WSFS FINANCIAL CORP
Form 424B5
August 02, 2010

Filed pursuant to Rule 424(b)(5)
Registration Statement No. 333-167404

Information in this preliminary prospectus supplement and the accompanying prospectus relates to an effective registration statement, but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell securities and are not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 2, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT
(To the Prospectus Dated July 23, 2010)

$40,000,000

Common Stock

We are offering $40,000,000 in aggregate public offering price of our common stock. Our common stock is traded on the NASDAQ Global Select Market under the symbol “WSFS.” On July 30, 2010, the last reported sale price of our common stock on the NASDAQ Global Select Market was $38.00 per share.

Investing in our common stock involves risks. Please carefully read the “Risk Factors” beginning on page S-7 of this prospectus supplement for a discussion of certain factors that you should consider before making your investment decision.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us, before expenses	$	$

We have granted the underwriters a 30-day option to purchase up to $6,000,000 in aggregate public offering price of our common stock at the same price, and on the same terms, solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

These securities are not deposits, savings accounts, or other obligations of our bank subsidiary and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver the common stock to purchasers against payment in New York, New York in book-entry form only through the facilities of The Depository Trust Company on or about , 2010.

Sandler O'Neill + Partners, L.P. Janney Montgomery Scott

The date of this prospectus supplement is , 2010.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters, and also updates and adds to the information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information about us, our common stock and other securities that we may offer from time to time, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the headings “Where You Can Find Additional Information” and “Incorporation of Certain Information by Reference.” Generally, when we refer to this “prospectus” we mean this prospectus supplement together with the accompanying prospectus.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

In this prospectus supplement, unless otherwise expressly stated or the context otherwise requires, the terms “we,” “us,” “the Company,” “WSFS,” and “our” refer to WSFS Financial Corporation and our subsidiaries on a combined basis. References to “WSFS Bank” or “Bank” refer to Wilmington Savings Fund Society, FSB, which is our principal subsidiary. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus supplement assumes that the option to purchase additional shares granted to the underwriters is not exercised in whole or in part.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. You should assume that the information appearing in this prospectus and any documents incorporated by reference herein, is accurate only as of their respective dates. Our business, financial condition, results of operations, and prospects may have changed since those dates.

We are not, and the underwriters are not, making an offer to sell our securities in any jurisdiction where the offer or sale is not permitted. The distribution of this prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. This prospectus does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any common stock offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often include the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "proje similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These forward-looki statements, which are based on various assumptions (some of which are beyond our control), are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the forward-looking statements, including:

- the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs;
- the volatility in the financial and securities markets, including changes with respect to the market value of our financial assets;
- the overall quality of the composition of our loan and securities portfolios;
- changes in general economic conditions, either nationally or in our market areas;
- changes in the levels of general interest rates, deposit interest rates, our net interest margin and funding sources;
- fluctuations in the demand for loans, the number of unsold homes and other properties and fluctuations in real estate values in our market areas;
- results of examinations of the Bank by the Office of Thrift Supervision, or OTS, including the possibility that the OTS may, among other things, require us to increase our allowance for loan losses or to write-down assets;
- our ability to control operating costs and expenses;
- the risk that following the closing of our acquisition of the stock of Christiana Bank & Trust Company, or CBT, CBT's business will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected;
- expected revenue synergies and cost savings from the proposed acquisition of CBT may not be fully realized or realized within the expected time frame;
- revenues following the proposed acquisition of CBT may be lower than expected;
- customer and employee relationships and business operations may be disrupted by the proposed acquisition;
- the ability to obtain required governmental approvals, and the ability to complete the proposed acquisition of CBT on the expected timeframe;
- our ability to manage loan delinquency rates and net charge-offs;
- our ability to retain key members of our senior management team;

- changes resulting from our participation in the U.S. Department of Treasury's Capital Purchase Program in which we are participating, including additional conditions that may be imposed in the future on participating companies;
- increased competitive pressures among financial services companies;
- changes in consumer and business spending, borrowing and savings habits and demand for financial services in our market area;
- legislative or regulatory changes that adversely affect our business, including increased costs of deposit insurance and other assessments, and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which, among other things, will eliminate the OTS and names the Board of Governors of the Federal Reserve System, or the Federal Reserve, as our new primary federal regulator and the Office of the Comptroller of the Currency, or the OCC, as the Bank's new primary banking regulator;
- monetary and fiscal policies of the Federal Reserve and the U.S. government and other governmental initiatives affecting the financial services industry;
- changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board;
- war or terrorist activities; and
- other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described elsewhere in this prospectus supplement and accompanying prospectus and the incorporated documents and in our other filings with the Securities and Exchange Commission, or the SEC.

Some of these and other factors are discussed in this prospectus under the caption "Risk Factors" and elsewhere in this prospectus and in the incorporated documents. The development of any or all of these factors could have an adverse impact on our financial position and our results of operations.

