NASDAQ OMX GROUP, INC., THE

Moderator: Stephen Fowle
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1:00 p.m. ET

Operator: Good day, ladies and gentlemen. Welcome to the WSFS Financial Corporation fourth-quarter and full-year 2014 earnings conference 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 should require operator assistance during the program, please press star then zero on your touchtone telephone.

As a reminder, today's conference is being recorded.

I would now like to introduce Mr. Stephen Fowle, Chief Financial Officer. You may begin.

Stephen Fowle: Thank you, Kevin, and thanks to all of you for taking time to participate on our call today. With me on this call are Mark Turner, President and CEO, Paul Geraghty, Chief Wealth Officer, Rodger Levenson, Chief Commercial Banking Officer, Rick Wright, Chief Retail Banking Officer and Lou Geibel, Senior Vice President and Chief Trust Officer.

The format of today's call has been modified to allow us to provide the first 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 Wealth business. Mark will introduce the segment at the appropriate time.

Before Mark begins with his opening remarks, I'd like to read our Safe Harbor Statement. Our discussion today will include information about our management's view of our future expectations, plans, and prospects that constitute forward-looking statements.

Actual results may differ materially from historical results or those indicated by these forward-looking statements due to risks and uncertainties including but not limited to the risk factors included in our Annual Report on Form 10-K, and our most recent quarterly reports on Form 10-Q as well as other documents we periodically file with the Securities and Exchange Commission. With that read, I'll turn the discussion over to Mark Turner.

Mark Turner: Thanks, Steve, and thanks, everyone, for your time and attention today.

We are pleased to have reported net income of $12.7 million or $1.32 per share for the fourth quarter of 2014. These results included approximately $0.11 of notable items, detailed in the release, for corporate development costs, and a catch-up adjustment for our post-retirement benefit plan obligation. Adjusting for these, more normalized earnings were $1.43 per share.

Reported results for the full year 2014 were $5.78 per share, a healthy 14 percent increase over 2013 reported results. Both years included a number of positive and negative notable items like securities gains, non-routine reverse mortgage benefits, and corporate development costs, but normalized results for 2014 were fundamentally very strong at near 1.1 percent return on assets and near 13 percent return on tangible common equity. And 2014 showed continued strong growth in revenue, profit, and franchise value.

Now, returns commenting on our results for the fourth quarter. Our results can be seasonal, so many of my comparisons will be to the most similar quarter, which is the fourth quarter of last year, and where we happen to show particularly strong change on a link-quarter basis. I will point that out as well.

Our core revenue was up 8 percent over this quarter last year. This reflected strong growth in both net interest income and fee revenue. Net interest income was up 11 percent over the same quarter 2013 and also up a healthy 4 percent in this quarter alone. Net interest income benefited from the balances put on in the acquisition of the First National Bank of Wyoming which closed in early September 2014 and by the continued good management of our balance sheet mix and the disciplined pricing of our loans and deposits.

Organic loan growth in this last quarter was muted by seasonal declines in construction lending and the purposeful continued run-off of our longer-term, lower-rate residential mortgage portfolio done for fee income and risk-management purposes. However, Commercial C & I and Real Estate loans showed solid net growth of 5 percent annualized, and would have been more than double that were it not for the beneficial pay down of a number of problem loans in the quarter, (which obviously helped credit costs) and our pricing discipline on some larger credit opportunities. All these factors and others, helped to actually improve our loan yields in the quarter. Rodger can address these dynamics more fully in the question and answer session.

Deposit growth continues to be good, and was also helped by the FNBW acquisition, and some year-end trust deposit activity which is positive, but temporary. Importantly, we grew our deposits while maintaining our pricing discipline as we kept our costs of deposits flat over the last quarter and just minimally higher than this quarter last year.

Both the lending and the funding dynamics contributed to a 5-basis point increase in margin percentage over the last quarter and a 10-basis point improvement in the margin over this time last year. These margin increases came despite the strong headwinds of a flattening yield curve and stiff pricing competition.

Service fee income was up in two of our three business segments. Our wealth business fee income in the quarter increased a remarkable 24 percent over this time last year.

Given the size and growing strength of our Wealth business, at the end of this call's normal Q&A session, we will conduct a special presentation in time for Q&A related to that division, lead by our Chief Wealth Officer, Paul Geraghty.

