

Via Email and Federal Express

March 6, 2009

Special Inspector General – TARP  
1500 Pennsylvania Avenue, NW  
Suite 1064  
Washington, DC 20220

Dear Mr. Barofsky;

This letter is in response to your letter dated February 6, 2009 to WSFS Financial Corporation (“Company”) in which you requested certain information regarding the Company’s recent participation in the U.S. Treasury’s Capital Purchase Plan (“CPP”).

Under the Emergency Stabilization Act of 2008, the CPP was established as a way for healthy U.S. financial institutions to help stabilize the U.S. Economy. It is our intent to comply with the U.S. Treasury’s objective for the use of CPP funds, and further our Mission Statement to “Strengthen the core of Delaware”.

For your convenience, the comments from your letter are repeated below in italics and the Company’s responses are shown after each comment.

**Comment 1 -**

*A narrative response specifically outlining (a) your anticipated use of the TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.*

**Response to Comment 1-**

- (a) On January 23, 2009 we received \$52.6 million of funds under the CPP. In our application for these funds (on November 14, 2008) and the related questionnaire we stated, “It is our plan to supplement capital and we expect there will be opportunities that the marketplace will present to use that capital. A non-exhaustive list of these opportunities include: additional lending opportunities, deposit gathering activities and acquisitions. Initially we will invest in short duration investments, then redeploy the capital over time.” Additionally, we indicated we would contribute at least 25% of the Treasury’s CPP investment into our Thrift subsidiary. Our anticipated use of the CPP funds has not changed.
- (b) As a financial institution, we record and separate all of our individual obligations for the many and varied funding sources we have. For a practical matter, we combine all of these funds to utilize them in a manner that will have the greatest benefit for our depositors, obligors, investors and owners (including the U.S. Treasury) and satisfy the need to payback, and provide a return, on these funds.
- (c) In order to provide earnings, which will support the repayment of CPP funds, we have purchased, and intend to continue to purchase Agency and Non-agency mortgage-backed securities (MBS) with short durations, strong cash flows and significant liquidity. We believe this action is consistent with the Treasury’s intentions as it 1) mirrors the Federal Reserve’s MBS purchases aimed at increasing liquidity and lowering mortgage rates and 2) provides strong cash flows and liquidity, allowing us to

replace MBS with lending to our community over time in a prudent manner. To date, we have purchased \$141 million of MBS.

- (d) We plan to continue to make loans. Consistent with this statement, during the fourth quarter of 2008, while waiting to receive the investment and when the economy declined precipitously in the nation and locally, we increased our consumer and business loans outstanding by \$114 million. This is more than twice the capital we accepted.

In addition, when planning our 2009 budget, we took into consideration the receipt of the CPP funds and projected an increase in loans outstanding of \$192 million, or 8%, during a year when we, and others, are anticipating a deepening recession. Again, this lending growth is several times more than the CPP funds we received, and we are working earnestly towards these goals. In fact, during the month of January (2009) we have increased our loan balances by \$26 million. This is greater than the original projections in our 2009 budget plan.

Further, our 2009 budget plan includes the prudent addition, renovation or relocation of branch offices. These branches will: increase deposits to be able to grow loans; increase the services we provide to our community during this recession; as well as provide for hiring of additional personnel to staff these offices. The budget plan includes an increase in staffing by approximately 6% during the year ensuring stability for our Associates and strengthening our community.

While our MBS purchases to date have exceeded the amount of CPP capital we received, we plan to continue to lend in our communities and fund this lending with deposits generated from our market. The CPP funds represent capital that allows us to continue to grow our balance sheet and serve our communities and constituents.

