WSFS FINANCIAL CORPORATION

Moderator: Rodger Levenson
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1:00 p.m. ET

Operator: This is conference # 82950073.

Good day, ladies and gentlemen. Welcome to the WSFS Financial Corporation's Second Quarter 2015 Earnings call.

At this time, all participants are in a listen only mode. Later, we will conduct a question and answer session and instructions will follow at that time. If you require operator assistance during the program, please press star then zero on your touchtone telephone. As a reminder today's call is being recorded.

I would like to introduce your host for today's program, Mr. Rodger Levenson, Chief Financial Officer. Sir, you may begin.

Rodger Levenson: Thank you, Kevin. And thanks to all of you for taking time to participate in our call today. With me on this call are Mark Turner, President and CEO; Paul Geraghty, Chief Wealth Officer; Steve Clark, Chief Commercial Banking Officer; Rick Wright, Chief Retail Banking Officer; Jeff Ruben, President Array Financial and Arrow Land Transfer; Ira Brownstein, Senior Vice President Array Financial.

Similar to our last two earnings calls, the format of today's call has been modified to allow us to provide the third in a series of topical discussions. Following our traditional earnings call, comments and Q&A, we will provide a brief presentation and question-and-answer session regarding the

WSFS mortgage business, led by Jeff and Ira. Mark will introduce the segment at the appropriate time.

Before Mark begins with his opening remarks, 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 our annual report on Form 10-K and our most recently quarterly reports on Form 10-Q, as well as other documents we periodically file with the Securities and Exchange Commission.

With that read, I'll turn the discussion over to Mark Turner.

Mark Turner: Thanks, Rodger. And thanks, everyone for your time and attention. WSFS reported fundamentally strong results for the second quarter of 2015.

The bottom-line results of $12.2 million in net income, $0.43 in earnings per share, a return on assets of 98 basis points, and a return on tangible equity of 11.2 percent were hampered by the cost of one problem loan. This $9 million loan was previously classified as substandard and as a troubled debt restructuring and, based on new information, was moved to non-accruing status in the quarter. As a result, we provided $3.6 million for potential loss on this loan in this quarter, amounting to an $0.08 per share negative share impact.

Regarding the non-accruing loan and its provision, we have indicated in the past that credit costs can be uneven. The previous four quarters were unusually low by historical standards.

We believe that this one loan was an isolated circumstance but the kind that will occur from time to time even in a good economy, and that it is not indicative of a larger trend. In fact, even including this setback, major

credit metrics and ratios improved meaningfully in the quarter, including for total nonperforming assets, delinquencies and classified loans. Rodger will provide more detail on the one-off problem loan and other credit metrics in the Q&A session.

The quarter also included modest securities gains from ongoing investment portfolio management, and corporate development costs for our pending acquisition of Alliance Bancorp, which gains and costs mostly offset each other this quarter.

Most importantly, as a result of both expected seasonality and healthy organic growth, positive trends in the quarter continued, including for our total revenue, net interest income and fee income, loan growth and core deposit growth, and operating leverage and efficiency. In many cases, the positive trends accelerated.

More specifically, total core revenue increased 16 percent annualized in the quarter and 12 percent over this time last year.

As a part of that net revenue growth, core net interest income – that is, excluding a special Federal Home Loan Bank dividend received in the first quarter 2015 – increased 11 percent annualized in the quarter and 10 percent over this quarter last year.

As another component of that strong revenue growth, core fee income – that is, excluding securities gains in all quarters – increased 26 percent annualized in the quarter and 14 percent over the second quarter of 2014. Increases in fee income came in all major business divisions including traditional banking, wealth management and ATM services through our Cash Connect division.

WSFS fee income as well-diversified and now represents a robust 36 percent of our total net revenue.

As reported, these net revenue increases, when combined with prudent expense management, produced 2 percentage points in positive operating

leverage and an improved efficiency ratio of 62.3 percent in this quarter. This resulted in over $3 million of quarterly growth in pretax pre-provision net revenue over the same quarter last year; that equates to a very healthy 15 percent increase in pretax, pre-provision net revenue.

Further enhancing prospects for future results, we had the best quarter of organic loan growth in our 183-year history, with total loans increasing $108 million or 13 percent annualized in the quarter. This was on the strength of commercial loans (which are over 80 percent of our loans) growing at a 16 percent annualized rate. Almost all subcategories of loans saw nice improvement, including our consumer and small business lending units, which saw their best quarterly production in recent memory.

