

**WSFS Financial Corporation [WSFS]
2Q 2025 Earnings Conference Call
Friday, July 25, 2025, 1:00 PM ET**

Company Participants:

Rodger Levenson; Chairman, President and Chief Executive Officer
David Burg; Executive Vice President, Chief Financial Officer
Art Bacci; Executive Vice President, Chief Operating Officer

Analysts:

Russell Gunther; Stephens Inc.
Manuel Navas; D.A. Davidson & Co.
Kelly Motta; Keefe, Bruyette, & Woods, Inc.

Presentation:

Operator: Thank you for standing by. Welcome to the WSFS Financial Corporation Second Quarter Earnings Call. [Operator Instructions] I'd now like to turn the call over to David Burg, Chief Financial Officer. Sir, you may begin.

David Burg: Thank you and good afternoon. Thank you, everyone, for joining our second quarter 2025 earnings call.

Our Earnings Release and Earnings Release Supplement, which we will refer to on today's call, can be found in the Investor Relations section of our company website. With me on this call are Rodger Levenson, Chairman, President and CEO, and Art Bacci, Chief Operating Officer.

Prior to reviewing our financial results, I would like to read our Safe Harbor statement. Our discussion today will include information of our management's view of our future expectations, plans, and prospects that constitute forward-looking statements. Actual results may differ materially from historical results or those indicated by these forward-looking statements due to risks and uncertainties, including but not limited to the risk factors included in our annual report, in Form 10-K, and our most recent quarterly reports on Form 10-Q as well as other documents we periodically file with the Securities and Exchange Commission. All comments made during today's call are subject to the Safe Harbor statement.

I will now turn to our financial results. During the second quarter, WSFS has performed well as we continue to demonstrate the strength of our franchise and diverse business model. Results included a core earnings per share of \$1.27, core return on assets of 1.38% and core return on tangible common equity of 18.03%. All of these metrics are up versus the first quarter.

Core net interest margin expanded one basis point to 3.89%. This reflects a reduction in total funding costs of nine basis points with a deposit beta of 43% for the quarter. These reductions were partially offset by lower loan yields, primarily driven by the announced Upstart sale, which accelerated the disposition of a non-strategic portfolio that has been in runoff.

Core fee revenue grew 9% quarter-over-quarter, driven by broad-based growth across a number of businesses, including Wealth, Capital Markets and Mortgage. Our Wealth business grew 17% year-over-year, led by 39% growth in Institutional Services and 7% in The Bryn Mawr Trust Company of Delaware.

Total client deposits increased 1% linked quarter, driven by an increase in Trust deposits. On a year-over-year basis, client deposits grew 5%, driven by growth across Consumer, Commercial, and Trust. Importantly, noninterest deposits grew 11% year-over-year and now represents over 30% of our total client deposits.

Gross loans were generally flat quarter-over-quarter, but we saw strong momentum in several areas. We saw the highest quarter of Commercial fundings in over a year and particularly strong fundings in C&I, where loan balances grew 2% linked quarter.

In our Consumer business, we had strong growth in Residential Mortgage, which grew 2% linked quarter and in HELOCs, which grew 8% linked quarter. These results reflect the momentum of our newly combined Home Lending business as well as the learnings obtained from our partnership with Spring EQ.

Total net credit costs were \$14.3 million, reflecting lower net charge-offs for the quarter. Net charge-offs were 30 basis points with approximately half of that coming from the impact of the Upstart sale. Excluding Upstart, total net charge-offs were 14 basis points.

Our problem asset levels were stable and NPAs declined to 51 basis points of total assets as a result of payoffs. While delinquencies ticked up in the quarter, the relationship that drove the majority of the increase fully paid off in July. During the second quarter, WSFS returned \$87.3 million of capital, including \$77.7 million in buybacks which represented 2.7% of our outstanding shares. Year-to-date, we have returned approximately \$150 million of capital, resulting in buybacks of 4.4% of our outstanding shares.

On the last page of the Supplement, we provided our mid-year outlook and now assume two 25 basis point rate cuts for the remainder of the year, one in September and one in December.

Overall, we're increasing our ROA outlook for the year to approximately 1.30% as we continue to drive high performance and growth.

We expect low single-digit growth in our Commercial portfolio and flat growth in our Consumer portfolio, excluding Upstart. We're generating great momentum in our Home Lending business, and we expect those originations to largely offset the continued runoff in our Spring EQ partnership portfolio.

For deposits, our outlook remains the same, and we expect to continue to generate broad-based growth across our businesses for the year.

We are raising our NIM outlook to approximately 3.85% and this outlook now includes the two additional rate cuts I mentioned earlier. We continue to be focused on deposit repricing opportunities and maintaining our beta through any interest rate cuts.