Cash Connect, our ATM services business, saw net fees grow 6 percent compared to this quarter last year. This is a smaller growth percentage than we are used to, and was impacted by pricing pressures over the year, as well as our exit earlier in 2014 from the Puerto Rico ATM servicing market where we were seeing too many losses from thefts, which was driving up our insurance costs beyond what was reasonable. Despite that, Cash Connect continues to grow nicely, through winning new business, penetrating our customer base with additional value-added logistical services and the introduction of new products.

Service fee income this quarter in our core banking segment was down year-over-year as retail service fees continue to be impacted by the fallout from card breaches at retailers, changing customer behavior around overdrafts, and for us specifically, a system change-over error in our overdraft privilege program which saw us lose an estimated $400,000 this quarter in revenue before it was corrected in late December. Given that correction, we expect to quickly regain our run rate from that system hiccup. Although with changing customer behavior and new regulations that may be written, we expect overdraft program revenue to continue to erode over the long term.

On the mortgage banking side, fees were a bit lower this quarter from seasonal slowness and the downward revaluation of servicing rights in an expected lower rate environment. However, these lower rates and a pickup in the local economy and housing activity has substantially improved our pipeline, and we expect very nice growth in mortgage banking fees in the first quarter of 2015 and into the spring selling season.

Rick can speak more to each of these retail fee dynamics in the Q&A session.

For those building models, I'll remind you that the first quarter of any year is typically our slowest for revenue in both margin and fees as a result of fewer days and seasonally lower transaction volumes.

Turning to expenses, core expenses, that is excluding the notable items mentioned upfront, were up in the quarter by 9 percent year-over-year and 4 percent in this quarter alone. A big part of those increases came from our growth, including:ongoing operating expenses added from the integrated FNBW deal; as well as added sales personnel in Commercial Banking, Wealth and Cash Connect to continue their growth trends. In addition, we've added operations and compliance personnel to be supportive of both our healthy growth and recent heightened regulatory expectations across the industry. Finally, professional fees were higher in the quarter as a result of some short-lived projects, including consulting and legal fees on: product development; negotiations to reduce our costs in a long-term IT services contract; and the implementation of several internal compliance and infrastructure improvements. All else equal, we would expect professional fees to go down meaningfully next quarter.

I also remind everyone that compensation costs tend to be seasonally high in the first quarter of any year because of annual raises; higher 401(k) employer match costs, and employer taxes until caps are hit; and accruing for vacation time that gets relieved later in the year.

Credit quality and costs continue to be a bright spot for us. For the second quarter in a row, total credit costs, which include provision, OREO costs, workout and related costs, were very low--under $1 million. This reflects our good and improving credit quality. In this quarter alone, we saw classified loans decrease by over $46 million or 29 percent; delinquencies decrease by $18 million or 50 percent; and net charge-offs reduced to only $624,000 or a very modest 8 basis points annualized of total loans.

Still, we fairly and prudently kept our allowance for loan losses essentially flat this quarter; and it is a healthy 1.23 percent of total loans and 164 percent of non-accruing loans.

And capital continues to grow to a 9 percent tangible common equity ratio now, despite a 25 percent increase in our dividend announced last quarter and the repurchase of 1.2 percent of our outstanding shares in this last quarter alone. We also had a continuing authorization to repurchase another almost 4 percent of our outstanding shares.

As we enter 2015, we are highly focused on our Strategic Plan goals, including becoming a sustainably high-performing company. A vital measure of that is a core return on assets of at least 1.20 percent by the fourth quarter of this year. We are on the cusp of achieving that, and 2015 will be a year of dogged execution for us; while continuing our tradition of being responsive to opportunities to build long-term franchise value.

Thank you, and at this time, we will take your questions.

Operator: Ladies and gentleman, 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 move yourself from the queue, please press the pound key. Again, ladies and gentlemen, if you have a question or comment at this time, please press the star then the one key on your touchtone telephone.

Our first question comes from Catherine Mealor with KBW.

Catherine Mealor: Good afternoon, everyone.

Mark Turner: Good afternoon, Catherine.

Catherine Mealor: I want to see if we can dig into the margin and loan yields a little bit. I think you mentioned in the press release that 4 bps of that came from FNBW. But then you also mentioned that you saw some nice increase in your core loan yields quarter-over-quarter, which may have driven some of that as well. So can you give us a sense as to maybe how much of that increase in the margin or the loan yields is maybe kind of one time, and maybe it's an accretable yield? And how much of it is more ongoing?

