UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

OR

(X) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-16668

WSFS FINANCIAL CORPORATION

Delaware	22-2866913
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
838 Market Street, Wilmington, Delaware	19899
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (302) 792-6000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES (X) NO ( )

The aggregate market value of the voting stock held by nonaffiliates of the registrant, based on the closing price of the registrant's common stock as quoted on the Nasdaq National Marketsm as of June 30, 2005 was $242,244,000. For purposes of this calculation only, affiliates are deemed to be directors, executive officers and beneficial owners of greater than 5% of the outstanding shares.

As of March 10, 2006, there were issued and outstanding 6,595,411 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 27, 2006 are incorporated by reference in Part III hereof. Portions of the 2005 Annual Report to Shareholders are incorporated by reference in Part II.

WSFS FINANCIAL CORPORATION

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PART I

FORWARD-LOOKING STATEMENTS

Within this Annual Report on Form 10-K and exhibits thereto, management has included certain "forward-looking statements" concerning the future operations of WSFS Financial Corporation (the "Company" or "Corporation"). It is management's desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. This statement is for the express purpose of availing the Corporation of the protections of such safe harbor with respect to all "forward-looking statements" contained in its financial statements. Management has used "forward-looking statements" to describe the future plans and strategies including expectations of the Corporation's future financial results. Management's ability to predict results or the effect of future plans and strategy is inherently uncertain. Factors that could affect results include interest rate trends, competition, the general economic climate in Delaware, the mid-Atlantic region and the country as a whole, asset quality, loan growth, loan delinquency rates, operating risk, uncertainty of estimates in general and changes in federal and state regulations, among other factors. These factors should be considered in evaluating the "forward-looking statements," and undue reliance should not be placed on such statements. Actual results may differ materially from management expectations. WSFS Financial Corporation does not undertake and specifically disclaims any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

ITEM 1. BUSINESS

GENERAL

WSFS Financial Corporation (the "Company" or "Corporation") is a thrift holding company headquartered in Wilmington, Delaware. Substantially all of the Corporation's assets are held by its subsidiary, Wilmington Savings Fund Society, FSB (Bank or WSFS). Founded in 1832, WSFS is one of the oldest financial institutions in the country. As a federal savings bank, which was formerly chartered as a state mutual savings bank, WSFS enjoys broader investment powers than most other financial institutions. WSFS has served the residents of the Delaware Valley for 174 years. WSFS is 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. The Corporation's primary market area is the mid-Atlantic region of the United States which is characterized by a diversified manufacturing and service economy. The long-term business strategy of the Corporation is to serve small and mid-size businesses through loans, deposits, investments, and related financial services, and to gather retail core deposits. The strategic focus is to exceed customer expectations, deliver stellar service and build customer advocacy through highly trained, relationship oriented, friendly, knowledgeable, and empowered Associates.

WSFS provides residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services. WSFS also offers a variety of wealth management services and has committed to expanding its operations in this area. Lending activities are funded primarily with retail deposits and borrowings. The Federal Deposit Insurance Corporation (FDIC) insures deposits to their legal maximum. As of December 31, 2005, WSFS serves its customers primarily from its main office, 24 retail banking offices, loan production offices and operations centers located in Delaware and southeastern Pennsylvania. The Corporation's website is www.wsfsbank.com. The Corporation posts its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports pursuant to Section 13(a) of the Exchange Act and other information relating to the Company on this website.

The Corporation has two consolidated subsidiaries, WSFS and Montchanin Capital Management, Inc. (Montchanin). The Corporation also has one unconsolidated affiliate, WSFS Capital Trust III. The Corporation has no unconsolidated subsidiaries or off-balance sheet entities. Fully-owned subsidiaries of WSFS include WSFS Investment

Group, Inc., which markets various third-party insurance products and securities through WSFS' retail banking system; and WSFS Reit, Inc., which holds qualifying real estate assets and may be used in the future to raise capital.

In 2000, the Board of Directors approved management's plans to discontinue the operations of WSFS Credit Corporation (WCC). At December 31, 2000 WCC had 7,300 lease contracts and 2,700 loan contracts, compared to zero lease contracts and 31 loan contracts at December 31, 2005. WCC no longer accepts new applications but will continue to service existing loans until their maturity.

In the past, WSFS had two non-wholly owned subsidiaries, CustomerOne Financial Network, Inc. (C1FN) and Wilmington Finance, Inc. (WF). C1FN, a 21% owned subsidiary engaged in Internet and branchless banking, was sold in November 2002. WF, a majority owned subsidiary engaged in sub-prime residential mortgage banking was sold in January 2003. Both subsidiaries are therefore classified as businesses held-for-sale in the Financial Statements. More information is provided in the Business Held-For-Sale section of Management's Discussion and Analysis (MD&A), and Note 3 to the Financial Statements of the Corporation's 2005 Annual Report to Shareholders (Annual Report). These divestitures were consistent with the Company's strategic direction to focus resources and capital on WSFS' core community bank network in and around Delaware.

Montchanin has one consolidated non-wholly owned subsidiary, Cypress Capital Management, LLC (Cypress). As of December 31, 2005 Montchanin owned 80% of Cypress. In January 2006, Montchanin increased its ownership in Cypress to 90%. Cypress is a Wilmington based investment advisory firm serving high net-worth individuals and institutions.

COMPETITION

WSFS is the second largest independent full-service banking institution headquartered and operating in Delaware. It attracts retail and commercial deposits primarily through its system of 24 banking offices at December 31, 2005. Nineteen of these banking offices were located in northern Delaware's New Castle County, WSFS' primary market. In addition to its business deposits, these banking offices maintain approximately 191,000 total deposit account relationships with approximately 80,000 total households in New Castle County. Two banking offices were in the state capital, Dover, located in central Delaware's Kent County and one of these banking offices was located in southern Delaware's Sussex County. Two other banking offices were located in southeastern Pennsylvania. In addition to its banking offices, WSFS also attracts commercial loans through its loan production offices. WSFS also has 231 ATMs located in Delaware.

The competition for deposit and loan products comes from other insured financial institutions such as commercial banks, thrift institutions and credit unions in the Registrant's market area. Deposit competition also includes a number of insurance products sold by local agents and investment products such as mutual funds and other securities sold by local and regional brokers.

SUBSIDIARIES

The Corporation has two consolidated subsidiaries, WSFS and Montchanin. The Corporation also has one unconsolidated affiliate, WSFS Capital Trust III. The Corporation has no unconsolidated subsidiaries or off-balance sheet entities. WSFS Capital Trust III was formed in 2005 to issue $67.0 million of aggregate principal amount of Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month London InterBank Offered Rate (LIBOR). The proceeds from this issue were used to fund the redemption of $51.5 million of Floating Rate Capital Trust I Preferred Securities which had a variable interest rate of 250 basis points over the three-month LIBOR rate. In 1998, the Corporation purchased a $50.0 million, ten-year interest cap in order to limit its exposure on the $51.5 million of variable Trust preferred Securities issued in 1998. This derivative instrument caps the three-month LIBOR, the base rate of the trust preferred borrowings at 6.00%.

At December 31, 2005, WSFS had three wholly-owned, first-tier subsidiaries WSFS Investment Group, WSFS Reit, Inc and WCC.

WSFS Investment Group, Inc. was formed in 1989. This subsidiary markets various third-party investment and insurance products, such as single-premium annuities, whole life policies and securities primarily through WSFS' retail banking system. WSFS Reit, Inc. is a real estate investment trust formed in 2002 to hold qualifying real estate assets and may be used in the future to raise capital. WCC is engaged primarily in indirect motor vehicle leasing. In 2000, the Corporation approved plans to discontinue the operations of WCC. WCC, which had zero lease contracts and 31 loan contracts at December 31, 2005, no longer accepts new applications but will continue to service existing loans until their maturity. More information is provided in the Discontinued Operations section of the MD&A and Note 2 to the Financial Statements of the Corporation's 2005 Annual Report.

Montchanin was formed in late 2003 to provide asset management services in the Corporation's primary market area. As of December 31, 2005 Montchanin owned 80% of Cypress. In January 2006, Montchanin increased its ownership in Cypress to 90%. Cypress is a Wilmington based investment advisory firm servicing high net-worth individuals and institutions.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

Condensed average balance sheets for each of the last three years and analyses of net interest income and changes in net interest income due to changes in volume and rate are presented in "Results of Operations" included in the MD&A.

INVESTMENT ACTIVITIES

The Corporation's short-term investment portfolio is intended to keep its funds fully employed at the maximum after-tax return, while maintaining acceptable credit, market and interest-rate limits, and providing needed liquidity under current circumstances. Book values of investment securities and short-term investments by category, stated in dollar amounts and as a percent of total assets, follow:

	December 31,					
	2005		2004		2003	
	Amount	Percent of Assets	Amount	Percent of Assets	Amount	Percent of Assets
	(Dollars In Thousands)					

Held-to-Maturity:						
Corporate bonds............................	$ -	-%	$ 310	-%	$ 310	-%
State and political subdivisions	4,806	0.2	7,457	0.3	10,100	0.5
	4,806	0.2	7,767	0.4	10,410	0.5
Available-for-Sale:						
Reverse Mortgages..........................	785	-	(109)	-	193	-
State and political subdivisions...........	975	-	-	-	-	-
U.S. Government and agencies...............	51,702	1.8	89,718	3.6	105,885	4.8
	53,462	1.8	89,609	3.6	106,078	4.8
Short-term investments:						
Interest-bearing deposits in other banks (1)	148	-	531	-	1,095	-
	$58,416	2.0%	$ 97,907	4.0%	$117,583	5.3%

(1) Interest-bearing deposits in other banks do not include deposits with a maturity greater than one year.

Proceeds from the sale of investment securities classified as available-for-sale during 2005 were $61.1 million, with a loss of $609,000 realized on these sales. Municipal bonds totaling $180,000 and corporate bonds totaling $251,553 were called by the issuers with a gain of $4,000 realized on these calls. Proceeds from the sale of investments during 2004 and 2003 were $25.0 million and $21.2 million respectively. There was a net gain of $1,000 realized on sales in 2004 and

$200,000 loss realized on sales in 2003. The cost basis for all investment security sales was based on the specific identification method. There were no sales of investment securities classified as held-to-maturity.

The following table sets forth the terms to maturity and related weighted average yields of investment securities and short-term investments at December 31, 2005. Substantially all of the related interest and dividends represent taxable income.

	At December 31, 2005	
	Amount	Weighted Average Yield (1)
	(Dollars in Thousands)	
Held-to-Maturity:		
State and political subdivisions (2):		
After one but within five years...	$ 3,299	7.39
After ten years	1,508	5.26
Total debt securities, held-to-maturity	4,807	6.72
Available-for-Sale:		
Reverse Mortgages (3):		
Within one year...	$ 785	-
	785	-
State and political subdivisions (2):		
After one but within five years...	$ 635	3.83
After five but within ten years	340	4.20

	975	3.96
U.S. Government and agencies:		
Within one year..	$12,929	3.33
After one but within five years	38,772	2.77
	51,701	2.91
Total debt securities, available-for-sale	53,461	2.89
Total debt securities	58,268	3.20
Short-term investments:		
Interest-bearing deposits in other banks	148	4.84
Total short-term investments	148	4.84
	$58,416	3.21%

(1) Reverse mortgages have been excluded from weighted average yield calculations because income can vary significantly from reporting period to reporting period due to the volatility of factors used to value the portfolio.
(2) Yields on state and political subdivisions are not calculated on a tax-equivalent basis since the effect would be immaterial.
(3) Reverse mortgages do not have contractual maturities. The Corporation has included reverse mortgages in maturities within one year.

In addition to the foregoing investment securities, the Company has maintained an investment portfolio of mortgage-backed securities, $11.9 million of which is classified as "trading." At December 31, 2005 mortgage-backed securities with a par value of $369.0 million were pledged as collateral for retail customer repurchase agreements,

municipal deposits and Federal Home Loan Bank advances. Accrued interest receivable for mortgage-backed securities was $2.4 million and $1.9 million at December 31, 2005 and 2004, respectively. No mortgage-backed securities were sold during 2005.

The following table sets forth the book value of mortgage-backed securities and their related weighted average contractual rates at the end of the last three fiscal years.

	December 31,					
	2005		2004		2003	
	(Dollars in Thousands)					
	Amount	Rate	Amount	Rate	Amount	Rate
Held-to-Maturity:						
Collateralized mortgage obligations	$ -	-%	$ -	-%	$ 1,785	6.32%
FHLMC......................................	-	-	4	6.06	29	8.13
	$ -	-%	$ 4	6.06%	$ 1,814	6.18%
Available-for-Sale:						
Collateralized mortgage obligations.........	526,546	4.73%	401,231	4.38%	$390,467	4.29%
FNMA.......................................	49,785	3.98	58,650	3.86	70,345	3.90
FHLMC......................................	32,211	4.05	33,788	3.80	37,936	3.70
GNMA.......................................	14,643	4.37	18,520	4.15	18,463	4.28
	$623,185	4.63%	$512,189	4.27%	$517,211	4.19%
Trading:						

Collateralized mortgage obligations........	$ 11,951	7.37%	$ 11,951	5.32%	$11,527	4.14%

CREDIT EXTENSION ACTIVITIES

Over the past several years the Company has changed the composition of its loan portfolio. WSFS' current lending activity is concentrated on lending to small businesses in the mid-Atlantic region of the United States. In 2001, residential loans comprised 43.7% of the loan portfolio, while the combination of commercial loans and commercial real estate loans made up only 40.7%. In contrast, at December 31, 2005, residential loans totaled only 25.8%, while commercial loans and commercial real estate loans have increased to a combined total of 61.8% of the loan portfolio. Traditionally, the majority of typical thrift institutions' loan portfolios have consisted of first mortgage loans on residential properties.

The following table sets forth the composition of the Corporation's loan portfolio by type of loan at the dates indicated. Other than as disclosed below, the Corporation had no concentrations of loans exceeding 10% of total loans at December 31, 2005:

	December 31,									
	2005		2004		2003		2002		2001	
Types of Loans	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)									
Residential real estate (1).	$ 457,651	25.8%	$ 443,023	28.9%	$ 458,408	35.1%	$ 541,465	45.2%	$ 487,845	43.7%
Commercial real estate:										
Commercial mortgage.........	410,552	23.1	416,287	27.1	335,050	25.7	228,089	19.1	208,286	18.7
Construction................	178,418	10.1	120,604	7.9	54,742	4.2	59,555	5.0	48,002	4.3
Total commercial real estate...........	588,970	33.2	536,891	35.0	389,792	29.9	287,644	24.1	256,288	23.0
Commercial..................	508,930	28.6	368,752	24.0	292,516	22.4	209,567	17.5	197,790	17.7
Consumer....................	244,820	13.8	210,959	13.7	186,133	14.3	181,851	15.2	198,366	17.8
Gross loans.................	1,800,371	101.4	1,559,625	101.6	1,326,849	101.7	1,220,527	102.0	1,140,289	102.2
Less:										
(Deferred fees) unearned income..........	(304)	0.0	(64)	0.0	(414)	0.0	2,043	0.2	3,320	0.3
Allowance for loan losses...	25,381	1.4	24,222	1.6	22,386	1.7	21,452	1.8	21,597	1.9
Net loans...................	$1,775,294	100.0%	$1,535,467	100.0%	$1,304,877	100.0%	$1,197,032	100.0%	$1,115,372	100.0%

(1) Includes $438, $3,249, $1,465, $121,349 and $84,691 of residential mortgage loans held-for-sale at December 31, 2005, 2004, 2003, 2002, and 2001, respectively.

The following table sets forth information as of December 31, 2005 regarding the amount of loans maturing in the Corporation's portfolios, including scheduled repayments of principal based on contractual terms to maturity. In addition, the table sets forth the amount of loans maturing during the indicated periods based on whether the loan has a fixed or adjustable rate. Loans having no stated maturity or repayment schedule are reported in the Less than One Year category.

	Less than One Year	One to Five Year	Over Five Years	Total
	(In Thousands)			
Real estate loans (1)	$ 75,597	$ 270,658	$ 521,510	$ 867,765
Construction loans ..	101,936	69,500	6,982	178,418
Commercial loans	199,302	187,874	121,754	508,930
Consumer loans	113,807	54,355	76,658	244,820

	$ 490,642	$ 582,387	$ 726,904	$1,799,933
Rate sensitivity:				
Fixed	$ 56,542	$ 220,547	$ 285,700	$ 562,789
Adjustable (2)	434,100	361,840	441,204	1,237,144
Gross loans	$ 490,642	$ 582,387	$ 726,904	$1,799,933

(1) Includes commercial mortgage loans; does not include loans held-for-sale.
(2) Includes hybrid adjustable rate mortgages

The above schedule does not include any prepayment assumptions. Prepayments tend to be highly dependent upon the interest rate environment. Management believes that the actual repricing and maturity of the loan portfolio is significantly shorter than is reflected in the above table as a result of prepayments.

Residential Real Estate Lending.

WSFS originates residential mortgage loans with loan-to-value ratios up to 100%. WSFS generally requires private mortgage insurance for up to 30% of the mortgage amount for mortgage loans with loan-to-value ratios exceeding 80%. WSFS does not have any significant concentrations of such insurance with any one insurer. On a very limited basis, WSFS originates/purchases loans with loan-to-value ratios exceeding 80% without a private mortgage insurance requirement. At December 31, 2005, the balance of all such loans was approximately $9.2 million. Generally, residential mortgage loans are underwritten and documented in accordance with standard underwriting criteria published by Federal Home Loan Mortgage Corporation (FHLMC) to assure maximum eligibility for subsequent sale in the secondary market. However, unless loans are specifically designated for sale, the Corporation holds newly originated loans in its portfolio for long-term investment. Among other things, title insurance is required to insure the priority of its lien, and fire and extended coverage casualty insurance is required for the properties securing the residential loans. All properties securing residential loans made by WSFS are appraised by independent appraisers selected by WSFS and subject to review in accordance with WSFS standards.

The majority of WSFS' adjustable-rate residential real estate loans have interest rates that adjust yearly, after an initial period. Typically, the change in rate is limited to two percentage points at the adjustment date. Adjustments are generally based upon a margin (currently 2.75%) over the weekly average yield on U.S. Treasury securities adjusted to a constant maturity, as published by the Federal Reserve Board.

Generally, the maximum rate on these loans is up to six percent above the initial interest rate. WSFS underwrites adjustable-rate loans under standards consistent with private mortgage insurance and secondary market criteria. WSFS does not originate adjustable-rate mortgages with payment limitations that could produce negative amortization. Consistent with industry practice in its market area, WSFS has typically originated adjustable-rate mortgage loans with discounted initial interest rates.

The retention of adjustable-rate mortgage loans in WSFS' loan portfolio helps mitigate WSFS' risk to changes in interest rates. However, there are unquantifiable credit risks resulting from potential increased costs to the borrower as a result of repricing adjustable-rate mortgage loans. It is possible that during periods of rising interest rates, the risk of default on adjustable-rate mortgage loans may increase due to the upward adjustment of interest costs to the borrower. Further, although adjustable-rate mortgage loans allow WSFS to increase the sensitivity of its asset base to changes in interest rates, the extent of this interest sensitivity is limited by the periodic and lifetime interest rate adjustment limitations. Accordingly, there can be no assurance that yields on WSFS' adjustable-rate mortgages will adjust sufficiently to compensate for increases in WSFS' cost of funds during periods of extreme interest rate increases.

The original contractual loan payment period for residential loans is normally 10 to 30 years. Because borrowers may refinance or prepay their loans without penalty, such loans tend to remain outstanding for a substantially shorter period of time. First mortgage loans customarily include "due-on-sale" clauses on adjustable- and fixed-rate loans. This provision gives the institution the right to declare a loan immediately due and payable in the event the borrower sells or otherwise disposes of the real property subject to the mortgage. Due-on-sale clauses are an important means of adjusting the rate on existing fixed-rate mortgage loans to current market rates. WSFS enforces due-on-sale clauses through foreclosure and other legal proceedings to the extent available under applicable laws.

In general, loans are sold without recourse except for the repurchase arising from standard contract provisions covering violation of representations and warranties or, under certain investor contracts, a default by the borrower on the first payment. The Corporation also has limited recourse exposure under certain investor contracts in the event a borrower prepays a loan in total within a specified period after sale, typically one year. The recourse is limited to a pro rata portion of the premium paid by the investor for that loan, less any prepayment penalty collectible from the borrower.

Commercial Real Estate, Construction and Commercial Lending.