Furthermore, much of the total loan growth came in the second half of the quarter so its positive impact won't be fully realized until next quarter and thereafter. This growth came from continuing to take good market share, and, also noteworthy, most of the increase came from extending credit to existing clients as a result of their growth plans. Moreover, our commercial loan pipeline entering the third quarter continues to be at all-time highs.

Finally, supporting our lending, core deposits grew in the quarter at a 9 percent annualized rate.

In the quarter we also continued to be innovative and roll out new products and services to meet the needs of our customers and a changing marketplace.

These new offerings included WSFS business mobile banking, which meets the on-the-go banking needs of small- to medium-sized businesses; WSFS Everyday Pay, a digital project for easy person-to-person payments; WSFS mobile cash, which combines mobile technology and the latest in ATM technology to allow for faster, safer access to cash; and our announced strategic alliance with ZenBanx, to offer a multi-currency deposit account, which combines technology for mobile, social networking, easy exchange among currencies and simple peer-to-peer

payments. We're testing the ZenBanx product now and hope to introduce it in the early fall.

Next, as part of our ongoing capital management, in the quarter we repurchased 455,000 shares of WSFS, or over 1.5 percent of our outstanding stock, at an average price of $25.81 per share. Last, as shown in this quarter and past quarters, we continue to make fundamental progress in our goal of getting to a 1.2 percent core sustainable ROA by the end of this year, and are committed to doing so.

Again, thank you for your attention. At this time we will take questions. As mentioned, after the general Q&A we will continue our series of short special presentations.

Operator: I'm here. Ladies and gentlemen, if you have a question or a comment at this time, please press star then the one key on your touchtone telephone. If your question has been answered, and you wish to remove yourself from the queue, please press the pound key.

Our first question comes from Catherine Mealor with KBW.

Catherine Mealor: Hey, good afternoon everyone.

Mark Turner: Hey, Catherine, how are you?

Catherine Mealor: I'm doing great.

Mark Turner: Good.

Catherine Mealor: I wanted to ask about expenses. Your expense base has hovered around $37 million, $38 million for the past couple of quarters even though revenue growth has been really strong, to your point earlier, Mark. How should we think about the expense growth rate moving forward in light of your continued strong loan growth and growth in fee income initiative?

Mark Turner: Catherine, I appreciate you asking the question and I will answer it but maybe in a different way than you were expecting. Because we are

continuing to grow strongly in almost all segments of the Bank, and obviously we have a pending acquisition coming up, I think it is more realistic, important and relevant to talk about it in terms of what our efficiency ratio trend and goals are for our organization, given where we are and our investment stage, which is very mature at this point while still continuing to add things like acquisitions that are immediately accretive.

As we have said, because we are highly service focused organization and have a lot of fee income businesses, both of which tend to increase our efficiency ratio relative to our peers, we believe to get the high performance for that business model and where we are, an efficiency ratio in the low 60 percent is our goal. We produced 62.3 percent this quarter.

We see improvement in coming quarters, given the operating leverage we achieved, the strong tailwinds at our back of not only that operating leverage but a strong loan growth, which has not yet fully kicked in, and the pipelines we have in our lending businesses, our deposit businesses and our fee-based businesses. So, low 60s percent we have achieved now and trending down a little from here.

Catherine Mealor: OK, that's actually great. Even though you answered it differently, that was really helpful, thank you. And on the margin the loan growth has been fantastic, but margin was down just a little bit. What is your outlook for the margin for the back half of this year? Is the growth coming at the expense of the margin until we get a bump in rates or can you hold that margin flat a little bit even with this growth?

Rodger Levenson: Hi, Catherine, it's Rodger.

Catherine Mealor: Hi, Rodger.

Rodger Levenson: There was a little decline in our margins, 3 basis points when you normalize out the one-time FHLB impact that we had in the first quarter. That was primarily due to modest pressure we had on our loan yields and a little decline in our investment portfolio yields. As we look forward into

next quarter in our forecasting we anticipate staying right around that same range, about 370.

Catherine Mealor: OK, great. So, a fairly positive outlook for spread income growth, with a stable margin and really strong loan growth in the back half of the year.

Rodger Levenson: Correct.

Catherine Mealor: OK, great, thank you very much. Congrats on a good quarter.