Any forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included or incorporated by reference in this prospectus or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise, unless otherwise required to do so by law or regulation. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this prospectus or the incorporated documents might not occur, and you should not put undue reliance on any forward-looking statements.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some information about us and this offering and it may not contain all of the information that is important to you. You should carefully read the sections entitled “Risk Factors” in this prospectus supplement and in the accompanying prospectus and the documents identified in the sections “Where You Can Find More Information” and “Incorporation of Certain Information by Reference” in this prospectus supplement. Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters’ over-allotment option.

The Company

We are a savings and loan holding company headquartered in Wilmington, Delaware. Substantially all of our assets are held by our subsidiary, Wilmington Savings Fund Society, FSB, which we refer to as WSFS Bank or the Bank. Founded in 1832, the Bank is one of the ten oldest banks in the United States continuously operating under the same name. As a federal savings bank that was formerly chartered as a state mutual savings bank, we enjoy broader fiduciary powers than most other financial institutions. We are the largest thrift institution headquartered in Delaware and the fourth largest financial institution in the state on the basis of total deposits traditionally garnered in-market.

Our primary market area is the mid-Atlantic region of the United States, which is characterized by a diversified manufacturing and service economy. Our long-term strategy is to serve primarily small and mid-size businesses through loans, deposits, investments, and related financial services, and to gather retail core deposits. Our strategy of “Engaged Associates delivering Stellar Service to create Customer Advocates” focuses on exceeding customer expectations, delivering stellar service and building customer advocacy through highly-trained, relationship-oriented, friendly, knowledgeable, and empowered Associates (what we call our employees).

At June 30, 2010, we had $3.8 billion in assets, $2.5 billion in net loans and $2.6 billion in deposits. We provide residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services. In addition, we offer a variety of wealth management and personal trust services through our Trust and Wealth Management Division, or WSFS Trust. We also provide ATM vault cash and related services throughout the United States through our Cash Connect division. Lending activities are funded primarily with retail deposits and borrowings. We serve our customers primarily from our 40 banking and loan production offices located in Delaware (35), Pennsylvania (4), and Virginia (1) and through our website at www.wsfsbank.com.

Business Strategy

The Bank is a relationship-focused, locally-managed, community banking institution that has grown to become the second largest commercial lender in the state and the fourth largest bank in terms of deposits. We state our mission simply: We Stand for Service and Strengthening Our Communities.

Our core banking business is commercial lending funded by customer-generated deposits. We have built a $1.9 billion commercial loan portfolio, as of June 30, 2010, by recruiting the best seasoned commercial lenders in our markets and offering our customers a high level of service and flexibility typically associated with a community bank. We fund this business primarily with deposits generated through commercial relationships and retail deposits in our 36 branches. We also offer a broad variety of consumer loan products, retail securities and insurance through our retail branches.

In 2005, we established WSFS Trust in response to our commercial customers' need for the same high level service in their investment relationships that they enjoy as banking customers of WSFS. We found many competitors are not devoting human capital to clients with less than $5 million in investable assets, thereby creating an opportunity for WSFS Trust. This division is complemented by Cypress Capital Management, a registered investment advisor, acquired by WSFS in 2004.

Our Cash Connect division is a premier provider of ATM Vault Cash and related services in the United States. As of June 30, 2010, Cash Connect managed more than $308 million in vault cash in nearly 12,000 ATMs nationwide and provided online reporting and ATM cash management, predictive cash ordering, armored carrier management, ATM processing and equipment sales. Cash Connect also operates 339 ATMs for WSFS Bank, which owns the largest branded ATM network in Delaware.

While many banks offer similar products and services, we believe that WSFS has differentiated itself from other banks in our market and the industry in general, as a result of our high level of customer service and our responsiveness and flexibility. We believe our scale provides us the ability to provide our customers a comprehensive array of banking and cash management products and a lending capacity sufficient to meet their credit needs as they grow. We further believe that our culture of customer service enables us to provide through one point of contact, a relationship manager, a customized approach to our customers' needs.

We invest significant time and resources in training and development of our Associates so they are proficient at their jobs and, more importantly, can understand the needs of our customers and match those needs with our products and services. This approach empowers our relationship managers to deliver stellar service, thereby building customer advocates. We believe our focus on customer service is validated through a recent survey conducted by The Gallup Organization measuring various aspects of customer service in which we were placed above the 92nd percentile in customer advocacy, which is a considered a world class service level. In this survey, more than 40% of our customers gave us a "5" ranking (on a 1-5 scale with 5 being the highest) in response to the statement "I can't imagine a world without WSFS."

The current market environment in Delaware and Southeastern Pennsylvania provides us significant opportunity to grow our business organically by attracting customers and banking personnel with strong customer followings, as our larger competitors are distracted with significant mergers, reorganizations, government rescues and other challenges brought about by the economic environment. These distractions have led to centralized decision-making, reduced lending activity or other steps that have reduced our competitors' emphasis on customer service and taken decision making away from their employees in our markets. Additional detail and discussion on our business model is available in the "WSFS Financial Corporation" section in the accompanying prospectus.

