

**WSFS Financial Corporation [WSFS]
3Q 2025 Earnings Conference Call
Friday, October 24, 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.
Christopher Marinac; Janney Montgomery Scott
Janet Lee; TD Cowen
Kelly Motta; Keefe, Bruyette, & Woods, Inc.

Presentation:

Operator: Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome you to the WSFS Financial Corporation Third Quarter Earnings Call. [Operator Instructions] I'd now like to turn the call over to you host today. To Mr. David Burg, Chief Financial Officer.

David Burg: Great. Thank you very much, and good afternoon, everyone, and thank you for joining our third 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 about our management's view of 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 the annual report on Form 10-K and our most recent quarterly reports on Form 10-Q, as well as other documents we periodically file with the SEC. All comments made during today's call are subject to the Safe Harbor statement.

I will now turn to our financial results. During the third quarter, WSFS continued to demonstrate the strength of our franchise and diverse business model. The company delivered a core EPS of \$1.40, core return on assets of 1.48% and core return on tangible common equity of 18.7%, which are all up versus the second quarter.

On a year-over-year basis, core net income increased 21%, core PPNR grew 6% and core earnings per share increased 30%. In addition, our tangible book value per share increased by 12%.

Net interest margin expanded two basis points to 3.91% quarter-over-quarter. This reflects a reduction in total funding cost of two basis points with a deposit beta of 37%. Given the September rate cut, our exit beta for September is 43%, which reflects the repricing actions taken after the rate cut. Net interest margin for the quarter benefited from an interest recovery from a previously nonperforming loan, which added about four basis points.

Core fee revenue was flat quarter-over-quarter, as our results were impacted by two previously announced strategic exits in Wealth and Trust, as well as the Spring EQ earnout from last quarter. Excluding these items, core fee revenue grew 5% quarter-over-quarter, primarily driven by Capital Markets and Cash Connect[®]. Our Wealth and Trust business continues to perform very well and grew 13% year-over-year.

Total client deposits increased 1% linked quarter, driven by our Commercial business. On a year-over-year basis, client deposits grew 5%, driven by growth across Consumer, Commercial, Wealth, and Trust. Importantly, noninterest deposits grew 12% year-over-year and continue to represent over 30% of our total client deposits.

Loans were down 1% linked quarter, driven by the previously announced sale of the Upstart loan portfolio and continued runoff in our Spring EQ portfolio. Excluding these items, loans were generally flat this quarter but we saw solid momentum in several areas. Our residential mortgage and WSFS-originated consumer loan portfolios, both delivered strong growth with linked quarter increases of 5% and 3%, respectively. These results reflect the momentum of our home lending business as well as the learnings obtained from our partnership with Spring EQ. In Commercial, new fundings this quarter were offset by lower line utilization and the payoff of problem loans, which supported improvements in our asset quality. Importantly, our Commercial pipeline remains strong across both C&I and commercial real estate, increasing to approximately \$300 million.

We saw a meaningful improvement across our asset quality metrics during the quarter. Total net credit costs were \$8.4 million this quarter, down \$5.9 million compared to the prior quarter. Net charge-offs were 30 basis points for the quarter and 21 basis points when excluding NewLane. Importantly, we saw a decline in problem assets, delinquencies and nonperforming assets this quarter. NPAs declined by over 30% to 35 basis points, driven by two large payoffs with no additional losses, while delinquencies declined by 34%. In each of these areas, we are now at or below the lowest level in the past year.

During the third quarter, WSFS returned \$56.3 million of capital including buybacks of \$46.8 million or 1.5% of our outstanding shares. Year-to-date, we have repurchased 5.8% of our outstanding shares. Despite these higher levels of repurchase, our capital position remains very strong with a CET1 of 14.39%, well in excess of our medium-term operating target of 12%.

We intend to maintain an elevated level of buybacks in line with our previously communicated glide path towards our capital target of 12%, while retaining discretion to adjust the pace of these buybacks based on the macro environment, our business performance and potential investment opportunities. These results position us well to meet our previously announced full year outlook, even with an additional October rate cut, which was not previously included in our assumptions.

