gain) loss recognition                                                        | 4                 | (205)                         | —                 | —                             |
| Net periodic benefit cost                                                          | <u>\$ (3,449)</u> | <u>\$ 318</u>                 | <u>\$ (1,978)</u> | <u>\$ 664</u>                 |

<sup>(1)</sup> Before tax effects

Significant assumptions used to calculate the net periodic benefit cost and obligation for Beneficial postretirement plans as of December 31, 2020 are as follows:

|                                             | 2020   | 2019   |
|---------------------------------------------|--------|--------|
| <b>Consolidated Pension Plan</b>            |        |        |
| Discount rate for net periodic benefit cost | 2.91 % | 4.14 % |
| Expected return on plan assets              | 6.50 % | 6.50 % |
| Discount rate for disclosure obligations    | 3.25 % | 3.25 % |
| <b>Beneficial Bank Other Postretirement</b> |        |        |
| Discount rate for net periodic benefit cost | 3.12 % | 4.10 % |
| Discount rate for disclosure obligations    | 2.31 % | 3.19 % |
| <b>FMS Other Postretirement</b>             |        |        |
| Discount rate for net periodic benefit cost | 2.61 % | 3.60 % |
| Discount rate for disclosure obligations    | 1.49 % | 2.60 % |
| <b>Split-Dollar Plan</b>                    |        |        |
| Discount rate for net periodic benefit cost | 2.57 % | 3.54 % |
| Discount rate for disclosure obligations    | 1.45 % | 2.55 % |

**Estimated future benefit payments:**

The following table shows the expected future payments for the next 10 years:

|                          | Pension Benefits | Other Postretirement Benefits |
|--------------------------|------------------|-------------------------------|
| (Dollars in thousands)   |                  |                               |
| During 2021              | \$ 4,694         | \$ 1,099                      |
| During 2022              | 4,918            | 1,103                         |
| During 2023              | 5,488            | 1,129                         |
| During 2024              | 6,123            | 1,120                         |
| During 2025              | 5,078            | 1,145                         |
| During 2026 through 2030 | 28,445           | 5,516                         |
|                          | <u>\$ 54,746</u> | <u>\$ 11,112</u>              |

The fair values and weighted average asset allocations in plan assets of all pension and postretirement plan assets at December 31, 2020 and 2019 by asset category are as follows:

|                           | Category Used for Fair Value Measurement |             |             |                   |                |
|---------------------------|------------------------------------------|-------------|-------------|-------------------|----------------|
|                           | December 31, 2020                        |             |             |                   |                |
| (Dollars in thousands)    | Level 1                                  | Level 2     | Level 3     | Total             | Percent        |
| Assets:                   |                                          |             |             |                   |                |
| Mutual Funds:             |                                          |             |             |                   |                |
| Large cap                 | \$ 5,827                                 | \$ —        | \$ —        | \$ 5,827          | 5.2 %          |
| Mid cap                   | 69                                       | —           | —           | 69                | 0.1            |
| Small cap                 | 61                                       | —           | —           | 61                | 0.1            |
| International             | 10,249                                   | —           | —           | 10,249            | 9.2            |
| Global Managed Volatility | 8,970                                    | —           | —           | 8,970             | 8.1            |
| U.S. Managed Volatility   | 3,363                                    | —           | —           | 3,363             | 3.0            |
| Fixed Income              | 73,071                                   | —           | —           | 73,071            | 65.8           |
| U.S. Government Agencies  | 9,345                                    | —           | —           | 9,345             | 8.4            |
| Accrued Income            | 174                                      | —           | —           | 174               | 0.1            |
| Total                     | <u>\$ 111,129</u>                        | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 111,129</u> | <u>100.0 %</u> |

|                           | Category Used for Fair Value Measurement |             |             |                   |                |
|---------------------------|------------------------------------------|-------------|-------------|-------------------|----------------|
|                           | December 31, 2019                        |             |             |                   |                |
| (Dollars in thousands)    | Level 1                                  | Level 2     | Level 3     | Total             | Percent        |
| Assets:                   |                                          |             |             |                   |                |
| Mutual Funds:             |                                          |             |             |                   |                |
| Large cap                 | \$ 4,532                                 | \$ —        | \$ —        | \$ 4,532          | 4.5 %          |
| Mid cap                   | 67                                       | —           | —           | 67                | 0.1            |
| Small cap                 | 63                                       | —           | —           | 63                | 0.1            |
| International             | 7,902                                    | —           | —           | 7,902             | 7.9            |
| Global Managed Volatility | 6,955                                    | —           | —           | 6,955             | 6.9            |
| U.S. Managed Volatility   | 2,611                                    | —           | —           | 2,611             | 2.6            |
| Fixed Income              | 62,924                                   | —           | —           | 62,924            | 62.7           |
| U.S. Government Agencies  | 15,166                                   | —           | —           | 15,166            | 15.1           |
| Accrued Income            | 168                                      | —           | —           | 168               | 0.1            |
| Total                     | <u>\$ 100,388</u>                        | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 100,388</u> | <u>100.0 %</u> |

As of December 31, 2020, pension and postretirement plan assets were comprised of investments in equity and fixed income mutual funds. The Bank's consolidated pension plan investment policy provides that assets are to be managed over a long-term investment horizon to ensure that the chances and duration of investment losses are carefully weighed against the long-term potential for asset appreciation. The primary objective of managing a plan's assets is to improve the plan's funded status. A secondary financial objective is, where possible, to minimize pension expense volatility. The Company's pension plan allocates assets based on the plan's funded status to risk management and return enhancement asset classes. The risk management class is comprised of a long duration fixed income fund while the return enhancement class consists of equity and other fixed income funds. Asset allocation ranges are generally 40% to 80% for risk management and 20% to 60% for return enhancement when the funded status is less than 110%, and 50% to 90% in risk management and 10% to 50% for return enhancement when the funded status reaches 110%, subject to the discretion of the Company. Also, a small portion is maintained in cash reserves when appropriate.

The Company has four additional plans which are no longer being provided to current Associates: (1) a Supplemental Pension Plan with a corresponding liability of \$0.5 million and \$0.6 million for December 31, 2020 and 2019 respectively; (2) an Early Retirement Window Plan with a corresponding liability of \$0.1 million for both December 31, 2020 and 2019; (3) a Supplemental Executive Retirement Plan with a corresponding liability of \$1.4 million for both December 31, 2020 and 2019, and; (4) a Post-Retirement Medical Plan with a corresponding liability of \$0.1 million for both December 31, 2020 and 2019.

## 16. INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return and separate state income tax returns. The Company's income tax provision consists of the following:

| (Dollars in thousands) | Year ended December 31, |                  |                  |
|------------------------|-------------------------|------------------|------------------|
|                        | 2020                    | 2019             | 2018             |
| Current income taxes:  |                         |                  |                  |
| Federal taxes          | \$ 57,716               | \$ 31,401        | \$ 26,164        |
| State and local taxes  | 6,768                   | 7,977            | 6,513            |
| Deferred income taxes: |                         |                  |                  |
| Federal taxes          | (32,962)                | 5,987            | 3,455            |
| State and local taxes  | 114                     | 1,087            | (77)             |
| Total                  | <u>\$ 31,636</u>        | <u>\$ 46,452</u> | <u>\$ 36,055</u> |

Current federal income taxes include taxes on income that cannot be offset by net operating loss carryforwards.

Deferred income taxes 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. The following is a summary of the significant components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019:

| (Dollars in thousands)                            | 2020              | 2019              |
|---------------------------------------------------|-------------------|-------------------|
| Deferred tax assets:                              |                   |                   |
| Allowance for credit losses                       | \$ 48,050         | \$ 9,991          |
| Purchase accounting adjustments—loans             | 18,084            | 32,333            |
| Reserves and other accruals                       | 17,115            | 14,663            |
| Investments                                       | 2,045             | 2,323             |
| Derivatives                                       | 5,009             | 182               |
| Employee benefit plans                            | 2,504             | 3,581             |
| Lease liabilities                                 | 34,955            | 38,181            |
| Other <sup>(1)</sup>                              | 821               | 633               |
| Total deferred tax assets                         | <u>\$ 128,583</u> | <u>\$ 101,887</u> |
| Deferred tax liabilities:                         |                   |                   |
| Unrealized gains on available-for-sale securities | \$ (18,997)       | \$ (8,651)        |
| Unrealized gains on equity investments            | —                 | (10,031)          |
| Accelerated depreciation                          | (4,233)           | (1,745)           |
| Other <sup>(2)</sup>                              | (1,278)           | (841)             |
| Right of use assets                               | (31,707)          | (34,907)          |
| Deferred loan costs                               | (783)             | (2,843)           |
| Intangibles                                       | (22,373)          | (24,625)          |
| Total deferred tax liabilities                    | <u>(79,371)</u>   | <u>(83,643)</u>   |
| Net deferred tax asset                            | <u>\$ 49,212</u>  | <u>\$ 18,244</u>  |

<sup>(1)</sup> Other deferred tax assets includes deferred gains, net operating losses, and reverse mortgages.

<sup>(2)</sup> Other deferred tax liabilities includes derivatives and reverse mortgages.

Included in the table above is the effect of certain temporary differences for which no deferred tax expense or benefit was recognized. In 2020, such items consisted primarily of \$19.0 million of unrealized gains on certain investments in debt and equity securities accounted for under ASC 320 along with \$1.6 million of unrealized losses related to postretirement benefit obligations accounted for under ASC 715 and \$5.0 million of unrealized losses on derivatives accounted for under ASC 815. In 2019, they consisted primarily of \$8.7 million of unrealized losses on certain investments in debt and equity securities along with \$1.2 million of unrealized gains related to postretirement benefit obligations and \$0.2 million of unrealized losses on derivatives.

Based on the Company's history of prior earnings and its expectations of the future, it is anticipated that operating income and the reversal pattern of its temporary differences will, more likely than not, be sufficient to realize a net deferred tax asset of \$49.2 million at December 31, 2020.

As a result of the acquisition of Beneficial on March 1, 2019, the Company recorded a net deferred tax asset (DTA) of \$18.9 million. The Company expects to utilize all tax attributes acquired from Beneficial so no valuation allowance has been recorded against the DTA.

Pursuant to accounting guidance, The Company is not required to provide deferred taxes on Beneficial's tax loss reserve as of December 31, 1987. As of December 31, 2020, Beneficial had unrecognized deferred income taxes of approximately \$1.7 million with respect to this reserve. This reserve could be recognized as taxable income and create a current and/or deferred tax liability using the income tax rates then in effect if one of the following occur: (1) the Bank's retained earnings represented by this reserve are used for distributions in liquidation or for any other purpose other than to absorb losses from bad debts; (2) the Bank fails to qualify as a Bank, as provided by the Internal Revenue Code; or (3) there is a change in federal tax law.

A reconciliation showing the differences between the Company's effective tax rate and the U.S. Federal statutory tax rate is as follows:

| Year Ended December 31,                                                        | Year ended December 31, |        |        |
|--------------------------------------------------------------------------------|-------------------------|--------|--------|
|                                                                                | 2020                    | 2019   | 2018   |
| Statutory federal income tax rate                                              | 21.0 %                  | 21.0 % | 21.0 % |
| State tax, net of federal tax benefit                                          | 3.7                     | 3.5    | 3.1    |
| Adjustment to net deferred tax asset for enacted changes in tax laws and rates | (1.2)                   | —      | (0.5)  |
| Tax-exempt interest                                                            | (0.7)                   | (0.6)  | (0.8)  |
| Bank-owned life insurance income                                               | (0.2)                   | (0.1)  | —      |
| Excess tax benefits from share-based compensation                              | —                       | (1.0)  | (1.8)  |
| Nondeductible acquisition costs                                                | —                       | 0.2    | 0.4    |
| Federal tax credits, net of amortization                                       | (0.8)                   | (0.2)  | (0.1)  |
| Nondeductible compensation                                                     | —                       | 0.9    | —      |
| Other                                                                          | —                       | 0.2    | (0.2)  |
| Effective tax rate                                                             | 21.8 %                  | 23.9 % | 21.1 % |

As a result of the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, the Company recorded less than \$0.1 million of income tax expense in 2020, compared to \$2.0 million and \$3.5 million of income tax benefits in 2019 and 2018, respectively, related to excess tax benefits from stock compensation. This accounting standard will result in volatility to future effective tax rates.

The Company has \$0.6 million of remaining Federal NOLs. Such NOLs expire beginning in 2030 and, due to Internal Revenue Service (IRS) limitations, \$0.1 million are being utilized each year. Accordingly, the Company fully expects to utilize all of these NOLs. The Company has no state NOLs.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. Benefits from tax positions are recognized in the financial statements only when it is more-likely-than-not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. ASC 740 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties.

There were no unrecognized tax benefits as of December 31, 2020. The Company records interest and penalties on potential income tax deficiencies as income tax expense. Federal tax years 2017 through 2020 remain subject to examination as of December 31, 2020, while tax years 2016 through 2020 remain subject to examination by state taxing jurisdictions. No federal or state income tax return examinations are currently in process. The Company does not expect to record or realize any material unrecognized tax benefits during 2021.