Recent Developments

Acquisition of Christiana Bank & Trust Company

On June 24, 2010, we entered into a stock purchase agreement with National Penn Bancshares, Inc., or National Penn, pursuant to which WSFS will purchase all of the issued and outstanding shares of CBT, a Delaware banking corporation and wholly owned subsidiary of National Penn for a total purchase price of $34.5 million in cash. As a result of the transaction, we estimate we will acquire approximately $161 million in deposits, approximately $115 million in performing loans and approximately $6 billion in trust assets under administration or management. As part of this transaction CBT will transfer its classified and certain other assets to a subsidiary of CBT and the subsidiary will be transferred to National Penn in exchange for $3.525 million in cash prior to closing. Completion of the transaction is subject to

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the receipt of all required regulatory approvals and certain other standard closing conditions. Immediately after the closing of the stock purchase, CBT will be merged into WSFS Bank. We anticipate that the closing will occur in the fourth quarter of 2010.

We believe that the acquisition of CBT will significantly accelerate our position in the trust and custody businesses. By adding more than $6 billion in fiduciary assets, we project that CBT will increase our non-interest income by approximately 14%, based on first quarter 2010 reported results. We believe the transaction will advance our trust initiatives by several years and provide critical mass and scale.

Financial Reform Legislation

On July 21, 2010, the Dodd-Frank Act, was signed into law. The new legislation makes extensive changes to the laws regulating financial products and services as well as firms and companies offering financial products and services. The Dodd-Frank Act also alters certain corporate governance matters affecting public companies. The legislation requires substantial rulemaking and mandates numerous additional studies, the results of which could impact future legislative and regulatory action. The Bank is in the process of evaluating this new legislation and determining the extent to which it will impact our current and proposed operations.

Corporate Information

Our principal executive offices are located at WSFS Bank Center, 500 Delaware Avenue, Wilmington, Delaware 19801, and our telephone number at that address is (302) 792-6000. We maintain an Internet website at www.wsfsbank.com. The foregoing website address is intended to be an inactive textual reference only. The information on this website is not a part of this prospectus.

THE OFFERING

Issuer	WSFS Financial Corporation
Common Stock Offered by Us	$40,000,000 in aggregate public offering price ($46,000,000 in aggregate public offering price if the underwriters exercise their over-allotment option in full).
Common Stock to be Outstanding after this Offering(1)	8,169,346 shares
Use of Proceeds	We expect to receive net proceeds from this offering of approximately $ million after deducting the underwriting discounts and commissions and our estimated expenses (or approximately $ million if the underwriters exercise their over-allotment option in full). We expect to use the net proceeds from this offering for general corporate purposes, which may include, among other things, (i) support of organic growth arising in our market place and resulting from the current market environment, (ii) acquisition-based growth in our target markets, including the recently-announced acquisition of CBT, and (iii) the potential repurchase of securities issued to the U.S. Department of Treasury under the Capital Purchase Program.
Dividends	We currently pay a quarterly dividend of $0.12 per share on our common stock.
NASDAQ Symbol	WSFS

(1) The number of shares of common stock to be outstanding after the offering assumes a public offering price of $38.00, which is based on the last reported sale price of our common stock as reported on the NASDAQ Global Select Market on July 30, 2010 and assumes no exercise of the underwriters' over-allotment option. The number of shares of common stock indicated excludes 526,015 shares of common stock issuable upon exercise of options outstanding as of June 30, 2010, having a weighted average exercise price of $44.79 per share, 129,310 shares of common stock issuable upon the exercise of a warrant issued to Peninsula Investment Partners, L.P. at an exercise price of $29.00 per share, and 175,105 shares of common stock that may be issued upon exercise of warrants issued to the U.S. Department of Treasury in connection with the Capital Purchase

Program at an exercise price of $45.08.

Risk Factors

Investing in our securities involves risks. You should carefully consider the information under “Risk Factors” beginning on page S-7 and the other information included in this prospectus supplement and the accompanying prospectus before investing in our securities.

Summary Selected Consolidated Financial Data

You should read the following selected consolidated financial data with our consolidated financial statements and notes appearing in our Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, which are incorporated by reference in this prospectus supplement. The following tables set forth select consolidated financial data for us at and for each of the years in the five-year period ended December 31, 2009 and at and for the six-month periods ended June 30, 2010 and 2009. These selected results of operations data for the years ended December 31, 2009, 2008 and 2007, and the selected balance sheet data as of December 31, 2009 and 2008, have been derived from our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by reference in this prospectus supplement. The selected results of operations data for the years ended December 31, 2006 and 2005 and the summary balance sheet data dated as of December 31, 2007, 2006 and 2005 have been derived from our audited financial statements that are not included in this prospectus supplement. The information for the six months ended June 30, 2010 and 2009 is unaudited. However, in the opinion of our management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the unaudited periods have been made. Historical results are not necessarily indicative of future results, and the results for the six months ended June 30, 2010 are not necessarily indicative of the results that might be expected for the year.