Mark Turner: All right. Thanks, Catherine, we appreciate it.

Operator: Our next question comes from Frank Schiraldi with Sandler O'Neill.

Frank Schiraldi: Good afternoon. Just on the provisioning, if I think about the provision taken for the one C&I loan in the quarter, there was very little in terms of provisioning left – I think about $100,000 or $200,000. So, I was just wondering how we should think about unallocated reserves going forward and if there is continual room to perhaps reduce the reserve to loan ratio?

Rodger Levenson: This is Rodger. I will take that again, Frank. I would tell you that the low part of the provision, when you ex out the one large credit, is reflective of the credit stats that we addressed in the release and Mark alluded to during the call. We continue to see improvement.

Our delinquency is down to 48 basis points. Our classified loan ratio is just over 18 percent, significant improvement. And we saw a decline in NPAs, as well.

As you know, when we are putting together all of that information into our model, that is impacting future reserves. I would tell you that we still believe longer term that the guidance that we have given of $2 million to $2.5 million a quarter will hold for the rest of the year, but it is obviously subject to future events and it can always, as it was impacted this quarter, can be impacted by one-off credit moves.

Mark Turner: Let me add a little bit to that. When Rodger mentioned $2 million to $2.5 million that is in total credit costs not just provision, but OREO costs and workout and other legal costs associated with credits. That is one clarification.

But just on a broader basis, we recorded about 98 basis points – exactly 98 basis points – of ROA in the quarter. As you know, every quarter we do a page on our path to high-performing which normalizes for unsustainable positives and negatives, if you will, or things that we do not believe are core to show our path to get to that 120 percent.

As we look at this quarter we pegged, using the same methodologies we have for the last 10 quarters now, we pegged our core sustainable ROA at 1.11 percent. Actually, if you took out $3.6 million for that one credit, and normalizing out for securities gains and corporate development costs, which almost exactly offset, so more or less just for that $3.6 million provision of one problem loan, you would come to an ROA of closer to 1.15 percent.

We get our 1.11 percent because obviously recording $100,000 in a provision in a quarter is unsustainably low. We get to that number by averaging how much we normalized out, accounting for a provision that would be about the average of the provision for the last 10 quarters. So, if you take that provision of average the last 10 quarters, you add in several hundred thousand dollars for related credit costs, you get to about $2 million a quarter, which we think is where we are in the cycle about what we should be viewing as normal credit cost for us in our organization. Hopefully that was not too much information.

Frank Schiraldi: No, thank you. Then just on the wealth management business, I know, depending on how you look at it, if you include spread income, I think growth was somewhere around 25 percent year over year. If I'm looking at just the fee income line item, fiduciary and investment management income, it is a little over 30 percent growth year over year. I always think about it as year-over-year growth when I model this. But just wondering, in terms of the back half of the year, would a reasonable expectation be to

just look at second quarter and expect that to be the baseline for that fee income line item going forward?

Paul Geraghty: Frank, this is Paul Geraghty. Yes, I think that would be fair to consider that the baseline. When I look at what drives our business, certainly the mortgage market and the RMBS flow-through helps us. We have had real strength this year in our retail brokerage business. So, everything feels like the growth will continue at about the same rate in the second half of the year.

Frank Schiraldi: Great, OK. And then I just wanted to ask on the one credit that you highlighted in the release and the larger-size provisioning, if you could just give any more color on that C&I relationship in terms of industry, collateral behind it, and what was the impetus for moving from performing TDR into nonperforming in the quarter?

Rodger Levenson: Frank, it is Rodger again. The credit, as we identified, was a little over $9 million. It is a locally based C&I credit. I would call it broadly in the healthcare industry space.

And the dynamics that have been going on with this credit and why the company has been experiencing cash flow issues is a combination of two factors. One, their revenue is being impacted much more than anticipated by the Affordable Care Act. And, secondarily, they went through a very large merger which did not perform as anticipated. That has been putting the pressure on the financials and why we made the decision that we did this quarter. The loan is secured by business assets and that was all factored into the calculation on the impairment.

I did, though, want to make sure and point out that we had done an analysis of that segment of our portfolio and we believe, as Mark said, this is a one-off issue. We only have four other exposures ranging from $1.2 million to $2.1 million in individual exposure that operate in that same segment of healthcare as that credit. And while they're all being somewhat impacted by the Affordable Care Act, none of them have had a

merger that they are dealing with, as well. Based upon that analysis and where we are at now, we feel fairly confident that this is a one-off event.