Federal savings banks are generally permitted to invest up to 400% of their total regulatory capital in nonresidential real estate loans and up to 20% of its assets in commercial loans. As a federal savings bank which was formerly chartered as a Delaware savings bank, WSFS has certain additional lending authority.

WSFS offers commercial real estate mortgage loans on multi-family properties and other commercial real estate. Generally, loan-to-value ratios for these loans do not exceed 80% of appraised value at origination.

WSFS offers commercial construction loans to developers. In some cases these loans are made as "construction/permanent" loans, which provides for disbursement of loan funds during construction and automatic conversion to mini-permanent loans (1-5 years) upon completion of construction. These construction loans are made on a short-term basis, usually not exceeding two years, with interest rates indexed to the WSFS prime rate or LIBOR, in most cases, and adjusted periodically as these rates change. The loan appraisal process includes the same evaluation criteria as required for permanent mortgage loans, but also takes into consideration: completed plans, specifications, comparables and cost estimates. Prior to approval of the credit, these items are used as a basis to determine the appraised value of the subject property when completed. Policy requires that all appraisals be reviewed independently of the commercial lending area. Generally, the loan-to-value ratios for construction loans do not exceed 75%. The initial interest rate on the permanent portion of the financing is determined by the prevailing market rate at the time of conversion to the permanent loan. At December 31, 2005, $282.4 million was committed for construction loans, of which $178.4 million had been disbursed.

WSFS' commercial lending, excluding real estate loans, includes loans for the purpose of working capital, financing equipment acquisitions, business expansion and other business purposes. These loans generally range in amounts up to $10 million, and their terms range from less than one year to seven years. The loans generally carry variable interest rates indexed to WSFS' prime rate, or LIBOR, at the time of closing. No one industry has a concentration greater then 12.0% of these types of loans. WSFS intends to continue originating commercial loans in its market area.

Commercial, commercial mortgage and construction lending have a higher level of risk as compared to residential mortgage lending. These loans typically involve larger loan balances concentrated in single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties is typically dependent on the successful operation of the related real estate project and may be more subject to adverse conditions in the commercial real estate market or in the economy generally. The majority of WSFS' commercial and commercial real estate loans are concentrated in Delaware and surrounding areas.

Construction loans involve additional risk because loan funds are advanced as construction projects progress. The valuation of the underlying collateral can be difficult to quantify prior to the completion of the construction. This is due to uncertainties inherent in construction such as changing construction costs, delays arising from labor or material shortages and other unpredictable contingencies. WSFS attempts to mitigate these risks and plans for these contingencies through additional analysis and monitoring of its construction projects. Construction loans receive independent inspections prior to disbursement of funds.

Federal law limits the extensions of credit to any one borrower to 15% of unimpaired capital, or 25% if the difference is secured by readily marketable collateral having a market value that can be determined by reliable and continually available pricing. Extensions of credit include outstanding loans as well as contractual commitments to advance funds, such as standby letters of credit, but do not include unfunded loan commitments. At December 31, 2005, no borrower had collective outstandings exceeding the above limits.

Consumer Lending.

The primary consumer credit products of the Corporation are equity-secured installment loans and home equity lines of credit. At December 31, 2005, WSFS had equity-secured installment loans totaling $136.7 million, which represented 56% of total consumer loans. A home equity line of credit grants a borrower a line of credit of up to 100% of the appraised value (net of any senior mortgages) of their residence. This line of credit is secured by a mortgage on the borrower's property and can be drawn upon at any time during the period of agreement. At December 31, 2005, WSFS had extended $176.3 million in home equity lines of credit, of which $87.5 million had been drawn at that date. Home equity lines of credit potentially offer Federal income tax advantages, the convenience of checkbook access and revolving credit features. Home equity lines of credit expose the Corporation to the risk that falling collateral values may leave it inadequately secured, whereas the risk on products like home equity loans is mitigated as they amortize over time. The Corporation has not had any significant adverse experience on home equity lines of credit to date.

The table below sets forth consumer loans by type, in amounts and percentages at the dates indicated.

	December 31,									
	2005		2004		2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)									
Equity secured installment loans..	$136,721	55.8%	$131,935	62.6%	$ 124,411	66.9%	$ 123,655	68.1%	$ 125,597	63.3%
Home equity lines of credit.......	87,503	35.7	56,755	26.9	39,858	21.4	31,512	17.3	24,161	12.2
Automobile........................	2,616	1.1	5,126	2.4	9,137	4.9	11,728	6.4	11,737	5.9
Unsecured lines of credit.........	8,780	3.6	9,338	4.4	10,506	5.6	12,402	6.8	20,156	10.2
Other.............................	9,200	3.8	7,805	3.7	2,221	1.2	2,554	1.4	16,715	8.4
Total consumer loans	$244,820	100.0%	$210,959	100.0%	$ 186,133	100.0%	$ 181,851	100.0%	$ 198,366	100.0%

Loan Originations, Purchase and Sales.

Traditionally, WSFS has engaged in lending activities primarily in Delaware and contiguous areas of neighboring states. As a federal savings bank, however, WSFS may originate, purchase and sell loans throughout the United States. WSFS has purchased limited amounts of loans from outside its normal lending area when such purchases are deemed appropriate and consistent with WSFS' overall practices. WSFS originates fixed-rate and adjustable-rate residential real estate loans through its banking offices. In addition, WSFS has established relationships with correspondent banks and mortgage brokers to originate loans.

During 2005, the Corporation originated $499 million of residential real estate loans. This compares to originations of $376 million in 2004. From time to time, WSFS has purchased whole loans and loan participations in accordance with its ongoing asset and liability management objectives. Purchases of residential real estate loans from correspondents and brokers primarily in the mid-Atlantic region totaled $77.5 million for the year ended December 31, 2005 and $68.4 million for 2004. Residential real estate loan sales totaled $39 million in 2005, $51.1 million in 2004 and $116 million in 2003. While WSFS generally intends to hold loans for the foreseeable future, WSFS sells certain newly originated fixed-rate mortgage loans in the secondary market primarily to control the interest rate sensitivity of its balance sheet. The Corporation holds for investment certain of its fixed-rate mortgage loans consistent with current asset/liability management strategies.

At December 31, 2005, WSFS serviced approximately $256 million of residential loans for others compared to $245 million at December 31, 2004. The Corporation also services residential loans for its own portfolio totaling $431 million and $412 million at December 31, 2005 and 2004, respectively.

WSFS originates commercial real estate and commercial loans through its commercial lending division. Commercial loans are made for the purpose of working capital, financing equipment acquisitions, business expansion and other business purposes. During 2005, WSFS originated $597 million of commercial and commercial real estate loans compared with $547 million in 2004. To reduce its exposure on these types of loans, WSFS, at times will sell a portion of its commercial real estate loan portfolio. Commercial real estate loan sales totaled $36.6 million and $2.0 million in 2005 and 2004, respectively. These amounts represent gross contract amounts and do not reflect amounts outstanding on such loans.

WSFS' consumer lending is conducted primarily through its branch offices. WSFS originates a variety of consumer credit products including home improvement loans, home equity lines of credit, automobile loans, credit cards, unsecured lines of credit and other secured and unsecured personal installment loans. During 2005, consumer loan originations amounted to $20.0 million compared to $16.8 million in 2004.

All loans to one borrowing relationship exceeding $3 million must be approved by the senior management loan committee (SLC). The Executive Committee (EC) of the Board of Directors approves the minutes of the management loan committee meetings and approves individual loans exceeding $5 million to one borrowing relationship. Individual Officers of WSFS have the authority to approve smaller loan amounts, depending upon their experience and management position. The Bank's credit policy includes a "House Limit" to one borrowing relationship of 50% of its legal lending limit or approximately $18 million. WSFS has one borrowing relationship of $34.8 million, which the EC approved to exceed the "House Limit". This borrowing is secured by U.S. Treasury securities, which have a value at maturity equal to or exceeding the loan payments.

Fee Income from Lending Activities.

WSFS earns fee income from lending activities, including fees for originating loans, for servicing loans and for loan participations sold. The Bank also receives fee income for making commitments to originate construction,

residential and commercial real estate loans. Additionally, the Bank collects fees related to existing loans which include prepayment charges, late charges and assumption fees.

WSFS charges fees for making loan commitments. Also as part of the loan application process, the borrower may pay WSFS for out-of-pocket costs to review the application, whether or not the loan is closed.

Most loan fees are considered adjustments of yield in accordance with U.S. generally accepted accounting principles and are reflected in interest income. Those fees represented an immaterial amount of interest income during the three years ended December 31, 2005. Loan fees other than those considered adjustments of yield (such as late charges) are reported as loan fee income, a component of noninterest income.

LOAN LOSS EXPERIENCE, PROBLEM ASSETS AND DELINQUENCIES

The Corporation's results of operations can be negatively impacted by nonperforming assets which include nonaccruing loans, nonperforming real estate investments and assets acquired through foreclosure. Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a loan is placed on nonaccrual status, is reversed and charged against interest income. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual status. Subsequent cash receipts are applied either to the outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collectibility of principal and interest.

The Corporation endeavors to manage its portfolios to identify problem loans as promptly as possible and take immediate actions to minimize losses. To accomplish this, WSFS' Risk Management Department monitors the asset quality of the Corporation's loan and investment in real estate portfolios and reports such information to the Credit Policy Committee, the Audit Committee of the Board of Directors and the Controller's Department.

SOURCES OF FUNDS

The Company manages its liquidity risk and funding needs through its treasury function and its Asset/Liability Committee. Historically, the Company has had success in growing its loan portfolio. For example, during the year ended December 31, 2005, net loan growth resulted in the use of $228.8 million in cash. The loan growth was primarily the result of the continued success increasing corporate and small business lending. Management expects this trend to continue. While the Company's loan-to-deposit ratio has been well above 100% for many years, management has significant experience managing its funding needs through borrowings and deposit growth.

As a financial institution, the Company has ready access to several sources of funding. Among these are:

- o Deposit growth
- o The brokered CD market
- o Borrowing from the FHLB
- o Other borrowings such as repurchase agreements
- o Cash flow from securities and loan repayments
- o And net income of the Company

The Company's current branch expansion and renovation program is focused on expanding the Company's retail footprint in Delaware and attracting new customers to provide additional deposit growth. Retail deposit growth was strong, equaling $141.7 million or 13% between December 31, 2004 and December 31, 2005.

Deposits. WSFS offers various deposit programs to its customers, including savings accounts, demand deposits, interest-bearing demand deposits, money market deposit accounts and certificates of deposits. In addition, WSFS accepts negotiable rate certificates of deposit with balances in excess of $100,000 from individuals, businesses and municipalities in Delaware.

WSFS is the second largest independent full service banking institution headquartered and operating in Delaware. It primarily attracts deposits through its system of 24 retail banking offices at December 31, 2005. Nineteen banking offices were located in northern Delaware's New Castle County, WSFS' primary market. These banking offices maintain approximately 191,000 total account relationships with approximately 80,000 total households. Two banking offices were in the state capital, Dover, located in central Delaware's Kent County. One banking office was in Rehoboth located in Delaware's Sussex County and two other banking offices were located in southeastern Pennsylvania.

The following table sets forth the amount of certificates of deposit of

$100,000 or more by remaining maturity at December 31, 2005:

Maturity Period	December 31, 2005
	(In Thousands)
Less than 3 months.....................	$43,016
Over 3 months to 6 months..............	3,305
Over 6 months to 12 months.............	60,330
Over 12 months.........................	21,128
	$127,779

Borrowings. The Corporation utilizes the following borrowing sources to fund operations.

Federal Home Loan Bank Advances

Advances from the Federal Home Loan Bank (FHLB) of Pittsburgh had rates ranging from 2.00% to 5.45% at December 31, 2005. Pursuant to collateral agreements with the FHLB, advances are secured by qualifying first mortgage loans, qualifying fixed-income securities, FHLB stock and an interest-bearing demand deposit account with the FHLB.

As a member of the FHLB of Pittsburgh, WSFS is required to acquire and hold shares of capital stock in the FHLB of Pittsburgh in an amount at least equal to 4.55% of its advances (borrowings) from the FHLB of Pittsburgh, plus 0.55% of the unused borrowing capacity. WSFS was in compliance with this requirement with a stock investment in FHLB of Pittsburgh of $46.3 million at December 31, 2005.

Four advances are outstanding at December 31, 2005 totaling $145.0 million, with a weighted average rate of 4.96% maturing in 2008 and beyond. They are convertible on a quarterly basis (at the discretion of the FHLB) to a variable rate advance based upon the three-month LIBOR rate, after an initial fixed term. WSFS has the option to prepay these four advances at predetermined times or rates.

Trust Preferred Borrowings

On April 6, 2005, the Corporation completed the issuance of $67.0 million of aggregate principal amount of Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month LIBOR rate. The proceeds from this issuance were used to fund the redemption of $51.5 million of Floating Rate Capital Trust I Preferred Securities which had a variable interest rate of 250 basis points over the three-month LIBOR rate.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

During 2005, WSFS purchased federal funds as a short-term funding source. At December 31, 2005, WSFS had purchased $50.0 million in federal funds at a rate of 4.19%. At December 31, 2004, WSFS had $50.0 million federal funds purchased.

During 2005, WSFS sold securities under agreements to repurchase as a short-term funding source. At December 31, 2005, securities sold under agreements to repurchase had fixed rates ranging from 4.20% to 4.36%. The underlying securities are U.S. Government agency securities with a book value of $34.8 million at December 31, 2005. Securities sold under agreements to repurchase with the corresponding carrying and market values of the underlying securities are due as follows:

PERSONNEL

As of December 31, 2005 the Registrant had 515 fulltime equivalent Associates (employees). The Associates are not represented by a collective bargaining unit. Management believes its relationship with its Associates is very good.

REGULATION

Regulation of the Corporation

Sarbanes-Oxley Act of 2002. On July 30, 2002, the President signed into law the Sarbanes-Oxley Act of 2002 (the "Act"). The Securities and Exchange Commission (the "SEC") has promulgated new regulations pursuant to the Act and may continue to propose additional implementing or clarifying regulations as necessary in furtherance of the Act. The passage of the Act and the regulations implemented by the SEC subject publicly-traded companies to additional and more cumbersome reporting regulations and disclosure. Compliance with the Act and corresponding regulations has increased the Corporation's expenses.

General. The Corporation is a registered savings and loan holding company and is subject to Office of Thrift Supervision (OTS) regulation, examination, supervision and reporting requirements. As a subsidiary of a holding company, WSFS is subject to certain restrictions in its dealings with the Corporation and other affiliates.

Transactions with Affiliates; Tying Arrangements. Transactions between savings associations and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a savings association, generally, is any company or entity which controls or is under common control with the savings association or any subsidiary of the savings association that is a bank or savings association. In a holding company context, the parent holding company of a savings association (such as the Corporation) and any companies which are controlled by such parent holding company are affiliates of the savings association. Generally, Sections 23A and 23B (i) limit the extent to which the savings institution or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such institution's capital stock and surplus, and limit the aggregate of all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar types of transactions. In addition to the restrictions imposed by Sections 23A and 23B, no savings association may (i) lend or otherwise extend credit to an affiliate that engages in any activity impermissible for bank holding companies, or (ii) purchase or invest in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings association. Savings associations are also prohibited from extending credit, offering services, or fixing or varying the consideration for any extension of credit or service on the condition that the

customer obtain some additional service from the institution or certain of its affiliates or that the customer not obtain services from a competitor of the institution, subject to certain limited exceptions.

Restrictions on Acquisitions. A savings and loan holding company must obtain the prior approval of the Director of OTS before acquiring, (i) control of any other savings association or savings and loan holding company or substantially all the assets thereof, or (ii) more than 5% of the voting shares of a savings association or holding company thereof which is not a subsidiary. Under certain circumstances, a savings and loan holding company is permitted to acquire, with the approval of the Director of OTS, up to 15% of the voting shares of an under-capitalized savings association pursuant to a "qualified stock issuance" without that savings association being deemed controlled by the holding company. Except with the prior approval of the Director of OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25% of such company's stock, may also acquire control of any savings association, other than a subsidiary savings association, or of any other savings and loan holding company.

The Director of OTS may only approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings associations in more than one state if: (i) the company involved controls a savings institution which operated a home or branch office in the state of the association to be acquired as of March 5, 1987; (ii) the acquirer is authorized to acquire control of the savings association pursuant to the emergency acquisition provisions of the Federal Deposit Insurance Act; or (iii) the statutes of the state in which the association to be acquired is located specifically permit institutions to be acquired by state-chartered associations or savings and loan holding companies located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings institutions). The laws of Delaware do not specifically authorize out-of-state savings associations or their holding companies to acquire Delaware-chartered savings associations.

The statutory restrictions on the formation of interstate multiple holding companies would not prevent WSFS from entering into other states by mergers or branching. OTS regulations permit federal associations to branch in any state or states of the United States and its territories. Except in supervisory cases or when interstate branching is otherwise permitted by state law or other statutory provision, a federal association may not establish an out-of-state branch unless the federal association qualifies as a "domestic building and loan association" under Section 7701(a)(19) of the Internal Revenue Code or as a "qualified thrift lender" under the Home Owners' Loan Act and the total assets attributable to all branches of the association in the state would qualify such branches taken as a whole for treatment as a domestic building and loan association or qualified thrift lender. Federal associations generally may not establish new branches unless the association meets or exceeds minimum regulatory capital requirements. The OTS will also consider the association's record of compliance with the Community Reinvestment Act of 1977 in connection with any branch application.

Regulation of WSFS

General. As a federally chartered savings institution, WSFS is subject to extensive regulation by the OTS. The lending activities and other investments of WSFS must comply with various federal regulatory requirements. The OTS periodically examines WSFS for compliance with regulatory requirements. The FDIC also has the authority to conduct special examinations of WSFS as the insurer of deposits. WSFS must file reports with OTS describing its activities and financial condition. WSFS is also subject to certain reserve requirements promulgated by the Federal Reserve Board. This supervision and regulation is intended primarily for the protection of depositors. Certain of these regulatory requirements are referred to below or appear elsewhere herein.

Regulatory Capital Requirements. Under OTS capital regulations, savings institutions must maintain "tangible" capital equal to 1.5% of adjusted total assets, "Tier 1" or "core" capital equal to 4% of adjusted total assets (or 3% if the institution is rated composite 1 under the OTS examiner rating system), and "total" capital (a combination of core and "supplementary" capital) equal to 8% of risk-weighted assets. In addition, OTS regulations impose certain restrictions on savings associations that have a total risk-based capital ratio that is less than 8.0%, a ratio of Tier 1

capital to risk-weighted assets of less than 4.0% or a ratio of Tier 1 capital to adjusted total assets of less than 4.0% (or 3.0% if the institution is rated Composite 1 under the OTS examination rating system). For purposes of these regulations, Tier 1 capital has the same definition as core capital.

The OTS capital rule defines Tier 1 or core capital as common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, minority interests in the equity accounts of fully consolidated subsidiaries, certain nonwithdrawable accounts and pledged deposits of mutual institutions and "qualifying supervisory goodwill," less intangible assets other than certain supervisory goodwill and, subject to certain limitations, mortgage and non-mortgage servicing rights, purchased credit card relationships and credit-enhancing interest only strips. Tangible capital is given the same definition as core capital but does not include qualifying supervisory goodwill and is reduced by the amount of all the savings institution's intangible assets except for limited amounts of mortgage servicing assets. The OTS capital rule requires that core and tangible capital be reduced by an amount equal to a savings institution's debt and equity investments in "non-includable" subsidiaries engaged in activities not permissible to national banks, other than subsidiaries engaged in activities undertaken as agent for customers or in mortgage banking activities and subsidiary depository institutions or their holding companies. At December 31, 2005, WSFS was in compliance with both the core and tangible capital requirements.

The risk weights assigned by the OTS risk-based capital regulation range from 0% for cash and U.S. government securities to 100% for consumer and commercial loans, non-qualifying mortgage loans, property acquired through foreclosure, assets more than 90 days past due and other assets. In determining compliance with the risk-based capital requirement, a savings institution may include both core capital and supplementary capital in its total capital, provided the amount of supplementary capital included does not exceed the savings institution's core capital. Supplementary capital is defined to include certain preferred stock issues, non-withdrawable accounts and pledged deposits that do not qualify as core capital, certain approved subordinated debt, certain other capital instruments, general loan loss allowances up to 1.25% of risk-weighted assets and up to 45% of unrealized gains on available-for-sale equity securities with readily determinable fair values. Total capital is reduced by the amount of the institution's reciprocal holdings of depository institution capital instruments and all equity investments. At December 31, 2005, WSFS was in compliance with the OTS risk-based capital requirements.