	At June 30, 2010	At December 31, 2009	2008	2007	2006	2005
	(Dollars in Thousands)					
Total assets	$ 3,791,866	$ 3,748,507	$ 3,432,560	$ 3,200,188	$ 2,997,396	$ 2,846,752
Net loans (1)	2,460,003	2,479,155	2,443,835	2,233,980	2,019,741	1,775,294
Investment securities (2)	45,535	46,047	49,749	26,235	53,893	56,704
Investment in reverse mortgages, net	(509)	(530)	(61)	2,037	598	785
Other investments	39,779	40,395	39,521	46,615	41,615	46,466
Goodwill and intangible assets	13,371	13,651	15,716	3,020	2,305	1,798
Mortgage-backed securities (2)	755,591	681,242	498,205	496,792	516,711	620,323
Deposits	2,628,782	2,561,871	2,122,352	1,827,161	1,756,348	1,446,236
Borrowings (3)	752,854	787,798	999,734	1,068,149	935,668	1,127,997
Trust preferred borrowings	67,011	67,011	67,011	67,011	67,011	67,011
Preferred Equity	52,128	52,059	-	-	-	-
Common Equity	262,605	249,741	216,635	211,330	212,059	181,975
Total stockholders' equity	314,733	301,800	216,635	211,330	212,059	181,975
Number of full-service branches (4)	36	37	35	29	27	24

Six Months Ended

	June 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(Dollars in Thousands, Except Per Share Data)						
Interest income	$ 82,012	$ 78,646	$ 157,730	$166,477	$ 189,477	$ 177,177	$ 136,022
Interest expense	21,971	28,375	53,086	77,258	107,468	99,278	62,380
Provision for loan losses	22,004	19,650	47,811	23,024	5,021	2,738	2,582
Noninterest income	23,577	23,768	50,241	45,989	48,166	40,305	34,653
Noninterest expenses	57,372	55,329	108,504	89,098	82,031	69,314	62,877
Provision (benefit) for income taxes	427	(1,564)	(2,093)	6,950	13,474	15,660	14,847
Net income	3,815	624	663	16,136	29,649	30,441	27,856
Dividends on preferred stock and accretion of discount	1,384	1,264	2,590	-	-	-	-
Net income (loss) allocable to common stockholders	2,431	(640)	(1,927)	16,136	29,649	30,441	27,856
Earnings (loss) per share allocable to common stockholders:							
Basic	0.34	(0.10)	(0.30)	2.62	4.69	4.59	4.10
Diluted	0.34	(0.10)	(0.30)	2.57	4.55	4.41	3.89

(1) Includes loans held-for-sale.

(2) Includes securities available-for-sale, trading and held-to-maturity.

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

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

	Six Months Ended June 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Interest rate spread	3.47%	2.98%	3.10%	2.94%	2.80%	2.70%	2.91%
Net interest margin (1)(2)	3.62	3.18	3.30	3.13	3.09	2.98	3.13
Efficiency ratio	68.17	74.18	69.56	65.36	62.48	58.09	57.46
Noninterest income as a percentage of total revenue (1)	28.01	31.87	32.21	33.74	36.69	33.78	31.67
Return on average equity (2)	2.46	0.46	0.24	7.30	14.34	15.42	14.78
Return on average assets (2)	0.20	0.04	0.02	0.50	0.98	1.03	1.05
Nonperforming assets to total assets	2.26	2.23	2.19	1.04	0.99	0.14	0.12
Nonaccruing loans to total loans	2.74	2.54	2.61	1.15	1.38	0.19	0.19
Allowance for loan losses to total loans	2.48	1.63	2.12	1.26	1.12	1.34	1.41
Average equity to average assets	8.21	7.58	7.86	6.86	6.87	6.68	7.10
Tangible equity to tangible assets	7.98	7.22	7.72	5.88	6.52	7.00	6.33
Tangible common equity to tangible assets	6.60	5.75	6.31	5.88	6.52	7.00	6.33
Total capital to risk-weighted assets (3)	12.51	11.15	12.24	11.00	12.31	13.54	13.38
Core capital to adjusted total assets (3)	8.69	8.08	8.67	7.99	8.63	9.25	8.56
Tier 1 capital to risk-weighted assets (3)	11.26	9.45	11.02	9.90	11.16	12.42	12.31

(1) Computed on a fully tax-equivalent basis.
(2) Ratios for the six months ended June 30, 2010 and 2009 are annualized.
(3) WSFS Bank only.

RISK FACTORS

An investment in our common stock involves a high degree of risk. Before making an investment decision, you should carefully read and consider the risk factors described below as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, as the same may be updated from time to time by our future filings with the SEC under the Securities Exchange Act of 1934, as amended. Any of these risks, if they actually occur, could materially adversely affect our business, financial condition, and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect us. In any such case, you could lose all or a portion of your original investment.

Risks Related to this Offering and Ownership of Our Common Stock

The price of our common stock may fluctuate significantly, which may make it difficult for investors to resell shares of common stock at times or prices they find attractive.