Operator: Our next question comes from Matt Schultheis with Boenning.

Matthew Schultheis: Hi, good afternoon. My questions have actually been answered. Thank you.

Mark Turner: All right. Thanks, Matt.

Frank, I assume your question was answered. If not, feel free to drop back on in the next Q&A session after the special presentation. Kevin any other questions in the queue?

Operator: I am not showing any other questions at this time.

Mark Turner: OK, great. Thanks again. And at this time I'd like to turn the call over to Jeff Ruben and Ira Brownstein. They lead our mortgage banking unit and joined us through our 2013 combination with Array and Arrow Financial. Jeff, Ira and the team will also be available for additional questions after their presentation. Jeff?

Jeffrey Ruben: Thank you, Mark. I would also like to thank all the participants on this call for taking the time to hear about our operation and our unique approach to mortgage lending. During this brief presentation, we will discuss how we have grown our businesses in a contracting market, consistently generating fee income while minimizing on balance sheet risk, and our plan to continue to scale the businesses.

Before moving directly into how we operate, there are some numbers that will help identify what sets us apart from our peers. As we all know, 2014 was a challenging year in the mortgage market. However, this is <u>not</u> reflected in our financials in our mortgage banking activities revenue line.

In 2014 we experienced revenue growth in a market that <u>contracted</u> nearly 40 percent according to data published by the Mortgage Bankers Association. Other financial institutions in our market with similar asset

size saw mortgage banking revenue declines from 40 percent to 60 percent in 2014.

The first half of 2015 has been robust and we have originated $160 million of residential mortgage loans as compared to $107.4 million for the same period in 2014, representing a 49 percent increase. Our mortgage banking activities revenue has increased 79.2 percent in the first half of 2015.

Mortgage banking activities revenue for the first half of 2015 was $3.3 million, increasing from $1.8 million for the same period in 2014. Our pretax income, excluding interest income from loans held for investment and servicing-related income and costs, for the first six months of 2015 increased 170 percent to $2.1 million from $778,000 for the same period in 2014.

2015 and 2014 are consistent with Array's track record. Array has experienced record growth in years of market expansion while avoiding a single year of contraction. How do we do this and why were we able to reverse the trend in a severely contracting market?

The success of our unique model is based on the diversified relationships that we have built and grown over the last decade, along with our relentless commitment to doing the right thing.

Ira Brownstein and I started this mortgage business over 10 years ago. At that time, we knew we would not be able to compete with the big national mortgage providers on marketing alone. We recognized early on that our industry suffered from a bad reputation. There were very few people who truly were satisfied with their mortgage experience, and even less were comfortable with referring friends and relatives to the mortgage professionals that assisted them.

With this understanding, we quickly realized that we can compete against the larger companies on the fulfillment experience rather than the marketing appeal. We knew if we could make the mortgage process smooth and efficient, it would become its own marketing campaign. We

also quickly realized that, for most consumers, the purchase or refinance of their home was likely the largest financial transaction they would undertake.

Therefore our approach has always been driven by providing professional advice and consultation. This unique approach quickly became effective not only with our clients but also allowed us to advance relationships with key professionals that are now major drivers of our growth.

Who are these key professionals? They are financial advisers, accountants, lawyers and other professionals who are often looked upon as trusted advisors, and are frequently the first stop for consumers who are seeking advice and direction as to the financing or refinancing of their home.

The referrals from these professionals were priceless to our operations. Our associates often hear me say that for every one of our loan transactions, there are always two clients – one, the actual borrower, and, two, the referral source. It is our job to make an impression on the borrower in such a way that he or she will go back to their trusted professional and thank them for making the introduction to us.

The financial benefits of this approach to mortgage lending are obvious. There is virtually no marketing budget, usually the largest expense in a mortgage operation, and also much less dependency on commissioned mortgage loan originators, which also lowers the cost to originate a loan. Finally, this approach also provides a more consistent and reliable source of loans.

Our dedication to this business model has allowed us to grow every year in what has been a very volatile and challenging market for our competitors. Highlighting our ability to adapt, 58 percent of Array's 2014 originations were purchased money mortgages. And our originations continue to be well balanced between purchase money and refinance mortgages.