Dividend Restrictions. As the subsidiary of a savings and loan holding company, WSFS must submit notice to the OTS prior to making any capital distribution (which includes cash dividends and payments to shareholders of another institution in a cash merger). In addition, a savings association must make application to the OTS to pay a capital distribution if (x) the association would not be adequately capitalized following the distribution, (y) the association's total distributions for the calendar year exceeds the association's net income for the calendar year to date plus its net income (less distributions) for the preceding two years, or (z) the distribution would otherwise violate applicable law or regulation or an agreement with or condition imposed by the OTS.

Deposit Insurance. The Federal Deposit Insurance Reform Act of 2005 was enacted on February 8, 2006 as a part of the Deficit Reduction Act of 2005. The Federal Deposit Insurance Reform Act will (i) merge the Bank Insurance Fund and the Savings Association Insurance Fund into a new combined fund, to be called the Deposit Insurance Fund, (ii) increase deposit insurance coverage for retirement accounts to $250,000, (iii) index the current $100,000 insurance coverage limit for standard accounts and the new $250,000 limit for retirement accounts to reflect inflation (with adjustments for inflation every five years, commencing January 1, 2011), (iv) require the Federal Deposit Insurance Corporation to assess annual deposit insurance premiums on all banks and savings institutions, (v) give a one-time insurance assessment credit totaling $4.7 billion to banks and savings institutions in existence on December 31, 1996 that can be used to offset premiums otherwise due, (vi) impose a cap on the level of the Deposit Insurance Fund and provide for dividends or rebates when the fund grows beyond a specified threshold, (vii) adopt a historical basis concept for distributing the aforementioned one-time credit and dividends (with each institution's historical basis to be determined by a formula that looks back to the institution's assessment base in 1996 and adds premiums paid since that time) and (viii) authorize revisions to the current risk-based system for assessing premiums,

including replacing the current fixed reserve ratio requirement of 1.25% with a range of between 1.15% and 1.5% of insured deposits.

The merger of the two deposit insurance funds required by the Federal Deposit Insurance Reform Act is to be effective by July 1, 2006. The Federal Deposit Insurance Corporation is required to adopt final rules for the rest of the provisions no later than 270 days after enactment. Such regulations will result in the imposition of deposit insurance assessments on all members of the Deposit Insurance Fund, including WSFS, and such assessments could have an adverse effect on the operating expenses and results of operations of WSFS. WSFS's management cannot predict, however, the rate of any such insurance assessments or the effect of the assessments on its operations.

Federal Reserve System. Pursuant to regulations of the Federal Reserve Board, a savings institution must maintain average daily reserves equal to 3% on the first $42.1 million of transaction accounts, plus 10% on the remainder. This percentage is subject to adjustment by the Federal Reserve Board. Because required reserves must be maintained in the form of vault cash or in a non-interest bearing account at a Federal Reserve Bank, the effect of the reserve requirement may be to reduce the amount of the institution's interest-earning assets. As of December 31, 2005 WSFS met its reserve requirements.

ITEM 1A. RISK FACTORS

The following are certain risks that management believes are specific to our business. This should not be viewed as an all inclusive list and the order is not intended as an indicator of the level of importance.

Future loan losses may negatively impact the Company

We are subject to credit risk, which is the risk of losing principal or interest due to borrowers' failure to repay loans in accordance with their terms. A downturn in the economy or the real estate market in our market areas or a rapid change in interest rates could have a negative effect on collateral values and borrowers' ability to repay. This deterioration in economic conditions could result in losses to the Bank. To the extent loans are not paid timely by borrowers, the loans are placed on non-accrual, thereby reducing interest income.

Rapidly changing interest rate environments could reduce our profitability

Interest and fees on loans and securities, net of interest paid on deposits and borrowings, are a large part of our net income. Interest rates are key drivers of our net interest margin and subject to many factors beyond the control of management. As interest rates change, net interest income is affected. Rapid increases or decreases in interest rates in the future could negatively impact the Company's net interest margin.

Liquidity risk

Due to the Company's continued success in our lending operations, particularly in corporate and small business lending, our loans exceed customer deposit funding. Changes in interest rates or alternative investment opportunities and other factors may make deposit gathering more difficult. Additionally, interest rate changes or disruptions in the capital market may make the terms of the borrowings and brokered deposits less favorable. As a result, there is a risk that we will not have funds to meet our obligations when they come due. Interest Rate and Liquidity risk is managed by the Asset/Liability Committee (ALCO). While the Company's loan-to-deposit ratio has been well above 100% for many years, management has significant experience managing its funding needs through borrowings and deposit growth. A liquidity crisis plan has been developed and is an important part of liquidity management.

The financial services industry is very competitive

We face competition in attracting and retaining deposits, making loans, and providing other financial services throughout our market area. Our competitors include other community banks, larger banking institutions, and a wide range of other financial institutions such as credit unions, government-sponsored enterprises, mutual fund companies, insurance companies and other non-bank businesses. Many of these competitors have substantially greater resources than us. If we are unable to compete effectively, we will lose market share and income from deposits and loans, which would negatively impact our net interest margins. Profitability of other products may be reduced as well.

The Company may not be able to achieve its growth plans or effectively manage its growth

There can be no assurance that growth opportunities will be available or that growth will be successfully managed. This includes, but is not limited to, growth in generating loans and gathering deposits. Due to our investment in future growth, failure to obtain sufficient growth would negatively effect our net income.

Inability to hire or retain certain key professionals, management and staff could adversely affect our revenues and net income

We rely on key personnel to manage and operate our business, including major revenue generating functions such as our loan and deposit portfolios. The loss of key staff may adversely affect our ability to maintain and manage these portfolios effectively, which could negatively effect our revenues. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which could cause a decrease in our net income.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the location and certain additional information regarding the Corporation's offices and other material properties at December 31, 2005.

Location	Owned/ Leased	Date Lease Expires	Net Book Value Of Property or Leasehold Improvements (1)	Deposits
			(In Thousands)	
WSFS:				
Main Office (2) 9th & Market Streets Wilmington, DE 19899	Owned		$1,006	$635,880
Union Street Branch 3rd & Union Streets Wilmington, DE 19805	Leased	2008	67	46,622
Trolley Square Branch 1711 Delaware Avenue Wilmington, DE 19806	Leased	2006	9	27,361
Fairfax Shopping Center Branch 2005 Concord Pike Wilmington, DE 19803	Leased	2008	84	62,627
Branmar Plaza Shopping Center Branch 1812 Marsh Road Wilmington, DE 19810	Leased	2008	13	72,396
Prices Corner Shopping Center Branch 3202 Kirkwood Highway Wilmington, DE 19808	Leased	2008	21	89,238
Pike Creek Shopping Center Branch New Linden Hill & Limestone Roads Wilmington, DE 19808	Leased	2006	144	67,635
University Plaza Shopping Center Branch I-95 & Route 273 Newark, DE 19712	Leased	2008	68	43,259
College Square Shopping Center Branch (3) Route 273 & Liberty Avenue Newark, DE 19711	Leased	2007	168	73,141
Airport Plaza Shopping Center Branch 144 N. DuPont Hwy. New Castle, DE 19720	Leased	2013	736	65,283
Stanton Branch Inside ShopRite at First State Plaza 1600 W. Newport Pike Wilmington, DE 19804	Leased	2006	29	14,453
Glasgow Branch Inside Genuardi's at Peoples Plaza Routes 40 & 896 Newark, DE 19804	Leased	2008	70	19,970
Middletown Crossing Shopping Center Route 299 and Silver Lake Road Middletown, DE 19709	Leased	2017	1,257	29,872

Dover Branch Inside Metro Food Market Rt 134 & White Oak Road Dover, DE 19901	Leased	2010	2	16,968

Location	Owned/ Leased	Date Lease Expires	Net Book Value Of Property or Leasehold Improvements (1)	Deposits
			(In Thousands)	
WSFS (continued...):				
West Dover Loan Office Greentree Office Center 160 Greentree Drive Suite 105 Dover, DE 19904	Leased	2009	7	229
Blue Bell Loan Office 550 Township Line Road Suite 400 Blue Bell, PA 19422	Leased	2006	-	N/A
Glen Eagle Branch Inside Genaurdi's Family Market 475 Glen Eagle Square Glen Mills, PA 19342	Leased	2008	106	7,098
University of Delaware-Trabant University Center 17 West Main Street Newark, DE 19716	Leased	2008	136	9,054
Brandywine Branch Inside Genaurdi's Family Market 2522 Foulk Road Wilmington, DE 19810	Leased	2009	96	18,882
Wal-Mart Branch Route 40 & Wilton Boulevard New Castle, DE 19720	Leased	2009	236	6,693
Operations Center 2400 Philadelphia Pike Wilmington, DE 19703	Owned		829	N/A
Longwood Branch 830 E. Baltimore Pike E. Marlborough, PA 19348	Leased	2010	119	6,637
Holly Oak Branch Inside Superfresh 2105 Philadelphia Pike Claymont, DE 19703	Leased	2010	93	17,612
Hockessin Branch 7450 Lancaster Pike Wilmington, DE 19707	Leased	2015	652	39,824
Lewes Loan Center Southpointe Professional Center 1515 Savannah Road, Suite 103 Lewes Beach, DE 19958	Leased	2008	109	407
Fox Run Shopping Center Bear, DE	Leased	2006	1,113	19,159
Camden Town Center 4566 S. Dupont Highway Camden, DE 19934	Leased	2024	1,186	15,704
Rehoboth Lighthouse Plaza Route #1 Rehoboth, DE 19971	Leased	2029	1,045	40,232
Loan Operations 30 Blue Hen Drive, Suite 200 Newark, DE 19713	Leased	2007	107	N/A
West Dover (4) 1486 Forest Avenue Dover, DE 19904	Owned		1,321	N/A

Location	Owned/ Leased	Date Lease Expires	Net Book Value Of Property or Leasehold Improvements (1)	Deposits
			(In Thousands)	
WSFS (CONTINUED...):				
WSFS Bank Center (5) 500 Delaware Avenue Wilmington, DE 19801	Leased	2019	-	N/A
MONTCHANIN CAPITAL MANAGEMENT, INC. 1220 Market Street Suite 705 Wilmington, DE 19801	Leased	2010	22	N/A
CYPRESS CAPITAL MANAGEMENT, LLC 1220 Market Street Suite 704 Wilmington, DE 19801	Leased	2010	5	N/A
WSFS REIT, INC. 227 East Main Street Elkton, MD 21921	Leased	2006	-	N/A
Friess Building (6) (7) 3908 Kennett Pike Greenville, DE Property	Owned		1,872	N/A
Fairfax Building 2005 Concord Pike Wilmington, DE 19801	Owned		6,202	N/A
				$ 1,446,236

(1) The net book value investment in premise and equipment totaled $22.9 million at December 31, 2005.
(2) Includes location of executive offices.
(3) Includes the Company's education and development center.
(4) As of December 31, 2005, this branch was under construction. Construction was completed in February 2006.
(5) New Headquarters Building under construction at December 31, 2005. Lease begins in January 2007. The Company has a minority ownership in this property.
(6) Property transferred to WSFS Reit, Inc. in 2002.
(7) Transferred to Real Estate Held for Investment in October 2005.

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings to which the Corporation or WSFS is a party or to which any of its property is subject.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of the stockholders during the fourth quarter of the fiscal year ended December 31, 2005 through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The information contained under the section captioned "Market for Registrant's Common Equity and Related Stockholder Matters" in the 2005 Annual Report to Stockholders (the "Annual Report") is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

	2005	2004	2003	2002	2001
	(Dollars in Thousands, Except Per Share Data)				
At December 31,					
Total assets	$ 2,846,752	$ 2,502,956	$ 2,207,077	$ 1,705,000	$ 1,913,920
Net loans (1)	1,775,294	1,535,467	1,304,877	1,197,032	1,115,372
Investment securities (2)	56,704	97,485	116,292	21,777	14,194
Investment in reverse mortgages, net	785	(109)	193	1,131	33,939
Other investments	46,466	44,477	44,771	93,500	122,889
Mortgage-backed securities (2)	620,323	524,144	530,552	148,238	361,724
Deposits	1,446,236	1,234,962	923,333	898,396	1,146,117
Borrowings (3)	1,127,997	1,002,609	1,031,058	466,006	595,480
Trust preferred borrowings	67,011	51,547	50,000	50,000	50,000
Stockholders' equity	181,975	196,303	187,992	182,672	100,003
Number of full-service branches (4)	24	24	23	21	27
For the Year Ended December 31,					
Interest income	$ 136,022	$ 104,110	$ 89,299	$ 94,703	$ 101,338
Interest expense	62,380	37,246	31,301	33,434	46,597
Noninterest income	34,653	31,950	26,166	124,060	21,125
Noninterest expenses	62,877	55,699	49,417	51,617	47,689
Income from continuing operations	27,856	25,757	21,233	88,018	17,762
Net income	27,856	25,900	63,022	101,141	17,083
Earnings per share:					
Basic:					
Income from continuing operations	$ 4.10	$ 3.60	$ 2.73	$ 9.69	$ 1.85
Net income	4.10	3.62	8.11	11.13	1.78
Diluted:					
Income from continuing operations	3.89	3.39	2.58	9.34	1.84
Net income	3.89	3.41	7.65	10.73	1.77
Interest rate spread	2.91%	3.07%	3.02%	4.97%	4.64%
Net interest margin	3.13	3.24	3.29	4.93	4.51
Return on average equity (5)	14.78	13.54	10.60	70.69	17.69
Return on average assets (5)	1.05	1.10	1.09	6.22	1.33
Average equity to average assets (5)	7.10	8.13	10.28	8.79	7.50

(1) Includes loans held-for-sale.
(2) Includes securities available-for-sale.
(3) Borrowings consist of FHLB advances, securities sold under agreement to repurchase and other borrowed funds.
(4) WSFS opened one branch in 2004, opened two branches in 2003, transferred six branches to other financial institutions in 2002, and closed one branch in 2001.
(5) Based on continuing operations.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in the section captioned "Market Risk" in the Annual Report is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DISCLOSURES

The Registrant's financial statements listed in Item 15 herein are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Corporation's management evaluated, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's report on the Corporation's internal control over financial reporting appears in the Annual Report and is incorporated herein by reference.

The attestation report of KPMG LLP on management's assessment of the Corporation's internal control over financial reporting appears in the Annual Report and is incorporated herein by reference.

During the last quarter of the year under report, there was no change in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Information which appears under the heading "Section 16a Beneficial Ownership Reporting Compliance" and "Proposal 1 - Election of Directors" in the Registrant's definitive proxy statement for the registrant's Annual Meeting of Stockholders to be held on April 27, 2006 (the "Proxy Statement") is incorporated herein by reference.

The Corporation has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. A copy of the Code of Ethics is posted on the Corporation's website at www.wsfsbank.com.

ITEM 11. EXECUTIVE COMPENSATION

The information which appears under the heading "Proposal I - Election of Directors" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Voting Securities and Principal Holders Thereof" of the Proxy Statement

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the section captioned "Proposal 1 Election of Directors - Stock Ownership of Management" of the Proxy Statement

(c) Management of the Corporation knows of no arrangements, including any pledge by any person of securities of the Corporation, the operation of which may at a subsequent date result in a change in control of the registrant.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

Set forth below is information as of December 31, 2005 with respect to compensation plans under which equity securities of the Registrant are authorized for issuance.

Equity Compensation Plan Information

	(a) Number of Securities to be issued upon exercise of outstanding Options and Phantom Stock Awards	(b) Weighted-Average exercise price of outstanding Options and Phantom Stock Awards	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by stockholders (1)	745,949	$ 31.60	268,193
Equity compensation plans not approved by stockholders	n/a	n/a	n/a
TOTAL	745,949	$ 31.60	268,193

(1) Plans approved by stockholders include the 1997 Stock Option Plan, as amended and the 2005 Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information which appears under the heading "Business Relationships and Related Transactions" in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this item is incorporated herein by reference to the section entitled "Independent Public Accountants" in the Proxy Statement.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Listed below are all financial statements and exhibits filed as part of this report, and are incorporated by reference.

1. The consolidated statements of Condition of WSFS Financial Corporation and subsidiary as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2005, together with the related notes and the independent auditors' report of KPMG LLP, independent registered public accounting

firm.

2. Schedules omitted as they are not applicable.

The following exhibits are incorporated by reference herein or annexed to this Annual Report:

Exhibit Number	Description of Document
3.1	Registrant's Certificate of Incorporation, as amended is incorporated herein by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.
3.2	Amended and Restated Bylaws of WSFS Financial Corporation, incorporated herein by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
10.1	WSFS Financial Corporation, 1994 Short Term Management Incentive Plan Summary Plan Description is incorporated herein by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.
10.2	Amended and Restated Wilmington Savings Fund Society, Federal Savings Bank 1997 Stock Option Plan is incorporated herein by reference to the Registrant's Registration Statement on Form S-8 (File No. 333-26099) filed with the Commission on April 29, 1997.
10.3	2000 Stock Option and Temporary Severance Agreement among Wilmington Savings Fund Society, Federal Savings Bank, WSFS Financial Corporation and Marvin N. Schoenhals on February 24, 2000 is incorporated herein by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
10.4	Severance Policy among Wilmington Savings Fund Society, Federal Savings Bank and certain Executives dated March 13, 2001, as amended is incorporated herein by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
10.5	WSFS Financial Corporation's 2005 Incentive Plan is incorporated herein by reference to appendix A of the Registrant's Definitive Proxy Statement on Schedule 14-A for the 2005 Annual Meeting of Stockholders.
13	Portions of the Corporation's 2004 Annual Report to Shareholders
21	Subsidiaries of Registrant.
23	Consent of KPMG LLP
31	Certification pursuant to Rule 13a-14 of the Exchange Act
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibits 10.1 through 10.4.1 represent management contracts or compensatory plan arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WSFS FINANCIAL CORPORATION

Date: March 15, 2006 BY: /s/ Marvin N. Schoenhals

Marvin N. Schoenhals
Chairman and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 15, 2006 BY: /s/ Marvin N. Schoenhals

Marvin N. Schoenhals
Chairman and President

Date:	March 15, 2006	BY:	/s/ Charles G. Cheleden ------------------------------ Charles G. Cheleden Vice Chairman and Director
Date:	March 15, 2006	BY:	/s/ John F. Downey ------------------------------ John F. Downey Director
Date:	March 15, 2006	BY:	/s/ Linda C. Drake ------------------------------ Linda C. Drake Director
Date:	March 15, 2006	BY:	/s/ David E. Hollowell ------------------------------ David E. Hollowell Director
Date:	March 15, 2006	BY:	/s/ Joseph R. Julian ------------------------------ Joseph R. Julian Director
Date:	March 15, 2006	By:	/s/Dennis E. Klima ------------------------------ Dennis E. Klima Director
Date:	March 15, 2006	BY:	/s/ Calvert A. Morgan, Jr. ------------------------------ Calvert A. Morgan, Jr. Director
Date:	March 15, 2006	BY:	/s/ Thomas P. Preston ------------------------------ Thomas P. Preston Director
Date:	March 15, 2006	BY:	/s/ Scott E. Reed ------------------------------ Scott E. Reed Director
Date:	March 15, 2006	BY:	/s/ Claibourne D. Smith ------------------------------ Claibourne D. Smith Director
Date:	March 15, 2006	BY:	/s/ Eugene W. Weaver ------------------------------ Eugene W. Weaver Director
Date:	March 15, 2006	BY:	/s/ R. Ted Weschler ------------------------------ R. Ted Weschler Director

Date: March 15, 2006	BY:	/s/ Stephen A. Fowle ------------------------------ Stephen A. Fowle Executive Vice President and Chief Financial Officer
Date: March 15, 2006	BY:	/s/ Robert F. Mack ------------------------------ Robert F. Mack Senior Vice President and Controller

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

WSFS Financial Corporation (Company or Corporation) is a thrift holding company headquartered in Wilmington, Delaware. Substantially all of the Corporation's assets are held by its subsidiary, Wilmington Savings Fund Society, FSB (Bank or WSFS). Founded in 1832, WSFS is one of the oldest financial institutions in the country. As a federal savings bank that was formerly chartered as a state mutual savings bank, WSFS enjoys broader investment powers than most other financial institutions. WSFS has served the residents of the Delaware Valley for 174 years. WSFS is 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. The Corporation's primary market area is the mid-Atlantic region of the United States that is characterized by a diversified manufacturing and service economy. The long-term strategy of the Corporation is to improve its status as a high-performing financial services company by focusing on its core community banking business.