Our stock price may fluctuate significantly as a result of a variety of factors, many of which are beyond our control. These factors include, in addition to those described in “Special Note Regarding Forward-Looking Statements”:

- Actual or anticipated quarterly fluctuations in our operating results and financial condition;
- Changes in financial estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to us or other financial institutions;
- Speculation in the press or investment community generally or relating to our reputation or the financial services industry;
- Strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings;
- Fluctuations in the stock price and operating results of our competitors;
- Future sales of our equity or equity-related securities;
- Proposed or adopted regulatory changes or developments;
- Domestic and international economic factors unrelated to our performance; and
- General market conditions and, in particular, developments related to market conditions for the financial services industry.

In addition, the stock market in general has experienced extreme price and volume fluctuations in recent years. This volatility has had a significant effect on the market price of securities issued by many companies, for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results. We expect that the market price of our common stock will continue to fluctuate and there can be no assurances about the levels of the market prices for our common stock.

Trading volume of our common stock is less than that of other larger financial services companies which may adversely affect the market price and may limit stockholders' ability to quickly and easily sell their common stock, particularly in large quantities.

Although our common stock is listed for trading on the NASDAQ Global Select Market, the trading volume is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause the price of our common stock to fall. As a result, stockholders may find it difficult to sell a significant number of shares at the prevailing market price.

We may issue additional equity securities, or engage in other transactions which dilute our book value and our earnings per share or affect the priority of the common stock, which may adversely affect the market price of our common stock.

From time to time, our board of directors may determine that we need to raise additional capital by issuing additional shares of our common stock or other securities. Except as described under "Underwriting," we are not restricted from issuing additional shares of common stock, including securities that are convertible into, exchangeable for, or that represent the right to receive, common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future offerings, or the prices at which such offerings may be affected. Such offerings could be dilutive to common stockholders. New investors also may have rights, preferences and privileges that are senior to, and that adversely affect, our then current common stockholders.

Additionally, if we raise additional capital by making offerings of debt or preferred equity securities, upon liquidation, holders of our debt securities and shares of preferred stock, and lenders with respect to other borrowings, will receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution.

Our directors and executive officers own approximately 24.7% of the outstanding common stock. As a result of their combined ownership, they could make it more difficult to obtain approval for some matters submitted to stockholder vote, including acquisitions of WSFS Financial Corporation. The results of the vote may be contrary to the desires or interests of the other stockholders.

Directors, executive officers and their affiliates own approximately 24.7% of the outstanding shares of common stock as of March 11, 2010, excluding shares which may be acquired upon the exercise of stock options or warrants or upon vesting of restricted stock. We anticipate that our directors and officers may purchase additional shares in the offering. By voting against a proposal submitted to stockholders, the directors and officers, as a group, may be able to make the approval more difficult for proposals requiring the vote of stockholders, such as some mergers, share exchanges, asset sales, and amendments to the amended and restated certificate of incorporation.

An investment in our common stock is not an insured deposit.

Our common stock is not a bank deposit and, therefore, is not insured against loss by the Federal Deposit Insurance Corporation, or the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in the common stock is inherently risky for the reasons described in this "Risk Factors" section and elsewhere in this prospectus supplement and the accompanying prospectus and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you may lose some or all of your investment.

Offerings of debt, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our common stock.

We may attempt to increase our capital resources or, if our or WSFS Bank's capital ratios fall below the required minimums, we or WSFS Bank could be forced to raise additional capital by making offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution.

Our board of directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our common stock with respect to dividends or upon our dissolution, winding-up and liquidation and other terms. If we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution, or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Risks Related to Our Business

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

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

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

Our commercial loan portfolio, which includes commercial and industrial loans and commercial real estate loans, totaled $1.9 billion at June 30, 2010, comprising 76% of total loans. Commercial and industrial loans generally carry larger loan balances and involve a greater degree of risk of nonpayment or late payment than home equity loans or residential mortgage loans. Any significant failure to pay or late payments by our customers would hurt our earnings. The increased credit risk associated with these types of loans is the result of several factors, including the concentration of principal in a limited number of loans and borrowers, the size of loan balances, and the effects of general economic conditions on income-producing properties. A significant portion of our commercial real estate and commercial and industrial loan portfolios includes a balloon payment feature. A number of factors may affect a borrower's ability to make or refinance a balloon payment, including the financial condition of the borrower, the prevailing local economic conditions and the prevailing interest rate environment.

Furthermore, commercial real estate loans secured by owner-occupied properties are dependent upon the successful operation of the borrower's business. If the operating company suffers difficulties with 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. The collateral for our commercial loans that are secured by real estate are classified as 67% owner occupied properties and 33% non-owner occupied properties.

We may not realize the anticipated benefits from our proposed acquisition of Christiana Bank & Trust Company.

Subsequent to the purchase of all of the issued and outstanding shares of CBT from National Penn, CBT will be merged into WSFS Bank. We anticipate that the acquisition of CBT will accelerate our position in the trust and custody businesses and increase our noninterest income as well as further solidify our market business in an attractive Delaware submarket. The success of this transaction, however, will depend on, among other things, our ability to realize anticipated cost savings and to combine the businesses of WSFS Bank and CBT in a manner that permits growth opportunities and does not materially disrupt the existing customer relationships of CBT nor result in decreased revenues resulting from any loss of customers. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected.