As a result of the adoption of ASC 326 - *Credit Losses* on January 1, 2020, the tax impact relating to the incremental provision for expected credit losses from financial assets held at amortized cost has been reflected as a credit to retained earnings to reflect the tax impact of increased credit reserves. Accordingly, \$8.5 million of such impact has been reflected as an income tax credit and deferred tax asset on the Company's Consolidated Statements of Financial Condition.

On March 27, 2020, the CARES Act was enacted, and Section 2303(b) of this act provides the Company with an opportunity to carry back net operating losses (NOLs) arising from 2018, 2019 and 2020 to the prior five tax years. The Company has such NOLs reflected on its balance sheet as a portion of its current tax receivables, which were previously valued at the federal corporate income tax rate of 21%. However, the provisions of the CARES Act provide for NOL carryback claims to be calculated based on a rate of 35%, which was the federal corporate tax rate in effect for the carryback years. Consequently, effective December 31, 2020, the Company has revalued the benefit from its NOLs to reflect a 35% tax rate, which resulted in the recognition of an additional \$1.7 million income tax benefit and deferred tax asset on the Company's Consolidated Statements of Financial Condition.

The amortization of the low-income housing credit investments has been reflected as income tax expense of \$3.3 million for the year ended December 31, 2020, compared to \$3.0 million and \$1.9 million for the years ended December 31, 2019 and December 31, 2018, respectively.

The amount of affordable housing tax credits, amortization and tax benefits recorded as income tax expense for the year ended December 31, 2020 were \$2.9 million, \$3.3 million and \$0.9 million respectively. The carrying value of the investment in affordable housing credits is \$26.6 million December 31, 2020, compared to \$25.8 million December 31, 2019.

## 17. STOCK-BASED COMPENSATION

The Company's stock incentive plans provide for the granting of stock options, stock appreciation rights, performance awards, restricted stock, restricted stock units (RSUs), and other stock based awards or cash incentives that are consistent with the purpose of the incentive plans and interests of the Company. Upon stockholder approval in 2018, the 2013 Incentive Plan (2013 Plan) was replaced by the 2018 Incentive Plan (2018 Plan). However, outstanding awards under the 2013 Plan remain in effect in accordance with their original terms. The 2018 Plan will terminate on the tenth anniversary of its effective date, after which no awards may be granted. The number of shares reserved for issuance under the 2018 Plan is 1,500,000, of which 504,931 shares were available for future grants at December 31, 2020. Generally, all time-based awards become fully vested and outstanding stock options and stock appreciation rights become exercisable immediately in the event of a change in control, as defined in the plans.

Total stock-based compensation expense recognized was \$3.1 million (\$2.5 million after tax) for 2020, \$4.5 million (\$3.4 million after tax) for 2019, and \$2.6 million (\$2.0 million after tax) for 2018. As part of the expense calculation, the Company has elected to recognize forfeitures as they occur. Stock-based compensation expense related to awards granted to Associates is recorded in *Salaries, benefits and other compensation*; expense related to awards granted to directors is recorded in *Other operating expense* in the Company's Consolidated Statements of Income.

### Stock Options

Stock options are granted with an exercise price not less than the fair market value of the Company's common stock on the date of the grant. All stock options granted during 2020, 2019, and 2018 vest in 25% per annum increments, start to become exercisable in April of the year following the year of grant, and expire between five and seven years from the grant date. New shares are issued upon the exercise of options.

The Company determines the grant date fair value of stock options using the Black-Scholes option-pricing model. The model requires the use of numerous assumptions, many of which are subjective. Significant assumptions used to determine 2020, 2019, and 2018 grant date fair value included expected term, which was derived from historical exercise patterns and represents the amount of time that stock options granted are expected to be outstanding; volatility, measured using the fluctuation in month end closing stock prices over a period which corresponds with the average expected option life; a weighted-average risk-free rate of return (zero coupon treasury yield); and a dividend yield indicative of the Company's current dividend rate. The assumptions used to determine the grant date fair value for options issued during 2020, 2019, and 2018 are presented below:

|                                          | 2020   | 2019   | 2018   |
|------------------------------------------|--------|--------|--------|
| Expected term (in years)                 | 5.5    | 5.5    | 5.3    |
| Volatility                               | 25.0 % | 23.6 % | 23.0 % |
| Weighted-average risk-free interest rate | 1.06 % | 2.50 % | 2.69 % |
| Dividend yield                           | 1.39 % | 1.02 % | 0.74 % |

A summary of option activity as of December 31, 2020, and changes during the year the ended December 31, 2020, is presented below:

|                                  | 2020      |                                 |                                                     |                                          |
|----------------------------------|-----------|---------------------------------|-----------------------------------------------------|------------------------------------------|
|                                  | Shares    | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (In Thousands) |
| <b>Stock Options:</b>            |           |                                 |                                                     |                                          |
| Outstanding at beginning of year | 430,736   | \$ 34.33                        | 3.16                                                | \$ 4,550                                 |
| Plus: Granted                    | 150,326   | 34.93                           |                                                     |                                          |
| Less: Exercised                  | (115,819) | 24.79                           |                                                     |                                          |
| Forfeited                        | (15,482)  | 39.84                           |                                                     |                                          |
| Outstanding at end of year       | 449,761   | 36.80                           | 4.16                                                | 3,910                                    |
| Nonvested at end of year         | 242,158   | 38.66                           | 2.70                                                | 1,507                                    |
| Exercisable at end of year       | 207,603   | 34.62                           | 2.30                                                | 2,313                                    |

The weighted-average fair value of options granted was \$7.19 in 2020, \$10.26 in 2019 and \$11.62 in 2018. The aggregate intrinsic value of options exercised was \$1.8 million in 2020, \$12.3 million in 2019, and \$20.6 million in 2018.

The following table summarizes the non-vested stock option activity during the year the ended December 31, 2020:

|                                  | 2020           |                                 |                                        |
|----------------------------------|----------------|---------------------------------|----------------------------------------|
|                                  | Shares         | Weighted-Average Exercise Price | Weighted-Average Grant Date Fair Value |
| <b>Stock Options:</b>            |                |                                 |                                        |
| Nonvested at beginning of period | 140,076        | \$ 43.91                        | \$ 10.53                               |
| Plus: Granted                    | 150,326        | 34.93                           | 7.19                                   |
| Less: Vested                     | (48,244)       | 42.32                           | 10.27                                  |
| Forfeited                        | —              | —                               | —                                      |
| Nonvested at end of period       | <u>242,158</u> | <u>38.66</u>                    | <u>8.51</u>                            |

The total amount of unrecognized compensation cost related to non-vested stock options as of December 31, 2020 was \$1.4 million. The weighted-average period over which the expense is expected to be recognized is 2.70 years. During 2020, the Company recognized \$0.6 million of compensation expense related to these awards.

#### Restricted Stock Units

RSUs are granted at no cost to the recipient and generally vest over a four year period. All outstanding awards granted to senior executives vest over no less than a four year period. The 2013 and 2018 Plans allow for awards with vesting periods less than four years, subject to Board approval. The fair value of RSUs is equal to the fair value of the common stock on the date of grant. The expense related to RSUs granted to Associates is recognized in *Salaries, benefits and other compensation* and granted to directors in *Other operating expense* on an accrual basis over the requisite service period for the entire award. When restricted stock is awarded to individuals from whom the Company may not receive services in the future, the expense is recognized when the award is granted, instead of amortizing the expense over the vesting period of the award.

The weighted-average fair value of RSUs granted was \$37.52 in 2020, \$43.28 in 2019, and \$48.38 in 2018. The total amount of compensation cost to be recognized relating to nonvested restricted stock units as of December 31, 2020 was \$6.7 million. The weighted-average period over which the cost is expected to be recognized is 2.8 years. During 2020, the Company recognized \$2.5 million of compensation cost related to these awards. The following table summarizes the Company's RSUs and changes during the year:

|                              | Units (in whole) | Weighted Average Grant-Date Fair Value per Unit |
|------------------------------|------------------|-------------------------------------------------|
| Balance at December 31, 2019 | 122,660          | \$ 44.24                                        |
| Plus: Granted                | 154,689          | 37.52                                           |
| Less: Vested                 | (64,173)         | 43.53                                           |
| Forfeited                    | (3,569)          | 38.67                                           |
| Balance at December 31, 2020 | <u>209,607</u>   | <u>39.66</u>                                    |

The total fair value of RSUs that vested was \$1.9 million in 2020, \$1.5 million in 2019, and \$1.6 million in 2018.

**Integration Performance RSU Plan:** In February 2019, the Board of Directors approved the Integration Performance RSU Plan ("the Integration Plan"), in which certain senior executives were granted awards based on the achievement of three defined goals measuring the success of the integration of Beneficial and execution of the Company's strategic goals over the five-year period ending 2023. The Plan provides for a three-year performance achievement period beginning in 2021 and ending in 2023. If any or all of a portion of RSU's vest prior to 2023, there will be an additional time-based vesting requirement through the end of 2023. The Performance RSUs were granted on February 28, 2019, and the Company accrues expense for this Plan based on the estimated probability of achievement of the three defined performance goals.

**Beneficial Acquisition Success Plan:** On December 10, 2020, the Board of Directors approved the Beneficial Acquisition Success Plan (the "Success Plan"), which is designed to recognize and reward the Company's achievement of certain key measures of near-term success related to Beneficial and the efforts of the Company's senior leaders and the value of such success to the Company's longer term performance. The key measures of success related to Beneficial include acquisition economics, one-time acquisition costs, banking location integration and optimization, customer deposit retention, and cost synergies. Awards under the Success Plan have been awarded as RSUs vesting in equal annual installments over three years. The Company granted 66,703 RSUs under the Success Plan on December 10, 2020.

Awards from both the Integration Plan and the Success Plan will be issued under the Company's 2018 Incentive Plan.

## 18. COMMITMENTS AND CONTINGENCIES

### *Data Processing and Network Operations*

The Company has entered into contracts to manage its network operations, data processing and other related services. The projected amounts of future minimum payments contractually due are as follows:

*(Dollars in thousands)*

| <b>Year</b> | <b>Amount</b> |
|-------------|---------------|
| 2021        | \$ 9,262      |
| 2022        | 9,623         |
| 2023        | 6,169         |
| 2024        | 2,757         |
| 2025        | 2,107         |

### *Legal Proceedings*

In the ordinary course of business, the Company is subject to legal actions that involve claims for monetary relief. See Note 25 for additional information.

### *Financial Instruments With Off-Balance Sheet Risk*

In the ordinary course of business, the Company is a party to financial instruments with off-balance sheet risk, primarily to meet the financing needs of its customers. To varying degrees, these financial instruments involve elements of credit risk that are not recognized in the Consolidated Statements of Financial Condition.

Exposure to loss for commitments to extend credit and standby letters of credit written is represented by the contractual amount of those instruments. The Company generally requires collateral to support such financial instruments in excess of the contractual amount of those instruments and use the same credit policies in making commitments as it does for on-balance sheet instruments.

The following represents a summary of off-balance sheet financial instruments at year-end:

*(Dollars in thousands)*

|                                                                                           | <b>December 31,</b> |                     |
|-------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                           | <b>2020</b>         | <b>2019</b>         |
| <b>Financial instruments with contract amounts which represent potential credit risk:</b> |                     |                     |
| Construction loan commitments                                                             | \$ 406,639          | \$ 360,981          |
| Commercial mortgage loan commitments                                                      | 100,729             | 106,626             |
| Commercial loan commitments                                                               | 1,083,512           | 919,353             |
| Commercial owner-occupied commitments                                                     | 70,155              | 57,144              |
| Commercial standby letters of credit                                                      | 95,897              | 148,131             |
| Residential mortgage loan commitments                                                     | 2,842               | 5,317               |
| Consumer loan commitments                                                                 | 591,856             | 506,544             |
| <b>Total</b>                                                                              | <b>\$ 2,351,630</b> | <b>\$ 2,104,096</b> |

At December 31, 2020, the Company had total commitments to extend credit of \$2.4 billion. Commitments for consumer lines of credit were \$591.9 million of which, \$521.1 million were secured by real estate. Residential mortgage loan commitments generally have closing dates within a one month period but can be extended to six months. Not reflected in the table above are commitments to sell residential mortgages of \$91.9 million and \$60.0 million at December 31, 2020 and 2019, respectively.

Commitments provide for financing on predetermined terms as long as the customer continues to meet specific criteria. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The Company evaluates each customer's creditworthiness and obtain collateral based on its credit evaluation of the counterparty.

#### *Indemnifications from Secondary Market Loan Sales*

Given the current interest rate environment and the Company's overall asset and liability management approach, the Company typically sells newly originated residential mortgage loans in the secondary market to mortgage loan aggregators and on a more limited basis, to government sponsored enterprise (GSEs), such as the Federal Home Loan Mortgage Corp (FHLMC), the Federal National Mortgage Association (FNMA), and the FHLB. Loans held for sale are reflected on the Consolidated Statements of Financial Condition at their fair value with changes in the value reflected in the Consolidated Statements of Income. Gains and losses are recognized at the time of sale. The Company periodically retains the servicing rights on residential mortgage loans sold which results in monthly service fee income. Otherwise, the Company sells loans with servicing released on a nonrecourse basis. Rate-locked loan commitments that the Company intends to sell in the secondary market are accounted for as derivatives under ASC 815, *Derivatives and Hedging* (ASC 815).