WSFS provides residential and commercial real estate, commercial and consumer lending services, as well as retail deposit and cash management services. Lending activities are funded primarily with retail deposits and borrowings. The Federal Deposit Insurance Corporation (FDIC) insures deposits to their legal maximum. WSFS serves customers primarily from its main office and 24 retail banking offices located in Delaware and southeastern Pennsylvania.

The Corporation has two consolidated subsidiaries, WSFS and Montchanin Capital Management, Inc. (Montchanin). The Corporation also has one unconsolidated affiliate, WSFS Capital Trust III. Fully-owned and continuing consolidated subsidiaries of WSFS include WSFS Investment Group, Inc., which markets various third-party insurance products and securities through WSFS' retail banking system, and WSFS Reit, Inc., which holds qualifying real estate assets and may be used in the future to raise capital.

Montchanin has one consolidated non-wholly owned subsidiary, Cypress Capital Management, LLC (Cypress). Cypress, an 80% owned subsidiary, is a Wilmington-based investment advisory firm serving high net-worth individuals and institutions. Cypress had more than $473 million in assets under management at December 31, 2005.

WSFS Credit Corporation (WCC), a consolidated subsidiary of the Bank, which was engaged primarily in indirect auto financing and vehicle leasing, discontinued operations in 2000. WCC no longer accepts new applications but continues to service existing loans until their maturities. More information is provided in the Discontinued Operations section of Management's Discussion and Analysis and Note 2 to the Financial Statements.

Wilmington Finance, Inc. (WF), a majority owned subsidiary of WSFS, which was engaged in sub-prime residential mortgage banking, was sold in January 2003. This subsidiary was therefore classified as a business held-for-sale in the Financial Statements. More information is provided in the Business Held-For-Sale section of this Management's Discussion and Analysis, and Note 3 to the Financial Statements.

During the third quarter of 2005, the Company finalized agreements related to the move of its corporate headquarters to support growth in its core banking activities. Related to this move, the Company sold the land on which the WSFS Bank Center is to be built. As part of this agreement, the property developer has agreed to purchase the Company's current headquarters, which is expected to result in approximately a $3.0 million gain at the time of the move, expected to be early 2007.

FORWARD-LOOKING STATEMENTS

Within this annual report and financial statements, management has included certain "forward-looking statements" concerning the future operations of the Corporation. Statements contained in this annual report which are not historical facts, are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. It is management's desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. This statement is for the express purpose of availing the Corporation of the protections of such safe harbor with respect to all "forward-looking statements." Management has used "forward-looking statements" to describe future plans and strategies and expectations of the Corporation's future financial results. Management's ability to predict results or the effect or success of future plans and strategy is inherently uncertain. Factors that could affect results include interest rate trends, competition, the general economic climate in Delaware, the mid-Atlantic region and the country as a whole, asset quality, loan growth, loan delinquency rates, operating risk, uncertainty of estimates in general, and changes in federal and state regulations, among other factors. These factors should be considered in evaluating the "forward-looking statements," and undue reliance should not be placed on such statements. Actual results may differ materially from management expectations. WSFS Financial Corporation does not undertake, and specifically disclaims any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

RESULTS OF OPERATIONS

WSFS Financial Corporation recorded net income of $27.9 million for the year ended December 31, 2005, compared to $25.9 million and $63.0 million in 2004 and 2003, respectively. Excluding gains recorded for businesses sold, reported income was $27.9 million, $25.8 million and $21.2 million for the years ended December 31, 2005, 2004 and 2003, respectively. Net income for the year ended December 31, 2003 included an after tax gain of $41.3 million from the sale of WF. The sale of this business is discussed in more detail in the Business Held-For-Sale section of this Management's Discussion and Analysis and Note 3 to the Financial Statements.

Net Interest Income Net interest income increased $6.8 million, or 10%, to $73.6 million in 2005 compared to $66.9 million in 2004. Total interest income earned on assets increased $31.9 million, due to the combination of higher amounts of earning assets and higher rates. During the year, the yield on loans increased 85 basis points while the yield on mortgage-backed securities increased 48 basis points. Interest expense increased $25.1 million due to higher amounts of interest-bearing deposits and borrowings to fund the increase in earning assets as well as higher rates. The higher rates on both earning assets and interest-bearing liabilities were the result of higher prevailing rates during 2005.

Net interest income was negatively impacted in 2005 when the Company refinanced $51.5 million of Floating Rate Capital Trust I Preferred Securities, which carried an interest rate of 250 basis points over the three-month London InterBank Offered Rate (LIBOR) and issued $67.0 million aggregate principal amount of Pooled Floating Rate Capital Securities, at LIBOR plus 177 basis points. In conjunction with the refinancing, the Company incurred a $1.1 million (pretax) non-cash charge from the write down of unamortized debt issuance costs.

Net interest income increased $8.9 million, or 15%, to $66.9 million in 2004 compared to $58.0 million in 2003. Total interest income increased $14.8 million between 2003 and 2004, primarily due to growth in loans and the increased yield on mortgage-backed securities. Total interest expense, excluding the expense to fund discontinued operations, increased $5.9 million from 2003 to 2004 primarily due to an increase in deposits and borrowings used to fund the loan growth. The average rate paid on Federal Home Loan Bank (FHLB) advances declined 34 basis points, as higher costing advances matured during the year and were replaced at lower rates. This partially offset the increase in volumes of deposits and other borrowings.

The following table sets forth certain information regarding changes in net interest income attributable to changes in the volumes of interest-earning assets and interest-bearing liabilities and changes in the rates for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on the changes that are attributable to: (i) changes in volume (change in volume multiplied by prior year rate); (ii) changes in rates (change in rate multiplied by prior year volume on each category); and (iii) net change (the sum of the change in volume and the change in rate). Changes due to the combination of rate and volume changes (changes in volume multiplied by changes in rate) are allocated proportionately between changes in rate and changes in volume.

Year Ended December 31,	2005 vs. 2004			2004 vs. 2003		
	Volume	Rate	Net	Volume	Rate	Net
(Dollars in Thousands)						
Interest income:						
Commercial real estate loans	$ 8,307	$ 6,493	$ 14,800	$ 6,170	$ (362)	$ 5,808
Residential real estate loans	(564)	(454)	(1,018)	(209)	(2,886)	(3,095)
Commercial loans (1)	5,813	6,078	11,891	4,714	(745)	3,969
Consumer loans	1,234	652	1,886	1,169	(1,510)	(341)
Loans held-for-sale	(10)	(11)	(21)	(232)	(9)	(241)
Mortgage-backed securities	2,744	2,617	5,361	999	4,453	5,452
Investment securities	(914)	(774)	(1,688)	2,953	514	3,467
Other	17	684	701	(97)	(111)	(208)
Favorable (unfavorable)	16,627	15,285	31,912	15,467	(656)	14,811
Interest expense:						
Deposits:						
Interest-bearing demand	69	35	104	20	(23)	(3)
Money market	2,117	1,055	3,172	157	389	546
Savings	(180)	661	481	--	(370)	(370)
Retail time deposits	1,141	1,955	3,096	(341)	(442)	(783)
Jumbo certificates of deposit - nonretail	(69)	675	606	281	25	306
Brokered certificates of deposit	2,852	1,984	4,836	755	755	1,510
FHLB of Pittsburgh advances	782	6,300	7,082	5,145	(2,459)	2,686
Trust preferred borrowings	596	2,512	3,108	--	221	221
Other borrowed funds	(213)	2,715	2,502	693	313	1,006
Cost of funding discontinued operations	74	73	147	435	391	826
Unfavorable (favorable)	7,169	17,965	25,134	7,145	(1,200)	5,945
Net change as reported	$ 9,458	$ (2,680)	$ 6,778	$ 8,322	$ 544	$ 8,866

(1) The tax-equivalent income adjustment is related to commercial loans.

The following table provides information regarding the average balances of, and yields/rates on interest-earning assets and interest-bearing liabilities during the periods indicated:

Year Ended December 31,	2005			2004			2003		
	Average Balance	Interest	Yield/ Rate (1)	Average Balance	Interest	Yield/ Rate(1)	Average Balance	Interest	Yield/ Rate(1)
				(Dollars in Thousands)					
Assets									
Interest-earning assets:									
Loans (2) (3):									
Commercial real estate loans	$ 573,566	$ 39,561	6.90%	$ 438,395	$ 24,761	5.56%	$ 329,923	$18,953	5.67%
Residential real estate loans.......	436,373	22,545	5.17	446,910	23,563	5.27	450,483	26,658	5.92
Commercial loans	439,375	28,361	6.62	340,611	16,470	5.08	250,577	12,501	5.37
Consumer loans.....................	222,679	15,051	6.76	204,122	13,165	6.45	187,111	13,506	7.22
Total loans.....................	1,671,993	105,518	6.38	1,430,038	77,959	5.53	1,218,094	71,618	5.97
Mortgage-backed securities (4)........	575,580	25,687	4.46	510,965	20,326	3.98	480,389	14,874	3.10
Loans held-for-sale (3)..............	2,032	121	5.95	2,188	142	6.49	5,767	383	6.64
Investment securities (4)............	88,094	3,258	3.70	110,567	4,946	4.47	42,325	1,479	3.49
Other interest-earning assets.........	48,077	1,438	2.99	47,010	737	1.57	52,681	945	1.79
Total interest-earning assets....	2,385,776	136,022	5.75	2,100,768	104,110	5.01	1,799,256	89,299	5.03
Allowance for loan losses..............	(24,909)			(23,357)			(22,139)		
Cash and due from banks................	53,434			52,332			48,070		
Cash in non-owned ATMs.................	133,235			116,953			89,169		
Bank-owned life insurance...............	53,137			48,400			-		
Loans, operating leases and other assets of discontinued operations	531			4,660			25,375		
Other noninterest-earning assets	55,000			45,338			34,703		
Total assets....................	$2,656,204			$2,345,094			$1,974,434		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Interest-bearing deposits:									
Interest-bearing demand............	$ 111,585	297	0.27%	$ 83,566	193	0.23%	$ 74,926	196	0.26%
Money market.......................	177,911	3,837	2.16	60,615	665	1.10	33,170	119	0.36
Savings............................	272,673	1,738	0.64	312,981	1,257	0.40	312,892	1,627	0.52
Retail time deposits...............	286,371	8,098	2.83	238,024	5,002	2.10	253,474	5,785	2.28
Total interest-bearing retail deposits...............	848,540	13,970	1.65	695,186	7,117	1.02	674,462	7,727	1.15
Jumbo certificates of deposit - nonretail..............	43,554	1,374	3.15	47,555	768	1.61	30,105	462	1.53
Brokered certificates of deposit....	189,593	6,346	3.35	84,194	1,510	1.79	-	-	-
Total interest-bearing deposits..	1,081,687	21,690	2.01	826,935	9,395	1.14	704,567	8,189	1.16
FHLB of Pittsburgh advances..........	887,822	30,673	3.41	859,742	23,591	2.70	678,680	20,905	3.04
Trust preferred borrowings............	62,986	5,292	8.29	51,162	2,184	4.20	50,000	1,963	3.87
Other borrowed funds.................	165,406	4,739	2.87	181,334	2,237	1.23	122,459	1,231	1.01

Cost of funding discontinued operations	-	(14)		-	(161)		-	(987)	
Total interest-bearing liabilities	2,197,901	62,380	2.84	1,919,173	37,246	1.94	1,555,706	31,301	2.01
Noninterest-bearing demand deposits	250,321			220,446			187,190		
Other noninterest-bearing liabilities	19,274			15,040			31,233		
Minority interest	209			200			-		
Stockholders' equity	188,499			190,235			200,305		
Total liabilities and stockholders' equity	$2,656,204			$2,345,094			$1,974,434		
Excess (deficit) of interest-earning assets over interest-bearing liabilities	$ 187,875			$ 181,595			$ 243,550		
Net interest and dividend income		$ 73,642			$66,864			$57,998	
Interest rate spread			2.91%			3.07%			3.02%
Interest rate margin			3.13%			3.24%			3.29%

(1) Weighted average yields have been computed on a tax-equivalent basis.
(2) Nonperforming loans are included in average balance computations.
(3) Balances are reflected net of unearned income.
(4) Includes securities available-for-sale. .

Provision for Loan Losses. The Corporation maintains an allowance for loan losses at an appropriate level based on management's assessment of the "estimable" and "probable" losses in the loan portfolio, pursuant to accounting literature which is discussed further in the Nonperforming Assets section of Management's Discussion and Analysis. Management's evaluation is based upon a review of the portfolio and requires significant judgement. For the year ended December 31, 2005, the Corporation recorded a provision for loan losses from continuing operations of $2.6 million compared to $3.2 million in 2004 and $2.6 million in 2003. In 2005, the decrease reflects an improvement in the credit quality of the loan portfolio.

Noninterest Income. Noninterest income increased $2.7 million to $34.7 million in 2005, or 8%, from $32.0 million in 2004. The increase was mainly the result of an increase of $2.9 million in card and ATM income as a result of underlying growth in volumes combined with increased prime-based bailment fees. As of December 31, 2005, the CashConnect segment, WSFS' ATM unit, recognized income from servicing 7,425 ATMs compared to 5,584 at December 31, 2004. Of these, WSFS owned and operated 271 ATMs in 2005. Additionally, deposit service charges increased $702,000 due primarily to an increase in total retail deposits driven by the promotion of a new free checking product line. The increases were partially offset by $605,000 of losses recognized on the sale of lower yielding agency investments.

Noninterest income increased $5.8 million to $32.0 million in 2004, or 22% from 2003. This increase was primarily due to card and ATM fee income which grew $2.4 million during 2004 as a result of continued expansion of WSFS' ATM network and customer card usage. At December 31, 2004, WSFS' CashConnect segment, WSFS's ATM unit, recognized income from servicing 5,584 ATMs compared to 4,716 at December 31, 2003. Of these, WSFS owned and operated 246 ATMs in 2004 compared to 222 in 2003. The increase was also due to fee income of $2.3 million from Montchanin. Additionally, WSFS received fee income of $2.2 million from the January 2004 investment in Bank-Owned Life Insurance (BOLI). Income from this long-term illiquid investment is shown as noninterest income in accordance with U.S. generally accepted accounting principles. These increases were partially offset by lower loan fee income of $668,000 and lower gains on the sales of loans and securities of $1.3 million. These decreases resulted primarily from generally higher interest rates and reduced refinancing activity during 2004 as compared to 2003.

Noninterest Expenses. Noninterest expenses for the year ended 2005 were $62.9 million for an increase of $7.2 million over the $55.7 million in 2004. This increase is primarily a result of the Company's growth in the commercial and retail banking areas and is mainly in salaries, benefits and other compensation, occupancy expense, marketing expenses and other operating expenses. The increase in marketing expenses also stem from expenses related to the promotion of a new free checking product line, and a campaign to increase market share for commercial banking. Consistent with accounting rules under Statement of Financial Accounting Standards (SFAS) No. 5, Accounting for Contingencies, a $397,000 loss contingency for standby letters of credit was recorded during 2005 and is included in other operating expenses. The Corporation established this reserve based on management's assessment of the "estimable" and "probable" losses in the standby letters of credit portfolio. More information is provided on the Corporation's standby letters of credit is provided in Note 16 to the Financial Statements. As a result of the continued growth, and the formation of the Wealth Management Services division, the Company anticipates that expenses will continue to grow.

Noninterest expenses of $55.7 million in 2004 increased $6.3 million, or 13% from 2003. Included in the 2004 results were $2.0 million in operating expenses related to Montchanin. Included in the 2003 results were $1.3 million of expenses recorded in connection with the sale of WF and $303,000 of expenses related to the Corporation's Technology, Organizational and Process Simplification Plan (TOPS). During the first quarter of 2003, the Corporation completed the previously announced TOPS program; an initiative designed to simplify the organization, better integrate technology solutions and reengineer certain back office processes. Excluding the above-mentioned items, operating expenses increased $5.9 million, or 12% from 2003. Included in this increase were a $3.3 million increase in salaries, benefits and other compensation and a $541,000 increase in occupancy expense. These increases were primarily due to normal salary increases and the Company's continued branch expansion efforts during 2004. Marketing expenses increased $700,000 from 2003, mainly due to the promotion of a new free checking product line designed to attract a greater share of market deposits over time. Also during 2004, the Company incurred $469,000 of expenses associated with the initial compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (SOX 404). Finally, during 2004 and 2003, the CashConnect segment performed an extensive analysis of its reserve for business losses. Based on its evaluation of probable losses using historical loss experience, the Company recorded a reduction to this reserve of $4,000 in 2004 and $261,000 in 2003.

Income Taxes. The Corporation recorded a $14.8 million tax provision for the year ended December 31, 2005 compared to $14.1 million and $34.9 million for the years ended December 31, 2004 and 2003, respectively. The effective tax rates for continuing operations for the years ended December 31, 2005, 2004 and 2003 were 34.8%, 35.1% and 34.1%, respectively. The provision for income taxes includes federal, state and local income taxes that are currently payable or deferred because of temporary differences between the financial reporting bases and the tax reporting bases of the assets and liabilities. The increase in the effective tax rate from 2003 to 2004 is principally the result of a change in New Jersey tax law that was enacted in June 2004. This law change, which eliminated the utilization of a portion of the Company's net operating losses in 2004, resulted in additional New Jersey state taxes payable.

At December 31, 2005, approximately $3.3 million in gross deferred tax assets of the Corporation are related to net operating losses and tax credits attributable to a former subsidiary. Management has assessed a valuation allowance of $1.96 million on these deferred tax assets due to limitations imposed by the Internal Revenue Code. Approximately $744,000 in gross deferred tax assets of the Corporation at December 31, 2005 are related to state tax net operating losses. Management has established a valuation allowance on all of these deferred tax assets due to such net operating losses expiring before being utilized.

The Corporation has an ongoing program that analyzes its projection of taxable income and makes adjustments to its provision for income taxes accordingly. For additional information regarding the Corporation's tax provision and net operating loss carryforwards, see Note 14 to the Consolidated Financial Statements.

FINANCIAL CONDITION

Total assets increased $343.8 million, or 14%, during 2005 to $2.8 billion. This increase was predominantly due to growth in net loans, which grew $239.8 million, or 16% during 2005. Total liabilities increased $358.2 million during the year to $2.7 billion at December 31, 2005. This increase was primarily the result of an increase in deposits of $211.3 million, or 17% during 2005. In addition, the increase was due to increased advances from the FHLB of $171.7 million.

Cash in non-owned ATMs. Between December 31, 2004 and December 31, 2005, the CashConnect segments', WSFS' ATM unit, cash in non-owned ATMs increased $43.4

million, or 33%. This increase was the result of an increase in the number of ATMs serviced by CashConnect from 5,584 at December 31, 2004 to 7,425 at December 31, 2005. Of these, 271 ATMs were WSFS owned and operated during 2005.

Mortgage-backed Securities. Investments in mortgage-backed securities increased $96.2 million during 2005 to $620.3 million. During 2005, the Corporation purchased $220.8 million in mortgage-backed securities. This increase was offset by principal repayments of $112.4 million. The weighted average duration of the mortgage-backed securities was 3.1 years at December 31, 2005.

Loans, net. Net loans, including loans held-for-sale, increased $239.8 million, or 16% during 2005. This included increases of $140.2 million, or 38% in commercial loans, $51.9 million, or 10% in commercial real estate loans, $33.9 million, or 16% in consumer loans and $17.8 million, or 4% in residential mortgage loans.

Retail Deposits. Retail deposits increased $141.7 million, or 13% during 2005 to $1.2 billion. Core deposit relationships (demand deposits, money market and savings accounts) increased $122.6 million, or 16% during the year. In addition, retail time deposits (CDs) increased $19.1 million, or 7% in 2005. The table below depicts the changes in retail deposits over the last three years:

Year Ended December 31,	2005	2004	2003
(In Millions)			
Beginning balance	$1,052.2	$ 883.1	$872.1
Interest credited	11.4	6.6	6.4
Deposit inflows, net	130.3	162.5	4.6
Ending balance	$1,193.9	$1,052.2	$883.1

Borrowings and Brokered Certificates of Deposit. Total borrowings increased by $140.9 million, or 13% between December 31, 2004 and December 31, 2005. Advances from the FHLB increased $171.7 million, or 21% and Trust Preferred borrowings increased $15.5 million, or 30%. Brokered deposits also increased $73.9 million, or 54% during the year. These increases were primarily used to fund the 16% growth in loans during 2005.