While the path and timing of future rate cuts remains uncertain, it is important to note that the impact of additional rate cuts on our financial results will not be linear, as we continue to manage our margins through deposit repricing, our hedge program, and securities portfolio strategy. As we have done in the past, we will provide a full year 2026 outlook in January with the release of our fourth quarter 2025 financial results.

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

Questions & Answers:

Operator: [Operator Instructions] Russell Gunther with Stephens.

Russell Gunther: I wanted to start kind of with the bigger picture question, David, and you kind of touched on it towards the end of your prepared remarks. But that medium-term target on CET1 – challenging to hit, given just how much money you guys make. So, it would be helpful to get a sense, just kind of big picture, in your mind, what's your base case scenario to achieving that target? And sort of what does that assume for organic growth rates over the next couple of years, acquisitive growth, be it depositories or fee verticals? And then you mentioned potentially flexing the buyback at a more accelerated clip. Just your base case to get there would be helpful to start.

David Burg: Yes, absolutely, Russell. So yes, look, as you've seen this year, we are buying back at a clip that's significantly ahead of both the last couple of years. We're buying back approximately 100% of our net income. Given some of the balance sheet dynamics, the sale of the Upstart portfolio, for example, the runoff in some of the partnership portfolios, our RWA has not increased, and therefore, our capital levels, despite these buybacks, our capital levels are still very high and actually increased since the beginning of the year. So that's the dynamic. And as well as the profitability levels that you mentioned, we do generate a lot of capital.

So, I think that if you look forward, even with a robust growth rate on our balance sheet, we still have a lot of dry powder to execute the buybacks at or above the level of 100% of our net income for a couple of years, for 2 to 3 years. And so that's really the strategic intention that we have. And depending on what happens with the balance sheet, we may accelerate that path. So, I can completely see us leaning in more and doing even in excess of our net income on the buyback side. And obviously, as you said, we look at and continuously evaluate different investment opportunities. The first priority and the preference is always to invest the capital in the business where those accretive opportunities exist. But after that, we would look to return.

Russell Gunther: Okay. Got it. And then just second question for me. So, asset quality resolution and trends were really constructive this quarter. You guys have a healthy reserve, and we just talked about the healthy CET1 for that matter. So, I guess how are you thinking about reserve levels here amid what is still a somewhat volatile macro? And then could you share particular sectors of your loan portfolio where you continue to keep a closer incremental eye?

David Burg: Yes. I think on asset quality, generally, as you've seen in our numbers, we have good momentum and good progress. I would say a couple of things. I think, first and foremost, with respect to asset quality, one of the things that we try to do, obviously, is disciplined originations. It starts there, and we try to have recourse for most of our lending, vast majority of it, and those type of actions to make sure we have good underwriting. And then we also try to be proactive around engagement with clients should there be unexpected bumps and bruises. We have a very kind of long forward-looking pipeline. We stress our portfolio for higher rates and where there are issues – where we think there are issues at maturity, we try to engage very early and proactively with our clients. And that's been the key to working through our pipeline and some of the migration that you've seen and the favorable trends that you've seen.

And so, I think commercial is always going to be lumpy and there may be one or two uneven situations. But generally, we feel good about our portfolio, and we feel good about continuing to make progress on resolving and working through the remaining NPAs. The consumer asset quality has been very strong, both within our home lending business and within the Spring EQ portfolio. So, we feel good about the trends, and we feel good about continuing to make progress.

In terms of our reserve, I would say that we – when you look at the pure macro data that goes into the model, it would suggest that we have the capacity to release some reserves. But we have conservatively made some qualitative offsets where we see still potential volatility in the macro economy to keep that reserve where it is. So, I think that's purely a function of all the volatility that we see with rates, potential inflation, some of the labor weakness and us being – erring more on the conservative side. So hopefully, that covers the question, but please let me know if I missed something.

Operator: Christopher Marinac, Janney Montgomery Scott.

Christopher Marinac: I wanted to dig in further to the Wealth and Trust business lines and just understand a little bit more about the future growth in terms of new accounts being opened versus just doing more business with existing accounts. I know you called a little bit of that out on the Bryn Mawr Trust, but I

wanted to do more on the other pieces.