The Company does not sell loans with recourse, except for standard loan sale contract provisions covering violations of representations and warranties and, under certain circumstances, early payment default by the borrower. These are customary repurchase provisions in the secondary market for residential mortgage loan sales. These provisions may include either an indemnification from loss or an agreement to repurchase the loans. Repurchases and losses have been rare and no provision is made for losses at the time of sale. There were no repurchases for the year ended December 31, 2020 and one repurchase for \$0.2 million for the year ended December 31, 2019.

## 19. FAIR VALUE DISCLOSURES OF FINANCIAL ASSETS AND LIABILITIES

### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

ASC 820-10, *Fair Value Measurement* (ASC 820-10) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following tables present financial instruments carried at fair value as of December 31, 2020 and December 31, 2019 by level in the valuation hierarchy (as described above):

|                                                                    | December 31, 2020                                             |                                               |                                           |                     |
|--------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|---------------------|
|                                                                    | Quoted Prices in Active Markets for Identical Asset (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value    |
| <i>(Dollars in thousands)</i>                                      |                                                               |                                               |                                           |                     |
| <b>Assets measured at fair value on a recurring basis:</b>         |                                                               |                                               |                                           |                     |
| Available-for-sale securities:                                     |                                                               |                                               |                                           |                     |
| CMO                                                                | \$ —                                                          | \$ 471,325                                    | \$ —                                      | \$ 471,325          |
| FNMA MBS                                                           | —                                                             | 1,598,970                                     | —                                         | 1,598,970           |
| FHLMC MBS                                                          | —                                                             | 202,893                                       | —                                         | 202,893             |
| GNMA MBS                                                           | —                                                             | 23,762                                        | —                                         | 23,762              |
| GSE agency notes                                                   | —                                                             | 232,107                                       | —                                         | 232,107             |
| Other assets                                                       | —                                                             | 14,448                                        | —                                         | 14,448              |
| <b>Total assets measured at fair value on a recurring basis</b>    | <b>\$ —</b>                                                   | <b>\$ 2,543,505</b>                           | <b>\$ —</b>                               | <b>\$ 2,543,505</b> |
| <b>Liabilities measured at fair value on a recurring basis:</b>    |                                                               |                                               |                                           |                     |
| Other liabilities                                                  | \$ —                                                          | \$ 8,218                                      | \$ 24,039                                 | \$ 32,257           |
| <b>Assets measured at fair value on a nonrecurring basis:</b>      |                                                               |                                               |                                           |                     |
| Other investments                                                  | \$ —                                                          | \$ —                                          | \$ 9,541                                  | \$ 9,541            |
| Other real estate owned                                            | —                                                             | —                                             | 3,061                                     | 3,061               |
| Loans held for sale                                                | —                                                             | 197,541                                       | —                                         | 197,541             |
| <b>Total assets measured at fair value on a nonrecurring basis</b> | <b>\$ —</b>                                                   | <b>\$ 197,541</b>                             | <b>\$ 12,602</b>                          | <b>\$ 210,143</b>   |

|                                                             | December 31, 2019                                             |                                               |                                           |                  |
|-------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|------------------|
|                                                             | Quoted Prices in Active Markets for Identical Asset (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| <i>(Dollars in thousands)</i>                               |                                                               |                                               |                                           |                  |
| Assets measured at fair value on a recurring basis:         |                                                               |                                               |                                           |                  |
| Available-for-sale securities:                              |                                                               |                                               |                                           |                  |
| CMO                                                         | \$ —                                                          | \$ 340,230                                    | \$ —                                      | \$ 340,230       |
| FNMA MBS                                                    | —                                                             | 1,242,453                                     | —                                         | 1,242,453        |
| FHLMC MBS                                                   | —                                                             | 328,946                                       | —                                         | 328,946          |
| GNMA MBS                                                    | —                                                             | 33,285                                        | —                                         | 33,285           |
| Other assets                                                | —                                                             | 4,884                                         | —                                         | 4,884            |
| Total assets measured at fair value on a recurring basis    | \$ —                                                          | \$ 1,949,798                                  | \$ —                                      | \$ 1,949,798     |
| Liabilities measured at fair value on a recurring basis:    |                                                               |                                               |                                           |                  |
| Other liabilities                                           | \$ —                                                          | \$ 3,918                                      | \$ —                                      | \$ 3,918         |
| Assets measured at fair value on a nonrecurring basis:      |                                                               |                                               |                                           |                  |
| Other investments                                           | \$ —                                                          | \$ —                                          | \$ 70,046                                 | \$ 70,046        |
| Other real estate owned                                     | —                                                             | —                                             | 2,605                                     | 2,605            |
| Loans held for sale                                         | —                                                             | 83,872                                        | —                                         | 83,872           |
| Total assets measured at fair value on a nonrecurring basis | \$ —                                                          | \$ 83,872                                     | \$ 72,651                                 | \$ 156,523       |

Fair value is based on quoted market prices, where available. If such quoted market prices are not available, fair value is based on internally developed models or obtained from third parties that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include unobservable parameters. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Company believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

#### *Available-for-sale securities*

Securities classified as available-for-sale are reported at fair value using Level 2 inputs. The Company believes that this Level 2 designation is appropriate under ASC 820-10, as these securities are government sponsored enterprises (GSEs) and Ginnie Mae securities with almost all fixed income securities, none are exchange traded, and all are priced by correlation to observed market data. For these securities the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors.

#### *Other investments*

Other investments includes equity investments without readily determinable fair values and equity method investments, which are both categorized as Level 3. The Company's equity investments without readily determinable fair values are held at cost, and are adjusted for any observable transactions during the reporting period and its equity method investments are initially recorded at cost based on the Company's percentage ownership in the investee, and are adjusted to reflect the recognition of the Company's proportionate share of income or loss of the investee based on the investee's earnings.

#### *Other real estate owned*

Other real estate owned consists of loan collateral which has been repossessed through foreclosure or other measures. Initially, foreclosed assets are recorded at the fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically and the assets may be marked down further, reflecting a new cost basis. The fair value of other real estate owned was estimated using Level 3 inputs based on appraisals obtained from third parties.

#### *Loans held for sale*

The fair value of loans held for sale is based on estimates using Level 2 inputs. These inputs are based on pricing information obtained from wholesale mortgage banks and brokers and applied to loans with similar interest rates and maturities.

#### *Other assets*

Other assets include the fair value of interest rate products and derivatives on the residential mortgage held for sale loan pipeline. Valuation of interest rate products is obtained from an independent pricing service and also from the derivative counterparty. Valuation of the derivative related to the residential mortgage held for sale loan pipeline is based on valuation of the loans held for sale portfolio as described above in *Loans held for sale*.

#### *Other liabilities*

Other liabilities include the fair value of interest rate products, derivatives on the residential mortgage held for sale loan pipeline and derivative related to the sale of certain Visa Class B common shares. Valuation of interest rate products and risk participation agreements is obtained from an independent pricing service and also from the derivative counterparty. Valuation of the derivative related to the residential mortgage held for sale loan pipeline is based on valuation of the loans held for sale portfolio as described above in *Loans held for sale*. Valuation of the derivative related to the sale of certain Visa Class B common shares is based on: (i) the agreed upon graduated fee structure; (ii) the length of time until the resolution of the Visa covered litigation; and (iii) the estimated impact of dilution in the conversion ratio of Class B shares resulting from changes in the Visa covered litigation.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The reported fair values of financial instruments are based on a variety of factors. In certain cases, fair values represent quoted market prices for identical or comparable instruments. In other cases, fair values have been estimated based on assumptions regarding the amount and timing of estimated future cash flows that are discounted to reflect current market rates and varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of period-end or that will be realized in the future.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

#### *Cash and cash equivalents*

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

#### *Investment securities*

Investment securities include debt securities classified as held-to-maturity or available-for-sale. Fair value is estimated using quoted prices for similar securities, which the Company obtains from a third party vendor. The Company uses one of the largest providers of securities pricing to the industry and management periodically assesses the inputs used by this vendor to price the various types of securities owned by the Company to validate the vendor's methodology as described above in available-for-sale securities.

#### *Other investments*

Other investments includes equity investments without readily determinable fair values (see discussion in "Fair Value of Financial Assets and Liabilities" section above).

#### *Loans held for sale*

Loans held for sale are carried at their fair value (see discussion in "Fair Value of Financial Assets and Liabilities" section above).

#### *Loans and leases*

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans and leases are segregated by portfolio segments (see Note 2). For loans that reprice frequently, the book value approximates fair value. The fair values of other types of loans, with the exception of reverse mortgages, are estimated by discounting expected cash flows using the current rates at which similar loans would be made to borrowers with comparable credit ratings and for similar remaining maturities. The fair values of reverse mortgages are based on the net present value of the expected cash flows using a discount rate specific to the reverse mortgages portfolio. The fair value of nonperforming loans is based on recent external appraisals of the underlying collateral, if the loan is collateral dependent. Estimated cash flows, discounted using a rate commensurate with current rates and the risk associated with the estimated cash flows, are used if appraisals are not available. This technique does contemplate an exit price.

#### *Stock in the Federal Home Loan Bank (FHLB) of Pittsburgh*

The fair value of FHLB stock is assumed to be equal to its cost basis, since the stock is non-marketable but redeemable at its par value.

#### *Accrued interest receivable*

The carrying amounts of interest receivable approximate fair value.

#### *Other assets*

Other assets include the fair value of interest rate products and derivatives on the residential mortgage held for sale loan pipeline (see discussion in “Fair Value of Financial Assets and Liabilities” section above).

#### *Deposits*

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, money market and interest-bearing demand deposits, is assumed to be equal to the amount payable on demand. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for deposits with comparable remaining maturities.

#### *Borrowed funds*

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

#### *Off-balance sheet instruments*

The fair value of off-balance sheet instruments, including swap guarantees of \$12.8 million and \$8.8 million at December 31, 2020 and December 31, 2019, respectively, and standby letters of credit, approximates the recorded net deferred fee amounts. Because letters of credit are generally not assignable by either the Company or the borrower, they only have value to the Company and the borrower. In determining the fair value of the swap guarantees, the Company assesses the underlying credit risk exposure for each borrower in a paying position to the third-party financial institution.

#### *Accrued interest payable*

The carrying amounts of interest payable approximate fair value.

#### *Other liabilities*

Other liabilities include the fair value of interest rate products, risk participation agreements, derivatives on the residential mortgage held for sale loan pipeline, and derivative related to the sale of certain Visa Class B common shares (see discussion in “Fair Value of Financial Assets and Liabilities” section above).

#### *Assets measured at fair value using significant unobservable inputs (Level 3)*

The following table provides a description of the valuation technique and significant unobservable inputs for the Company's assets classified as Level 3 and measured at fair value on a nonrecurring basis:

| December 31, 2020       |            |                                         |                                                 |                                           |
|-------------------------|------------|-----------------------------------------|-------------------------------------------------|-------------------------------------------|
| Financial Instrument    | Fair Value | Valuation Technique(s)                  | Unobservable Input                              | Range (Weighted Average)                  |
| Other investments       | \$ 9,541   | Observed market comparable transactions | Period of observed transactions                 | July 2020                                 |
| Other real estate owned | \$ 3,061   | Fair market value of collateral         | Costs to sell                                   | 5.0% - 10.0% (10.0%)                      |
| Other liabilities       | \$ 24,039  | Discounted cash flow                    | Timing of the resolution of the Visa litigation | 2.75 - 7.75 years (5.50 years or 4Q 2025) |

The book value and estimated fair value of the Company's financial instruments are as follows:

|                                              |                        | December 31,  |               |              |              |
|----------------------------------------------|------------------------|---------------|---------------|--------------|--------------|
|                                              | Fair Value Measurement | 2020          |               | 2019         |              |
|                                              |                        | Book Value    | Fair Value    | Book Value   | Fair Value   |
| (Dollars in thousands)                       |                        |               |               |              |              |
| Financial assets:                            |                        |               |               |              |              |
| Cash, cash equivalents and restricted cash   | Level 1                | \$ 1,654,735  | \$ 1,654,735  | \$ 571,752   | \$ 571,752   |
| Investment securities, available for sale    | Level 2                | 2,529,057     | 2,529,057     | 1,944,914    | 1,944,914    |
| Investment securities, held to maturity, net | Level 2                | 111,741       | 116,421       | 133,601      | 136,625      |
| Other investments                            | Level 3                | 9,541         | 9,541         | 70,046       | 70,046       |
| Loans, held for sale                         | Level 2                | 197,541       | 197,541       | 83,872       | 83,872       |
| Loans and leases, net <sup>(1)</sup>         | Level 3                | 8,795,935     | 9,130,003     | 8,424,464    | 8,580,015    |
| Stock in FHLB of Pittsburgh                  | Level 2                | 5,771         | 5,771         | 21,097       | 21,097       |
| Accrued interest receivable                  | Level 2                | 44,335        | 44,335        | 38,094       | 38,094       |
| Other assets                                 | Level 2                | 14,448        | 14,448        | 4,884        | 4,884        |
| Financial liabilities:                       |                        |               |               |              |              |
| Deposits                                     | Level 2                | \$ 11,856,664 | \$ 11,868,897 | \$ 9,586,857 | \$ 9,575,394 |
| Borrowed funds                               | Level 2                | 340,641       | 340,106       | 489,288      | 489,561      |
| Standby letters of credit                    | Level 3                | 630           | 630           | 623          | 623          |
| Accrued interest payable                     | Level 2                | 1,450         | 1,450         | 3,103        | 3,103        |
| Other liabilities                            | Levels 2, 3            | 32,257        | 32,257        | 3,918        | 3,918        |

(1) Includes reverse mortgage loans.