Stockholders' Equity. Stockholders' equity decreased $14.3 million to $182.0 million at December 31, 2005. This decrease was mainly due to the acquisition of 719,500 shares of the Corporation's common stock for $40.2 million ($55.94 per share average). At December 31, 2005, the Corporation held 8.8 million shares of its common stock as treasury shares. The Corporation intends to continue repurchasing shares in 2006 in amounts depending on stock price and alternative uses of capital. In addition, other comprehensive loss increased $6.6 million due to a decline in the fair value of securities available-for-sale. Finally, the Corporation declared cash dividends totaling $1.8 million. These decreases were partially offset by net income of $27.9 million and in increase of $6.1 million in proceeds from the exercise of stock options.

ASSET/LIABILITY MANAGEMENT

The primary asset/liability management goal of the Corporation is maximizing its net interest income opportunities within the constraints of managing interest rate risk, while ensuring adequate liquidity and funding and maintaining a strong capital base.

In general, interest rate risk is mitigated by closely matching the maturities or repricing periods of interest-sensitive assets and liabilities to ensure a favorable interest rate spread. Management regularly reviews the Corporation's interest-rate sensitivity, and uses a variety of strategies as needed to adjust that sensitivity within acceptable tolerance ranges established by management and the Board of Directors. Changing the relative proportions of fixed-rate and adjustable-rate assets and liabilities is one of the primary strategies utilized by the Corporation to accomplish this objective.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest-rate sensitive" and by monitoring an institution's interest-sensitivity gap. An interest-sensitivity gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities repricing within a defined period, and is considered negative when the amount of interest-rate sensitive liabilities exceeds the amount of interest-rate sensitive assets repricing within a defined period.

The repricing and maturities of the Corporation's interest-rate sensitive assets and interest-rate sensitive liabilities at December 31, 2005 are set forth in the following table:

	Less than One Year	One to Five Years	Over Five Years	Total
(Dollars in Thousands)				
Interest-rate sensitive assets :				
Real estate loans (1).............................	$ 638,064	$ 328,379	$ 79,740	$1,046,183
Commercial loans..................................	426,238	58,842	23,850	508,930
Consumer loans....................................	113,998	55,067	75,755	244,820
Mortgage-backed securities........................	215,334	154,368	250,621	620,323
Loans held-for-sale...............................	438	-	-	438
Investment securities.............................	48,718	38,194	16,870	103,782
Other investments.................................	173	-	-	173
	1,442,963	634,850	446,836	2,524,649
Interest-rate sensitive liabilities:				
Money market and interest-bearing demand deposits..	91,032	-	259,744	350,776
Savings deposits..................................	70,621	-	181,054	251,675
Retail time deposits..............................	224,950	85,814	1,301	312,065
Jumbo certificates of deposit.....................	36,935	3,632	-	40,567
Brokered certificates of deposit..................	211,738	-	-	211,738
FHLB advances	661,000	274,900	72,821	1,008,721
Trust preferred borrowings........................	67,011	-	-	67,011
Other borrowed funds..............................	95,794	1	23,481	119,276
	1,459,081	364,347	538,401	2,361,829
(Deficiency) excess of interest-rate sensitive.... assets over interest-rate sensitive liabilities.... ("interest-rate sensitive gap")...................	$ (16,118)	$ 270,503	$(91,565)	$ 162,820

One-year interest-rate sensitive assets/interest-rate sensitive liabilities	98.90%
One-year interest-rate sensitive gap as a percent of total assets	(0.57)%

(1) Includes commercial mortgage, construction, and residential mortgage loans.

Generally, during a period of rising interest rates, a positive gap would result in an increase in net interest income while a negative gap would adversely affect net interest income. Conversely, during a period of falling rates, a positive gap would result in a decrease in net interest income while a negative gap would augment net interest income. However, the interest-sensitivity table does not provide a comprehensive representation of the impact of interest rate changes on net interest income. Each category of assets or liabilities will not be affected equally or simultaneously by changes in the general level of interest rates. Even assets and liabilities which contractually reprice within the rate period may not, in fact, reprice at the same price or the same time or with the same frequency. It is also important to consider that the table represents a specific point in time. Variations can occur as the Company adjusts its interest-sensitivity position throughout the year.

To provide a more accurate one-year gap position of the Corporation, certain deposit classifications are based on the interest-rate sensitive attributes and not on the contractual repricing characteristics of these deposits. Management estimates, based on historical trends of the Bank's deposit accounts, that 35% of money market and 13% of interest-bearing demand deposits are sensitive to interest rate changes and that 22% to 36% of savings deposits are sensitive to interest rate changes. Accordingly, these interest-sensitive portions are classified in the less than one-year category with the remainder in the over five-year category.

Deposit rates other than time deposit rates are variable, and changes in deposit rates are generally subject to local market conditions and management's discretion and are not indexed to any particular rate.

In 1998, the Corporation purchased a ten-year interest rate cap in order to limit its exposure on $51.5 million of variable Trust Preferred Securities issued in 1998. On April 6, 2005, the Corporation completed the issuance of $67.0 million of aggregate principal amount of Pooled Floating Rate Securities. The proceeds from this issuance were used to fund the redemption of $51.5 million of Floating Rate Capital Trust I Preferred Securities. This derivative instrument caps the three-month LIBOR, the base rate of the trust preferred borrowings, at 6.00%. The Trust Preferred borrowings are classified in the less than one-year category reflecting the ability to adjust upward for the balance of the term of the interest rate cap. If the three-month LIBOR rate equals or exceeds 6.00%, the Trust Preferred borrowing takes on a fixed characteristic and therefore would be classified in the period corresponding to the cap's maturity.

REVERSE MORTGAGES

The Corporation holds an investment in reverse mortgages of $785,000 at December 31, 2005 representing a participation in reverse mortgages with a third party.

Reverse mortgage loans are contracts that require the lender to make monthly advances throughout the borrower's life or until the borrower relocates, prepays or the home is sold, at which time the loan becomes due and payable. Reverse mortgages are nonrecourse obligations, which means that the loan repayments are generally limited to the net sale proceeds of the borrower's residence.

The Corporation accounts for its investment in reverse mortgages by estimating the value of the future cash flows on the reverse mortgages at a rate deemed appropriate for these mortgages, based on the market rate for similar collateral. Actual cash flows from the maturity of these mortgage loans can result in significant volatility in the recorded value of reverse mortgage assets. As a result, income varies significantly from reporting period to reporting period. For the year ended December 31, 2005, the Corporation earned $678,000 in interest income on reverse mortgages as compared to $1.8 million in 2004 and $(24,000) in 2003.

The projected cash flows depend on assumptions about life expectancy and the changes in future collateral values. Projecting the changes in future collateral values is the most significant factor impacting the volatility of future cash flows. The Corporation is currently estimating a short-term annual appreciation rate of -8.0% in the first year, and a long-term annual appreciation rate of 0.5% in future years. If the long-term appreciation rate was increased to 1.5%, the resulting impact on income would have been $150,000. Conversely, if the long-term appreciation rate was decreased to -0.5%, the resulting impact on income would have been $(130,000).

The Corporation also holds $12.0 million in BBB-rated mortgage-backed securities classified as trading and options to acquire up to 49.9% of Class "O" Certificates issued in connection with securities consisting of a portfolio of reverse mortgages previously held by the Corporation. At the time of the securitization, the securitizer retained 100% of the Class "O" Certificates from the securitization. These Class "O" Certificates have no priority over other classes of Certificates under the Trust and no distributions will be made on the Class "O" Certificates until, among other conditions, the principal amount of each other class of notes has been reduced to zero. The underlying assets, the reverse mortgages, are very long-term assets. Hence, any cash flow that might inure to the holder of the Class "O" Certificates is not expected to occur until many years in the future. Additionally, the Company can exercise its option on 49.9% of the Class "O" Certificates in up to five separate increments for an aggregate purchase price of $1.0 million any time between January 1, 2004 and the termination of the Securitization Trust. The option to purchase the Class "O" Certificates does not meet the definition of a derivative under SFAS 133, Accounting for Derivative and Hedging Activities.

DISCONTINUED OPERATIONS

In December 2000, the Corporation approved plans to discontinue the operations of WCC. At December 31, 2000, WCC had 7,300 lease contracts and 2,700 loan contracts, compared to zero lease contracts and 31 loan contracts at December 31, 2005. WCC no longer accepts new applications, but will continue to service existing loans until their maturity.

An extensive analysis as of December 31, 2005 indicated that no additional reserves were needed for the expected losses in the business during the remaining wind-down period.

At December 31, 2005, there were $74,000 in indirect loans and zero in indirect leases, net, still outstanding. At December 31, 2005, WSFS had exposure to

$19,000 in remaining used car residuals, for which it estimates a loss of $8,000. Management has provided for this loss in the Financial Statements. Due to the provision for this estimated exposure in the financial statements, the loss on the wind-down of discontinued operations, net of tax, was zero in 2005.

BUSINESS HELD-FOR-SALE

In November 2002, WSFS signed a definitive agreement for the sale of WSFS' majority-owned subsidiary, WF. This sale was completed in January 2003. In 2003, WSFS recognized an after tax gain on the sale of $41.3 million or $5.01 per diluted share. The sale included $148.2 million in assets, of which $117.6 million were residential mortgage loans held-for-sale. The gain on the sale of WF is presented separately on the statement of operations, net of tax.

The completion of this divestiture transaction was consistent with the Company's strategic direction to focus resources and capital on WSFS' core community bank network in and around Delaware.

MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its lending, investing and funding activities. To that end, management actively monitors and manages its interest rate risk exposure. One measure required to be performed by the Office of Thrift Supervision (OTS)-regulated institutions is the test specified by OTS Thrift Bulletin No. 13A, "Management of Interest Rate Risk, Investment Securities and Derivatives Activities." This test measures the impact on the net portfolio value of an immediate change in interest rates in 100 basis point increments. Net portfolio value is defined as the net present value of the estimated cash flows from assets and liabilities as a percentage of the net present value of assets. The following table is the estimated impact of immediate changes in interest rates on the Company's net interest margin and net portfolio value at the specified levels at December 31, 2005 and 2004, calculated in compliance with Thrift Bulletin No. 13A:

December 31,	2005		2004	
Change in Interest Rate (Basis Points)	% Change in Net Interest Margin (1)	Net Portfolio Value (2)	% Change in Net Interest Margin (1)	Net Portfolio Value (2)
+300	0%	7.33%	3%	9.26%
+200	0%	7.86%	2%	9.35%
+100	0%	8.31%	1%	9.42%
0	0%	8.72%	0%	9.47%
-100	-2%	8.83%	-3%	9.30%
-200 (3)	-7%	8.62%	-9%	9.10%
-300 (3)	-11%	8.32%	-17%	9.07%

(1) The percentage difference between net interest margin in a stable interest rate environment and net interest margin as projected under the various rate environment changes.
(2) The net portfolio value of the Company in a stable interest rate environment and the net portfolio value as projected under the various rate environment changes.
(3) Sensitivity indicated by a decrease of 200 and 300 basis points may not be particularly meaningful at December 31, 2005 and 2004 given the historically low absolute level of interest rates at these dates.

The Company's primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on the Company's net interest income and capital, while maximizing the yield/cost spread on the Company's asset/liability structure. The Company relies primarily on its asset/liability structure to control interest rate risk.

The Company also engages in other business activities that are sensitive to changes in interest rates. For example, mortgage banking revenues and expenses can fluctuate with changing interest rates. These fluctuations are difficult to model and estimate.

NONPERFORMING ASSETS

Nonperforming assets, which include nonaccruing loans, nonperforming real estate investments and assets acquired through foreclosure, can negatively affect the Corporation's results of operations. Nonaccruing loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and the value of the collateral is insufficient to cover principal and interest. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed and charged against interest income. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual status. Subsequent cash receipts are applied either to the outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collectibility of principal and interest. Past due loans are defined as loans contractually past due 90 days or more as to principal or interest payments but which remain in accrual status because they are considered well secured and in the process of collection.

The following table sets forth the Corporation's nonperforming assets and past due loans at the dates indicated:

December 31,	2005	2004	2003	2002	2001
(Dollars in Thousands)					
Nonaccruing loans:					
Commercial	$ 925	$1,595	$1,549	$2,242	$1,330
Consumer	155	291	240	516	306
Commercial mortgages	727	909	941	326	1,928
Residential mortgages	1,567	1,601	2,513	3,246	3,618
Construction	36	-	-	199	351
Total nonaccruing loans	3,410	4,396	5,243	6,529	7,533
Assets acquired through foreclosure	59	217	301	904	432
Total nonperforming assets	$3,469	$4,613	$5,544	$7,433	$7,965
Past due loans:					
Residential mortgages	$ 327	$ 703	$ 915	$ 346	$ 88
Commercial and commercial mortgages	-	-	129	95	767
Consumer	59	104	148	88	244
Total past due loans	$ 386	$ 807	$1,192	$ 529	$1,099
Ratio of nonaccruing loans to total loans (1)	0.19%	0.28%	0.40%	0.60%	0.72%
Ratio of allowance for loan losses to gross loans (1)	1.41%	1.56%	1.69%	1.95%	2.05%
Ratio of nonperforming assets to total assets	0.12%	0.18%	0.25%	0.44%	0.42%
Ratio of loan loss allowance to nonaccruing loans (2)	709.47%	524.05%	421.91%	324.49%	277.77%

(1) Total loans exclude loans held-for-sale.
(2) The applicable allowance represents general valuation allowances only.

The ratio of nonaccruing loans to total loans improved from 0.28% in 2004 to 0.19% in 2005. In addition, the ratio of nonperforming assets to total assets improved from 0.18% in 2004 to 0.12% in 2005. These improvements were the result of continued strong levels of asset quality.

The following table provides an analysis of the change in the balance of nonperforming assets during the last three years:

Year Ended December 31,	2005	2004	2003
(In Thousands)			
Beginning balance	$ 4,613	$ 5,544	$ 7,433
Additions	5,062	6,554	7,299
Collections	(4,467)	(4,668)	(6,992)
Transfers to accrual	(398)	(1,717)	(945)
Charge-offs/write-downs	(1,341)	(1,100)	(1,251)
Ending balance	$ 3,469	$ 4,613	$ 5,544

Allowance for Loan Losses. The Corporation maintains allowances for credit losses and charges losses to these allowances when such losses are realized. The determination of the allowance for loan losses requires significant judgement reflecting management's best estimate of probable loan losses related to specifically identified loans as well as probable loan losses in the remaining loan portfolio. Management's evaluation is based upon a review of these portfolios.

Management establishes the loan loss allowance in accordance with guidance provided in the Securities and Exchange Commission's Staff Accounting Bulletin 102 (SAB 102). Its methodology for assessing the appropriateness of the allowance consists of several key elements which include: specific allowances for identified problem loans; formula allowances for commercial and commercial real estate loans; and allowances for pooled homogenous loans.

Specific reserves are established for certain loans in cases where management has identified significant conditions or circumstances related to a specific credit that management believes indicate the probability that a loss has been incurred.

The formula allowances for commercial and commercial real estate loans are calculated by applying loss factors to outstanding loans in each case based on the internal risk grade of each loan. As a result, changes in risk grades of both performing and nonperforming loans affect the amount of the formula allowance. Loss factors by risk grade have a basis in WSFS' historical loss experience for such loans and may be adjusted for significant factors that, in management's judgement, affect the collectability of the portfolio as of the evaluation date. See the discussion of historical loss adjustment factors below.

Pooled loans are loans that are usually smaller, not-individually-graded and homogenous in nature, such as consumer installment loans and residential mortgages. Pooled loan loss allowances are based on historical net charge-offs for ten years. The average loss allowance per homogenous pool is based on the product of average annual historical loss rate and the average estimated duration of the pool multiplied by the pool balances. These separate risk pools are assigned a reserve for losses based upon this historical loss information and historical loss adjustment factors. Historical loss adjustment factors are based upon management's evaluation of various current conditions including those listed below.

- General economic and business conditions affecting WSFS' key lending areas,
- Credit quality trends (including trends in nonperforming loans expected to result from existing conditions),
- Recent loss experience in particular segments of the portfolio,
- Collateral values and loan-to-value ratios,
- Loan volumes and concentrations, including changes in mix,
- Seasoning of the loan portfolio,
- Specific industry conditions within portfolio segments,
- Bank regulatory examination results, and
- Other factors, including changes in quality of the loan origination, servicing and risk management processes.

WSFS' loan officers and risk managers meet at least quarterly to discuss and review these conditions and risks associated with individual problem loans. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for such losses. The Company also gives consideration to the results of these regulatory agency examinations.

The table below represents a summary of changes in the allowance for loan losses during the periods indicated:

Year Ended December 31,	2005	2004	2003	2002	2001
(Dollars in Thousands)					
Beginning balance	$ 24,222	$ 22,386	$ 21,452	$ 21,597	$ 21,423
Provision for loan losses - continuing operations	2,582	3,217	2,550	2,243	1,865
Provision for loan losses - businesses held-for-sale	-	-	-	211	347
Sale of businesses held-for-sale	-	-	-	(269)	-
Charge-offs:					
Residential real estate	90	222	329	725	106
Commercial real estate (1)	104	148	-	333	195
Commercial	1,048	656	827	895	1,000
Consumer (2)	631	817	860	1,551	1,031
Total charge-offs	1,873	1,843	2,016	3,504	2,332
Recoveries:					
Residential real estate	59	32	-	76	1
Commercial real estate (1)	42	-	202	181	61
Commercial	209	335	79	483	100
Consumer (2)	140	95	119	434	132
Total recoveries	450	462	400	1,174	294
Net charge-offs	1,423	1,381	1,616	2,330	2,038
Ending balance	$ 25,381	$ 24,222	$ 22,386	$ 21,452	$ 21,597
Net charge-offs to average gross loans outstanding, net of unearned income	0.09%	0.10%	0.13%	0.22%	0.20%

(1) Includes commercial mortgage and construction loans.
(2) 2002 and prior years include amounts for businesses held-for-sale.

For the year ended December 31, 2005, the Corporation provided $2.6 million for loan losses. The decrease in 2005 reflects improved credit quality of the Corporation's loan portfolio despite strong loan growth.

The allowance for losses is allocated by major portfolio type. As these portfolios have developed, they have become a source of historical data in projecting delinquencies and loss exposure; however, such allocations are not indicative of where future losses may occur. The allocation of the allowance for loan and lease losses by portfolio type at the end of each of the last five fiscal years, and the percentage of outstanding in each category to total gross loans outstanding, at such dates follow:

December 31,	2005		2004		2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)										
Residential real estate	$ 1,632	25.4%	$ 1,468	28.1%	$ 2,736	34.6%	$ 3,620	38.2%	$ 4,039	38.2%
Commercial real estate	10,978	32.7	9,211	34.6	8,338	29.3	7,208	26.2	6,927	24.3
Commercial	9,471	28.3	10,456	23.7	8,368	22.0	7,375	19.1	6,963	18.7
Consumer	3,300	13.6	3,087	13.6	2,944	14.1	3,249	16.5	3,668	18.8
Total	$25,381	100.0%	$24,222	100.0%	$22,386	100.0%	$21,452	100.0%	$21,597	100.0%

LIQUIDITY

The Company manages its liquidity risk and funding needs through its treasury function and its Asset/Liability Committee. Historically, the Company has had success in growing its loan portfolio. For example, during the year ended December 31, 2005, net loan growth resulted in the use of $228.8 million in cash. The loan growth was primarily the result of the continued success increasing corporate and small business lending. Management expects this trend to continue. While the Company's loan-to-deposit ratio has been well above 100% for many years, management has significant experience managing its funding needs through borrowings and deposit growth.

As a financial institution, the Company has ready access to several sources of funding. Among these are:

- Deposit growth
- The brokered CD market
- Borrowing from the FHLB
- Other borrowings such as repurchase agreements
- Cashflow from securities and loan repayments
- And net income of the Company

The Company's current branch expansion and renovation program is focused on expanding the Company's retail footprint in Delaware and attracting new customers to provide additional deposit growth. Retail deposit growth was strong, equaling $141.7 million or 13% between December 31, 2004 and December 31, 2005.

The Corporation's portfolio of high-quality, liquid investments, primarily short-duration AAA-rated, mortgage-backed securities and Agency notes also provide a near-continuous source of cash flow to meet current cash needs. If needed, portions of this portfolio could also be sold to provide cash to fund loan growth. During the year ended December 31 2005, $39.3 million in cash was also provided by operating activities.