We have been instrumental in significantly increasing the Bank's footprint in the highly desirable southeastern Pennsylvania market. Today over 45 percent of our mortgage originations are derived from Pennsylvania, 37 percent from Delaware and 8 percent from New Jersey.

Our market niche attracts a higher net worth and more sophisticated consumer. These borrowers are typically seeking jumbo mortgages and desire a high touch, private banking approach to mortgage lending, which our model delivers. In 2013, 2014 and 2015 year-to-date, our jumbo mortgage business represented approximately one-third of our mortgage production. This has been a rapidly expanding portion of the Bank's business since we joined in 2013.

Finally, our strong professional relationships have not only benefited our businesses but have spread across additional channels throughout the Bank. On the consumer loan side, we have referred and closed in excess of $9 million year-to-date. Additionally, small business, commercial, cash management, private banking and wealth have all serviced our clients.

With that as a general overview, I would like to turn the call over to Ira who can briefly give you some further details and finer points as to how we approach and execute on our model.

Ira Brownstein: Thank you, Jeff. As an investor or analyst, I would want to know the source of our business and our execution strategy for the asset. Our business is 100 percent retail. We do not originate loans through mortgage brokers nor do we purchase loans from correspondent lenders. We strive to forge relationships with clients that take us through lifecycles.

We do not view our business as transactional and insist that we are a resource into perpetuity that extends well beyond the settlement table. Our current business model is to originate and sell residential mortgage loans on a servicing release business. This market delivery strategy mitigates risk for the Bank because the mortgage loans are sold. We recognize fee income and we eliminate the complex regulatory environment associated with servicing residential mortgage loans.

Our reputation of originating and selling high-quality mortgage loans has resulted in a wide investor base with a constant demand for our product. This allows us to maximize the value of the asset at the time of sale and provide a wide range of mortgage products. Currently we actively sell to more than 10 investors which range from national aggregators to smaller regional institutions.

Jeff and I are very proud of the fact that we have never had a loan repurchased or entered into an indemnification agreement in over 10 years of operating. This period of time spans the most active repurchase and indemnification environment our industry has experienced, and left most of our peers bruised or knocked out.

Up to this point we haven't mentioned our title insurance business which operates as Arrow Land Transfer, and is a licensed title insurance agent in Pennsylvania, New Jersey and Delaware. Arrow has also benefited from the increased originations because its primary source of business is providing title search and insurance services to the Bank's mortgage clients. Arrow has also recognized an increase in revenue from commencing business in Delaware in the fourth quarter of 2014.

At this time, we plan to continue to operate Arrow principally as a captive business, and would expect its revenue to principally shadow the mortgage business. However, there is opportunity to capture more business from the Bank's commercial client.

Why do we believe in the scalability of our businesses? It is simple. There is a lot of opportunity in the marketplace. The barriers to entry have never been greater; the Bank has great brand recognition in Delaware and a meaningful online presence. We are determined to gain market share in-market.

We continue to focus on harvesting more mortgage loans from the Bank's investment and its growing branch network, in part with the acquisition of Alliance Bank in Delaware County, Pennsylvania. We have had a

tremendous amount of success with the Bank's rapidly growing wealth group.

Finally, our lending platform allows us to service our clients and professional network nationwide. This is instrumental in growing and servicing our valuable relationships and allows for the scalability of our model.

The housing market is the cornerstone of our economy and it has operated at a very unhealthy pace for several years. Markets are cyclical and we will be ready to capitalize as the industry continues to rebalance. The Bank's leadership shares this view and is committed to making the investment to continue to grow this important and profitable division of the Bank.

Our unique business model, with a solid foundation of purchase money lending, high touch service and referral network, has proven successful in both expanding and contracting markets. We fully expect the next five years to be bullish in the housing market as it recovers from a 17-year low point in 2014. In our opinion, a normalized mortgage market is between $1.5 trillion and $2 trillion. We have the infrastructure and systems in place to capture more than our share of this increase, which yields approximately $450 million in annual originations without consideration of our out-performance in expanding markets.

Jeffrey Ruben: At this time, we would like to open it up for any questions.

Operator: Ladies and gentlemen, if you have a question or a comment at this time, please press star then the one key on your touchtone telephone.

Our first question comes from Catherine Mealor with KBW.

Catherine Mealor: Thanks. I just had a question on gain-on-sale margins. What kind of trends have you seen in your margins over the past couple of years? And what is your outlook for gain-on-sale margin moving forward?