At December 31, 2020 and December 31, 2019 the Company had no commitments to extend credit measured at fair value.

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

### *Risk Management Objective of Using Derivatives*

The Company is exposed to certain risks arising from both economic conditions and its business operations. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

### *Fair Values of Derivative Instruments*

The table below presents the fair value of derivative financial instruments as well as their location on the Consolidated Statements of Financial Condition as of December 31, 2020.

|                                                                      | Fair Values of Derivative Instruments |                        |                          |
|----------------------------------------------------------------------|---------------------------------------|------------------------|--------------------------|
|                                                                      | Notional                              | Balance Sheet Location | Derivatives (Fair Value) |
| <i>(Dollars in thousands)</i>                                        |                                       |                        |                          |
| <b>Derivatives not designated as hedging instruments:</b>            |                                       |                        |                          |
| Interest rate products                                               | \$ 61,326                             | Other assets           | \$ 5,369                 |
| Interest rate products                                               | 61,326                                | Other liabilities      | (5,851)                  |
| Risk participation agreements                                        | 4,372                                 | Other liabilities      | (10)                     |
| Interest rate lock commitments with customers                        | 244,037                               | Other assets           | 8,496                    |
| Interest rate lock commitments with customers                        | 8,413                                 | Other liabilities      | (117)                    |
| Forward sale commitments                                             | 50,705                                | Other assets           | 583                      |
| Forward sale commitments                                             | 258,186                               | Other liabilities      | (2,240)                  |
| Financial derivative related to sales of certain Visa Class B shares | 113,177                               | Other liabilities      | (24,039)                 |
| <b>Total derivatives</b>                                             | <b>\$ 801,542</b>                     |                        | <b>\$ (17,809)</b>       |

The table below presents the fair value of derivative financial instruments as well as their location on the Consolidated Statements of Financial Condition as of December 31, 2019.

| (Dollars in thousands)                                    | Fair Values of Derivative Instruments |            |                        |                             |
|-----------------------------------------------------------|---------------------------------------|------------|------------------------|-----------------------------|
|                                                           | Count                                 | Notional   | Balance Sheet Location | Derivatives<br>(Fair Value) |
| <b>Derivatives designated as hedging instruments:</b>     |                                       |            |                        |                             |
| Interest rate products                                    | 3                                     | \$ 75,000  | Other liabilities      | \$ (759)                    |
| Total                                                     |                                       | \$ 75,000  |                        | \$ (759)                    |
| <b>Derivatives not designated as hedging instruments:</b> |                                       |            |                        |                             |
| Interest rate products                                    |                                       | \$ 71,804  | Other assets           | \$ 2,520                    |
| Interest rate products                                    |                                       | 71,804     | Other liabilities      | (2,688)                     |
| Risk participation agreements                             |                                       | 4,524      | Other liabilities      | (4)                         |
| Interest rate lock commitments with customers             |                                       | 99,057     | Other assets           | 1,768                       |
| Interest rate lock commitments with customers             |                                       | 28,505     | Other liabilities      | (191)                       |
| Forward sale commitments                                  |                                       | 61,301     | Other assets           | 596                         |
| Forward sale commitments                                  |                                       | 90,177     | Other liabilities      | (276)                       |
| Total                                                     |                                       | \$ 427,172 |                        | \$ 1,725                    |
| Total derivatives                                         |                                       | \$ 502,172 |                        | \$ 966                      |

### **Derivatives designated as hedging instruments:**

#### *Cash Flow Hedges of Interest Rate Risk*

The Company's objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of fixed amounts from a counterparty in exchange for the Company making variable-rate payments over the life of the agreements without exchange of the underlying notional amount.

Changes to the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecast transaction affects earnings. During the first half of 2020, such derivatives were used to hedge the variable cash flows associated with a variable rate loan pool.

In April 2020, the Company terminated its three interest rate derivatives that were designated as cash flow hedges for a net gain of \$1.3 million. At this point, hedge accounting was discontinued, and the net gain was recognized in accumulated other comprehensive income (loss). Once a cash flow hedge is discontinued, the net gain or loss that remains in accumulated comprehensive income (loss) is reclassified into earnings when the transaction affects earnings. As the underlying hedged transaction continues to be probable, the \$1.3 million net gain will be recognized into earnings on a straight-line basis over each derivative's original contract term. During the next twelve months, the Company estimates that \$0.5 million will be reclassified as an increase to interest income. During the year ended December 31, 2020, \$0.4 million was reclassified into interest income.

### **Derivatives not designated as hedging instruments:**

#### *Back-to-Back Swap Transactions*

The Company entered into agreements with two unrelated financial institutions whereby the Company enters into an interest rate swap transaction with the customer and offsets that transaction with another counterparty. Derivative financial instruments related to back-to-back swaps are recorded at fair value and are not designated as accounting hedges.

#### *Swap Guarantees*

The Company entered into agreements with four unrelated financial institutions whereby those financial institutions entered into interest rate derivative contracts (interest rate swap transactions) directly with customers referred to them by the Company. Under the terms of the agreements, those financial institutions have recourse to the Company for any exposure created under each swap transaction, only in the event that the customer defaults on the swap agreement and the agreement is in a paying position to the third-party financial institution. This is a customary arrangement that allows the Company to provide access to interest rate swap transactions for its customers without creating the swap ourselves. These swap guarantees are accounted for as credit derivatives.

At December 31, 2020 and December 31, 2019, there were 234 and 172 variable-rate to fixed-rate swap transactions between the third-party financial institutions and the Company's customers, respectively. The initial notional aggregate amount was approximately \$1.1 billion at December 31, 2020 compared to \$941.0 million at December 31, 2019. At December 31, 2020, the swap transactions remaining maturities ranged from under 1 year to 15 years. At December 31, 2020, 231 of these customer swaps were in a paying position to third parties for \$81.6 million, with the Company's swap guarantees having a fair value of \$12.8 million. At December 31, 2019, 156 of these customer swaps were in a paying position to third parties for \$27.4 million, with the Company's swap guarantees having a fair value of \$8.8 million. However, for both periods, none of the Company's customers were in default of the swap agreements.

#### *Derivative Financial Instruments from Mortgage Banking Activities*

Derivative financial instruments related to mortgage banking activities are recorded at fair value and are not designated as accounting hedges. This includes commitments to originate certain fixed-rate residential mortgage loans to customers, also referred to as interest rate lock commitments. The Company may also enter into forward sale commitments to sell loans to investors at a fixed price at a future date and trade asset-backed securities to mitigate interest rate risk.

### Effect of Derivative Instruments on the Income Statement

The table below presents the effect of the derivative financial instruments on the Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018.

| Amount of (Loss) or Gain<br>Recognized in OCI on Derivative<br>(Effective Portion) |          |          |         |  | Location of (Loss) or Gain Reclassified from<br>Accumulated OCI into<br>Income (Effective Portion) |
|------------------------------------------------------------------------------------|----------|----------|---------|--|----------------------------------------------------------------------------------------------------|
| Twelve Months Ended                                                                |          |          |         |  |                                                                                                    |
|                                                                                    | 2020     | 2019     | 2018    |  |                                                                                                    |
| <b>Derivatives in Cash Flow Hedging Relationships</b>                              |          |          |         |  |                                                                                                    |
| Interest Rate Products                                                             | \$ 1,560 | \$ 1,877 | \$ (56) |  | Interest income                                                                                    |
| Total                                                                              | \$ 1,560 | \$ 1,877 | \$ (56) |  |                                                                                                    |

(Dollars in thousands)

| (Dollars in thousands)                             | Amount of (Loss) or Gain Recognized in Income |          |          | Location of (Loss) or Gain Recognized in Income |
|----------------------------------------------------|-----------------------------------------------|----------|----------|-------------------------------------------------|
|                                                    | Twelve Months Ended                           |          |          |                                                 |
|                                                    | 2020                                          | 2019     | 2018     |                                                 |
| Derivatives Not Designated as a Hedging Instrument |                                               |          |          |                                                 |
| Interest Rate Lock Commitments                     | \$ 6,490                                      | \$ 1,399 | \$ (28)  | Mortgage banking activities, net                |
| Forward Sale Commitments                           | (12,226)                                      | (1,359)  | (336)    | Mortgage banking activities, net                |
| Total                                              | \$ (5,736)                                    | \$ 40    | \$ (364) |                                                 |

(Dollars in thousands)

### Credit-risk-related Contingent Features

The Company has agreements with certain derivative counterparties that contain a provision under which, if it defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has agreements with certain derivative counterparties that contain a provision where if it fails to maintain its status as a well-capitalized or adequately capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

The Company has minimum collateral posting thresholds with certain derivative counterparties, and has posted collateral of \$7.4 million in securities and \$7.4 million in cash against its obligations under these agreements. If the Company had breached any of these provisions at December 31, 2020, it could have been required to settle its obligations under the agreements at the termination value.

## 21. RELATED PARTY TRANSACTIONS

In the ordinary course of business, from time to time the Company enters into transactions with related parties, including, but not limited to, its officers and directors. These transactions are made on substantially the same terms and conditions, including interest rates and collateral requirements, as those prevailing at the same time for comparable transactions with other customers. They do not, in the opinion of management, involve greater than normal credit risk or include other features unfavorable to the Company. Any related party loans exceeding \$500,000 require review and approval by the Board of Directors. During 2020, there were two loan transactions to an executive officer exceeding \$500,000, and these loans were approved by the Board.

The outstanding balances of loans to related parties at December 31, 2020 and 2019 were \$0.2 million and \$1.0 million, respectively. Total deposits from related parties at December 31, 2020 and 2019 were \$8.3 million and \$4.9 million, respectively. During 2020, new loans and credit line advances to related parties were \$1.7 million and repayments were \$0.9 million.

## 22. SEGMENT INFORMATION

As defined in ASC 280, *Segment Reporting*, an operating segment is a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the enterprise's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company evaluates performance based on pretax net income relative to resources used, and allocate resources based on these results. The accounting policies applicable to the Company's segments are those that apply to its preparation of the accompanying Consolidated Financial Statements. Based on these criteria, the Company has identified three segments: WSFS Bank, Cash Connect®, and Wealth Management.

The WSFS Bank segment provides loans and leases and other financial products to commercial and retail customers. Retail and Commercial Banking, Commercial Real Estate Lending and other banking business units are operating departments of WSFS Bank. These departments share the same regulator, the same market, many of the same customers and provide similar products and services through the general infrastructure of the Bank. Accordingly, these departments are not considered discrete segments and are appropriately aggregated within the WSFS Bank segment.

The Cash Connect® segment provides ATM vault cash, smart safe and other cash logistics services in the U.S. through strategic partnerships with several of the largest networks, manufacturers and service providers in the ATM industry. Cash Connect® services non-bank and WSFS-branded ATMs and retail safes nationwide. The balance sheet category *Cash in non-owned ATMs* includes cash from which fee income is earned through bailment arrangements with customers of Cash Connect®.

The Wealth Management segment provides a broad array of planning and advisory services, investment management, trust services, and credit and deposit products to individual, corporate, and institutional clients through multiple integrated businesses. Powdermill® is a multi-family office specializing in providing independent solutions to high-net-worth individuals, families and corporate executives through a coordinated, centralized approach. West Capital, a registered investment adviser, is a fee-only wealth management firm operating under a multi-family office philosophy to provide customized solutions to institutions and high-net-worth individuals. Cypress, a registered investment adviser is a fee-only wealth management firm managing a "balanced" investment style portfolio focused on preservation of capital and generating current income. The trust division of WSFS, comprised of WSFS Institutional Services® and Christiana Trust DE, provides personal trust and fiduciary services, as well as trustee, agency, bankruptcy administration, custodial and commercial domicile services to corporate and institutional clients. WSFS Wealth® Investments provides financial advisory services along with insurance and brokerage products. WSFS Wealth® Client Management serves high-net-worth clients by delivering credit and deposit products and partnering with other wealth management businesses to provide comprehensive solutions to clients.