The Company has a policy that separately addresses liquidity, and management monitors the Company's adherence to policy limits. One measure of the Company's liquidity is the ratio of cash and qualified assets to net withdrawable deposits and borrowings due within one year, which was 7.4% at December 31, 2005, compared with 10.5% at December 31, 2004. The ratio at both dates were well in excess of the policy minimum. Also, liquidity risk management is a primary area of examination by the OTS.

The Corporation has not used and has no intention of using any significant off balance sheet financing arrangement for liquidity management purposes. The Corporation's financial instruments with off balance sheet risk are limited to obligations to fund loans to customers pursuant to existing commitments, obligations of letters of credit and an interest rate cap which limits the interest rate exposure on $50.0 million of trust preferred floating rate debt. In addition, WSFS has not had and has no intention to have any significant transactions, arrangements or other relationships with any unconsolidated, limited purpose entities that could materially affect its liquidity or capital resources.

CAPITAL RESOURCES

Federal laws, among other things, require the OTS to mandate uniformly applicable capital standards for all savings institutions. These standards currently require institutions such as WSFS to maintain a "tangible" capital ratio equal to 1.5% of adjusted total assets, "core" (or "leverage") capital equal to 4.0% of adjusted total assets, "Tier 1" capital equal to 4.0% of "risk-weighted" assets and total "risk-based" capital (a combination of core and "supplementary" capital) equal to 8.0% of "risk-weighted" assets.

The Federal Deposit Insurance Corporation Improvement Act (FDICIA), as well as other requirements, established five capital tiers: well-capitalized, adequately-capitalized, under-capitalized, significantly under-capitalized and critically under- capitalized. A depository institution's capital tier depends upon its capital levels in relation to various relevant capital measures, which include leverage and risk-based capital measures and certain other factors. Depository institutions that are not classified as well-capitalized are subject to various restrictions regarding capital distributions, payment of management fees, acceptance of brokered deposits and other operating activities.

At December 31, 2005, WSFS is classified as well-capitalized, the highest regulatory defined level, and is in compliance with all regulatory capital requirements. Additional information concerning WSFS' regulatory capital compliance is included in Note 12 to the Financial Statements.

Since 1996, the Board of Directors has approved several stock repurchase programs to acquire common stock outstanding. As part of these programs, the Corporation acquired approximately 719,500 shares in 2005 and 373,900 shares in 2004. At December 31, 2005, the Corporation held 8.8 million shares of its common stock as treasury shares. The Corporation intends to continue repurchasing shares in 2006 in amounts depending on stock price and alternative uses of capital. At December 31, 2005, the Corporation had 650,000 shares remaining under its current share repurchase authorization.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no off balance sheet arrangements that currently have, or are reasonably likely to have a material future effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. Additional information concerning the Corporation's off balance sheet arrangements is included in Note 16 to the Financial Statements.

CONTRACTUAL OBLIGATIONS

At December 31, 2005, the Corporation had contractual obligations relating to operating leases, long-term debt, data processing and credit obligations. These obligations are summarized below. Additional information concerning the Corporation's contractual obligations is included in Notes 9, 11, and 16 to the Financial Statements.

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(Amount in Thousands)		
Operating lease obligations	$ 37,288	$ 2,253	$ 5,550	$ 5,524	$23,961
Long-term debt obligations	1,008,721	661,000	209,900	65,000	72,821
Data processing contracts	12,587	3,364	6,147	3,076	-
Credit obligations	503,398	503,398		-	
Total	$1,561,994	$1,170,015	$221,597	$73,600	$96,782

IMPACT OF INFLATION AND CHANGING PRICES

The Corporation's Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without consideration of the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased costs of the Corporation's operations. Unlike most industrial companies, nearly all the assets and liabilities of the Corporation are monetary. As a result, interest rates have a greater impact on the Corporation's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or the same extent as the price of goods and services.

RECENT LEGISLATION

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "Act"). The SEC promulgated certain regulations pursuant to the Act and will continue to propose additional implementing or clarifying regulations as necessary in furtherance of the Act.

The passage of the Act and the regulations implemented by the SEC subjected publicly-traded companies to additional and more comprehensive reporting regulations and disclosure. These new regulations, which are intended to curtail corporate fraud, require the chief executive officer and chief financial officer of the Company to personally certify certain SEC filings as well as the Company's Financial Statements and to certify as to (i) the existence of disclosure controls and procedures within the Company are designed to ensure that information required to be disclosed by the Company in its SEC filings is processed, summarized and reported accurately and (ii) the effectiveness of the Company's internal control over financial reporting.

The Act and regulations promulgated thereunder by the SEC also impose additional measures to be taken by the Company's officers, directors and outside auditors and impose accelerated reporting requirements by officers and directors of the Company in connection with certain changes in their equity holdings of the Company. Implementation of and compliance with the Act and corresponding regulations has and will likely increase the Company's operating expenses.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the financial condition and results of operations are based on the Consolidated Financial Statements, which are prepared in conformity with U.S. generally accepted accounting principles. The preparation of these Financial Statements requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue and expenses. Management evaluates these estimates and assumptions on an ongoing basis, including those related to the allowance for loan losses, contingencies (including indemnifications), and deferred taxes. Management bases its estimates on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances. These form the basis for making judgements on the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The following are critical accounting policies that involve more significant judgements and estimates:

Allowance for Loan Losses

The Corporation maintains allowances for credit losses and charges losses to these allowances when realized. The determination of the allowance for loan losses requires significant judgement reflecting management's best estimate of probable loan losses related to specifically identified loans, as well as those in the remaining loan portfolio. Management's evaluation is based upon a continuing review of these portfolios, with consideration given to evaluations resulting from examinations performed by regulatory authorities.

Contingencies (Including Indemnifications)

In the ordinary course of business, the Corporation, the Bank and its subsidiaries are subject to legal actions which involve claims for monetary relief. Based upon information presently available to the Corporation and its counsel, it is the Corporation's opinion that any legal and financial responsibility arising from such claims will not have a material adverse effect on the Corporation's results of operations.

The Bank, as successor to originators of reverse mortgages is, from time to time, involved in disputes, arbitration or litigation with various parties including borrowers or the heirs of borrowers. Because reverse mortgages are a relatively new and uncommon product, there can be no assurances regarding how the courts or arbitrators may apply existing legal principles to the interpretation and enforcement of the terms and conditions of the Bank's reverse mortgage obligations.

Deferred Taxes

The Corporation accounts for income taxes in accordance with SFAS 109, Accounting for Income Taxes, which requires the recording of deferred income taxes that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Management has assessed the Company's valuation allowances on deferred income taxes resulting from, among other things, limitations imposed by Internal Revenue Code and uncertainties, including the timing of settlement and realization of these differences.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), Share-Based Payment - An Amendment of Statements No. 123 and 95 that addresses the accounting for equity-based compensation arrangements, including employee stock options. Upon implementation of the changes proposed in this statement, entities would no longer be able to account for equity-based compensation using the intrinsic value method under Opinion No. 25. Entities would be required to measure the cost of employee services received in exchange for awards of equity instruments at the grant date of the award using a fair value based method. SFAS 123 (R) becomes effective for public entities that do not file as small business issuers as of the beginning of the first fiscal reporting period that begins after June 15, 2005. For the Corporation, it will become effective on January 1, 2006. See Note 1 to the Financial Statements for the Company's disclosure of the prospective impact of fair value accounting for stock options.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3 that requires retrospective application to prior periods financial statements of voluntary changes in accounting principle and changes required by new accounting standards when the standard does not include specific transition provisions unless it is impracticable to do so. SFAS 154 becomes effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. For the Corporation, this will become effective on January 1, 2006. The adoption of this Statement will not have a material impact on the Corporation's Consolidated Financial Statements.

In November 2005, FASB Staff Position (FSP) SFAS Nos. 115-1 and SFAS 124-1 The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, was issued. This FSP addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. This FSP also includes accounting considerations subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in this FSP shall be applied to reporting periods beginning after December 15, 2005. For the Corporation, this will become effective on January 1, 2006. The adoption of this Statement will not have a material impact on the Corporation's Consolidated Financial Statements.

Market for Registrant's Common Equity and Related Stockholder Matters

WSFS Financial Corporation's Common Stock is traded on The Nasdaq Stock MarketSM under the symbol WSFS. At December 31, 2005, the Corporation had 1,378 registered common stockholders of record. The following table sets forth the range of high and low sales prices for the Common Stock for each full quarterly period within the two most recent fiscal years as well as the quarterly dividends paid.

The closing market price of the common stock at December 31, 2005 was $61.25.

		Stock Price Range		
		Low	High	Dividends
2005	4th	$57.12	$65.00	$ 0.07
	3rd	54.00	59.26	0.07
	2nd	49.50	56.70	0.07
	1st	51.90	60.38	0.06
				$ 0.27
2004	4th	$49.90	$62.75	$ 0.06
	3rd	47.80	53.75	0.06
	2nd	45.03	51.12	0.06
	1st	43.81	52.31	0.05
				$ 0.23

Management's Report on Internal Control Over Financial Reporting

To Our Stockholders:

Management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. The Corporation's internal control over financial reporting is designed to provide reasonable assurance to the Corporation's management and board of directors regarding the preparation and fair presentation of published financial statements.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on this assessment, management has concluded that, as of December 31, 2005, the Corporation's internal control over financial reporting is effective based on those criteria.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005, has been audited by KPMG LLP, the independent registered public accounting firm who also audited the Corporation's consolidated financial statements. KPMG's attestation report on management's assessment of the Corporation's internal control over financial reporting appears elsewhere in this annual report.

/s/Marvin N. Schoenhals	/s/Stephen A. Fowle
Marvin N. Schoenhals Chairman and President and Chief Financial Officer	Stephen A. Fowle Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
WSFS Financial Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that WSFS Financial Corporation (the Corporation) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in COSO. Also, in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of condition of WSFS Financial Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005, and our report dated March 15, 2006 expressed an unqualified opinion on those consolidated financial statements.

/s/KPMG LLP

March 15, 2006
Philadelphia, Pennsylvania

Report of Independent Registered
Public Accounting Firm

The Board of Directors and Stockholders
WSFS Financial Corporation:

We have audited the accompanying consolidated statement of condition of WSFS Financial Corporation and subsidiaries (the Corporation) as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WSFS Financial Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the

Corporation's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/KPMG LLP

March 15, 2006
Philadelphia, Pennsylvania

WSFS FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31,	2005	2004	2003
(Dollars in Thousands, Except Per Share Data)			
Interest income:			
Interest and fees on loans	$ 105,639	$ 78,101	$ 72,001
Interest on mortgage-backed securities	25,687	20,326	14,874
Interest and dividends on investment securities	2,580	3,099	1,503
Interest on investments in reverse mortgages	678	1,847	(24)
Other interest income	1,438	737	945
	136,022	104,110	89,299
Interest expense:			
Interest on deposits	21,690	9,395	8,189
Interest on Federal Home Loan Bank advances	30,659	23,430	19,918
Interest on federal funds purchased and securities sold under agreements to repurchase	4,089	2,064	927
Interest on trust preferred borrowings	5,292	2,184	1,963
Interest on other borrowings	650	173	304
	62,380	37,246	31,301
Net interest income	73,642	66,864	57,998
Provision for loan losses	2,582	3,217	2,550
Net interest income after provision for loan losses	71,060	63,647	55,448
Noninterest income:			
Credit/debit card and ATM income	15,049	12,137	9,749
Deposit service charges	10,091	9,389	9,119
Investment advisory income	2,519	2,262	-
Bank-owned life insurance income	2,003	2,190	-
Loan fee income	1,999	2,182	2,850
Mortgage banking activities, net	391	439	1,517
Securities (losses) gains	(605)	249	515
Other income	3,206	3,102	2,416
	34,653	31,950	26,166
Noninterest expenses:			
Salaries, benefits and other compensation	35,172	30,723	26,544
Occupancy expense	5,168	4,666	4,040
Equipment expense	3,879	3,696	3,777
Data processing and operations expense	3,465	3,246	2,812
Marketing expense	2,745	2,329	1,602
Professional fees	2,416	2,496	2,673
Other operating expenses	10,032	8,543	7,969
	62,877	55,699	49,417
Income from continuing operations before minority interest and taxes	42,836	39,898	32,197
Less minority interest	133	190	-

Income from continuing operations before taxes	42,703	39,708	32,197
Income tax provision	14,847	13,951	10,964
Income from continuing operations	27,856	25,757	21,233
Income on wind-down of discontinued operations, net of taxes	-	143	-
Gain on sale of businesses held-for-sale, net of taxes	-	-	41,789
Net income	$ 27,856	$ 25,900	$ 63,022

CONSOLIDATED STATEMENT OF OPERATIONS (continued)

Year Ended December 31,	2005	2004	2003
(Dollars in Thousands, Except Per Share Data)			
Earnings per share:			
Basic:			
Income from continuing operations	$ 4.10	$ 3.60	$ 2.73
Income on wind-down of discontinued operations, net of taxes	-	0.02	-
Gain on sale of businesses held-for-sale, net of taxes	-	-	5.38
Net income	$ 4.10	$ 3.62	$ 8.11
Diluted:			
Income from continuing operations	$ 3.89	$ 3.39	$ 2.58
Income on wind-down of discontinued operations, net of taxes	-	0.02	-
Gain on sale of businesses held-for-sale, net of taxes	-	-	5.07
Net income	$ 3.89	$ 3.41	$ 7.65

The accompanying notes are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CONDITION

December 31,	2005	2004
(In Thousands)		
Assets		
Cash and due from banks	$ 59,251	$ 61,328
Cash in non-owned ATMs	174,527	131,150
Interest-bearing deposits in other banks	173	531
Total cash and cash equivalents	233,951	193,009
Investment securities held-to-maturity (market value: 2005-$5,005; 2004-$8,286)	4,806	7,767
Investment securities available-for-sale	52,683	89,609
Mortgage-backed securities held-to-maturity (market value: 2005-$-; 2004-$4)	-	4
Mortgage-backed securities available-for-sale	608,372	512,189
Mortgage-backed securities trading	11,951	11,951
Loans held-for-sale	436	3,229
Loans, net of allowance for loan losses of $25,381 at December 31, 2005 and $24,222 at December 31, 2004	1,774,858	1,532,238
Bank-owned life insurance	54,193	52,190
Stock in Federal Home Loan Bank of Pittsburgh, at cost	46,293	43,946
Assets acquired through foreclosure	59	217
Premises and equipment	22,904	22,835
Accrued interest receivable and other assets	36,212	32,684
Loans, operating leases and other assets of discontinued operations	34	1,088
Total assets	$ 2,846,752	$ 2,502,956
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 279,415	$ 246,592
Interest-bearing demand	141,378	100,098
Money market	209,398	123,523
Savings	251,675	289,041

Time	224,853	221,414
Jumbo certificates of deposit - retail	87,212	71,514
Total retail deposits	1,193,931	1,052,182
Jumbo certificates of deposit - nonretail	40,567	44,903
Brokered certificates of deposit	211,738	137,877
Total deposits	1,446,236	1,234,962
Federal funds purchased and securities sold under agreements to repurchase	83,150	132,105
Federal Home Loan Bank advances	1,008,721	837,063
Trust preferred borrowings	67,011	51,547
Other borrowed funds	36,126	33,441
Accrued interest payable and other liabilities	23,327	17,296
Total liabilities	2,664,571	2,306,414
Commitments and contingencies (see Note 16)		
Minority Interest	206	239
Stockholders' Equity:		
Serial preferred stock $.01 par value, 7,500,000 shares authorized; none issued and outstanding	-	-
Common stock $.01 par value, 20,000,000 shares authorized; issued 15,435,630 at December 31, 2005 and 15,213,647 at December 31, 2004	154	152
Capital in excess of par value	74,673	68,327
Accumulated other comprehensive loss	(9,968)	(3,385)
Retained earnings	319,065	293,054
Treasury stock at cost, 8,839,569 shares at December 31, 2005 and 8,127,269 shares at December 31, 2004	(201,949)	(161,845)
Total stockholders' equity	181,975	196,303
Total liabilities, minority interest and stockholders' equity	$ 2,846,752	$ 2,502,956

The accompanying notes are an integral part of these Financial Statements.

WSFS FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousands)	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2002	$149	$ 59,789	$ 904	$207,358	$ (85,528)	$182,672
Comprehensive income:						
Net income	-	-	-	63,022	-	63,022
Other comprehensive loss (1)	-	-	(2,652)	-	-	(2,652)
Total comprehensive income						60,370
Cash dividend, $0.20 per share	-	-	-	(1,583)	-	(1,583)
Exercise of common stock options	2	3,054	-	-	-	3,056
Treasury stock at cost, 1,596,600 shares (2)	-	93	-	-	(58,418)	(58,325)
Tax benefit from exercises of common stock options	-	1,802	-	-	-	1,802
Balance, December 31, 2003	$151	$ 64,738	$ (1,748)	$268,797	$(143,946)	$187,992
Comprehensive income:						
Net income	-	-	-	25,900	-	25,900
Other comprehensive loss (1)	-	-	(1,637)	-	-	(1,637)
Total comprehensive income						24,263
Cash dividend, $0.23 per share	-	-	-	(1,643)	-	(1,643)
Exercise of common stock options	1	2,044	-	-	-	2,045
Treasury stock at cost, 368,400 shares (3)	-	173	-	-	(17,899)	(17,726)
Tax benefit from exercises of common stock options	-	1,372	-	-	-	1,372
Balance, December 31, 2004	$152	$68,327	$ (3,385)	$293,054	$(161,845)	$196,303
Comprehensive income:						
Net income	-	-	-	27,856	-	27,856
Other comprehensive loss (1)	-	-	(6,583)	-	-	(6,583)
Total comprehensive income						21,273
Cash dividend, $0.27 per share	-	-	-	(1,845)	-	(1,845)
Exercise of common stock options	2	3,120	-	-	-	3,122
Treasury stock at cost, 712,300 shares (4)	-	276	-	-	(40,104)	(39,828)
Tax benefit from exercises of common stock options	-	2,950	-	-	-	2,950
Balance, December 31, 2005	$154	$74,673	$(9,968)	$319,065	$(201,949)	$181,975

(1) Other Comprehensive Income:	2005	2004	2003
Net unrealized holding losses on securities available-for-sale arising during the period net of taxes (2005 - $(4,540), 2004 - $(661), 2003 - $(1,455))	$ (7,407)	$ (1,078)	$ (2,374)
Net unrealized holding gains (losses) arising during the period on derivatives, net of taxes (2005 - $241, 2004 - $(218), 2003 - $22)	449	(405)	41

Reclassification for losses (gains) included in income, net of taxes (2005 - $230, 2004 - $(94), 2003 - $(196))	375	(154)	(319)
Total other comprehensive (loss) income	$ (6,583)	$ (1,637)	$ (2,652)

(2) Net of reissuance of 5,000 shares.
(3) Net of reissuance of 5,500 shares.
(4) Net of reissuance of 7,200 shares.