David Burg: Sure. Chris, thanks for the question. So, as you know, our wealth business is a pretty diverse business. And there are really three business lines within that business. There is the Institutional Services, Bryn Mawr Trust of Delaware, and then the Private Wealth Management. And also, about 60% of the revenue in that business is really not AUM-based revenue, not tied to AUM, but really tied to new accounts and tied to transaction activity. And so, the places where we've seen a lot of new activity growth, new clients, new accounts, have been both on the Institutional Services side and the BMT of Delaware side. When you look at year-over-year, Institutional Services is up about 30% this quarter and BMT of Delaware is up about 20% this quarter. And so, we're seeing growth in new accounts and transactions with existing clients. We're seeing a lot of activity there.

Art Bacci: Chris, this is Art. I would tell you, on a few things. I mean, the Institutional Services team just came back from the ABS East Conference in Miami this week, and they're jazzed. I mean our reputation and our quality of service is really being recognized in the marketplace. There's been comments about deterioration in service with some other trustees and so we are continuing to see a very robust pipeline with new clients and actually becoming the preferred provider for many clients. On the BMT of Delaware side, similar thing. We've seen a recent bank acquisition that one of the subsidiaries was a Delaware trust, and we're seeing clients starting to leave that and coming to us. We're seeing opportunities on the international side of that business. So that team is really continuing to look to grow its business. And then on the Private Wealth Management side, we've kind of got past the Commonwealth divestiture, if you will. And the last two months have been net client cash flow positive, and we're starting to see very good referrals from Commercial. We're also really honing in on COIs and really trying to focus on getting more business from some of our COIs. So, I think all in all, we have a really positive outlook going into 2026 with our Wealth and Trust businesses.

Christopher Marinac: Great. And I guess, just to extend one more thought. You have operating leverage on all ends of the company, but is the operating leverage greater in the Wealth space where you can create more earnings from that versus the Bank operation?

David Burg: Yes. I think one of the things that goes to the diversity of the business model, when you look at our profit margins in the Wealth business, I would say they're higher than the traditional profit margins that you may see in other wealth businesses. And it's really – it really goes to that model. We do have a lot of operating leverage and a lot of opportunity for scale there for sure, particularly Institutional Services in BMT of Delaware. So, I definitely would echo that comment.

Art Bacci: And I think you can see it in our deposit base that comes out of the Trust business because that's large deposits. They're not using our branch network. They're not using ATMs. It's a very scalable business for us.

Operator: Janet Lee, TD Cowen.

Janet Lee: On Cash Connect[®] business, as rates -- if rates were to come down, I would expect the revenue to get compressed, but then I believe that the funding side of it could offset. In terms of the NII benefit coming from the Cash Connect[®], how do you guys forecast in terms of the potential financial benefit coming from Cash Connect[®] increasing? Or is it more compressed?

David Burg: Yes, Janet, Happy to answer that. So, I would say a couple of things on Cash Connect[®]. One, I think the way you described it is exactly right. The Cash Connect[®] revenue, the pricing is tied to interest rates. And so, as interest rates come down, we would expect a reduction in our fee revenue in Cash Connect[®], but that will be more than offset in a reduction in expenses. And so basically, from a profitability perspective, we do benefit from rates coming down. And you can think of it as roughly for every 25 basis

points, about a \$300,000 kind of pre-tax profitability benefit. So as we've seen that play out over the last couple of cuts and as we have the cuts, September is really not in the numbers yet, but as we have September, potentially the cut – in December, all of those will flow in, into the beginning of next year. I would say that's one dynamic with Cash Connect® and we'll drive towards increasing profitability.

The other thing which is if you look at our segment reporting and Cash Connect®, one of the things we've been talking about is increasing the profit margins in that business in general. And that's not just because of rates but also because of pricing leverage that we think we have in the market, given our market share, that's also on the expense and efficiency side. So, there are a few different levers to that. And that's been playing out nicely so far. If you look at year-over-year, the profit margin in that business was about a little bit under 6%. And this year, we're over 10%. Last quarter, it's important to note that there was an insurance recovery last quarter, so the margins look a bit elevated. But if you normalize for that, last quarter was about 8%. So, we went from kind of 6% to 8% to 10% on that trajectory that we were looking for, and that's – so we're executing against that strategy.

Art Bacci: And Janet, just as a reminder, the way we account for the bailment business, the benefit that David is talking about won't necessarily flow through NII. It's a combination of fee income and noninterest expense.