Some additional context may be helpful in understanding our commitment to our community:

- Recently Rodger Levenson, our Executive Vice President of Commercial Banking, attended a meeting of the Delaware Economic Development Office. The purpose of the meeting was to work on developing programs and policies with the State of Delaware to help facilitate small business lending to provide relief to local small business owners feeling the effects of the current economic environment. While no official programs have yet been developed as of the date of this letter, we will continue to work with the State to provide input and support into these types of programs.
- In December 2008, we were one of seven banking companies (and the only Delaware bank) who participated in a \$46.7 million bridge loan. The loan was to allow the purchase of a department store chain (headquartered in Reading, PA with stores in our market) out of bankruptcy by its co-founder Albert Boscov and will preserve 9,000 jobs.
- Well prior to any government announced mortgage modification programs, we began our own mortgage modification program in late 2007 and have helped 44 families (\$8.5 million in loan balances) stay in their homes while experiencing financial difficulties in meeting their payments and obligations.
- In addition, we temporarily suspended all foreclosures on residential mortgage loans in response to the voluntary request by the Office of Thrift Supervision on February 12, 2009. We continue to monitor the information released regarding the Federal Government's Loan Modification Program and will respond appropriately to the plan once all details of the plan have been released.

- Since 1992, and for seven consecutive evaluations, the Company has received an "Outstanding" rating from the Office of Thrift Supervision in our Community Reinvestment Act (CRA) Performance Evaluation. These ratings provide additional evidence of our commitment to meeting the lending, investing and service needs of our customers and community.

**Comment 2 –**

*Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.*

**Response to Comment 2-**

In accordance with Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA"), the Personnel and Compensation Committee of our Board of Directors will meet with our risk officer within 90 days of the funding of the CPP to complete its review of incentive compensation plans and related risks that may be posed by such plans. Since the CPP funding was received on January 23, 2009, this review will be completed by April 23, 2009. As a result, it is premature to report on any actions or conclusions resulting from such review, but we are earnestly working towards meeting the goals and deadlines of these requirements.

While our review has not been completed, we would like to provide some perspective regarding compensation at WSFS. It is important to note that, early in 2008 and again in 2009, we voluntarily suspended what modest perquisites we had, and these executives are now providing these often-necessary costs of doing business out of their own pockets. Additionally, as the economy deteriorated in late 2008, senior management also voluntarily agreed to forego salary increases in 2009 so that a modest merit pool would be preserved for other bank Associates. Further, in January 2009, we suspended our severance policy for senior executive officers. This suspension will continue until such time as the U.S. Treasury no longer owns an investment in WSFS Financial Corporation.

As part of the funding of the CPP program, our senior executive officers signed letter agreements consenting to any changes in compensation programs deemed necessary by us in accordance with the requirements of Section 111 of EESA, including the applicable "claw-back" provisions under any incentive compensation or bonus program. We understand that Section 111 of EESA has been amended by the American Recovery and Reinvestment Act of 2009 ("ARRA") enacted on February 17, 2009. Pending additional guidance from the Treasury in the form of regulations, our senior executive officers and our Compensation Committee will take such other actions that may be required.

\* \* \*

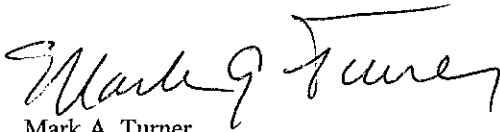
Of course, in 2009, we are entering into a difficult and dynamic economic environment. While our specific plans related to the use of our CPP funds may change, for as long as we have CPP funds, our overriding plan is to utilize the funds as the U.S Treasury intended, and we accepted, as a condition of our participation in the CPP program. The goals of the U.S. Treasury program are closely aligned with our mission of "Strengthening the core of Delaware".

The Company is a publicly reporting company. We request that this response letter be treated as Confidential Information and not be subject to release under any Freedom of Information Act requests. Prior to any such release, we request the opportunity to oppose such information release, or, in the alternative to redact such confidential business information.

We hope the foregoing has been fully responsive to your request letter and hope our letter will be read and considered in its entirety. Please feel free to contact me if you need additional information or clarification.

I, Mark A. Turner, certify that: I have reviewed this response (and supporting documents), and, based on my knowledge, this response (and the supporting documents) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statement were made, not misleading.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Turner". The signature is written in black ink and is positioned above the printed name and title.

Mark A. Turner  
President and Chief Executive Officer

cc: Senator Thomas R. Carper  
Senator Edward E. Kaufman  
Congressman Michael N. Castle  
Martin J. Lavelle, Assistant Director, Office of Thrift Supervision