Stephen Fowle: Yes, Catherine, this is Steve.

The accretable yield we saw in this quarter fully integrates the impact of First Wyoming and is at about a level that we expect going forward. So as you look at our yield and our loan yield, I'd expect that level to be about appropriate as we move forward through time. There was not a lot of noise otherwise with regards to prepayment penalties or any other items being brought into income.

Mark Turner So net/net -- we expect our margin in the next coming quarter or two -- who knows after that what will happen when the Fed increases rates -- we certainly have our models and can project. But for the next quarter or two, we expect our margin to be about what it is this quarter.

Catherine Mealor: Okay, great. That's helpful. And then on the loan yields, you also mentioned in your prepared remarks that you saw an increase in core loan yields this quarter. Rodger, can you talk a little bit about the pricing you're seeing in the market?

Rodger Levenson: Thanks. Yes, Katherine, thank you.

Well, we clearly are seeing pricing pressure and I think, as we've talked about before, it's certainly muted to a certain degree, our loan growth. I would say generally we're continuing to put business on the books at about the same level that our yield has been, right around that 4.5 percent range when you combine all of our business lines.

So while we've had decent growth, we clearly are seeing opportunities that are well below that and are obviously evaluating those opportunities in conjunction with our profitability model. But, as an overall statement, I would say we're essentially putting on business at about that same rate.

Catherine Mealor: Okay. Given…

Mark Turner: (Inaudible) --

Catherine Mealor: Given some of the new…

Mark Turner: Sorry.

Catherine Mealor: I'm sorry. Given some of the pay downs you saw this quarter, do you still see a pipeline? What kind of loan growth should we envision going into 2015, assuming that a rate stays around the same level? You don't see more pricing pressure than you do currently?

Rodger Levenson: So our guidance for full-year loan growth is in the mid to high single digits. We crossed the end of the year into January with a weighted average 90-day pipeline of $120 million, which as you recall has kind of been the rate that we've been running at.

We did have some unique things happen in the fourth quarter with the pay down of a few problem loans and then just more than normal level of activity on some larger pay downs as well. But our guidance for the full year would be mid to high single digits.

Catherine Mealor: Okay, great. Thank you very much.

Mark Turner: So I'd just append to that, that we are seeing a lot of closing of originations; and were it not for those--and picking up new business--were not for the pay down of those problem loans, which is obviously a good thing, and a couple large loans which we lost on price, growth in the quarter in commercial C & I and real estate loans would have been over 10 percent. So we're still seeing a lot of inflow, some churn. The pipeline is good and we expect that to continue going into the next year.

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

Frank Schiraldi: Hello, guys.

Mark Turner: Hello, Frank.

Frank Schiraldi: First, I guess on expenses going forward and just big picture -- if I leave out the first quarter, which of course, Mark, you noted is seasonally weaker, should we expect a trend in the efficiency ratio downwards? And if you could just remind us where you think a reasonable goal to get to is in maybe the next 12 months or so?

Stephen Fowle: Yes, Frank, this is Steve.

You're right about the first quarter, so thanks for including that in your comments. We do expect next year to be a couple points lower on efficiency ratio than this year. So I'd expect to see starting with a higher first quarter, us trending down to the very low 60s at the end of the year.

Frank Schiraldi: Okay.

Mark Turner: So, Frank, to get to our strategic plan goal of one, twenty plus ROA by the fourth quarter of this year on a core basis, that implies a number of things, all of which are levers that can change positively or negatively and still get there. But a core assumption is getting the efficiency ratio into the 61 percent to 62 percent range to get there.

Frank Schiraldi: Got you. Okay.

And on that note, in the past you've talked about 1.2 ROA by the end of the year, certainly, and even thrown out if interest rates help out, a 1.3 ROA at the high end. I don't think interest rates have really helped out. And so just wanted to get your thoughts on what is an issue for you in terms of missing that 1.2 bogey? Would it be a further flattened yield curve if short-end rates go a bit higher later on in the year and the long end is anchored? Would that potentially be an issue?

Mark Turner: Yes, certainly. If the yield curve continues to flatten, then that would have a negative impact on our margin beyond what we've said in our earlier comments, by a couple percentage points on the dollars in the margin -- is what we model.