We also continue to see strong momentum and growth opportunities in our fee businesses, which contribute almost a third of our total revenue. Our Wealth and Trust business is performing very well, and the outlook for double-digit fee revenue growth this year remains unchanged.

In the second quarter, WSFS completed the sale of its Powdermill business, which provided tax and other administrative services. In addition, we decided to unwind a wealth advisory partnership with Commonwealth Financial Network as a result of Commonwealth's announced sale to LPL Financial. While these transactions will result in some near-term revenue headwinds, they create important strategic opportunities to broaden our product offering and expand our wealth franchise.

We expect our overall fee revenue will grow low single digits as Cash Connect revenues are expected to decline primarily as a result of interest rate reductions and lower volume. As a reminder, the interest rate fee revenue decline is more than offset in Cash Connect's funding costs, resulting in a higher profit margin.

Net charge-offs, are expected to be between 35 to 45 basis points of average loans for the year, excluding the full impact of Upstart, which has at this point, largely been divested. Our Commercial portfolio continues to perform well, but losses may remain uneven.

Our outlook for efficiency remains unchanged at approximately 60%, and we will continue to leverage opportunities to invest in the franchise while prudently managing our expense base.

Lastly, as seen on slide 9 of the Earnings Supplement, we will continue to execute buybacks as part of a multi-year glidepath to our CET1 capital target of 12%, while retaining discretion to adjust the pace based on the macro environment, business performance, or potential investment opportunities that we see.

We are very excited about the future and remain committed to delivering high performance. Thank you, and we'll now open the line for questions.

Questions & Answers:

Operator: [Operator Instructions] Russell Gunther with Stephens.

Russell Gunther: Maybe could we start on the loan growth discussion. I hear you on kind of what your overall expectations for Commercial are for this year. But it was a great C&I quarter so it would be helpful to just get some big picture takes on what your expectations are for that asset class? How you're thinking about paydowns as a potential headwind continuing going forward? And then just any sentiment shift you could share from your commercial borrowers, whether or not tariffs are still an overhang, or has the environment improved for them at all? That would be a great place to start.

David Burg: Sure, Russell. So, I'll kick off. So, I think what I would say importantly is that we're focused on accretive loan growth. And so, as you know, we really value the C&I relationship model, and we value our kind of C&I franchise. And so, I think what you'll see us continue to lean into C&I.

We did have solid originations in Commercial Real Estate and Construction. We did have other payoffs. And we're selective in terms of our originations in Commercial Real Estate, focusing on high-quality sponsors where we have strong relationships. We're not going to chase things on price and maintaining our profit margins. So, I think the focus for us continues to be around C&I growth, but we expect growth across both the C&I and Commercial Real Estate franchise. But we will continue to lean into C&I going forward.

Rodger Levenson: Hi, Russell, it's Rodger. Let me just add some color, good to hear from you. What I've been hearing from customers and clients when I'm out and about as it relates to tariffs. I think that there's certainly some level of uncertainty on how this all plays out and the timing of that. But we've noticed with the passage of time, I think it's kind of settling in a little bit post-April 2.

And so, I'd say we see a mild uptick in optimism with our borrowers moving forward with some projects that have been put on hold. I wouldn't declare it as kind of any significant change. But so far, because it's really been very, very little impact to anybody, I think it's starting to change the dynamic for some people in terms of moving ahead, all to be determined by what ultimately gets plays out. But I'd say the sentiment is moving a little bit in the positive direction.

Russell Gunther: That's great guys, thank you both. And then on the expense side of things, I appreciate the core efficiency ratio guide here and unchanged for the year. David, it would be helpful to get a sense for how you think about the second quarter shaping up as a potential run rate. We could think about potential revenue related seasonality or merit increases. I know you mentioned Cash Connect and the offset that we could see in the bottom line. So just maybe help us with the glidepath quarter-to-quarter, if you could.

David Burg: Sure. Sure. Happy to, Russell. So yes, just backing up a little bit to the first quarter. As you may recall, I think the first quarter had some one-time benefits and some timing-related issues, which is why you see the jump to the second quarter. So, I think this quarter, the number that you see here is a pretty good run rate to use for future growth. I think it may tick up a little bit just with kind of BAU¹ activity and BAU hiring into the back half of the year. But generally, the run rate that you see this quarter is a good number to work from.

Russell Gunther: Okay. Excellent. Thank you, David. And then last one for me, guys. You bought back a bunch of stock. You barely put a dent in that CET1. You guys make a ton of money. I know it's a multiyear target, but what piece of it, if any, do you expect either traditional depository M&A or M&A within your fee verticals to play a role in working that lower?