The following tables show segment results for the years ended December 31, 2020, 2019, and 2018:

|                                                  | Year Ended December 31, 2020 |                  |                      |            |
|--------------------------------------------------|------------------------------|------------------|----------------------|------------|
|                                                  | WSFS<br>Bank                 | Cash<br>Connect® | Wealth<br>Management | Total      |
| <i>(Dollars in thousands)</i>                    |                              |                  |                      |            |
| <b>Statements of Income</b>                      |                              |                  |                      |            |
| External customer revenues:                      |                              |                  |                      |            |
| Interest income                                  | \$ 505,258                   | \$ —             | \$ 9,147             | \$ 514,405 |
| Noninterest income                               | 110,585                      | 40,899           | 49,541               | 201,025    |
| Total external customer revenues                 | 615,843                      | 40,899           | 58,688               | 715,430    |
| Inter-segment revenues:                          |                              |                  |                      |            |
| Interest income                                  | 4,930                        | 851              | 10,747               | 16,528     |
| Noninterest income                               | 13,038                       | 835              | 1,832                | 15,705     |
| Total inter-segment revenues                     | 17,968                       | 1,686            | 12,579               | 32,233     |
| Total revenue                                    | 633,811                      | 42,585           | 71,267               | 747,663    |
| External customer expenses:                      |                              |                  |                      |            |
| Interest expense                                 | 46,428                       | —                | 2,022                | 48,450     |
| Noninterest expenses                             | 310,799                      | 28,421           | 29,624               | 368,844    |
| Provision for credit losses                      | 149,453                      | —                | 3,727                | 153,180    |
| Total external customer expenses                 | 506,680                      | 28,421           | 35,373               | 570,474    |
| Inter-segment expenses                           |                              |                  |                      |            |
| Interest expense                                 | 11,598                       | 1,580            | 3,350                | 16,528     |
| Noninterest expenses                             | 2,667                        | 3,340            | 9,698                | 15,705     |
| Total inter-segment expenses                     | 14,265                       | 4,920            | 13,048               | 32,233     |
| Total expenses                                   | 520,945                      | 33,341           | 48,421               | 602,707    |
| Income before taxes                              | \$ 112,866                   | \$ 9,244         | \$ 22,846            | \$ 144,956 |
| Income tax provision                             |                              |                  |                      | 31,636     |
| Consolidated net income                          |                              |                  |                      | 113,320    |
| Net loss attributable to noncontrolling interest |                              |                  |                      | (1,454)    |
| Net income attributable to WSFS                  |                              |                  |                      | \$ 114,774 |
| <b>Supplemental Information</b>                  |                              |                  |                      |            |
| Capital expenditures for the period ended        | \$ 6,499                     | \$ 420           | \$ 240               | \$ 7,159   |

| (Dollars in thousands)                           | Year Ended December 31, 2019 |                  |                      |            |
|--------------------------------------------------|------------------------------|------------------|----------------------|------------|
|                                                  | WSFS Bank                    | Cash<br>Connect® | Wealth<br>Management | Total      |
| <b>Statements of Income</b>                      |                              |                  |                      |            |
| External customer revenues:                      |                              |                  |                      |            |
| Interest income                                  | \$ 510,492                   | \$ —             | \$ 10,600            | \$ 521,092 |
| Noninterest income                               | 92,898                       | 51,143           | 44,068               | 188,109    |
| Total external customer revenues                 | 603,390                      | 51,143           | 54,668               | 709,201    |
| Inter-segment revenues:                          |                              |                  |                      |            |
| Interest income                                  | 12,380                       | —                | 17,081               | 29,461     |
| Noninterest income                               | 9,654                        | 890              | 902                  | 11,446     |
| Total inter-segment revenues                     | 22,034                       | 890              | 17,983               | 40,907     |
| Total revenue                                    | 625,424                      | 52,033           | 72,651               | 750,108    |
| External customer expenses:                      |                              |                  |                      |            |
| Interest expense                                 | 71,158                       | —                | 4,986                | 76,144     |
| Noninterest expenses                             | 348,351                      | 35,377           | 29,399               | 413,127    |
| Provision for loan and lease losses              | 24,884                       | —                | 676                  | 25,560     |
| Total external customer expenses                 | 444,393                      | 35,377           | 35,061               | 514,831    |
| Inter-segment expenses                           |                              |                  |                      |            |
| Interest expense                                 | 17,081                       | 7,808            | 4,572                | 29,461     |
| Noninterest expenses                             | 1,792                        | 2,754            | 6,900                | 11,446     |
| Total inter-segment expenses                     | 18,873                       | 10,562           | 11,472               | 40,907     |
| Total expenses                                   | 463,266                      | 45,939           | 46,533               | 555,738    |
| Income before taxes                              | \$ 162,158                   | \$ 6,094         | \$ 26,118            | \$ 194,370 |
| Income tax provision                             |                              |                  |                      | 46,452     |
| Consolidated net income                          |                              |                  |                      | 147,918    |
| Net loss attributable to noncontrolling interest |                              |                  |                      | (891)      |
| Net income attributable to WSFS                  |                              |                  |                      | \$ 148,809 |
| <b>Supplemental Information</b>                  |                              |                  |                      |            |
| Capital expenditures for the period ended        | \$ 11,806                    | \$ 2,120         | \$ 272               | \$ 14,198  |

|                                                  | Year Ended December 31, 2018 |               |                   |            |
|--------------------------------------------------|------------------------------|---------------|-------------------|------------|
|                                                  | WSFS Bank                    | Cash Connect® | Wealth Management | Total      |
| <i>(Dollars in thousands)</i>                    |                              |               |                   |            |
| <b>Statements of Income</b>                      |                              |               |                   |            |
| External customer revenues:                      |                              |               |                   |            |
| Interest income                                  | \$ 282,846                   | \$ —          | \$ 10,127         | \$ 292,973 |
| Noninterest income                               | 70,894                       | 50,679        | 40,968            | 162,541    |
| Total external customer revenues                 | 353,740                      | 50,679        | 51,095            | 455,514    |
| Inter-segment revenues:                          |                              |               |                   |            |
| Interest income                                  | 14,722                       | —             | 11,850            | 26,572     |
| Noninterest income                               | 8,793                        | 774           | 145               | 9,712      |
| Total inter-segment revenues                     | 23,515                       | 774           | 11,995            | 36,284     |
| Total revenue                                    | 377,255                      | 51,453        | 63,090            | 491,798    |
| External customer expenses:                      |                              |               |                   |            |
| Interest expense                                 | 43,671                       | —             | 2,828             | 46,499     |
| Noninterest expenses                             | 172,254                      | 32,378        | 20,415            | 225,047    |
| Provision for loan and lease losses              | 12,934                       | —             | 236               | 13,170     |
| Total external customer expenses                 | 228,859                      | 32,378        | 23,479            | 284,716    |
| Inter-segment expenses:                          |                              |               |                   |            |
| Interest expense                                 | 11,850                       | 10,417        | 4,305             | 26,572     |
| Noninterest expenses                             | 919                          | 2,603         | 6,190             | 9,712      |
| Total inter-segment expenses                     | 12,769                       | 13,020        | 10,495            | 36,284     |
| Total expenses                                   | 241,628                      | 45,398        | 33,974            | 321,000    |
| Income before taxes                              | \$ 135,627                   | \$ 6,055      | \$ 29,116         | \$ 170,798 |
| Income tax provision                             |                              |               |                   | 36,055     |
| Consolidated net income                          |                              |               |                   | 134,743    |
| Net loss attributable to noncontrolling interest |                              |               |                   | —          |
| Net income attributable to WSFS                  |                              |               |                   | \$ 134,743 |
| <b>Supplemental Information</b>                  |                              |               |                   |            |
| Capital expenditures for the period ended        | \$ 4,779                     | \$ 375        | \$ 344            | \$ 5,498   |

The following table shows significant components of segment net assets as of December 31, 2020 and 2019:

|                               | December 31, 2020 |               |                   |               | December 31, 2019 |               |                   |               |
|-------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|                               | WSFS Bank         | Cash Connect® | Wealth Management | Total         | WSFS Bank         | Cash Connect® | Wealth Management | Total         |
| <i>(Dollars in thousands)</i> |                   |               |                   |               |                   |               |                   |               |
| Cash and cash equivalents     | \$ 1,246,394      | \$ 397,878    | \$ 10,463         | \$ 1,654,735  | \$ 202,792        | \$ 357,494    | \$ 11,466         | \$ 571,752    |
| Goodwill                      | 452,629           | —             | 20,199            | 472,828       | 452,629           | —             | 20,199            | 472,828       |
| Other segment assets          | 11,963,345        | 6,997         | 236,009           | 12,206,351    | 10,982,681        | 6,555         | 222,486           | 11,211,722    |
| Total segment assets          | \$ 13,662,368     | \$ 404,875    | \$ 266,671        | \$ 14,333,914 | \$ 11,638,102     | \$ 364,049    | \$ 254,151        | \$ 12,256,302 |

## 23. PARENT COMPANY FINANCIAL INFORMATION

### Condensed Statements of Income

| (Dollars in thousands)                                       | Year Ended December 31, |                   |                   |
|--------------------------------------------------------------|-------------------------|-------------------|-------------------|
|                                                              | 2020                    | 2019              | 2018              |
| <b>Income:</b>                                               |                         |                   |                   |
| Interest income                                              | \$ 356                  | \$ 5,589          | \$ 1,591          |
| Unrealized (losses) gains on equity investments              | (1,617)                 | 3,646             | 15,819            |
| Noninterest income                                           | 208,762                 | 240,408           | 28,038            |
|                                                              | <u>207,501</u>          | <u>249,643</u>    | <u>45,448</u>     |
| <b>Expense:</b>                                              |                         |                   |                   |
| Interest expense                                             | 6,748                   | 7,490             | 7,290             |
| Other operating expense                                      | 2,553                   | 259               | 245               |
|                                                              | <u>9,301</u>            | <u>7,749</u>      | <u>7,535</u>      |
| Income before equity in undistributed income of subsidiaries | 198,200                 | 241,894           | 37,913            |
| Equity in undistributed income (loss) of subsidiaries        | (84,346)                | (92,020)          | 97,626            |
| Income before taxes                                          | 113,854                 | 149,874           | 135,539           |
| Income tax (benefit) provision                               | (920)                   | 1,065             | 796               |
| Net income attributable to WSFS                              | <u>\$ 114,774</u>       | <u>\$ 148,809</u> | <u>\$ 134,743</u> |

### Condensed Statements of Financial Condition

| (Dollars in thousands)                                    | December 31,        |                     |
|-----------------------------------------------------------|---------------------|---------------------|
|                                                           | 2020                | 2019                |
| <b>Assets:</b>                                            |                     |                     |
| Cash and cash equivalents                                 | \$ 244,925          | \$ 71,430           |
| Investment in subsidiaries                                | 1,862,970           | 1,943,866           |
| Investment in the Trust                                   | 2,011               | 2,011               |
| Other assets                                              | 4,728               | 4,041               |
| <b>Total assets</b>                                       | <u>\$ 2,114,634</u> | <u>\$ 2,021,348</u> |
| <b>Liabilities:</b>                                       |                     |                     |
| Trust preferred borrowings                                | \$ 67,011           | \$ 67,011           |
| Senior debt                                               | 246,617             | 98,605              |
| Accrued interest payable                                  | 581                 | 405                 |
| Other liabilities                                         | 8,699               | 5,021               |
| <b>Total liabilities</b>                                  | <u>322,908</u>      | <u>171,042</u>      |
| <b>Stockholders' equity:</b>                              |                     |                     |
| Common stock                                              | 576                 | 575                 |
| Capital in excess of par value                            | 1,053,022           | 1,049,064           |
| Accumulated other comprehensive income                    | 56,007              | 23,501              |
| Retained earnings                                         | 977,414             | 917,377             |
| Treasury stock                                            | (295,293)           | (140,211)           |
| <b>Total stockholders' equity of WSFS</b>                 | <u>1,791,726</u>    | <u>1,850,306</u>    |
| <b>Total liabilities and stockholders' equity of WSFS</b> | <u>\$ 2,114,634</u> | <u>\$ 2,021,348</u> |