Frank Schiraldi: Okay. Okay, but I'm guessing you…

Mark Turner: Not a huge impact but certainly an impact.

Frank Schiraldi: Sure. So I'm guessing you've included some wiggle room in there, and so are you confident that you can still reach that 1.2 ROA in a slightly more flattened yield curve environment?

Mark Turner: Yes, we are. As I mentioned earlier, there's lots of levers to pull and we are constantly looking at what's happening and the dynamics of our balance sheet and our revenue streams and making those adjustments as we need to. If things were to continue to flatten, we'd obviously have to look for other levers to make that up. But again, it's not a significant hurt to us and I think we have enough there that we could confidently pull other levers to get there.

Having said that, as I mentioned many times, and now talking to people, we've gone from, in a two-year period of time, 70 basis points ROA to about 1.1 is where we are entering this year. And that's a 40 basis point improvement. The last 10 basis points of our plan are obviously going to be much harder than any other 10 basis points, so we still have a lot of work to do and there's no guarantees. However, we're starting from a good base and we have a lot of momentum and we've got a good team and good opportunity to get there. This year is going to be about execution.

Frank Schiraldi: Oh, OK. And then just on the buyback front, you mentioned the 1 percent in the quarter. I believe part of that was the warrants repurchased. Is that a reasonable -- given you've got the 5 percent authorization, is that a reasonable assumption going forward of buybacks -- 1 percent a quarter?

Mark Turner: Yes. I will tell you that's what we've budgeted and modeled, is an even buyback over the course of this year. But we are always opportunistic and if there was to be a sudden downdraft in the market and we saw our prospects still being good, would we pick up and accelerate that? Of course. And on the other hand, if the market got very optimistic, would we slow it down? Sure, we could do that. But our expectation is that will play out evenly over the rest of the year.

Frank Schiraldi: Okay. And I guess just finally on -- maybe you were going to make some more comments on it later -- but on Cash Connect, do you still believe -- I think you had given low double-digit run rate expectations for that business previously. I apologize if that's incorrect, but I think that's the number. Is that still attainable or doable?

Mark Turner: I would say medium to long term, yes. That is -- with the products they have and with the growth they have both in their normal business and the new products in the pipeline and the existing products that they have that still haven't fully penetrated their existing customer base, I certainly expect them to get back to that level in the medium to long term, but it may take a couple quarters to get there.

Frank Schiraldi: Okay. Does that still reflect the exiting of the business down? I think you said in Puerto Rico -- is that part of the drag going forward?

Mark Turner: Yes. So that has been a temporary drag and we're going to have to rebuild that business back in, but as I mentioned, they have the pipeline of new business, penetration into existing business, and new products to get back there.

Frank Schiraldi: OK, all right. Thank you.

Mark Turner: Thank you.

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

With no further questions in queue, I'd like to turn the conference back over to Mark Turner.

Mark Turner: Great. Thank you, Kevin. I appreciate that.

Now, as we mentioned, I'd like to turn this over to Paul Geraghty. Paul's our Executive Vice President and Chief Wealth Officer who's been with us for a little over three years now, to talk about -- with Lou Geibel, Chief Trust Officer -- their strong and growing businesses.

At the end, Paul and the team will take any questions you have on their presentation. And I would say if you happen to have a question from the earlier presentation, we'd be happy to take that as well. Paul?

Paul Geraghty: Thanks a lot, Mark, and thanks to all of you for taking your time to hear about our important and rapidly growing Wealth Management business.

Wealth Management is a very substantial fee income business for WSFS, consistently generating approximately one-quarter of the bank’s total core non-interest income. Revenue growth is significant over the past three years.

Our fee-based revenue was $12.4 million in 2011; in 2014, it was $18.8 million, a compound annual growth rate of 15 percent.

WSFS Wealth is comprised of four business lines designed to achieve three objectives. The first objective is to grow from the core by managing the wealth of WSFS clients so that we aid them in meeting their financial objectives in anticipation of a life event such as retirement, education, and asset transfer. Our second objective is to enhance WSFS shareholder value by making the relationship between WSFS and the client multi-dimensional and therefore, stickier.

And finally, we want to use this business to originate new clients for the bank, generating profitable revenue for the sale of those products to people who are not currently with us and then converting them to full-relationship customers.