Rodger Levenson: Yes. So, I'll take that, Russell. Obviously, we're going at the buybacks hard because of the excess capital, which we walked everybody through last quarter. And we will continue to do that. But as we've always said, our first option for excess capital is to invest in the Business.

And so, if those opportunities come along, whether they're in our Fee businesses or the traditional banking business, we will certainly consider those. I think we have a little bit of a leaning on the fee business side, particularly the Wealth and Trust franchise because we see such great growth potential there. But we're open to it across the entire Franchise. I would say on the traditional banking business; we continue to see nice organic growth from this unique position we have in our market. So, the bar would be high, but we're open to it if it would be additive and consistent with our strategic plan.

Russel Gunther: Thank you, Roger. Thank you both for taking my question.

Operator: Manuel Navas, DA Davidson.

Manuel Navas: About some potential upside on the NIM in the back half of the year, it seems like the guide has a little bit of a trail down. So just kind of wondering about the exit NIM. And where could there be upside? You've been really good at controlling deposit costs and just wanted to start there.

David Burg: Sure. Manuel, you broke up a little bit in the beginning, but I think you were asking about the NIM in the back half of the year, the run rate and where the upside could be, right?

Manuel Navas: Yes. That is correct. Sorry about that.

David Burg: All right, thanks. No problem at all. So yes, so I think as you saw, let me give you the puts and takes there. But the NIM run rate that we had in the first couple of quarters was around 3.88%, 3.89%. We increased our guidance to 3.85% and that implies a little bit lower NIM in the second half of the year. And that's driven really by a couple of things.

Primarily, it's the interest rate cuts that we have now baked into the forecast. So, we have one cut in September and an additional cut in December. The December one is not going to have a huge impact, but obviously, we'll have the full quarter for the September cut. And our impact per interest rate cut, and I would say, a temporary impact, immediate impact is about a two to three basis point impact to our NIM from every 25-basis point interest rate cut. But I would say that's an impact in the first one or two quarters.

But as our beta catches up, I think we'd look to mitigate that NIM impact from 2 to 3 basis points to 1 basis point. So, the reason why you see a little bit softer NIM in the back half of the year is really because of the timing of the cuts. As we get into next year, again, assuming no other cuts, we would like to largely mitigate that impact.

¹ "business as usual"

I would say that's one component. The second component is, as you saw, we did sell our Upstart portfolio. That portfolio has been in runoff as you know, but for the next couple of quarters, the impact of that portfolio relative to the run rate of the second quarter would be about 2 basis points of NIM. That would be a declining number because of the portfolio running off, but the immediate impact for the next couple of quarters is 2 basis points per quarter.

So, the combination of those two things gets us to a little bit softer run rate. Offsetting that, to your point, we continue to obviously do everything we can around deposit repricing. We've exceeded our beta target. Our target was 40%. We got up to 43% this quarter.

We still have some natural CD runoff, the majority of our CD portfolio is in six months, which is priced at 4%, so there's not a huge repricing around the six months, but we still have some longer-dated CDs that are rolling off. So, we'll have another quarter of benefits there.

And our securities portfolio, the rollover of our securities portfolio into loans or into other securities, frankly, will give us about 4 basis points a year of uplift. So, we still have some repricing levers to pull, the securities portfolio is going to give us a constant kind of 4 basis points per year. So those are certainly important mitigates.

Manuel Navas: I appreciate that commentary. Just jumping back on the buyback piece, there's been a portion of your buyback, and you generally have been price agnostic, but it's substantial this quarter and the first quarter, how much does pricing impact your thought process from here? And how do you think about that pricing? Do you include AOCI recovery in that pricing? And just how has that shifted over time?

David Burg: Yes. So, as you said, we definitely increased the pace of buybacks in the first half of the year. We took advantage of the lower price opportunity -- the lower price in our stock in the industry. What was happening in April, we took advantage of that to really lean into buybacks. So, to the extent that we see those price declines, we'll continue to do that. But as Roger said, generally, regardless of price, our goal is that in a gradual glide path, if we don't see opportunities to invest that capital in the business, which is always our first option, we will look to return that capital, and we'll look to return that capital through buybacks gradually.

Obviously, taking into account AOCI risk, taking into account what's happening in the environment. We're always going to keep an eye on not just CET1, but also TCE to make sure that we're being prudent around AOCI. But all else being equal, we're going to look to continue to deploy the capital through buybacks. And have that gradual pass down. And we think that's the right decision, again, second to having an investment in the business and opportunity there.

Manuel Navas: Thank you. I mean you were able to do this amount of buybacks and your CET1 barely changed.