The accompanying notes are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31,	2005	2004	2003
		(revised)	(revised)
(In Thousands)			
Operating activities:			
Net income	$ 27,856	$ 25,900	$ 63,022
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Provision for loan losses	2,582	3,217	2,550
Depreciation, accretion and amortization	5,440	6,022	11,562
Increase in accrued interest receivable and other assets	(1,952)	(2,831)	(10,060)
Origination of loans held-for-sale	(37,222)	(42,647)	(73,679)
Proceeds from sales of loans held-for-sale	38,721	38,223	68,338
Gain on sale of loans held-for-sale	(84)	(205)	(751)
Loss (gain) on sale of loans	1	(234)	(766)
Loss (gain) on sale of investments	605	(249)	(515)
Minority interest in net income	133	190	-
Increase (decrease) in accrued interest payable and other liabilities	6,031	2,648	(22,526)
Gain on businesses held-for-sale	-	-	(65,689)
Gain on sale of assets acquired through foreclosure	(137)	(60)	(99)
Increase in value of bank-owned life insurance	(2,003)	(2,190)	-
Increase in capitalized interest, net	(678)	(2,271)	(502)
Net cash provided by (used for) operating activities	39,293	25,513	(29,115)
Investing activities:			
Maturities of investment securities	6,990	2,675	500
Sales of investment securities available-for-sale	60,454	25,057	21,292
Purchases of investment securities available-for-sale	(26,744)	(9,930)	(116,088)
Sales of mortgage-backed securities available-for-sale	-	51,634	109,502
Sales of mortgage-backed securities held-to-maturity	-	-	14,772
Repayments of mortgage-backed securities held-to-maturity	4	1,813	22,809
Repayments of mortgage-backed securities available-for-sale	112,395	150,988	333,460
Purchases of mortgage-backed securities available-for-sale	(220,816)	(200,696)	(874,560)
Repayments on reverse mortgages	177	2,619	1,789
Disbursements for reverse mortgages	(393)	(470)	(877)
Purchase of Cypress Capital Management, LLC	(452)	(1,122)	-
Sale of loans	688	13,435	47,174
Purchase of loans	(15,831)	(14,767)	(14,370)
Purchase of bank-owned life insurance	-	(50,000)	-
Sale of businesses held-for-sale	-	-	129,283
Net increase in loans	(228,758)	(228,001)	(254,676)
Net increase in stock of Federal Home Loan Bank of Pittsburgh	(2,347)	(270)	(21,697)
Sales of assets acquired through foreclosure, net	683	532	1,322
Purchase of land	(925)	(2,860)	-
Purchase of office building	-	(3,507)	-
Sale of real estate held-for-investment	5,296	-	-
Investment in real estate partnership	(1,196)	-	-
Investment in premises and equipment, net	(4,202)	(6,378)	(2,800)
Net cash used for investing activities	(314,977)	(269,248)	(603,165)

(Continued on next page)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year Ended December 31,	2005	2004	2003
		(revised)	(revised)
(In Thousands)			
Financing activities:			

Net increase in demand and savings deposits	$ 125,297	$ 102,368	$ 68,612
Net increase (decrease) in time deposits	87,875	202,933	(40,876)
Net increase in federal funds purchased	-	-	50,000
Net (decrease) increase in securities sold under agreements to repurchase	(48,955)	(16,276)	72,456
Net increase (decrease) in FHLB advances	171,658	(6,233)	439,797
Redemption of WSFS Capital Trust I Preferred Securities	(51,547)	-	-
Issuance of Pooled Floating Rate Capital Securities	67,011	-	-
Dividends paid on common stock	(1,845)	(1,643)	(1,583)
Issuance of common stock and exercise of common stock options	6,348	3,590	4,951
Purchase of treasury stock, net of reissuance	(40,104)	(17,899)	(58,418)
(Decrease) increase in minority interest	(166)	3	(12,845)
Net cash provided by financing activities	315,572	266,843	522,094
Increase (decrease) in cash and cash equivalents	39,888	23,108	(110,186)
Net cash provided by operating activities of discontinued operations (1)	1,141	7,746	43,077
Net cash (used for) provided by investing activities of discontinued operations (1)	(87)	640	(5,155)
Cash and cash equivalents at beginning of period	193,009	161,515	233,779
Cash and cash equivalents at end of period	$ 233,951	$ 193,009	$ 161,515

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest	$ 58,080	$ 36,355	$ 31,617
Cash paid for income taxes from continuing operations, net	10,151	9,803	61,984
Cash (refunded) paid for taxes of discontinued operations, net	(45)	396	1,087
Loans transferred to assets acquired through foreclosure	388	388	620
Net change in other comprehensive loss	(6,583)	(1,637)	(2,652)
Net transfer of loans held-for-sale to loans	1,378	2,858	8,150
Deconsolidation of WSFS Capital Trust I	-	1,547	-
Transfer of building to real estate held-for-investment	1,878	-	-

(1) In 2005, the Company has separately disclosed the operating and investing portions of the cash flows attributable to its discontinued operations which, in prior periods, were reported on a combined basis as a single amount.

The accompanying notes are an integral part of these Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

WSFS Financial Corporation (Company or Corporation) is a thrift holding company organized under the laws of the State of Delaware. The Corporation's principal wholly-owned subsidiary, Wilmington Savings Fund Society, FSB (the Bank or WSFS), is a federal savings bank organized under the laws of the United States which, at December 31, 2005, serves customers from its main office, 24 retail banking offices, loan production offices and operations centers located in Delaware and southeastern Pennsylvania.

In preparing the Financial Statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The material estimates that are particularly susceptible to significant changes in the near term relate to the allowance for loan losses, investment in reverse mortgages, contingencies (including indemnifications) and income tax taxes.

Basis of Presentation

The consolidated Financial Statements include the accounts of the parent company, Montchanin Capital Management, Inc. (Montchanin) and its non-wholly owned subsidiary, Cypress Capital Management, LLC (Cypress), WSFS and its wholly-owned subsidiaries, WSFS Investment Group, Inc., WSFS Reit, Inc. and WSFS Credit Corporation (WCC), as well as not wholly-owned, but majority controlled and consolidated subsidiary, Wilmington Finance, Inc. (WF). WF was sold in January 2003. This subsidiary was classified as a business held-for-sale. See Note 3 of the Financial Statements for further discussion of Business Held-for-Sale. As discussed in Note 2 of the Financial Statements, the results of WCC, the Corporation's wholly-owned indirect auto financing and leasing subsidiary, are presented as discontinued operations.

WSFS Capital Trust III is an unconsolidated affiliate of the Company and was formed in 2005 to issue $67.0 million aggregate principle amount of Pooled Floating Rate Capital Securities. The proceeds from this issue were used to fund the redemption of $51.5 million of Floating Rate WSFS Capital Trust I Preferred Securities (formerly WSFS Capital Trust I). The Trust invested all of the proceeds from the sale of the Pooled Floating Rate Capital Securities in Junior

Subordinated Debentures of the Corporation. WSFS Investment Group, Inc. markets various third-party insurance and securities products to Bank customers through WSFS' retail banking system. WSFS Reit, Inc. is a real estate investment trust that was formed to hold qualifying real estate assets and may be used in the future as a vehicle to raise capital. Montchanin was formed to provide asset management products and services to customers in the Bank's primary market area. In 2004, Montchanin acquired a 60% interest in Cypress, a Wilmington based investment advisory firm servicing high net-worth individuals and institutions. In January 2005, Montchanin increased its ownership in Cypress to 80%.

During 2005, the Corporation announced that it would move its corporate headquarters in early 2007. As part of the transaction, the Corporation acquired a passive ownership interest in a limited partnership created to develop the office building in which the Corporation will be a tenant. Related to this move, the Company sold the land on which the WSFS Bank Center is to be built. As part of this agreement, the property developer has agreed to purchase the Company's current headquarters, which is expected to result in approximately a $3.0 million gain at the time of the move, expected to be early 2007.

Certain reclassifications have been made to the prior years' Financial Statements to conform them to the current year's presentation. All significant intercompany transactions are eliminated in consolidation.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, due from banks, federal funds sold and securities purchased under agreements to resell. Generally, federal funds are purchased and sold for periods ranging up to 90 days.

Debt and Equity Securities

Investments in equity securities that have a readily determinable fair value and investments in debt securities are classified into three categories and accounted for as follows:

- Debt securities with the positive intention to hold to maturity are classified as "held-to-maturity" and reported at amortized cost.
- Debt and equity securities purchased with the intention of selling them in the near future are classified as "trading securities" and are reported at fair value, with unrealized gains and losses included in earnings.
- Debt and equity securities not classified in either of the above are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, as a separate component of stockholders' equity.

Debt and equity securities include mortgage-backed securities, corporate and municipal bonds, U.S. Government and agency securities and certain equity securities. Premiums and discounts on debt and equity securities held-to-maturity and available-for-sale are recognized in interest income using a level yield method over the period to expected maturity. The fair value of debt and equity securities is primarily obtained from third-party pricing services. Implicit in the valuation are estimated prepayments based on historical and current market conditions.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. Management has the discretion to determine impairment in certain circumstances. The specific identification method is used to determine realized gains and losses on sales of investment and mortgage-backed securities. All sales are made without recourse.

Investment in Reverse Mortgages

The Corporation accounts for its investment in reverse mortgages in accordance with the instructions provided by the staff of the Securities and Exchange Commission entitled "Accounting for Pools of Uninsured Residential Reverse Mortgage Contracts" which requires grouping the individual reverse mortgages into "pools" and recognizing income based on the estimated effective yield of the pool. In computing the effective yield, the Corporation must project the cash inflows and outflows of the pool including actuarial projections of the life expectancy of the individual contract holder and changes in the collateral value of the residence. At each reporting date, a new economic forecast is made of the cash inflows and outflows of each pool of reverse mortgages; the effective yield of each pool is recomputed, and income is adjusted retroactively and prospectively to reflect the revised rate of return. Accordingly, because of this quasi-market-value based accounting, the recorded value of reverse mortgage assets can result in significant volatility associated with estimations. As a result income recognition can vary significantly from reporting period to reporting period.

Loans

Loans are stated net of deferred fees and costs and unearned discounts. Loan interest income is accrued using various methods that approximate a constant yield. Loan origination and commitment fees and direct loan origination costs are deferred and recognized over the life of the related loans using a level yield method over the period to maturity.

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future discounted cash flows, the market price of the loan or the fair value of the underlying collateral if the loan is collateral dependent. Impaired loans include loans within the Corporation's commercial, commercial mortgage and commercial construction portfolios. The Corporation's policy for recognition of interest income on impaired loans is the same as for nonaccrual loans discussed below.

Nonaccrual Loans

Nonaccrual loans are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and collateral is insufficient to cover principal and interest. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed and charged against interest income. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual status. Subsequent cash receipts are applied either to the outstanding principal or recorded as interest income, depending on management's assessment of ultimate collectibility of principal and interest. Loans are returned to an accrual status when the borrower's ability to make periodic principal and interest payments has returned to normal (i.e. - brought current with respect to principal or interest or restructured) and the paying capacity of the borrower or the underlying collateral is deemed sufficient to cover principal and interest in accordance with the Corporation's previously established loan-to-value policies.

Allowances for Loan Losses

The Corporation maintains allowances for credit losses and charges losses to these allowances when such losses are realized. The determination of the allowance for loan losses requires significant judgement reflecting management's best estimate of probable losses related to specifically identified loans as well as probable losses in the remaining loan portfolio. Management's evaluation is based upon a review of these portfolios.

Management establishes the loan loss allowance in accordance with guidance provided by the Securities and Exchange Commission's Staff Accounting Bulletin 102 (SAB 102). Its methodology for assessing the appropriateness of the allowance consists of several key elements which include: specific allowances for identified problem loans, formula allowances for commercial and commercial real estate loans, and allowances for pooled homogenous loans.

Specific reserves are established for certain loans in cases where management has identified significant conditions or circumstances related to a specific credit that management believes indicate that a loss has been incurred.

The formula allowances for commercial and commercial real estate loans are calculated by applying loss factors to outstanding loans in each case based on the internal risk grade of each loan. As a result, changes in risk grades of both performing and nonperforming loans affect the amount of the formula allowance. Loss factors by risk grade have a basis in WSFS' historical loss experience for such loans and may be adjusted for significant factors that, in management's judgement, affect the collectability of the portfolio as of the evaluation date. See discussion of historical loss adjustment factors below.

Pooled loans are loans that are usually smaller, not-individually-graded and homogeneous in nature, such as consumer installment loans and residential mortgages. Pooled loan loss allowances are based on historical net charge-offs for ten years. The average loss allowance per homogeneous pool is based on the product's average annual historical loss rate and the average estimated duration of the pool multiplied by the pool balances. These separate risk pools are assigned a reserve for loss based upon this historical loss information and historical loss adjustment factors. Historical loss adjustment factors are based upon management's evaluation of various current conditions, including those listed below.

- General economic and business conditions affecting WSFS' key lending areas,
- Credit quality trends (including trends in nonperforming loans expected to result from existing conditions),
- Recent loss experience in particular segments of the portfolio,
- Collateral values and loan-to-value ratios,
- Loan volumes and concentrations, including changes in mix,
- Seasoning of the loan portfolio,
- Specific industry conditions within portfolio segments,
- Bank regulatory examination results, and
- Other factors, including changes in quality of the loan origination, servicing and risk management processes.

WSFS' loan officers and risk managers meet at least quarterly to discuss and review these conditions, and also risks associated with individual problem loans. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses. The Company also gives consideration to the results of these regulatory agency examinations.

Allowances for estimated losses on investments in real estate and assets acquired through foreclosure are provided if the carrying value exceeds the fair value less estimated disposal costs.

Assets Held-for-Sale

Assets held-for-sale include loans held-for-sale and are carried at the lower of cost or market of the aggregate or, in some cases, individual assets. Vehicles that have been returned to the Company upon the expiration of their lease terms have been included in the net assets of discontinued operations.

Assets Acquired Through Foreclosure

Assets acquired through foreclosure are recorded at the lower of the recorded investment in the loans or fair value less estimated disposal costs. Costs subsequently incurred to improve the assets are included in the carrying value provided that the resultant carrying value does not exceed fair value less estimated disposal costs. Costs relating to holding the assets are charged to expense in the current period. An allowance for estimated losses is provided when declines in fair value below the carrying value are identified. Net costs of assets acquired through foreclosure include costs of holding and operating the assets, net gains or losses on sales of the assets and provisions for losses to reduce such assets to fair value less estimated disposal costs.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Costs of major replacements, improvements and additions are capitalized. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets or, for leasehold improvements, over the life of the related lease if less than the estimated useful life. In general, computer equipment, furniture and equipment and building renovations are depreciated over three, five and ten years, respectively. Accelerated methods are used in depreciating certain assets for income tax purposes.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

The Corporation enters into sales of securities under agreements to repurchase.

Reverse repurchase agreements are treated as financings, with the obligation to repurchase securities sold reflected as a liability in the Consolidated Statement of Condition. The securities underlying the agreements remain in the asset accounts.

Loss Contingency for Standby Letters of Credit

The Corporation maintains a loss contingency for standby letters of credit and charges losses to this reserve when such losses are realized. The determination of the loss contingency for standby letters of credit requires significant judgement reflecting management's best estimate of probable losses related to standby letters of credit.

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement basis and tax basis of assets and liabilities.

Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	2005	2004	2003
(In Thousands, Except Per Share Data)			
Numerator:			
Income from continuing operations	$27,856	$25,757	$21,233
Income on wind-down of discontinued operations, net of taxes	-	143	-
Gain on sale of businesses held-for-sale, net of taxes	-	-	41,789
Net income	$27,856	$25,900	$63,022
Denominator:			
Denominator for basic earnings per share - weighted average shares	6,795	7,158	7,774
Effect of dilutive employee stock options	373	435	464
Denominator for diluted earnings per share - adjusted weighted average shares and assumed exercise	7,168	7,593	8,238
Earnings per share:			
Basic:			
Income from continuing operations	$ 4.10	$ 3.60	$ 2.73
Income on wind-down of discontinued operations, net of taxes	-	0.02	-
Gain on sale of businesses held-for-sale, net of taxes	-	-	5.38
Net income	$ 4.10	$ 3.62	$ 8.11
Diluted:			
Income from continuing operations	$ 3.89	$ 3.39	$ 2.58
Income on wind-down of discontinued operations, net of taxes	-	0.02	-
Gain on sale of businesses held-for-sale, net of taxes	-	-	5.07
Net income	$ 3.89	$ 3.41	$ 7.65
Outstanding common stock equivalents having no dilutive effect, in thousands	173	4	4

Stock Options

At December 31, 2005, the Corporation had two stock-based employee compensation plans that are described more fully in Note 15 to the Financial Statements. The Corporation accounts for these plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations. No stock-based employee compensation cost is reflected in the net income, as all options granted under those plans had an exercise price at least equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share had the Company applied the fair value recognition provision of the Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

Effective January 1, 2006, the Corporation will implement SFAS No. 123 (revised 2004), Share-Based-Payment. The impact to the Corporation's Consolidated Statement of Operations for 2006, on existing options, is expected to be approximately $1.1 million.

	2005	2004	2003
(In Thousands, Except Per Share Data)			
Income from continuing operations, as reported	$27,856	$25,757	$21,233
Less: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(972)	(590)	(708)
Pro forma income from continuing operations	$26,884	$25,167	$20,525
Earnings per share:			
Basic:			
Income from continuing operations	$ 4.10	$ 3.60	$ 2.73
Less: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(0.14)	(0.08)	(0.09)
Pro forma income from continuing operations	$ 3.96	$ 3.52	$ 2.64
Diluted:			
Income from continuing operations	$ 3.89	$ 3.39	$ 2.58
Less: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(0.14)	(0.08)	(0.09)
Pro forma income from continuing operations	$ 3.75	$ 3.31	$ 2.49

2. DISCONTINUED OPERATIONS OF A BUSINESS SEGMENT

In December 2000, the Corporation discontinued the operations of WCC, its indirect auto financing and vehicle leasing subsidiary. At December 31, 2000, WCC had 7,300 lease contracts and 2,700 loan contracts, compared to zero lease contracts and 31 loan contracts at December 31, 2005.

At December 31, 2005, loans, operating leases and other assets of discontinued operations, net were $34,000 compared to $1.1 million at December 31, 2004. This decrease was mainly due to scheduled maturities in the remaining indirect loan and lease portfolios. At December 31, 2004, the Corporation reviewed the remaining used car residual values and determined that its exposure was significantly reduced. As a result, at December 31, 2004, the Corporation reduced its reserve for discontinued operations by $143,000, net of taxes. At December 31, 2005, there were $74,000 in indirect loans and zero in indirect leases, net, still outstanding. At December 31, 2005, WSFS had exposure to $19,000 in remaining used car residuals, for which it estimates a loss of $8,000. Management has provided for this loss in the Financial Statements. Due to the provision for this estimated exposure in the Financial Statements, the Corporation did not recognize any additional losses on the wind-down of discontinued operations in 2005, 2004 and 2003.

The following table depicts the net income (loss) from discontinued operations for the years ended December 31, 2005, 2004 and 2003:

Year Ended December 31,	2005	2004	2003
(In Thousands)			
Interest income	$ 27	$ 140	$ 422
Allocated interest expense (1)	14	161	987
Net interest income (expense)	13	(21)	(565)
Loan and lease servicing fee income	72	237	292
Rental income on operating leases, net	63	377	(529)
Other Income	-	(2)	2

Net revenues	148	591	(800)
Noninterest expenses	358	352	557
(Loss) income before taxes	(210)	239	(1,357)
Charge (credit) to the reserve for discontinued operations	210	(239)	1,357
Income from discontinued operations	-	-	-
Income on wind-down of discontinued operations	-	143	-
Total	$ -	$ 143	$ -

(1) The allocated interest expense for 2005 was based on the Company's annual average wholesale borrowing rate of 3.41%, which approximated a marginal funding cost for the business. For the years ended December 31, 2004 and 2003, the allocated interest expense was based on a direct matched-maturity funding of the net non-cash assets of discontinued operations. The average borrowing rates for 2004 and 2003 were 3.40% and 3.51%, respectively.

3. BUSINESSES HELD-FOR-SALE

In November 2002, WSFS signed a definitive agreement for the sale of WSFS' majority-owned subsidiary, Wilmington Finance, Inc. (WF). The sale was completed in January 2003 and WSFS recognized an after tax gain on the sale of $41.3 million or $5.01 per diluted share. The sale included $148.2 million in assets, of which $117.6 million were residential mortgage loans held-for-sale. Under a provision of the agreement between the sellers and buyers, certain sale consideration was withheld in a separate escrow account pending the resolution of certain events. During 2003, WSFS received the entire amount held in escrow. As a result in 2003, the Company recorded $325,000 ($208,000 after taxes) as a gain on sale of businesses held-for-sale which is included in the total recorded gain on sale of $41.3 million.

Also in November 2002, the Corporation completed the sale of CustomerOne Financial Network, Inc. (C1FN) and its related interests in its Everbank Division. Under a provision of the agreement between sellers and buyers, certain sale consideration was withheld in two separate escrow accounts pending the resolution of certain events. During 2003, those events were resolved and WSFS received the entire amount held in escrow. As a result, the Company recorded $786,000 ($517,000 after taxes) as a gain on the sale of businesses held-for-sale.

The gains realized on the sale of WF and C1FN are presented separately on the statement of operations, net of tax.