The first of our four businesses that I'd like to speak about today is WSFS Wealth Investments. This is the group of nine Series 7 licensed financial advisors, most of whom are based in our branches. They focus on helping our Retail clients meet their financial objectives by delivering insurance and investment products. This is a critically important growth business for WSFS as we have over 92,000 retail households with whom the bank has tremendous brand equity.

To more effectively capitalize on this market in 2015 and beyond, we recently took two major steps. We selected a new broker dealer with whom to partner, Commonwealth Financial Network, in order to broaden the product menu that we can offer to our clients.

We also significantly expanded WSFS' brokerage business by hiring a well-established local Financial Advisor to serve the affluent market segment. This advisor, who joined us in the fourth quarter of 2014, immediately transitioned the majority of his clients to the new Commonwealth platform and he accounted for 3 points of the Wealth Group's 24 percent growth in fee income for the quarter.

Next is our Private Banking Business, which is an 11-year legacy business at WSFS. It provides loan and deposit services to high net worth individuals and professional practices in Delaware and Southeastern Pennsylvania. In private banking, we emphasize a multi-faceted relationship in which all of the bank's products are cross-sold, and we seek to provide planning so that we become true advisors to our clients.

A key sub-strategy at private banking is to work with the Commercial division to meet their business owners' household banking needs with special emphasis on clients who are expected to experience a future liquidity event.

Cypress Capital Management is our Registered Investment Advisor with $660 million under management. Cypress, founded in 1984 and acquired by WSFS in 2004, employs a ‘balanced’ investment style that has achieved strong investment returns over many market cycles.

Client and Associate retention at Cypress has been exceptional and we have continued to reinforce the principles that are the foundation for that stability while actively working with Private Banking and Commercial to cross-sell Cypress to their clients. Our cross-selling has been consistently effective, particularly in 2014, responsible for 2 percentage points of the Wealth group's total revenue growth.

Finally, and most important, Christiana Trust. This is the division of WSFS Bank that provides trust and agency services to individuals, families and institutions. Founded in 1993, Christiana was acquired by WSFS in 2010 and quickly became a foundation piece of WSFS Wealth Management. Today, Christiana's combined Assets Under Management and Administration are $8.8 billion.

Now, to provide an in-depth overview of Christiana, I'd like to introduce Lou Geibel, WSFS Chief Trust Officer and the Manager of Christiana Trust. Lou has been in the fiduciary business for more than 20 years and has been a key part of Christiana for almost 18. Prior to his promotion in 2012, Lou was our Institutional Products Sales Manager, and in both the sales role and as Chief Trust Officer, he has presided over strong, consistent, healthy growth at Christiana. Lou?

Lou Geibel: Thanks, Paul.

As Paul mentioned, Christiana Trust is a division of WSFS Bank and is the largest and fastest-growing component of the Wealth group. Christiana provides trust and agency services to individuals, families, institutions in the United States and very selectively abroad. Founded in 1993, Christiana Trust was established primarily to act as the trust operation for the private bank customers of Christiana Bank.

Christiana has exhibited a consistent record of success and growth in revenue and profits from our service offering. Our association with WSFS has coincided with remarkable success, as fee-based revenue has increased from $7.8 million in 2011 to $12.8 million in 2014, for a combined compounded average growth rate of 18 percent.

Our business strategy leverages niches identified in the marketplace. Our location provides favorable trust and tax laws, otherwise known as the "Delaware Advantage," and allows resident and non-resident clients to benefit from Asset Protection Trusts, Dynasty Trust and our Directed Trust Statute that allows for the separation of investment authority from fiduciary duties.

Additionally, under the Trust Indenture Act, a debt issuer defaults, a financial institution cannot be a lender to the issuer and continue to represent bondholders as a trustee, as this would be a conflict of interest. When this situation arises at large banks, Christiana benefits by becoming the successor trustee, assuming the role of the original trustee and thereby relieving the trustee of a conflict of interest.

We have a highly leveraged sales model which generates sales through Centers of Influence, many of whom we've had relationships for several years. Additionally, we generate leads internally from WSFS' Private Banking and Commercial Banking groups.

Christiana products are already in two lines of business. First, we have the Personal Trust Group, which provides fiduciary services to families and individuals. This business line primarily is a jurisdictional business that we market as the Delaware Advantage.