WSFS Bank and CBT have operated and, until the completion of the acquisition, will continue to operate, independently. Certain CBT employees may not be employed by us after the acquisition. In addition, CBT employees that we wish to retain may elect to terminate their employment as a result of the acquisition, which could delay or disrupt the integration process. It is possible that the integration process could result in the disruption of CBT's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the acquisition.

The stock purchase agreement with National Penn may be terminated in accordance with its terms and the acquisition of CBT may not be completed.

The stock purchase agreement with National Penn is subject to a number of conditions which must be fulfilled in order to close. Those conditions include the receipt of regulatory approvals, the

continued accuracy of certain representations and warranties by both parties, the absence of injunctions, and the performance by both parties of certain covenants and agreements. There can be no assurance that the conditions to closing the acquisition of CBT will be fulfilled or that the acquisition of CBT will be completed.

Regulatory approvals for the CBT acquisition may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the CBT acquisition may be completed, various approvals or consents must be obtained from the federal bank regulatory and other authorities. These governmental entities may impose conditions on the completion of the CBT acquisition or require changes to the terms of the stock purchase agreement. Although we do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the transactions contemplated in the stock purchase agreement or imposing additional costs on or limiting our revenues, any of which might have an adverse effect on us following the CBT acquisition. There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any unanticipated conditions will be imposed.

Higher FDIC insurance premiums and assessments will adversely impact our earnings.

FDIC insurance premiums have increased substantially since 2008. A large number of bank failures have significantly depleted the Deposit Insurance Fund, or DIF, and reduced the ratio of reserves to insured deposits, which is required to be at least 1.15% of insured deposits and the Dodd-Frank Act requires this reserve ratio to increase to 1.35% by 2020. On May 22, 2009, the FDIC adopted a final rule levying a five basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. The special assessment was payable on September 30, 2009. We recorded an expense of $1.7 million during the quarter ended June 30, 2009, to reflect the special assessment. Any further special assessments will be recorded as an expense during the appropriate period. In addition, the FDIC increased the general assessment rate and our prior credits for federal deposit insurance were fully utilized during the quarter ended June 30, 2009. Therefore, our FDIC general insurance premium expense will increase compared to prior periods.

We participate in the FDIC's Temporary Liquidity Guarantee Program, or TLG, which provides unlimited deposit insurance for noninterest-bearing transaction deposit accounts until December 31, 2010. Banks that participate in the TLG's noninterest-bearing transaction account guarantee must now pay the FDIC an annual assessment of 15 to 25 basis points on the amounts in such accounts above the amounts covered by FDIC deposit insurance. To the extent that these TLG assessments are insufficient to cover any loss or expenses arising from the TLG program, the FDIC is authorized to impose an emergency special assessment on all FDIC-insured depository institutions. The FDIC has authority to impose charges for the TLG program upon depository institution holding companies, as well.

On November 12, 2009, the FDIC issued a final rule requiring all banks to prepay their estimated assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 payable on December 30, 2009. Based on the final rule, we were required to make a payment of $21.3 million to the FDIC on December 30, 2009 and to record the pre-payment as a prepaid expense, which will be amortized over three years. Whether this prepayment will provide sufficient funding is uncertain. There is no assurance the FDIC will not require additional funding from the banking system which may negatively impact us.

In the future, we may be required to pay even higher FDIC premiums than the recently increased levels. In addition, on January 12, 2010, the FDIC requested comments on a proposed rule tying assessment rates of FDIC-insured institutions to the institution's employee compensation programs. The

exact requirements of such a rule are not yet known, but such a rule could increase the amount of premiums we must pay for FDIC insurance. Furthermore, the FDIC announced a proposed rule on April 13, 2010, that, if adopted, would alter the initial and total base assessment rates applicable to all insured depository institutions effective January 1, 2011, with actual total assessment rates being set three basis points higher than the rates in effect on January 1, 2011, in accordance with the Amended Restoration Plan that the FDIC adopted on September 29, 2009. These announced increases and any future increases or required prepayments of FDIC insurance premiums may adversely impact our earnings.

Several provisions of the Dodd-Frank Act will also have an impact on deposit insurance assessments. Under the Dodd-Frank Act, WSFS Bank's deposit assessment will be calculated as a percentage of average consolidated total assets less its average tangible equity, rather than as a percentage of its deposit base. In addition to the increase of the reserve ratio of the DIF from 1.15% to 1.35% of insured deposits by 2020, the Dodd-Frank Act removes the statutory maximum cap for the reserve ratio, which is currently set at 1.5%. The Dodd-Frank Act also provides for full insurance coverage of qualifying "noninterest-bearing transaction accounts" for the two years after December 31, 2010 and makes permanent the increase on the maximum deposit insurance limit of $250,000.

Our nonperforming assets show a significant increase over the past 18 months. Further increases will have an adverse effect on our earnings.