Jeffrey Ruben: Sure. One of the benefits, unfortunately, with the contraction of market has been a reduction in competition, in a large extent. Many of our competitors have fallen away and out of the market. Which at first may seem counterintuitive, but it actually has resulted in an execution that has been growing in the performance. The gain-on-sale has actually grown nicely over the last couple of years.

I think the market has differentiated between lenders and originators that can produce good loans with a strong long track record and are willing to pay out for those originations. And we have experienced that. We feel that trend into a market that will be expanding, hopefully, will continue and allow for our margins to hold up.

Catherine Mealor: OK, great, thank you.

Operator: Our next question comes from Frank Schiraldi with Sandler O'Neill.

Frank Schiraldi: Yes. Just a question for Jeff and Ira, and then a couple questions for Mark, and company as well. In terms of the outlook, let's assume modestly higher rates for next year, what are your thoughts on mortgage production, thoughts on gain-on-sale margins, and also thoughts on the breakdown between purchase and refi, if there is a more normalized combination you expect in terms of percentages?

Ira Brownstein: Frank, this is Ira. I think it is a great question. We truly believe that the industry bottomed out in 2014. If you look at historical information, we do not believe $1 trillion, slightly above $1 trillion mortgage industry is healthy for the country and for the overall economy.

We certainly are seeing a lot more demand on the purchase money side. I would actually argue that we are at a point where it's certainly more of a sellers' market than a buyers market, and we expect that trend to continue.

I think that, similar analogy to the overall stock market, there becomes this concern that someone is going to miss out on something, so it becomes a self-fulfilling proposition. We expect increased demand. I think it is going to be slow and gradual.

We also are expecting, similar to what we have seen, is a gradual increase in rates. We do believe, frankly, the Federal Reserve is not going to allow rates to bump up in such a quick fashion that it will really stall the housing market. Again, we just think that the housing market is too large of a cornerstone to the overall economy.

I think with respect to the overall margin, again, I think we are seeing very strong demand for mortgage originations and especially on the aggregator side. I think those engines need to continue to run and run pretty robustly. Any time we have generally seen a dip in production, you see the aggregators sharpening their pencil to pay for the production. So, we really do not anticipate a pullback in margin.

And the one question that touched on Catherine's question is that our business is not driven by marketing. So, we just don't feel that we have the same, what I'm going to refer to as the same execution pressure that some of our peer group has where we're really out there, marketing and advertising, that we have the same pricing pressure because of, really, the trusted resource in which the way the business is coming in to us, which is really through the Bank's investment in its retail branches, through the financial advisory network that we have had and developed over the last 10 years.

Mark Turner: It might be helpful, guys, what are current margins now and how have they trended over the last six months or so, and where do you see them going. And then to that purchase money versus refi, give a little bit of detail on that.

Jeffrey Ruben: Sure. If we were to look historically, going back three or four years, we always had targeted the execution, the gross execution, on the sale of loans at about 1.8 percent. Since the shakeout in the market, we have seen that 1.8 percent rise over the last several quarters to where we were realizing 2.2 percent, 2.5 percent on the execution of our loans, which is a very healthy execution especially in light of Ira's comment that we are a lower

expensed originator of loans. We don't have the marketing budgets and the costs associated with that.

Those margins have held up. Whenever you enter a volatile interest rate market, there can be short-term variations that can impact us but over the long run it has been a very smooth and gradual growth in the execution on the gain-on-sale.

I would just add, as far as in the past, you look at originations and the growth and where a lot of financial institutions benefited from the refi market, we obviously did, as well. But, we continued to, and today it becomes even more important, to remain very active in the purchase money market.

As I mentioned going all the way back to 2013, 2014, 2015, we have always had a very healthy exposure and solid business in the purchase money market. So, as rates increase in the future, as everyone expects, those refi opportunities will become less. But the purchase money market, hopefully, will continue to grow as it has and we will continue to capture more of that business, and be well-balanced, as well.

Ira Brownstein: Currently our pipeline coming in is probably around 55 percent purchase money business, 45 percent refinance business. We do expect that trend to continue to trend up. We think a healthy market is somewhere between 60/40, 65/35. We've often had the conversation that there will always be a need in the market for refinances. There will always be a segment of the market, but clearly proportionately smaller as we pull out of the financial crisis.