Second, we have an Institutional and Corporate Trust Group which includes Bankruptcy Administration and provides trust and agency services to institutional and corporate clients. The institutional business has some jurisdictional advantages to Delaware that is also driven by the conflict of interest niche.

Historically, Personal Trust has been our most significant business both in terms of revenue and profitability, with truly outsize growth in 2012. As that year drew to a close, due to concerns that the gift and estate exemption amounts would revert to brief pre-Bush administration levels, we booked almost three years of trustee appointment.

This generated record revenue growth and also provided the opportunity to further develop our infrastructure in both people and systems.

Recognizing that Personal Trust growth would be reduced in subsequent years, we made a strategic decision to focus our business development efforts and to making meaningful investment in our Institutional and Corporate Trust Group.

We noticed that the Capital Markets were starting to heal from the “Great Recession” and that new players, (issuers, and center of influence) were entering the space, presenting new business opportunities. We were correct. This expansion has been a significant contributor to our growth and that you have seen in 2013 and 2014. Specifically, our Institutional Corporate Trust group business contributed 12 percentage points of the Wealth group's 24 percent growth of fee revenue in 2014.

Also, in 2013, we took advantage of an opportunity to hire established professional staff to expand the Bankruptcy Administration business and leverage existing infrastructure. This was a strong source of growth in 2014 as a result of bankruptcies in the gaming and energy industries and was responsible for 7 percentage points of growth.

Our strategic plan across all the business lines is to build an exceptional infrastructure, both in systems and Human Capital, lock-stepped with building the revenue stream. For example, in 2010, we had one attorney on staff at Christiana Trust. Today, we have six, arrayed across the trust department. Additionally, we have numerous other specialists and professionals who actively team with seasoned sales professionals to deliver Stellar Service to our Centers of Influence and our clients, many of whom have been with us for over 15 years.

2014 was an outstanding year for Christiana in all respects -- revenue, profitability and new clients. While we may not replicate the exceptional level of growth that we achieved last year in 2015, we are optimistic that our peer-exceeding growth will continue as we originate new clients and more business from legacy customers.

With that, Paul and I will be happy to take your questions about any aspect of the WSFS Wealth Management Group.

Operator: Our first question comes from Frank Schiraldi with Sandler.

Frank Schiraldi: Guys, thanks for that.

I think it was you, Paul, that mentioned at the beginning of your comments the compound annual growth rate Wealth Management has enjoyed over the last several years. Is that a figure that you think is sustainable? And what drives that growth from here? Is it partnership with more brokers? What drives the growth and keeps you in that double-digit range?

Paul Geraghty: Thanks for the question, Frank. I'll start at the back.

What's driven the growth thus far has been a relationship rather than a product-driven strategy, where we've taken WSFS brand equity with its long-term clients, both in the commercial and retail space, and done a much more effective job cross-selling the wealth offerings to those clients. Additionally, as I mentioned, in the retail brokerage space, we've been able to recruit new people to WSFS, given the disruption in the market. That's been very helpful in growing the revenue stream from a very low base.

In terms of long-term sustainability, I think to a certain extent, the capital markets drive Christiana's growth in the corporate and institutional space and other aspects of our business. The brokerage business is also affected by macroeconomic conditions. And I'd prefer to say that I think what's sustainable for the long term is low- to mid-teens growth, although we're pretty aggressive and are always looking to add new businesses and to buttress the businesses we already have with star performers.

Frank Schiraldi: OK. Your comment on disruption in the marketplace -- I think we all understand what that means in terms of the competitive landscape, and I'm wondering if that's a tailwind that continues to play out or may that be waning at this point?

Paul Geraghty: Well, without being specific about names there was some disruption a few years ago that benefited us, particularly in the ability to hire high-quality people into our rapidly growing Christiana business, as Lou mentioned.

But also it's interesting I think, that decision makers in distant cities sometimes make erratic decisions about their businesses here in southeastern Pennsylvania and Delaware; and some of their star performers look for opportunities to take care of their clients to different places. With WSFS brand equity and our focus on customers, we have benefited from that. And I continue to hope that those people and those money center cities continue to make irrational decisions.

Frank Schiraldi: And then just finally, certainly acquisitions have played a meaningful part in the expansion of the business. As you look out, it seems like you have plenty of organic opportunity. Do you see acquisitions continuing to potentially be a meaningful factor in growth?