Our nonperforming assts (which consist of nonaccrual loans, assets acquired through foreclosure and troubled debt restructurings), totaled $85.8 million at June 30, 2010, which is an increase of $50.0 million, or 140%, over the $35.8 million in nonperforming assets at December 31, 2008. Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans and assets acquired through foreclosure. We must establish an allowance for loan losses that reserves for losses inherent in the loan portfolio that are both probable and reasonably estimable through current period provisions for loan losses. From time to time, we also write down the value of properties in our portfolio of assets acquired through foreclosure to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to assets acquired through foreclosure. The resolution of nonperforming assets requires the active involvement of management, which can distract management from its overall supervision of operations and other income producing activities. Finally, if our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance for loan losses accordingly, which will have an adverse effect on our earnings.

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

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

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

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

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

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

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

The Dodd-Frank Act contains a number of sizable changes to the regulation and supervision of the financial industry. Among other provisions which may have an impact on our operations, the Dodd-Frank Act calls for the elimination of the OTS, which is our primary federal regulator and the primary federal regulator of WSFS Bank within 12 to 18 months of enactment. Our primary federal regulator will become the Federal Reserve, and the primary federal regulator for WSFS Bank will become the OCC. The Federal Reserve and OCC will generally have rulemaking, examination, supervision and oversight authority over our operations and the FDIC will retain secondary authority over WSFS Bank. Prior to the elimination of the OTS, the Federal Reserve and OCC will provide a list of the current regulations issued by the OTS that each will continue to apply. OTS guidance, orders, interpretations, policies and similar items under which we and other federal savings associations and savings and loan holding companies operate will continue to remain in effect until they are superseded by new guidance and policies from the OCC or Federal Reserve.

As a grandfathered unitary savings and loan holding company, we are permitted to engage in non-financial activities, though we do not currently utilize that authority. Under the Dodd-Frank Act, the Federal Reserve may determine that, absent certain structural changes, we will be permitted to engage in only those activities that are permitted for a financial holding company under the Bank Holding Company Act.

Additionally, the Dodd-Frank Act creates a new, independent federal agency called the Consumer Financial Protection Bureau, or the Bureau. The Bureau is granted rulemaking authority over several federal consumer financial protection laws and, in some instances, has the authority to examine and enforce compliance with these laws and regulations. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and permits state attorneys general to, in certain circumstances, enforce compliance with both the state and federal laws and regulations. Federal preemption of state law requirements, traditionally a component of WSFS Bank's a federal savings association charter, has also been modified by the Dodd-Frank Act and now requires a case-by-case determination of preemption by the OCC and eliminates preemption for subsidiaries of WSFS Bank. Depending on the implementation of this revised federal preemption standard, the operations of WSFS Bank could become subject to additional compliance burdens in the states in which it operates.

The Dodd-Frank Act mandates hundreds of new rulemakings by federal agencies, many of which could impact our operations and increase our compliance burden and associated costs. We are in the process of examining the Dodd-Frank Act to determine its impact on our operations and will monitor any future rulemakings to ensure compliance with the requirements and standards established.

WSFS Bank has entered into a memorandum of understanding with the OTS.

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

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

We are committed to expeditiously addressing and resolving all the issues raised in the memorandum of understanding and the board of directors and management of WSFS Bank have taken actions to comply with its provisions. A material failure to comply with the terms of the memorandum of understanding could subject the Bank to additional regulatory actions and further regulation by the OTS, or result in a formal action or constraints on the Bank's business, any of which may have a material adverse effect on our future results of operations and financial condition.

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

On January 23, 2009, as part of the Capital Purchase Program, or CPP, under the Troubled Asset Relief Program, or TARP, we entered into a securities purchase agreement with the U.S. Department of Treasury, or Treasury, pursuant to which we sold (i) 52,625 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, or Series A Preferred Stock, and (ii) a warrant to purchase 175,105 shares of our common stock for an aggregate purchase price of $52.6 million in cash. The Series A Preferred Stock

is included in the calculation of Tier 1 capital and pays cumulative dividends at a rate of 5% per annum for the first five years, and 9% per annum thereafter. The Treasury warrant has a 10-year term and is immediately exercisable upon its issuance, with an exercise price, subject to anti-dilution adjustments, equal to $45.08 per share of common stock. The securities purchase agreement we entered into with Treasury permits Treasury to unilaterally amend the terms of the securities purchase agreement to comply with any changes in federal statutes after the date of its execution. The American Recovery and Reinvestment Act of 2009, or ARRA, imposed additional executive compensation and expenditure limits on all current and future TARP recipients, including us, until we have repaid the Treasury. These additional restrictions may impede our ability to attract and retain qualified executive officers. ARRA also permits TARP recipients to repay the Treasury without penalty or requirement that additional capital be raised, subject to Treasury's consultation with our primary federal regulator. The terms of the CPP also restrict our ability to increase dividends on our common stock and undertake stock repurchase programs. Congress may impose additional restrictions in the future which may also apply retroactively. These restrictions may have a material adverse affect on our operations, revenue and financial condition, on the ability to pay dividends, our ability to attract and retain executive talent and restricts our ability to increase our cash dividends or undertake stock repurchase programs.