Janet Lee: And just on – so you maintain your low single digit, all guidance, including the low single-digit commercial loan growth for the year. So that includes the problem loan payoff that you experienced in the quarter? And also, could you help us size the pace of the payoffs coming from the consumer partnership going forward? Should it decelerate from the current like \$140 million levels? How should I think about the total impact of the payments and the trajectory there?

David Burg: Yes. So, Janet, let me take the consumer first and then I'll circle back around to the commercial question. On the consumer side, we had two things happened this quarter, and it's important to separate them. One was we closed the sale of the Upstart portfolio. And that was about \$85 million that came off our balance sheet at the beginning of the quarter. As you know, that was a nonstrategic portfolio that was in runoff, it had some elevated net charge-offs. And so, we made the strategic decision to exit that portfolio, and we're also able to release some reserves based on that transaction. So that's the Upstart portfolio.

Beyond that, the remaining runoff that you see is really in the Spring EQ portfolio, and that runoff for the quarter was about \$50 million. And so that's the pace more or less that we would expect, comes somewhere in the \$15 million to \$17 million per month, is what we would expect in that runoff of Spring EQ. So, we expect that to continue. However, I think one of the areas where we've been leaning into and we think we have – we've had good momentum and we think we have continued momentum is in our Home Lending business, which is our mortgage business and our WSFS-originated consumer loans, which are primarily HELOC, lines of credit, and installment loans. And we've had really annualized double-digit growth for a few quarters there. And that's really more than offsetting kind of the Spring EQ runoff that you see. So we think we have – we think positively about that growth continuing. We think we have some differentiated origination capabilities in that mortgage business, we've been growing our origination officers. And so, we feel good about leaning into that area. So that's on the residential side, on the consumer side, rather.

On the commercial side, this quarter, as you said, this quarter was really impacted by a couple of things. One was the work, the payoff of the problem loans which obviously is a good thing. We like to see that, and that supports our asset quality improvement. We also saw line utilization being down this quarter. That's kind of a bit of a volatile number. That moves up and down. There's some of the economic uncertainty plays into that. But generally, that's just a function of kind of business activity. But generally, if you kind of separate that, we continue to feel good about our pipeline altogether, across the board, including C&I. I would say we're focused on definitely making accretive and profitable originations.

There's a lot of competition in C&I. We don't want to be the low – we're not the low price point in the market. We want to be very thoughtful around profitability. We want to be very thoughtful about underwriting. But having said that, we feel very good about our pipeline. Our pipeline now is at a higher level than it's been in a number of quarters, at about \$300 million in total. So, we feel good about our pipeline. And I would also add that we are continuing to win talent in the market, which gives us a lot of confidence. For example, we had – we recently announced a new Philadelphia Market President who was the Market President for one of the major super regional banks in the area for Philadelphia. And so, I think winning talent like that gives us confidence, and I think demonstrates the confidence that others have in the franchise as well. So yes, we feel good about – it's hard to predict quarter-over-quarter, but we feel good about being able to grow that business and continue to lean into C&I, and that's really the relationship engine that we want to anchor to.

Operator: Kelly Motta, KBW.

Kelly Motta: Sorry about the technical difficulties. Maybe just piggybacking where you left off last. You noted recruitment of Philadelphia Market President. Clearly, organic growth is a focus. Are there other areas where you're looking to add talent where you think there's room to bolster up either in terms of product line, Wealth, or the core Bank or parts of the geography that look like attractive growth opportunities and places where you could add some folks?

David Burg: Yes. The answer is yes. So, we're – just like I mentioned, the Commercial example. We have other relationship managers joining the Commercial team. That continues to be an area that we're looking to continue to increase. And so that is an area of focus as well as the Wealth business. That's been an area of focus all along. We've had some very successful lift-outs of teams in the last 12 to 18 months there that are really starting to bear fruit and play out the thesis, but that's another area where we're continuously looking at talent, both from a lift-out perspective as well as we look at potential RIA acquisitions that we've done in the past. And so, we continuously evaluate talent across our footprint. And we think we have a lot of opportunity there. And Art mentioned earlier the referrals, but that's something that we really think is – there's a significant amount of opportunity in the referral pipelines across our businesses. That's between Wealth and Commercial, it's between Small Business. It's between our Home Lending business and each of those. So, there's really a lot of untapped potential there as well.