Mark Turner: I'm sorry. Frank, is that a question for Paul, or is that a question for the Company as a whole?

Frank Schiraldi: Well, that's a question for -- specifically on the Wealth Management.

Mark Turner: Okay, all right. Sorry to interrupt Paul?

Paul Geraghty: Yes, no problem.

Well, first of all, Frank, I want to accentuate what you said about acquisitions in the past have been helpful and quite successful for WSFS in this space; and particularly, Lou's leadership at Christiana has really given us a very strong tailwind in the growth of that business in diversified areas such as the bankruptcy administration and the corporate and institutional side.

I think for the more mainstream single-client-focused wealth management businesses I think there will be boutique acquisition opportunities for us because I think the cost for marketing is rising for the independents. And there are some quality independents in our geographic market space that I think would like to be at a customer-focused house like WSFS. I think for some people the regulatory environment is becoming oppressively expensive, so being able to ride our scale is helpful.

With respect to acquisitions, we have a few broad principles, and one of them is that we want to acquire talent that's in it for the long run. We want to acquire small practices and people where we buy the existing business and then give them the opportunity to share the upside with us by being committed for the long term.

We also feel strongly that we want to look at practices that are generally in our footprint and in a relatively close radius to where our customer base is, so that we can easily leverage those people into cross-selling meetings with the WSFS customer base. So acquisitions are important, have to be on the right basis, have to be in the right businesses and equally important, have to be in the right physical place.

Frank Schiraldi: Okay, thank you.

And then just back to more broad earnings -- in earlier comments, Mark, I think you mentioned a systems issue that might have set you back $400,000 or so, if I heard that right. I just didn't catch the whole comment. Could you just give -- maybe some more color around that?

Mark Turner: Sure. I'll have Rick augment my comments. He's much closer to it.

But we went from an outsourced system -- at the end of the third quarter, beginning of the fourth quarter -- we went from an outsourced system for our Overdraft Privilege Program to taking it in house; and frankly, we didn't handle that conversion very well. It probably took us a month or two to figure out that we were not providing the same level of privilege to our customers as we had been providing and therefore, we were losing revenue.

It took us a while to figure it out because at the same time, we were seeing other trends that were interfering, like debit card breaches at retailers in the area and slower pickup of debit card usage as people were getting new cards, and just the continuing trend of people better managing their checkbook and reducing overdrafts.

But once we figured it out, we corrected it in late December. Our best estimate of what we lost by not having the same full overdrafts as we had been providing was about $400,000 in the quarter; and as I mentioned we expect that starting in the first quarter of this year we'll get that run rate back. Obviously, we won't get that revenue back, but we hope to get that run rate back.

Rick Wright: Just to add a little bit, that $400,000 was in lost revenue specific to that system glitch that we corrected in late December. We continue, of course, to see the fallout from the different fraud events and the changes in customer behavior.

So in the first quarter, we're looking to be somewhere in the neighborhood of a couple hundred thousand lower than the prior year first quarter, but over the course of the year, we think that we have other things in the pipeline, including a very aggressive cash management effort that is going to make up for that change in behavior. So we're looking overall for the year to be about where we were on the service charges.

Frank Schiraldi: Okay. And that would be the deposit service charge line item?

Rick Wright: Right.

Frank Schiraldi: Specifically?

Rick Wright: Right.

Frank Schiraldi: Okay, great. Thank you.

Mark Turner: Thank you, good question.

The other thing I'd mention is -- and this is on the opposite -- we had a particularly heavy quarter for professional fees in the fourth quarter. It was about $0.5 million dollars or thereabouts in expenses related to consulting and legal costs and new product development and some service contracts and other internal projects; and as mentioned, all other things being equal, which I certainly can't predict, we expect those costs would go away.

Operator: (Operator Instructions)

Operator: With no further questions in the queue, I'd like to turn the call back over to Mark Turner.

Mark Turner: Okay. Thank you all again very much. I hope you found this extended call helpful in your continuing understanding of WSFS and especially our WSFS Wealth Business. Next quarter, we plan to have Tom Stevenson, our President of Cash Connect, present his business to you in a similar fashion. Have a great weekend, everybody.

Operator: Ladies and gentlemen, this does conclude today's presentation. You may now disconnect and have a wonderful day.

END