We are subject to liquidity risk.

Due to the continued growth in our lending operations, particularly in corporate and small business lending, our total loans have exceeded customer deposit funding. To supplement deposits, we have diversified our funding sources to include Federal Home Loan Bank advances, federal funds purchased, securities sold under agreements to repurchase and brokered funds. Changes in interest rates, alternative investment opportunities and other factors may make deposit gathering more difficult. Additionally, interest rate changes or disruptions in the capital markets may make the terms of the borrowings and brokered deposits less favorable and may make it difficult to sell securities when needed to provide additional liquidity. As a result, there is a risk that the cost of funding will increase or that we will not have sufficient funds to meet our obligations when they come due.

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

If a decline in the market value of a security is determined to be other than temporary, under generally accepted accounting principles, we are required to write these securities down to their estimated fair value with the amount of impairment related to credit losses recognized in earnings while the amount of impairment related to all other factors is recognized in other comprehensive income. As of June 30, 2010, we owned securities classified as available for sale with an aggregate historical cost of $773.0 million and an estimated fair value of $787.9 million. During the year ended December 31, 2009, we had one security that was determined to be other than temporarily impaired with a credit loss recognized in earnings of only $86,000. There were no securities with other than temporary impairments for the six months ended June 30, 2010, although we can give no assurance that we will not have additional other than temporarily impaired securities in the future. Future changes in interest rates or the credit quality and strength of the underlying issuers may reduce the market value of these and other securities. As a result, changes in values of securities affect our equity and may impact earnings.

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

At June 30, 2010 we had $13.4 million of goodwill and intangible assets. We have recorded goodwill because we paid more for some of our businesses than the fair market value of the tangible and separately measurable intangible net assets of those businesses. We test our goodwill and other intangible assets with indefinite lives for impairment at least annually (or whenever events occur which may indicate possible impairment). Impairment testing may result in a material, non-cash write-down of our goodwill assets and could have a material adverse impact on our results of operations. Goodwill impairment begins with a comparison of the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, goodwill of the reporting unit is not considered impaired. If the fair value of the reporting unit is less than the carrying amount a Step 2 impairment test is required. Determining the fair value of our reporting unit requires a high degree of subjective management assumptions. Any changes in key assumptions about our business and its prospects, changes in market conditions or other external factors, for impairment testing purposes could result in an impairment charge to earnings.

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

We are required to hold FHLB stock as a condition of membership in the FHLB. Ownership of FHLB stock is restricted and there is no market for these securities. As of June 30, 2010, the carrying value of our FHLB stock was $39.3 million. In 2009, the FHLB reported significant losses due to numerous factors, including other-than-temporary impairment charges on its portfolio of private-label mortgage-backed securities. In February 2009, the FHLB announced a capital restoration plan which restricts it from repurchasing or redeeming capital stock or paying dividends. If the FHLB financial condition continues to decline, other-than-temporary impairment charges related to our investment in FHLB stock may occur in future periods.

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

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

Risks Relating to Recent Market, Legislative and Regulatory Events

The soundness of other financial institutions could adversely affect us.

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

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

The Federal Reserve regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. Changes to interest rate policies can also materially decrease the value of financial assets we hold, such as debt securities. The Federal Reserve's policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Additionally, the Dodd-Frank Act includes sweeping financial reforms, including the creation of the Consumer Financial Protection Bureau with extensive powers over the manner in which financial services and products are offered to consumers. The legislation significantly alters not only how financial firms are regulated but also how they conduct their business. Changes in Federal Reserve policies and our regulatory environment generally are beyond our control, and we are unable to predict what changes may occur or the manner in which any future changes may affect our business, financial condition and results of operation.

The prolonged deep recession, difficult market conditions and economic trends have adversely affected our industry and our business.

We are particularly exposed to downturns in the U. S. housing market. Dramatic declines in the housing market over the past two years, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans that resulted in significant write-downs of assets by many financial institutions. In addition, the values of real estate collateral supporting many loans have declined and may continue to decline. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased credit supply in part due to the reduction in non-bank providers of credit in the marketplace. This market turmoil and tightening of credit has led to increased commercial and consumer delinquencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Competition among depository institutions for deposits has increased significantly. Financial institutions have experienced decreased access to deposits or borrowings. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operations and stock price. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the industry. In particular, we may face the following risks in connection with these events:

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

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

- We also may be required to pay even higher FDIC premiums than the recently increased level, because financial institution failures resulting from the depressed market conditions have depleted and may continue to deplete the deposit insurance fund and reduce its ratio of reserves to insured deposits.

- Our ability to borrow from other financial institutions or the FHLB on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events.
- We may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds.

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

The Dodd-Frank Act, signed into law on July 21, 2010, makes extensive changes to the laws regulating financial services firms and requires significant rulemaking. In addition, the legislation mandates multiple studies, which could result in additional legislative or regulatory action. We are currently reviewing the impact the legislation will have on our business.