Jeffrey Ruben: And then just one final comment on the macro level. With regards to the purchase money market, we do feel there is a pent-up demand that is waiting to be released. It's the first-time homebuyers, the millennials that have delayed the purchase of home, I think, coming out of the financial crisis, being a little gun shy on pulling the trigger and buying that first home.

And, also, there is a quietly growing group of borrowers who are re-entering the mortgage market from being knocked out of it in the recent financial crisis. So, those, as well as just a general recovery of the job market should generate good, strong purchase money business for us in the future.

Frank Schiraldi: OK, thanks. Just one follow up on the gain-on-sale margins, I always see such a large spread between different banks in terms of their reporting that number on any given quarter. I'm wondering, in terms of an analyst looking in from the outside, what is the best way to estimate that gain-on-sale margin, which way they are moving quarter over quarter. And is it more dependent on just the way the Bank is presenting that margin, do you think, and what expenses they're including in or not including in that?

Jeffrey Ruben: That is a tough one because I do not know if I can comment on what other financial institutions are doing and what they are reporting. You're probably in a better positioned to analyze that. My guess is you are probably on the right vein.

I am struggling with how to answer that question with regards to our presentation. I know we have applied a very consistent FASB-based presentation. That has to the done. It has not really varied. There are clearly items that will change or gain-on-sale, depending on market movements. And that may be where your challenge lies. And the way rates are moving can affect those marks on those assets.

Richard Wright: This is Rick. For instance, this last quarter, we had a $100,000 negative adjustment to the gain-on-sale based on reassessing the mortgage servicing rights to the First National Bank of Wyoming's mortgage portfolio that we purchased. So, without that we would have had another $100,000 in gain. So, that is one of those kinds of things that happen behind the scenes on a reporting (base).

Frank Schiraldi: OK. I think it has been difficult to estimate these things on a quarter-over-quarter basis but I guess it is really on a bank-by-bank basis, as well. OK. And then just back to, if I could, a couple of questions I was unable to get

in before that presentation. Rodger, I'd asked about – we'd been talking a little bit about the specific credit. Thanks for that detail. I just missed – it sounded like there is a particular segment in healthcare that has been negatively impacted by the Affordable Care Act. And it sounds like you do not have much exposure to that. What was that exposure again, if you could just give me that detail?

Rodger Levenson: Sure. So we have – in that segment, we have 4 credits that are between $1.2 million and $2.1 million in exposure in addition to that one individual credit.

Mark Turner: That was $1.2 million to $2.1 million for individual credit. So, obviously something in the $5 million to $6 million range overall.

Frank Schiraldi: OK. And then just thinking about the collateral again, you mentioned business assets. Should we assume something along the lines of medical equipment or is there a decent-sized real estate component to that?

Rodger Levenson: I would just broadly probably say it does not have a real estate component to it. Just traditional business assets, which medical equipment would be a piece of it.

Frank Schiraldi: OK. And then, just finally, wondered if there was an update on the permanent CFO search, and give a little bit, if you could, timing on that.

Mark Turner: Yes, thanks. I appreciate the question. We are about four months into – three to four months depending on when you count the start date – into the process of searching for our next CFO. We said at the outset, and we have traditionally experienced, an executive vice president, high level, executive officer position like this, it has taken us, and we have seen it takes others, about six to nine months.

We have seen a lot of great candidates. A ton of people have come knocking at our door either directly or through our recruiter that we have engaged. And we're still continuing the interviews. To date we haven't found the right fit for such an important position for us, although we have seen some, as I said, tremendously strong candidates. We expect at this

point, based on the flow of candidates and what we are seeing, that it will probably take us that full six to nine months to complete the search, so another two to five months is our current expectation.

Frank Schiraldi: Great. OK, thank you.

Mark Turner: Thank you.

Operator: I'm not showing any further questions at this time.

Mark Turner: All right. Well, again, thanks, everybody. We appreciate your time and your additional time you gave to us today. And hopefully you were informed by not only what we said but informed and impressed by Jeff and Ira, and them, and their business model. They have done great things with us and for us. And so thank you.

And I'd just say that Rodger and I will be at a large investor conference in New York City early next week. We know we have many one-on-ones lined up, and hope to see many of you there. If you are there and are not lined up for a one-on-one, please do so, we'd be happy to squeeze in some extra stay-over and squeeze in some extra. Take care and have a great weekend.

Operator: Ladies and gentlemen, that concludes today's presentation. You may now disconnect, and have a wonderful day.

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