# Condensed Statements of Cash Flows

| (Dollars in thousands)                                                            | Year Ended December 31, |                     |                    |
|-----------------------------------------------------------------------------------|-------------------------|---------------------|--------------------|
|                                                                                   | 2020                    | 2019                | 2018               |
| <b>Operating activities:</b>                                                      |                         |                     |                    |
| Net income attributable to WSFS                                                   | \$ 114,774              | \$ 148,809          | \$ 134,743         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |                     |                    |
| Equity in undistributed loss (income) of subsidiaries                             | 84,346                  | 92,020              | (97,626)           |
| Realized gains on sale of equity investments                                      | —                       | —                   | (3,757)            |
| Unrealized losses (gains) on equity investments                                   | 1,617                   | (3,646)             | (15,088)           |
| (Increase) decrease in other assets                                               | (4,537)                 | 3,538               | 2,265              |
| Increase (decrease) in other liabilities                                          | 7,684                   | 6,012               | (237)              |
| <b>Net cash provided by operating activities</b>                                  | <b>\$ 203,884</b>       | <b>\$ 246,733</b>   | <b>\$ 20,300</b>   |
| <b>Investing activities:</b>                                                      |                         |                     |                    |
| Sale of Visa Class B shares                                                       | \$ —                    | \$ —                | \$ 6,186           |
| Net cash for business combinations                                                | —                       | (93,990)            | —                  |
| Purchases of Visa Class B shares                                                  | —                       | —                   | (51)               |
| <b>Net cash (used for) provided by investing activities</b>                       | <b>\$ —</b>             | <b>\$ (93,990)</b>  | <b>\$ 6,135</b>    |
| <b>Financing activities:</b>                                                      |                         |                     |                    |
| Issuance of common stock and exercise of common stock options                     | \$ 2,032                | \$ 7,755            | \$ 11,253          |
| Issuance of senior debt                                                           | 147,780                 | —                   | —                  |
| Purchase of treasury stock                                                        | (155,832)               | (97,186)            | (31,202)           |
| Dividends paid                                                                    | (24,369)                | (22,463)            | (13,249)           |
| <b>Net cash used for financing activities</b>                                     | <b>\$ (30,389)</b>      | <b>\$ (111,894)</b> | <b>\$ (33,198)</b> |
| Increase (decrease) in cash and cash equivalents                                  | \$ 173,495              | \$ 40,849           | \$ (6,763)         |
| Cash and cash equivalents at beginning of period                                  | 71,430                  | 30,581              | 37,344             |
| Cash and cash equivalents at end of period                                        | <u>\$ 244,925</u>       | <u>\$ 71,430</u>    | <u>\$ 30,581</u>   |

## 24. CHANGE IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) includes unrealized gains and losses on investment securities and equity investments, unrealized gains and losses on cash flow hedges, as well as unrecognized prior service costs, transition costs, and actuarial gains and losses on defined benefit pension plans. Changes to accumulated other comprehensive income (loss) are presented net of tax as a component of stockholders' equity. Amounts that are reclassified out of accumulated other comprehensive income (loss) are recorded on the Consolidated Statement of Income either as a gain or loss.

Changes to accumulated other comprehensive income (loss) by component are shown net of taxes in the following tables for the period indicated:

| <i>(Dollars in thousands)</i>                                                 | Net change in<br>investment<br>securities<br>available for sale | Net change in<br>investment securities held<br>to maturity | Net change in<br>defined benefit<br>plan | Net change in<br>fair value of<br>derivatives used<br>for cash flow hedges <sup>(1)</sup> | Net change in<br>equity method<br>investments | Total       |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------|-------------|
| <b>Balance, December 31, 2017</b>                                             | \$ (7,842)                                                      | \$ 1,223                                                   | \$ 865                                   | \$ (2,398)                                                                                | \$ —                                          | \$ (8,152)  |
| Other comprehensive (loss) income before reclassifications                    | (6,695)                                                         | 6                                                          | 22                                       | (56)                                                                                      | —                                             | (6,723)     |
| Less: Amounts reclassified from accumulated other comprehensive (loss) income | (16)                                                            | (450)                                                      | (53)                                     | —                                                                                         | —                                             | (519)       |
| Net current-period other comprehensive loss                                   | (6,711)                                                         | (444)                                                      | (31)                                     | (56)                                                                                      | —                                             | (7,242)     |
| <b>Balance, December 31, 2018</b>                                             | \$ (14,553)                                                     | \$ 779                                                     | \$ 834                                   | \$ (2,454)                                                                                | \$ —                                          | \$ (15,394) |
| Other comprehensive income (loss) before reclassifications                    | 41,733                                                          | (2)                                                        | (4,045)                                  | 1,877                                                                                     | —                                             | 39,563      |
| Less: Amounts reclassified from accumulated other comprehensive income (loss) | (253)                                                           | (309)                                                      | (106)                                    | —                                                                                         | —                                             | (668)       |
| Net current-period other comprehensive income (loss)                          | 41,480                                                          | (311)                                                      | (4,151)                                  | 1,877                                                                                     | —                                             | 38,895      |
| <b>Balance, December 31, 2019</b>                                             | \$ 26,927                                                       | \$ 468                                                     | \$ (3,317)                               | \$ (577)                                                                                  | \$ —                                          | \$ 23,501   |
| Other comprehensive income (loss) before reclassifications                    | 39,853                                                          | —                                                          | (1,445)                                  | 1,560                                                                                     | (9)                                           | 39,959      |
| Less: Amounts reclassified from accumulated other comprehensive income (loss) | (6,898)                                                         | (192)                                                      | (26)                                     | (337)                                                                                     | —                                             | (7,453)     |
| Net current-period other comprehensive income (loss)                          | 32,955                                                          | (192)                                                      | (1,471)                                  | 1,223                                                                                     | (9)                                           | 32,506      |
| <b>Balance, December 31, 2020</b>                                             | \$ 59,882                                                       | \$ 276                                                     | \$ (4,788)                               | \$ 646                                                                                    | \$ (9)                                        | \$ 56,007   |

<sup>(1)</sup> Cash flow hedges were terminated as of April 1, 2020.

Components of other comprehensive income that impact the Consolidated Statements of Income are presented in the table below.

| (Dollars in thousands)                                                                                         | Twelve Months Ended December 31, |                 |                 | Affected line item in Consolidated Statements of Income |
|----------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------|-----------------|---------------------------------------------------------|
|                                                                                                                | 2020                             | 2019            | 2018            |                                                         |
| <b>Securities available-for-sale:</b>                                                                          |                                  |                 |                 |                                                         |
| Realized gains on securities transactions                                                                      | \$ (9,076)                       | \$ (333)        | \$ (21)         | Securities gains, net                                   |
| Income taxes                                                                                                   | 2,178                            | 80              | 5               | Income tax provision                                    |
| <b>Net of tax</b>                                                                                              | <b>\$ (6,898)</b>                | <b>\$ (253)</b> | <b>\$ (16)</b>  |                                                         |
| <b>Net unrealized holding gains on securities transferred between available-for-sale and held-to-maturity:</b> |                                  |                 |                 |                                                         |
| Amortization of net unrealized gains to income during the period                                               | \$ (251)                         | \$ (407)        | \$ (586)        | Interest and dividends on investment securities         |
| Income taxes                                                                                                   | 59                               | 98              | 136             | Income tax provision                                    |
| <b>Net of tax</b>                                                                                              | <b>\$ (192)</b>                  | <b>\$ (309)</b> | <b>\$ (450)</b> |                                                         |
| <b>Amortization of defined benefit pension plan-related items:</b>                                             |                                  |                 |                 |                                                         |
| Prior service (credits) costs <sup>(1)</sup>                                                                   | \$ (266)                         | \$ (76)         | \$ 2            |                                                         |
| Actuarial gains                                                                                                | (47)                             | (63)            | (45)            |                                                         |
| Total before tax                                                                                               | \$ (313)                         | \$ (139)        | \$ (43)         | Salaries, benefits and other compensation               |
| Income taxes                                                                                                   | 75                               | 33              | (10)            | Income tax provision                                    |
| <b>Net of tax</b>                                                                                              | <b>\$ (238)</b>                  | <b>\$ (106)</b> | <b>\$ (53)</b>  |                                                         |
| <b>Defined benefit pension plan settlement:</b>                                                                |                                  |                 |                 |                                                         |
| Realized losses on plan settlement                                                                             | \$ 279                           | \$ —            | \$ —            | Other operating expense                                 |
| Income taxes                                                                                                   | (67)                             | —               | —               | Income tax provision                                    |
| <b>Net of tax</b>                                                                                              | <b>\$ 212</b>                    | <b>\$ —</b>     | <b>\$ —</b>     |                                                         |
| <b>Net unrealized gains on terminated cash flow hedges:</b>                                                    |                                  |                 |                 |                                                         |
| Amortization of net unrealized gains to income during the period                                               | \$ (444)                         | \$ —            | \$ —            | Interest and fees on loans and leases                   |
| Income taxes                                                                                                   | 107                              | —               | —               | Income tax provision                                    |
| <b>Net of tax</b>                                                                                              | <b>\$ (337)</b>                  | <b>\$ —</b>     | <b>\$ —</b>     |                                                         |
| <b>Total reclassifications</b>                                                                                 | <b>\$ (7,453)</b>                | <b>\$ (668)</b> | <b>\$ (519)</b> |                                                         |

<sup>(1)</sup> Prior service costs balance for the year ended December 31, 2018 includes a tax true-up adjustment of \$0.1 million from March 31, 2018. Note that the tax true-up was made to the deferred tax asset with an offset to AOCI and does not affect the actual net periodic benefit costs of the pension plan.

## 25. LEGAL AND OTHER PROCEEDINGS

In accordance with the current accounting standards for loss contingencies, the Company establishes reserves for litigation-related matters that arise in the ordinary course of its business activities when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss can be reasonably estimated. Litigation claims and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. In addition, the Company's defense of litigation claims may result in legal fees, which it expenses as incurred.

As previously disclosed, on February 27, 2018, the Company entered into a settlement agreement with Universitas Education, LLC (Universitas) to resolve arbitration claims related to services provided by Christiana Bank and Trust Company (CB&T) prior to its acquisition by WSFS in December 2010. In accordance with the litigation settlement, the Company paid Universitas \$12.0 million to fully settle the claims. During the third quarter of 2018, WSFS recovered \$7.9 million in settlement and legal costs from insurance carriers that provided coverage relating to the Universitas matter. WSFS is pursuing all of its rights and remedies to recover the remaining amounts relating to the Universitas proceeding, including the Universitas settlement payment, legal fees and related costs, by enforcing the indemnity right in the 2010 purchase agreement by which WSFS acquired CB&T.

In March 2017, Nature's Healing Trust (NHT) filed a complaint against WSFS Bank in the Delaware Court of Chancery. NHT asserts that WSFS Bank failed to provide timely notice concerning the possible lapse of two life settlement policies (aggregate face amount of \$6.3 million) held in the trust. NHT asserts claims against WSFS Bank for breach of contract, breach of fiduciary duty, and negligence, and seeks the face value of the policies. WSFS Bank disputes the factual allegations and denies liability. WSFS Bank has, in accordance with its normal procedures, notified its insurance carriers of a possible claim. WSFS Bank is vigorously defending itself in this matter and believes it has valid factual and legal defenses.

There were no material changes or additions to other significant pending legal or other proceedings involving the Company other than those arising out of routine operations.

## QUARTERLY FINANCIAL SUMMARY (Unaudited)

|                                                                     | Three months ended |            |            |            |            |            |            |           |
|---------------------------------------------------------------------|--------------------|------------|------------|------------|------------|------------|------------|-----------|
|                                                                     | 12/31/2020         | 9/30/2020  | 6/30/2020  | 3/31/2020  | 12/31/2019 | 9/30/2019  | 6/30/2019  | 3/31/2019 |
| <i>(Dollars in thousands, except per share data)</i>                |                    |            |            |            |            |            |            |           |
| Interest income                                                     | \$ 131,297         | \$ 123,370 | \$ 125,883 | \$ 133,855 | \$ 137,350 | \$ 141,262 | \$ 142,903 | \$ 99,577 |
| Interest expense                                                    | 8,296              | 10,322     | 12,127     | 17,705     | 19,781     | 20,429     | 19,671     | 16,263    |
| Net interest income                                                 | 123,001            | 113,048    | 113,756    | 116,150    | 117,569    | 120,833    | 123,232    | 83,314    |
| (Recovery of) provision for credit losses <sup>(1)</sup>            | (936)              | 2,716      | 94,754     | 56,646     | 1,590      | 4,121      | 12,195     | 7,654     |
| Net interest income after (recovery of) provision for credit losses | 123,937            | 110,332    | 19,002     | 59,504     | 115,979    | 116,712    | 111,037    | 75,660    |
| Noninterest income                                                  | 46,632             | 49,171     | 64,375     | 40,847     | 41,770     | 62,346     | 42,871     | 41,122    |
| Noninterest expense                                                 | 93,373             | 93,540     | 93,435     | 88,496     | 98,126     | 109,561    | 107,848    | 97,592    |
| Income (loss) before taxes                                          | 77,196             | 65,963     | (10,058)   | 11,855     | 59,623     | 69,497     | 46,060     | 19,190    |
| Income tax provision (benefit)                                      | 17,455             | 15,140     | (2,247)    | 1,288      | 14,199     | 15,902     | 10,091     | 6,260     |
| Net income (loss)                                                   | 59,741             | 50,823     | (7,811)    | 10,567     | 45,424     | 53,595     | 35,969     | 12,930    |
| Net loss attributed to noncontrolling interest                      | (72)               | (322)      | (700)      | (360)      | (280)      | (287)      | (231)      | (93)      |
| Net income (loss) attributable to WSFS                              | \$ 59,813          | \$ 51,145  | \$ (7,111) | \$ 10,927  | \$ 45,704  | \$ 53,882  | \$ 36,200  | \$ 13,023 |
| Earnings (loss) per share:                                          |                    |            |            |            |            |            |            |           |
| Basic                                                               | \$ 1.20            | \$ 1.01    | \$ (0.14)  | \$ 0.21    | \$ 0.88    | \$ 1.02    | \$ 0.68    | \$ 0.34   |
| Diluted                                                             | \$ 1.20            | \$ 1.01    | \$ (0.14)  | \$ 0.21    | \$ 0.88    | \$ 1.02    | \$ 0.68    | \$ 0.33   |

<sup>(1)</sup> Includes the impact of our adoption of CECL on January 1, 2020.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2020. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date.

#### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Management's Report on Internal Control Over Financial Reporting

To Our Stockholders:

Management of WSFS Financial Corporation (the "Corporation") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Corporation's internal control over financial reporting is a process designed by, or under the supervision of, the Corporation's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Corporation's financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework* (2013). Based on this assessment, management has concluded that, as of December 31, 2020, the Corporation's internal control over financial reporting was effective based on those criteria.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP, an independent registered public accounting firm, has audited the Corporation's Consolidated Financial Statements as of and for the year ended December 31, 2020 and the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2020, as stated in their reports, which are included herein.

/s/ Rodger Levenson

Rodger Levenson  
*Chairman, President and Chief Executive Officer*

/s/ Dominic C. Canuso

Dominic C. Canuso  
*Executive Vice President and  
Chief Financial Officer*

March 1, 2021

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
WSFS Financial Corporation:

### *Opinion on Internal Control Over Financial Reporting*

We have audited WSFS Financial Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated March 1, 2021 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
March 1, 2021

**ITEM 9B. OTHER INFORMATION**

None.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The Information required by this Item is incorporated herein by reference from the discussion responsive thereto under the headings "Director Nominees," "Other Current Directors and Executive Management," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance - Committees of the Board of Directors" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year covered by this Annual Report on Form 10-K (the Proxy Statement).

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions. A copy of the Code of Ethics is posted on our website at [www.wsfsbank.com](http://www.wsfsbank.com).

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item is incorporated herein by reference from the discussion responsive thereto under the headings "Executive Compensation" and "Compensation of the Board of Directors" in the Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS****Security Ownership of Certain Beneficial Owners and Management**

Information required by this Item is incorporated herein by reference from the discussion responsive thereto under the headings "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement.

**Changes in Control**

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of the registrant.

**Securities Authorized for Issuance Under Equity Compensation Plans**

Information relating to securities authorized for issuance under the Company's equity compensation plans is included in Part II of this Annual Report on Form 10-K under "Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities."

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated herein by reference from the discussion responsive thereto under the heading "Other Corporate Governance Matters - Transactions with Related Persons" and "Corporate Governance - Director Independence" in the Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated herein by reference from the discussion responsive thereto under the heading "Corporate Governance - Committees of the Board of Directors - Audit Committee" in the Proxy Statement.

## PART IV

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Listed below are all financial statements and exhibits filed as part of this report, and which are herein incorporated by reference.

- |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | The Consolidated Statements of Financial Condition of WSFS Financial Corporation and subsidiaries as of December 31, 2020 and 2019, and the related Consolidated Statements of Income, Comprehensive Income, Changes in Stockholders' Equity and Cash Flows for each of the years in the three year period ended December 31, 2020, together with the related notes and the report of KPMG LLP, independent registered public accounting firm. |
| 2 | Schedules omitted as they are not applicable.                                                                                                                                                                                                                                                                                                                                                                                                  |

The following exhibits are incorporated by reference herein or annexed to this Annual Report on Form 10-K:

| Exhibit Number | Description of Document                                                                                                                                                                                                                                                                                                                            |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1            | <a href="#">Registrant's Amended and Restated Certificate of Incorporation, as amended, is incorporated herein by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019.</a>                                                                                                                |
| 3.2            | <a href="#">Amended and Restated Bylaws of WSFS Financial Corporation is incorporated herein by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed on November 21, 2014.</a>                                                                                                                                            |
| 4.1            | <a href="#">Description of Common Stock of WSFS Financial Corporation is incorporated herein by reference to Exhibit 4.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019.</a>                                                                                                                                  |
| 4.2            | <a href="#">Senior Debt Indenture, dated as of August 27, 2012, between WSFS Financial Corporation and U.S. Bank National Association, as trustee is incorporated herein by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A filed on August 27, 2012.</a>                                                          |
| 4.3            | <a href="#">Second Supplemental Indenture, dated as of June 13, 2016, between WSFS Financial Corporation and U.S. Bank National Association, as trustee is incorporated herein by reference to Exhibit 4.2 to of the Registrant's Form 8-K filed on June 13, 2016.</a>                                                                             |
| 4.4            | <a href="#">Form of 4.50% Fixed-to-Floating Rate Senior Notes due 2026 is incorporated herein by reference to Exhibit A of Exhibit 4.2 to the Registrant's Form 8-K filed on June 13, 2016.</a>                                                                                                                                                    |
| 4.5            | <a href="#">Third Supplemental Indenture, dated as of December 8, 2020, between WSFS Financial Corporation and U.S. Bank National Association, as trustee is incorporated herein by reference to Exhibit 4.2 to of the Registrant's Form 8-K filed on December 8, 2020.</a>                                                                        |
| 4.6            | <a href="#">Form of 2.75% Fixed-to-Floating Rate Senior Notes due 2030 is incorporated herein by reference to Exhibit A of Exhibit 4.2 to the Registrant's Form 8-K filed on December 8, 2020.</a>                                                                                                                                                 |
| 10.1           | <a href="#">2000 Stock Option and Temporary Severance Agreement among Wilmington Savings Fund Society, Federal Savings Bank, WSFS Financial Corporation and Marvin N. Schoenhals on February 24, 2000 is incorporated herein by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.</a> |
| 10.2           | <a href="#">WSFS Financial Corporation Severance Policy for Executive Vice Presidents dated February 28, 2008, incorporated herein by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.</a>                                                                                           |
| 10.3           | <a href="#">Amendment to the WSFS Financial Corporation Severance Policy for Executive Vice Presidents dated December 31, 2008, incorporated herein by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.</a>                                                                          |
| 10.4           | <a href="#">Amendment to the WSFS Financial Corporation Executive Severance Policy for Chief Executive Officer and Executive Vice Presidents dated December 10, 2020.</a>                                                                                                                                                                          |
| 10.5           | <a href="#">WSFS Financial Corporation's 2013 Incentive Plan is incorporated herein by reference to appendix A of the Registrant's Definitive Proxy Statement on Schedule 14-A for the 2013 Annual Meeting of Stockholders.</a>                                                                                                                    |
| 10.6           | <a href="#">WSFS Financial Corporation's 2018 Incentive Plan is incorporated herein by reference to Appendix A of the Registrant's Definitive Proxy Statement on Schedule 14-A for the 2018 Annual Meeting of Stockholders.</a>                                                                                                                    |
| 10.7           | <a href="#">Agreement and Plan of Reorganization, dated as of August 7, 2018, as amended on November 1, 2018, by and between WSFS Financial Corporation and Beneficial Bancorp, Inc., incorporated herein by reference to Exhibit 2.1 of the Registrant's Form S-4/A filed on November 2, 2018.</a>                                                |
| 10.8           | <a href="#">Letter Agreement, dated as of August 7, 2018, by and between WSFS Financial Corporation and Gerard P. Cuddy, incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 5, 2019.</a>                                                                                  |
| 10.9           | <a href="#">Supplemental Pension and Retirement Plan of Beneficial Bank, incorporated herein by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2019.</a>                                                                                                                                |
| 10.10          | <a href="#">Beneficial Bank Stock-Based Deferral Plan, incorporated herein by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2019.</a>                                                                                                                                                  |

| Exhibit Number | Description of Document                                                                                                                                                                                                                                                |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.11          | <a href="#"><u>Amended and Restated Beneficial Bank Elective Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2019.</u></a>                                |
| 10.12          | <a href="#"><u>Transition Agreement, by and between the Registrant and Mark A. Turner, dated as of December 15, 2019 is incorporated herein by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019.</u></a> |
| 21             | <a href="#"><u>Subsidiaries of Registrant</u></a>                                                                                                                                                                                                                      |
| 23             | <a href="#"><u>Consent of KPMG LLP</u></a>                                                                                                                                                                                                                             |
| 31.1           | <a href="#"><u>Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>                                                                                                                                                                  |
| 31.2           | <a href="#"><u>Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>                                                                                                                                                                  |
| 32             | <a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>                                                                                                                          |
| 101.SCH        | XBRL Schema Document *                                                                                                                                                                                                                                                 |
| 101.CAL        | XBRL Calculation Linkbase Document *                                                                                                                                                                                                                                   |
| 101.DEF        | XBRL Definition Linkbase Document *                                                                                                                                                                                                                                    |
| 101.LAB        | XBRL Labels Linkbase Document *                                                                                                                                                                                                                                        |
| 101.PRE        | XBRL Presentation Linkbase Document *                                                                                                                                                                                                                                  |
| 101.INS        | XBRL Instance Document *                                                                                                                                                                                                                                               |
| 104            | The cover page of this Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 1, 2021 is formatted in Inline XBRL.                                                                                                               |

\* Submitted as Exhibits 101 to this Annual Report on Form 10-K are documents formatted in XBRL (Extensible Business Reporting Language). Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability.

Exhibits 10.1 through 10.6 represent management contracts or compensatory plan arrangements.

#### **ITEM 16. FORM 10-K SUMMARY**

Not applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### WSFS FINANCIAL CORPORATION

Date: March 1, 2021

BY: /s/ Rodger Levenson  
Rodger Levenson  
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

|       |                      |     |                                                                                                  |
|-------|----------------------|-----|--------------------------------------------------------------------------------------------------|
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Rodger Levenson</u><br>Rodger Levenson<br>Chairman, President and Chief Executive Officer |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Anat Bird</u><br>Anat Bird<br>Director                                                    |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Francis B. Brake</u><br>Francis B. Brake<br>Director                                      |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Karen Dougherty Buchholz</u><br>Karen Dougherty Buchholz<br>Director                      |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Jennifer W. Davis</u><br>Jennifer W. Davis<br>Director                                    |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Michael J. Donahue</u><br>Michael J. Donahue<br>Director                                  |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Eleuthère I. du Pont</u><br>Eleuthère I. du Pont<br>Director                              |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Nancy J. Foster</u><br>Nancy J. Foster<br>Director                                        |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Christopher T. Gheysens</u><br>Christopher T. Gheysens<br>Director                        |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Marvin N. Schoenhals</u><br>Marvin N. Schoenhals<br>Director                              |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ David G. Turner</u><br>David G. Turner<br>Director                                        |
| Date: | <u>March 1, 2021</u> | BY: | <u>/s/ Mark A. Turner</u><br>Mark A. Turner<br>Director                                          |

Date: March 1, 2021

BY: /s/ Dominic C. Canuso  
Dominic C. Canuso  
Executive Vice President and Chief Financial Officer

Date: March 1, 2021

BY: /s/ Charles K. Mosher  
Charles K. Mosher  
Senior Vice President and Chief Accounting Officer

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|                                                                    |                                                                                          |
|--------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Organizational Functional Area:                                    | Human Capital                                                                            |
| Policy For:                                                        | Executive Severance Policy, WSFS<br>Chief Executive Officer<br>Executive Vice Presidents |
| Board Approved:                                                    | December 2020                                                                            |
| Last Revision Date:                                                | December 2020                                                                            |
| Department/Individual Responsible for Maintaining/Updating Policy: | Executive Vice President,<br>Chief Human Capital Officer                                 |

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## I. Severance Policy

This Severance Policy (the “Policy”) provides severance benefits to a select group of management and highly compensated employees, within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), whose employment is terminated under certain circumstances.

This Policy provides for benefits specified under this Policy upon a qualifying Covered Termination (as defined below). This Policy shall not impact the treatment of any equity incentive award. Such awards shall be governed by the terms and conditions of the WSFS Financial Corporate 2018 Incentive Plan and relevant award agreements.

Capitalized terms shall have the meaning provided in Attachments A and B, if not provided elsewhere in the Policy.

## II. Eligibility

The Chief Executive Officer (“CEO”), Executive Vice Presidents (“EVPs”) of WSFS Financial Corporation and/or Wilmington Savings Fund Society, FSB (collectively “WSFS”), and other individuals who serve critical roles as identified by the CEO, and approved by the Personnel and Compensation Committee (the “Committee”) of the Board of Directors of WSFS Financial Corporation (the “Board”), shall be covered by this Policy and be eligible to receive severance benefits hereunder upon a qualifying termination of employment. Such covered individuals are referred to herein as “Executives.” The presidents or vice presidents of WSFS business units or subsidiaries, including, without limitation, Cash Connect, shall not be eligible to participate in this Policy, unless specifically designated by the Committee.



### III. Covered Terminations

Subject to Section VI (Release), an Executive shall receive the severance benefits described in Sections IV (Non-CIC Termination) or V (CIC Termination), below, upon WSFS' termination of the Executive's employment without Cause or the Executive's termination of his or her employment for Good Reason (each such termination of employment, a "Covered Termination"). Any termination of employment other than a Covered Termination shall be a "Non-Covered Termination." Such Non-Covered Terminations include (a) a termination of employment for Cause, (b) a termination of employment due to death or disability, or (c) a voluntary termination of employment for reasons other than Good Reason, including retirement.