Kelly Motta: Got it. That's helpful. And then maybe turning back to the margin. I apologize if I missed this, but you guys have done a really great job managing the margin, keeping an overall relatively level – high level of margin and neutralizing some asset sensitivity. You get a couple of cuts here again this quarter. Do you think you have enough flex in the deposit base to absorb some of that? Or could there be some near-term pressure in that margin ahead?

David Burg: Yes, Kelly, happy to work through that a little bit. So, I think there's – I'll give you a short-term answer and a longer-term answer. From a shorter-term answer, we do have sensitivity in our net interest margin, as you mentioned. I would characterize that as about three basis points per 25 basis point rate cut. So that's really the near-term impact. So, when you think about the net interest margin this quarter, we were at 3.91%. We had the one interest recovery. If you kind of normalize for that, we're in the high 3.80% and so with a couple of a few rate cuts that go into the fourth quarter, we would tick down to maybe about 3.80% around kind of in that ballpark. But the, I would say, the longer-term answer is that we have a number of tools that we use to offset that sensitivity after the initial impact. The best evidence that I can give you of that is if you look at what's happened over the last year, where we've had 125 basis points of rate cuts, but our margins are up year-over-year over 10 basis points.

And so that sensitivity that I mentioned of about 3 basis points per cut, will go to 1 to 2 basis points as we are able to take the actions that we take. And those actions are – one is the deposit repricing that you

mentioned. We continue to – our exit beta for the quarter, the cut obviously happened at the end of September. But if you look at the exit beta at the end of the month, it was about 43%, in the low 40s. We're going to run a similar playbook for the other cuts, and we think that we can be kind of in that low 40% beta for each of the upcoming cuts. That's number one.

Two is we have, as you know, the hedging program, where we have floor options that mitigate and neutralize some of the asset sensitivity. We have about \$850 million of those that are in the money right now. And with the next rate cut, another \$250 million would come in the money. And if we have three more cuts you would have the entire \$1.5 billion program actually in the money. So that would neutralize essentially \$1.5 billion of variable rate loans and essentially neutralize that to look like fixed. So that's something that we continue to deploy. We're going to continue to utilize that program throughout 2026. We're thoughtful about maturities there and making sure that, that full \$1.5 billion is going to be deployed.

And the third thing, I would say that the third tool – actually, two more things. The third tool that we've been using is obviously new to the extent that we've been growing new deposits, and we're able to reinvest it and you think about a steeper yield curve going forward, and you were able to originate those deposits and the low-cost deposits that we've been able to have and then reinvest them at the higher yields. That, of course, takes some time to play out, but that's a big supporter of the net interest margin.

And the last thing that I will call out is our securities portfolio. As you know, our securities portfolio yields south of 2.5%. And it rolls off – we have about \$500 million of cash flow every year that comes off that securities portfolio that then we reinvest either into loans or potentially other securities. We reinvested and we pick up a lot of yield. There's four to five basis points of annual yield pickup from that rollover. So, the combination of all of those things, that's what allowed us to really mitigate the impact more than what the kind of the paper math would suggest, and we'll continue to lean in and deploy those tools.

Kelly Motta: Great. I really appreciate all the color on that. That's really helpful and it will be helpful to go back to just one point of tying up loose ends of clarification. Just can you remind me how much floating rate loans you have and maybe index deposits just to help manage our margin with that component?

David Burg: Yes. So our floating rate loans are a little bit over 50%. And so, our loan beta is about 50%. But when you incorporate the hedges, the loan beta drops to a little bit over 40% so – and that's really – and so when you think about our deposit beta in that range as well, that's really – that's how we try to neutralize the portfolio. That's how we think about it. And on the deposit side, as you know, we have the CD book, which is the time maturities that – most of that CD book is in kind of the six months with a little bit of 11 months. And so that kind of matures on its cycle. The other deposits are mostly non-indexed. We have about \$700 million to \$800 million of kind of indexed deposits.

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

David Burg: Okay. Thank you very much, everyone, for joining the call today. If you have any specific follow-up questions, please feel free to reach out to Investor Relations or me. Have a great day.

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