David Burg: Yes. Yes, that's exactly right. I mean, obviously, we generate a good amount of capital. So that's really important and accretive to us. I would say, number two, there are a couple of other effects.

Our risk-weighted assets ticked down a little bit this quarter, when our AOCI goes down, the deferred tax asset associated with that is in our risk-weighted assets. It's at 250% risk weight, so we get a benefit there. And it also depends on the balance sheet growth that you're going to have. So, depending on balance sheet growth, you'll see that capital impacted more or less depending on those factors.

Manuel Navas: I appreciate the commentary, thank you.

Operator: Kelly Motta, KBW.

Kelly Motta: This is Charlie on for Kelly, thanks for the question. In terms of expenses, it seemed like more of a run rate quarter. Does that kind of still hold true? I know last quarter was a little low. And then you had the Cash Connect recovery. Maybe you could update us on the details of that process and then more broadly, just how you're thinking about expenses going forward?

David Burg: Sure. So, let me start with Cash Connect. In Cash Connect, you are right, we had a \$1.6 million one-time insurance recovery in this quarter. The vast majority of that recovery relates to the client termination that you may remember we had in the fourth quarter of last year.

So, I think it's a very positive sign that we were able to have that recovery. And as part of our normal course of business, we tend to be able to recover most of our losses in that business. So, I think that's a validation of the way that we've been running that franchise. So that was a one-time benefit in expenses. I would say other than that, this is a good run rate quarter for us.

The first quarter had timing benefits and again, had about a \$4 million one-timer related to our incentive compensation true-ups. But this is a good quarter for us. You'll see us continue to invest in the business and continue to grow. Continue to grow both from a technology perspective, where we'll continue to invest, and we'll continue to invest in talent. So, you will continue to see us grow, but at a moderate level from here, but this is a good run rate quarter.

And I would say, Charlie, the way we generally think about expenses as we said before, is we're managing the business not just for the short term, but we're managing this business for growth. And so, as we see disruptions in the market, opportunities to acquire talent, particularly in Wealth, in our Commercial business, where we've recently hired a number of relationship managers, we'll definitely lean in and continue to do that. And so sometimes that creates timing mismatches between expenses and revenue. But we think that is the right decision for the Franchise, and we'll definitely continue to do that.

Kelly Motta: That's great, thank you. And then in terms of Cash Connect more broadly. I know last quarter, you mentioned some price increases that could drive some better profitability, but offsetting softer volumes and then lower rates are also a factor. Just wondering kind of like net-net, if you're seeing progress and driving profit margins in Cash Connect?

David Burg: Yes. Yes, we are. If you strip out that \$1.6 million onetime benefit this quarter, you can see that our pretax margin -- our net income would be up a little bit versus the prior quarter and our margin would be up a little bit. When you look across the year, Cash Connect's margin, if you normalize out the client termination last year in the fourth quarter, our margin would have been in the mid-single digits and will be towards the higher single digits this year, we're above 8%, and our goal is to push that into the teens.

And so, like you said, the focus is really we're implementing pricing increases. Some of that has already been implemented. There's more to come from that. So, we expect about \$1 million pretax benefit this year from that, and there's more to come. Interest rates, as you know, also helped profitability. We get about \$300,000 to \$400,000 of pre-tax benefit for every rate cut.

But the headwind in that business has been some of the client terminations, some of the events that have happened and some volumes as that industry consolidates a bit. But we still think, the goal is to track profit margin, we still feel good about that. And from a market share perspective, we still think we can still extract growth. It is not a fast-growing industry, but we still think there's growth there that we can go after.

Kelly Motta: Okay. Understood. That's great. And then finally for me, just circling back to the margin outlook. You guys raised it in the back half of the year. Just wondering kind of looking out further into 2026 if you expect to have like some of the same tailwinds with the deposit repricing and the betas there, if there's a little more pressure, just your thoughts like looking out further at the margin.

David Burg: Yes. As you know, we've not given 2026 guidance. So, we -- again, our goal is to continue to perform at the top quintile relative to our peers. That's what we continue to drive to. Our goal is to continue to push that ROA up.

We will have some temporary impacts from interest rate cuts, but we'll look to mitigate that. And we think that we expect to continue to grow our fee businesses, which are very accretive to ROA -- and so our goal is definitely to continue to drive that margin up.

Kelly Motta: Okay, thank you I will step back.

Operator: Thank you. And with no further questions in queue, I will turn the conference back over to you, David.

David Burg: Okay, great. Thank you very much, everyone. We appreciate your time in joining the call. And if you have any specific follow-up questions. Feel free to reach out to Andrew and me, and have a great day and weekend.

Operator: This concludes today's conference call. You may now disconnect.