### IV. Non-CIC Termination

Subject to Section VI (Release), if the Executive incurs a Covered Termination that does not qualify as a CIC Termination (defined below), WSFS shall pay the Executive (a) eighteen months of base salary (twenty-four months for the CEO), (b) subject to Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, the value of the employer-portion of premiums for coverage under the WSFS health plan on an after-tax basis for eighteen months (twenty-four months for the CEO), provided that such payments shall terminate if and when Executive secures alternative health benefits from a new employer, of which Executive will promptly notify WSFS, and (c) outplacement benefits commensurate with Executive's level. The preceding amounts described in items (a) and (b) shall be payable in installments in accordance with WSFS' regular payroll schedule. The preceding amount described in item (c) shall be paid as soon as practicable after submission of receipts for outplacement services (but not prior to the completion of the Revocation Period).

### V. CIC Termination

Subject to Section VI (Release), if the Executive incurs a Covered Termination within twenty-four months after a Change in Control (a "CIC Termination"), WSFS shall pay the Executive (a) two times (three times for the CEO) the sum of Executive's base salary and the amount of the most-recently earned bonus, (b) the value of employer-portion of premiums for coverage under the WSFS health plan and dental plan for twenty-four months (thirty-six months for the CEO), and (c) outplacement benefits commensurate with Executive's level. The preceding amounts described in items (a) and (b) shall be payable in a lump as soon as practicable after the completion of the Revocation Period (defined below). The preceding amount described in item (c) shall be paid as soon as practicable after submission of



receipts for outplacement services (but not prior to the completion of the Revocation Period).

#### VI. Release

To receive any of the severance benefits outlined in this Policy, the Executive must (a) timely execute, and not subsequently revoke, a release satisfactory to WSFS that includes a general release of claims against WSFS, and (b) abide by a non-disparagement agreement, and a twelve-month non-solicitation agreement that covers WSFS's customers and associates, as set forth in Exhibit A (which may be amended from time to time by WSFS). The release will be substantially in the form that is attached as Exhibit A, Addendum A; provided, however, that the release may be amended from time to time by WSFS. The release will become effective after the completion of a seven-day revocation period following the execution of the release (the "Revocation Period").

#### VII. 280G

If any of the preceding payments would constitute a "parachute payment" within the meaning of section 280G of the Internal Revenue Code (the "Code") and, but for this Section VII, would be subject to the excise tax imposed by section 4999 of the Code (the "Excise Tax"), then the Participant's payments under the Plan will be reduced to the greatest amount that would not be subject to the Excise Tax if, after taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, the Participant would retain a greater amount on an after-tax basis following such reduction.

The determination described in the preceding sentence shall be made by WSFS with assistance by WSFS' outside auditing firm or by a nationally-recognized accounting or benefits consulting firm appointed by WSFS. The firm's expenses shall be paid by WSFS.

#### VIII. 409A

The Policy will be interpreted to ensure that the payments contemplated hereby to be made by WSFS to an Executive are exempt from, or comply with, Section 409A of the Code ("Section 409A"); provided, however, that nothing in this Policy will be interpreted or construed to transfer any liability for any tax (including a tax or penalty due as a result of a failure to comply with Section 409A) from any Participant to WSFS or any other individual or entity. Any payment under the Policy that is subject to Section 409A and that is contingent on a termination of employment is contingent on a "separation from service" within the meaning of Section 409A. Each such payment will be considered to be a separate payment for purposes of Section 409A. If, upon separation from service, an Executive is a



“specified employee” within the meaning of Section 409A, any payment to such Executive that is subject to Section 409A and would otherwise be paid within six months after the Participant’s separation from service will instead be paid in the seventh month following the Participant’s separation from service (to the extent required by Section 409A(a)(2)(B)(i)). Any taxable reimbursement due under the terms of this Plan will be paid no later than December 31st of the year after the year in which the expense is incurred and will comply with Treas. Reg. § 1.409A-3(i)(1)(iv). If the period during which a Participant who has a Termination has discretion to execute or revoke a release straddles two calendar years, the Company will make the payments that are conditioned upon the release no earlier than January 1st of the second of such calendar years, regardless of which taxable year such Participant actually delivers the executed release to the Company.

#### IX. Administration

The Committee will administer the Policy. The Committee’s powers include, but are not limited to, the discretionary power to (a) adopt rules necessary to administer the Plan; (b) interpret the Plan and decide all questions relating to the interpretation of the terms and provisions of the Plan; and (c) resolve all other questions arising under the Plan (including the power to remedy possible ambiguities, inconsistencies, or omissions by a general rule or particular decision).

#### X. Miscellaneous

Any withholding obligation under applicable tax laws may be deducted from benefits paid under the Policy to the extent deemed necessary by the Committee. However, the Executive will bear the cost of, and indemnify WSFS for, any taxes and employee social security contributions not withheld on benefits provided under the Plan, regardless of whether withholding is required.

Any payments or benefits paid or due to Executive herein shall be subject to any recoupment or clawback policy adopted by the Company from time to time, and to any requirement of applicable law or listing standard that requires the Company to recoup or clawback any such payments or benefits.

WSFS’s promise to pay benefits under the Policy at all times remains unfunded as to each Executive, whose rights under the Policy are limited to those of a general and unsecured creditor of WSFS.

The terms and conditions of this Policy shall not be deemed to constitute a contract of employment between WSFS and Executive. Such employment is hereby acknowledged to be



an “at will” employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, except as otherwise provided in a written employment agreement.

Neither Executive nor employer contributions to WSFS’s 401(k) plan may occur after termination of employment, consistent with the 401(k) plan and its summary plan description.

#### XI. Amendment

Subject to the provisions of this Section XI, the Board may, at any time, amend, suspend, or terminate the Policy in whole or in part at any time with respect to any or all Executives. No amendment, suspension or termination of the Policy may reduce any benefit payable to an Executive who has already experienced a Covered Termination without his express written consent. Any resolution to amend or terminate the Policy that is adopted or becomes effective during the period beginning six months before a Change in Control and ending two years after a Change in Control may not adversely affect in a material way an individual who was an Executive as of immediately before the Change in Control, without such individual’s express written consent. Notwithstanding the foregoing, either the Board or the Committee may amend the Policy at any time to the extent necessary to avoid adverse consequences under any applicable law. Any such amendment shall, to the maximum extent possible, preserve the Policy’s benefits for all Executives.

#### XIII. Claims and Appeals

The Committee will establish claims and appeals procedures for requests for benefits under the Policy. The provisions of this Section XIII are intended to comply with section 503 of ERISA and will be administered and interpreted in a manner consistent with such intent.



Attachment A  
Executive Severance Policy

When used in capitalized form in the Policy, the following words and phrases have the following meanings, unless the context clearly indicates that a different meaning is intended:

Cause. “Cause” will mean:

(i) the continued failure of Executive to perform substantially Executive’s duties to WSFS or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the CEO or the Board that specifically identifies the manner in which the CEO or the Board believes that the Executive has not substantially performed the Executive’s duties,

(ii) the engaging by Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to WSFS, or

(iii) the consistent failure of Executive to meet reasonable performance expectations (other than any such failure resulting from incapacity due to physical or mental illness); provided, however, that termination of Executive’s employment under this subparagraph (iii) will not be effective unless at least 90 days prior to such termination Executive will have received written notice from the CEO or the Board which specifically identifies the manner in which the CEO or the Board believes that Executive has consistently failed to meet reasonable performance expectations and Executive will have failed after receipt of such notice to resume the diligent performance of his duties to the reasonable satisfaction of the CEO or the Board.

The cessation of employment of Executive will not be deemed to be for Cause under paragraph (i) or (ii) above unless and until there will have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for such purpose, finding that, in the opinion of the Board, Executive has engaged in the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. The CEO or EVP may not be Terminated for Cause under paragraph (iii) once a Change in Control has occurred.

Change in Control. “Change in Control” shall have the meaning ascribed in Attachment B.

Good Reason. “Good Reason” will mean any of the following: (i) a significant reduction by WSFS of the authority, duties or responsibilities of Executive; (ii) a material diminution in the budget over which CEO or EVP retains authority; or (iii) a relocation of CEO or EVP’s principal work location to outside the Philadelphia or Wilmington metropolitan area.

In addition, for purposes of a CIC Termination, Good Reason shall also mean (i) any action by WSFS that results in a significant diminution of Executive’s employment-grade, compensation level, incentive compensation, or employee benefits which Executive holds as of the date of Change of Control; or (ii) a significant alteration or termination of any incentive compensation plans in which CEO or EVP is a participant as of the date of a Change of Control.



## Attachment B Executive Severance Policy

A "Change of Control" will be deemed to occur upon the earliest of any of the following events: a Change in Ownership of WSFS; a Change in Effective Control of WSFS; or a Change in the Ownership of a Substantial Portion of the Assets of WSFS, each as defined below.

### Change in Ownership

A change in ownership of WSFS occurs when one person or a group acquires stock that, combined with stock such person or group previously owned, controls more than 50% of the value or voting power of the stock of WSFS, provided, however, if any one person, or more than one person acting as a group, is considered to effectively control WSFS (within the meaning of Treas. Regs. Section 1.409A-3(i)(5)(vi)), the acquisition of additional control of WSFS by the same person or persons is not considered to cause a change in the ownership of WSFS.

### Change in Effective Control

A change in effective control occurs on the date that, during any 12-month period, either (x) any person or group acquires stock possessing 30% or more of the voting power of the corporation, or (y) the majority of the board is replaced by persons whose appointment or election is not endorsed by a majority of the board.

### Change in Ownership of a Substantial Portion of Assets

A change in ownership of a substantial portion of the assets occurs on the date that a person or a group acquires, during any 12-month period, assets of the corporation having a total gross fair market value equal to more than 40% of the total gross fair market value of all of WSFS' assets. For this purpose, gross fair market value means the value of the assets of WSFS, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. A transfer of assets by WSFS is not treated as a Change of Control if the assets are transferred to (i) an entity that is controlled by the shareholders of WSFS immediately after the transfer; or (ii) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by WSFS.





## Subsidiaries of the Registrant

EXHIBIT 21

| Parent Company                                        | Subsidiary                                            | Percent | State or Other<br>Jurisdiction<br>of Incorporation |
|-------------------------------------------------------|-------------------------------------------------------|---------|----------------------------------------------------|
| WSFS Financial Corporation                            | Wilmington Savings Fund Society, Federal Savings Bank | 100 %   | United States                                      |
|                                                       | WSFS Wealth Management, LLC                           | 100     | Delaware                                           |
|                                                       | WSFS Capital Management, LLC                          | 100     | Delaware                                           |
|                                                       | Cypress Capital Management, LLC                       | 100     | Delaware                                           |
|                                                       | Christiana Trust Company of Delaware                  | 100     | Delaware                                           |
|                                                       | WSFS SPE Services, LLC                                | 100     | Delaware                                           |
|                                                       | WSFS Capital Trust III                                | 100     | Delaware                                           |
| Wilmington Savings Fund Society, Federal Savings Bank | Beneficial Equipment Finance Corporation              | 100     | Pennsylvania                                       |
|                                                       | WSFS Investment Group, Inc                            | 100     | Delaware                                           |
|                                                       | 1832 Holdings, Inc.                                   | 100     | Delaware                                           |
|                                                       | NewLane Finance Company                               | 85      | New Jersey                                         |
|                                                       | Data Security Solutions, LLC                          | 65      | Delaware                                           |
|                                                       | Recovery One, LLC                                     | 100     | Delaware                                           |
|                                                       | Alliance Financial & Investment Services, LLC         | 100     | Pennsylvania                                       |

**CONSENT OF KPMG LLP**

**EXHIBIT 23**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
WSFS Financial Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-235572) on Form S-3 and (No. 333-230134, No. 333-189782, No. 333-169548, No. 333-146443, No. 333-127225, No. 333-106561, No. 333-40032, No. 333-33713, and No. 333-26099) on Form S-8 of WSFS Financial Corporation of our reports dated March 1, 2021, with respect to the consolidated statements of financial condition of WSFS Financial Corporation as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2020, which reports appear in the December 31, 2020 annual report on Form 10-K of WSFS Financial Corporation.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC Topic 326, *Financial Instruments - Credit Losses*.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
March 1, 2021

I, Rodger Levenson, certify that:

1. I have reviewed this annual report on Form 10-K of WSFS Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ Rodger Levenson

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Rodger Levenson  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

I, Dominic C. Canuso, certify that:

1. I have reviewed this annual report on Form 10-K of WSFS Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ Dominic C. Canuso

Dominic C. Canuso

Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of WSFS Financial Corporation (the Company) for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), we, Rodger Levenson, Chairman, President and Chief Executive Officer, and Dominic C. Canuso, Executive Vice President and Chief Financial Officer (Principal Accounting Officer), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rodger Levenson

Rodger Levenson  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Dominic C. Canuso

Dominic C. Canuso  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date: March 1, 2021