4. INVESTMENT SECURITIES

The following tables detail the amortized cost and the estimated fair value of the Corporation's investment securities:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In Thousands)				
Available-for-sale securities:				
December 31, 2005:				
Reverse mortgages (1)	$ 785	$ -	$ -	$ 785
U.S. Government and agencies	51,702	-	785	50,917
State and political subdivisions	975	6	-	981
	$ 53,462	$ 6	$ 785	$ 52,683

December 31, 2004:				
Reverse mortgages (1)	$ (109)	$ -	$ -	$ (109)
U.S. Government and agencies	90,730	-	1,012	89,718
	$ 90,621	$ -	$ 1,012	$ 89,609

Held-to-maturity:

December 31, 2005:				
State and political subdivisions	$ 4,806	$ 199	$ -	$ 5,005
	$ 4,806	$ 199	$ -	$ 5,005
December 31, 2004:				
Corporate bonds	$ 310	$ 13	$ -	$ 323
State and political subdivisions	7,457	507	1	7,963
	$ 7,767	$ 520	$ 1	$ 8,286

(1) See Note 6 of the Financial Statements for a further discussion of Reverse Mortgages.

Securities with book values aggregating $52.8 million at December 31, 2005 were specifically pledged as collateral for WSFS' Treasury Tax and Loan account with the Federal Reserve Bank, securities sold under agreement to repurchase and certain letters of credit and municipal deposits which require collateral. Accrued interest receivable relating to investment securities was $434,000 and $728,000 at December 31, 2005 and 2004, respectively.

The scheduled maturities of investment securities held-to-maturity and securities available-for-sale at December 31, 2005 were as follows:

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
Within one year (1)	$ -	$ -	$13,714	$13,693
After one year but within five years	3,299	3,482	39,408	38,646
After five but within ten years	-	-	340	344
After ten years	1,507	1,523	-	-
	$ 4,806	$ 5,005	$53,462	$52,683

(1) Reverse mortgages do not have contractual maturities. The Corporation has included reverse mortgages in maturities within one year.

During 2005, proceeds from the sale of investment securities classified as available-for-sale were $61.1 million, with a loss of $609,000 realized on the sales. Municipal bonds totaling $180,000 and corporate bonds totaling $251,553 were called by the issuers, with a gain of $4,000 realized on these calls. Proceeds from the sale of investments classified as available-for-sale during 2004 and 2003 were $25.0 million and $21.2 million, respectively. There was a net gain of $1,000 realized on sales in 2004 and $200,000 net gain realized in 2003. The cost basis for all investment security sales was based on the specific identification method. There were no sales of investment securities classified as held-to-maturity in 2005, 2004 and 2003.

At December 31, 2005, the Company owned investment securities totaling $51.0 million where the amortized cost basis exceeded fair value. Total unrealized losses on those securities were $785,000 at December 31, 2005. This temporary impairment is the result of changes in market interest rates since the purchase of the securities. Securities amounting to $36.0 million have been impaired for 12 months or longer. The Corporation has determined that these securities are not "other than temporarily" impaired. The following table lists the unrealized losses aggregated by category:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(In Thousands)						
Held-to-maturity						
State and political subdivisions	$ 71	$ -	$ -	$ -	$ 71	$ -
Available-for-sale						
State and political subdivisions	-	-	-	-	-	-
U.S. Government and agencies	14,898	5	36,019	780	50,917	785
Total temporarily impaired investments	$14,969	$ 5	$36,019	$ 780	$50,988	$ 785

5. MORTGAGE-BACKED SECURITIES

The following tables detail the amortized cost and the estimated fair value of the Corporation's mortgage-backed securities:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In Thousands)				
Available-for-sale securities:				
December 31, 2005:				
Collateralized mortgage obligations	$526,546	$ 205	$ 11,199	$515,552
FNMA	49,785	-	2,010	47,775
FHLMC	32,211	-	1,554	30,657
GNMA	14,643	-	255	14,388
	$623,185	$ 205	$ 15,018	$608,372
Weighted average yield	4.63%			
December 31, 2004:				
Collateralized mortgage obligations	$402,513	$ 1,319	$ 2,601	$401,231
FNMA	59,774	-	1,124	58,650
FHLMC	34,731	-	943	33,788
GNMA	18,408	165	53	18,520
	$515,426	$ 1,484	$ 4,721	$512,189
Weighted average yield	4.27%			
Held-to-maturity securities:				
December 31, 2005:				
FHLMC	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -
Weighted average yield	-%			
December 31, 2004:				
FHLMC	$ 4	$ -	$ -	$ 4
	$ 4	$ -	$ -	$ 4
Weighted average yield	6.06%			
Trading securities:				
December 31, 2005:				
Collateralized mortgage obligations	$ 11,951	$ -	$ -	$ 11,951
	$ 11,951	$ -	$ -	$ 11,951

Weighted average yield	7.38%			
December 31, 2004:				
Collateralized mortgage obligations	$ 11,951	$ -	$ -	$ 11,951
	$ 11,951	$ -	$ -	$ 11,951
Weighted average yield	5.32%			

The portfolio of available-for-sale mortgage-backed securities consist of 100% AAA-rated, currently cash flowing securities, backed by conventional 15 or 20-year mortgages. The weighted average duration of the mortgage-backed securities was 3.1 years at December 31, 2005.

At December 31, 2005, mortgage-backed securities with par values aggregating $369.0 million were pledged as collateral for retail customer repurchase agreements, municipal deposits and Federal Home Loan Bank advances. Accrued interest receivable relating to mortgage-backed securities was $2.4 million and $1.9 million at December 31, 2005 and 2004, respectively. There were no sales of mortgage-backed securities in 2005. Proceeds from the sale of mortgage-backed securities available-for-sale

were $51.4 million in 2004, resulting in a gain of $248,000. The cost basis of all mortgage-backed securities sales are based on specific identification method.

The Corporation owns $12.0 million of SASCO RM-1 2002 securities, including accrued interest which was paid in kind, which are classified as "trading." $10.0 million was received as partial consideration for the sale of the reverse mortgage portfolio, while an additional $1.0 million was purchased at par at the time of the securitization and $950,000 from accrued interest paid in kind. These floating rate notes represent the BBB traunche of the reverse mortgage securitization underwritten by Lehman Brothers and carry a coupon rate of one-month London InterBank Offered Rate (LIBOR) plus 300 basis points. For a further discussion of reverse mortgages, see the Reverse Mortgages discussion in Management's Discussion and Analysis and Note 6 to the Financial Statements.

Based on accounting rules under SFAS 115, when these securities were acquired they were classified as "trading." It was the Company's intention to sell them in the near term. An active market for these securities has not developed since the issuance, but it continues to be the intent of the Corporation to sell these securities if and when an active market develops. Since there is no active market for these securities, the Corporation has used the guidance under SFAS 115 to provide a reasonable estimate of fair value. The Corporation estimated the value of these securities as of December 31, 2005 based on the pricing of similar securities that have an active market as well as a fundamental analysis of the actual cash flows of the underlying securities. The Corporation also obtained an estimate, from an independent securities dealer, of the value of these securities, which was also based in part on similar actively-traded securities.

At December 31, 2005, the Company owned mortgage-backed securities totaling $563.7 million where the amortized cost basis exceeded fair value. Total unrealized losses on those securities were $15.0 million at December 31, 2005. This temporary impairment is the result of changes in market interest rates since the purchase of the securities. Some of these securities have been impaired for twelve months or longer. The Corporation has determined that these securities are not "other than temporarily" impaired. The following table lists the unrealized losses aggregated by category:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(In Thousands)						
Available-for-sale						

CMO	$260,241	$ (4,433)	$210,657	$ (6,766)	$470,898	$(11,199)
FNMA	-	-	47,775	(2,010)	47,775	(2,010)
FHLMC	2,257	(57)	28,400	(1,497)	30,657	(1,554)
GNMA	11,066	(143)	3,322	(112)	14,388	(255)
Total temporarily impaired MBS	$273,564	$ (4,633)	$290,154	$(10,385)	$563,718	$(15,018)

6. REVERSE MORTGAGES AND RELATED ASSETS

The Corporation holds an investment in reverse mortgages of $785,000 at December 31, 2005 representing a participation in reverse mortgages with a third party.

Reverse mortgage loans are contracts that require the lender to make monthly advances throughout the borrower's life or until the borrower relocates, prepays or the home is sold, at which time the loan becomes due and payable. Reverse mortgages are nonrecourse obligations, which means that the loan repayments are generally limited to the net sale proceeds of the borrower's residence.

The Corporation accounts for its investment in reverse mortgages by estimating the value of the future cash flows on the reverse mortgages at a rate deemed appropriate for these mortgages, based on the market rate for similar collateral. Actual cash flows from these mortgage loans can result in significant volatility in the recorded value of reverse mortgage assets. As a result, income varies significantly from reporting period to reporting period. For the year ended December 31, 2005, the Corporation earned $678,000 in interest income on reverse mortgages as compared to $1.8 million in 2004 and $(24,000) in 2003.

The projected cash flows depend on assumptions about life expectancy and the changes in future collateral values. Projecting the changes in future collateral values is the most significant factor impacting the volatility of future cash flows. The Corporation is currently estimating a short-term annual appreciation rate of -8.0% in the first year, and a long-term annual appreciation rate of 0.5% in future years. If the long-term appreciation rate was increased to 1.5%, the resulting impact on income would have been $150,000. Conversely, if the long-term appreciation rate was decreased to -0.5%, the resulting impact on income would have been $(130,000).

The Corporation also holds $12.0 million in BBB-rated mortgage-backed securities classified as trading and options to acquire up to 49.9% of Class "O" Certificates issued in connection with securities consisting of a portfolio of reverse mortgages previously held by the Corporation. At the time of the securitization, the securitizer retained 100% of the Class "O" Certificates from the securitization. These Class "O" Certificates have no priority over other classes of Certificates under the Trust and no distributions will be made on the Class "O" Certificates until, among other conditions, the principal amount of each other class of notes has been reduced to zero. The underlying assets, the reverse mortgages, are very long-term assets. Hence, any cash flow that might inure to the holder of the Class "O" Certificates is not expected to occur until many years in the future. Additionally, the Company can exercise its option on 49.9% of the Class "O" Certificates in up to five separate increments for an aggregate purchase price of $1.0 million any time between January 1, 2004 and the termination of the Securitization Trust. The option to purchase the Class "O" Certificates does not meet the definition of a derivative under SFAS 133, Accounting for Derivative and Hedging Activities.

7. LOANS

The following tables detail the Corporation's loan portfolio:

December 31,	2005	2004
(In Thousands)		
Real estate mortgage loans:		
Residential (1-4 family)	$ 457,213	$ 439,774
Other	432,660	433,947
Real estate construction loans	194,002	137,395
Commercial loans	511,798	370,660

Consumer loans	244,820	210,959
	1,840,493	1,592,735
Less:		
Loans in process	40,560	36,359
Deferred fees	(306)	(84)
Allowance for loan losses	25,381	24,222
Net loans	$ 1,774,858	$ 1,532,238

The Corporation had impaired loans of approximately $3.4 million at December 31, 2005 compared to $4.4 million at December 31, 2004. A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. The average recorded balance of impaired loans was $3.9 million and $4.8 million during 2005 and 2004, respectively. The allowance for losses on impaired loans was $480,000 at December 31, 2005, as compared to $750,000 at December 31, 2004. There was no interest income recognized on impaired loans.

The total amount of loans serviced for others were $255.8 million, $245.5 million and $244.7 million at December 31, 2005, 2004 and 2003, respectively. The Corporation received fees from the servicing of loans of $769,000, $800,000 and $831,000 during 2005, 2004 and 2003, respectively.

Beginning in 2005, the Corporation began prospectively recording mortgage servicing rights on its mortgage loan servicing portfolio. Mortgage servicing rights represent the present value of the future net servicing fees from servicing mortgage loans acquired or originated by the Corporation. At December 31, 2005, the total of this portfolio was $37.6 million. Mortgage loans serviced for others are not included in loans on the accompanying Consolidated Statement of Condition. The valuation of these servicing rights resulted in $308,000 of noninterest income. Revenues from originating, marketing and servicing mortgage loans as well as valuation adjustments related to capitalized mortgage servicing rights are included in mortgage banking activities, net on the Consolidated Statement of Operations.

Accrued interest receivable on loans outstanding was $7.9 million and $5.7 million at December 31, 2005 and 2004, respectively.

Nonaccruing loans aggregated $3.4 million, $4.4 million and $5.2 million at December 31, 2005, 2004 and 2003, respectively. If interest on all such loans had been recorded in accordance with contractual terms, net interest income would have increased by $133,000 in 2005, $150,000 in 2004 and $218,000 in 2003.

A summary of changes in the allowance for loan losses follows:

Year Ended December 31,	2005	2004	2003
(In Thousands)			
Beginning balance	$ 24,222	$ 22,386	$ 21,452
Provision for loan losses	2,582	3,217	2,550
Loans charged-off	(1,873)	(1,843)	(2,016)
Recoveries	450	462	400
Ending balance	$ 25,381	$ 24,222	$ 22,386

8. ASSETS ACQUIRED THROUGH FORECLOSURE

Assets acquired through foreclosure are summarized as follows:

December 31,	2005	2004
(In Thousands)		

Real estate	$ 59	$217
Less allowance for losses	-	-
Ending balance	$ 59	$217

9. PREMISES AND EQUIPMENT

Land, office buildings, leasehold improvements, furniture and equipment and renovations-in-process, at cost, are summarized by major classifications:

December 31,	2005	2004
(In Thousands)		
Land	$ 4,440	$ 3,946
Buildings	11,052	12,224
Leasehold improvements	13,094	11,878
Furniture and equipment	21,917	22,082
	50,503	50,130
Less:		
Accumulated depreciation	27,599	27,295
	$22,904	$22,835

The Corporation occupies certain premises and operates certain equipment under noncancelable leases with terms ranging from 1 to 25 years. These leases are accounted for as operating leases. Accordingly, lease costs are expensed as incurred. Rent expense was $2.2 million in 2005, $2.3 million in 2004 and $1.8 million in 2003. Future minimum payments under these leases at December 31, 2005 are as follows:

(In Thousands)	
2006	$ 2,253
2007	2,328
2008	3,222
2009	2,800
2010	2,724
Thereafter	23,961
Total future minimum lease payments	$37,288

10. DEPOSITS

The following is a summary of deposits by category, including a summary of the remaining time to maturity for time deposits:

December 31,	2005	2004
(In Thousands)		
Money market and demand:		
Noninterest-bearing demand	$ 279,415	$ 246,592
Interest-bearing demand	141,378	100,098
Money market	209,398	123,523
Total money market and demand	630,191	470,213
Savings	251,675	289,041
Retail certificates of deposits by maturity:		
Less than one year	152,891	109,664
One year to two years	59,269	97,569

Two years to three years	8,137	9,517
Three years to four years	2,346	2,573
Over four years	2,210	2,091
Total retail time certificates	224,853	221,414
Jumbo certificates of deposit-retail, by maturity:		
Less than one year	69,716	23,118
One year to two years	15,950	47,532
Two years to three years	1,292	301
Three years to four years	100	415
Over four years	154	148
Total jumbo certificates of deposit-retail	87,212	71,514
Subtotal retail deposits	1,193,931	1,052,182
Jumbo certificates of deposit-non-retail, by maturity:		
Less than one year	36,935	43,246
One year to two years	1,496	--
Two years to three years	--	1,250
Three years to four years	415	--
Over four years	1,721	407
Total jumbo time certificates-non-retail	40,567	44,903
Brokered certificates of deposit less than one year	211,738	137,877
Total deposits	$1,446,236	$1,234,962

Interest expense by category follows:

Year Ended December 31,	2005	2004	2003
(In Thousands)			
Interest-bearing demand	$ 297	$ 193	$ 196
Money market	3,837	665	119
Savings	1,738	1,257	1,627
Retail time deposits	8,098	5,002	5,785
Total retail interest expense	13,970	7,117	7,727
Jumbo certificates of deposit-non-retail	1,374	768	462
Brokered certificates of deposit	6,346	1,510	-
Total interest expense on deposits	$21,690	$ 9,395	$ 8,189

11. BORROWED FUNDS

The following is a summary of borrowed funds by type:

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding at Month End During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
(Dollars in Thousands)					
2005					
FHLB advances	$1,008,721	4.12%	$1,008,721	$887,822	3.41%
Trust preferred borrowings	67,011	6.18	67,011	62,986	8.29
Federal funds purchased and securities sold under agreements to repurchase	83,150	4.24	172,135	128,062	1.67
Other borrowed funds	36,126	3.05	42,037	37,344	1.74

2004					
FHLB advances	$ 837,063	2.90%	$915,181	$859,742	2.70%
Trust preferred borrowings	51,547	4.90	51,547	51,162	4.20
Federal funds purchased and securities sold under agreements to repurchase	132,105	2.33	158,195	145,321	1.42
Other borrowed funds	33,441	0.65	39,317	36,013	0.48

Federal Home Loan Bank Advances

Advances from the Federal Home Loan Bank (FHLB) of Pittsburgh with rates ranging from 2.00% to 5.45% at December 31, 2005 are due as follows:

(Dollars in Thousands)	Amount	Weighted Average Rate
2006........................	$ 661,000	4.03%
2007........................	125,000	3.37
2008........................	84,900	5.17
2009........................	35,000	4.48
2010 - 2013..................	102,821	4.61
	$1,008,721	

Pursuant to collateral agreements with the FHLB, advances are secured by qualifying first mortgage loans, qualifying fixed-income securities, FHLB stock and an interest-bearing demand deposit account with the FHLB.

As a member of the FHLB of Pittsburgh, WSFS is required to acquire and hold shares of capital stock in the FHLB of Pittsburgh in an amount at least equal to 4.55% of its advances (borrowings) from the FHLB of Pittsburgh, plus 0.55% of the unused borrowing capacity. WSFS was in compliance with this requirement with a stock investment in FHLB of Pittsburgh of $46.3 million at December 31, 2005.

Four advances are outstanding at December 31, 2005 totaling $145.0 million, with a weighted average rate of 4.96% maturing in 2008 and beyond. They are convertible on a quarterly basis (at the discretion of the FHLB) to a variable rate advance based upon the three-month LIBOR rate, after an initial fixed term. WSFS has the option to prepay these four advances at predetermined times or rates.

Trust Preferred Borrowings

On April 6, 2005, the Corporation completed the issuance of $67.0 million of aggregate principal amount of Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month LIBOR rate. The proceeds from this issuance were used to fund the redemption of $51.5 million of Floating Rate Capital Trust I Preferred Securities which had a variable interest rate of 250 basis points over the three-month LIBOR rate.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

During 2005, WSFS purchased federal funds as a short-term funding source. At December 31, 2005, WSFS had purchased $50.0 million in federal funds at a rate of 4.19%. At December 31, 2004, WSFS had $50.0 million federal funds purchased.

During 2005, WSFS sold securities under agreements to repurchase as a short-term funding source. At December 31, 2005, securities sold under agreements to repurchase had fixed rates ranging from 4.20% to 4.36%. The underlying securities are U.S. Government agency securities with a book value of $34.8 million at December 31, 2005. Securities sold under agreements to repurchase with the corresponding carrying and market values of the underlying securities are due as follows:

	Collateral		
Borrowing	Carrying	Market	Accrued

	Amount	Rate	Value	Value	Interest
(Dollars in Thousands)					
2005					
Up to 30 days	$ 33,150	4.31%	$ 34,795	$ 34,036	$ 299
2004					
Up to 30 days	$ 82,105	2.34%	$ 84,716	$ 83,769	$ 583

Other Borrowed Funds

Included in other borrowed funds are collateralized borrowings of $36.1 million and $33.4 million at December 31, 2005 and 2004, respectively, consisting of outstanding retail repurchase agreements, contractual arrangements under which portions of certain securities are sold overnight to retail customers under agreements to repurchase. Such borrowings were collateralized by mortgaged-backed securities. The average rates on these borrowings were 3.05% and 0.65% at December 31, 2005 and 2004, respectively.

12. STOCKHOLDERS' EQUITY

Under Office of Thrift Supervision (OTS) capital regulations, savings institutions such as WSFS, must maintain "tangible" capital equal to 1.5% of adjusted total assets, "core" capital equal to 4.0% of adjusted total assets, "Tier 1" capital equal to 4.0% of risk-weighted assets and "total" or "risk-based" capital (a combination of core and "supplementary" capital) equal to 8.0% of risk-weighted assets. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on WSFS' Financial Statements. At December 31, 2005 and 2004, WSFS was in compliance with regulatory capital requirements and was deemed a "well-capitalized" institution.

The following table presents WSFS' consolidated capital position as of December 31, 2005 and 2004:

	Consolidated Bank Capital		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)						
As of December 31, 2005:						
Total Capital (to risk-weighted assets)	$ 265,269	13.38%	$ 158,620	8.00%	$ 198,274	10.00%
Core Capital (to adjusted tangible assets)	244,164	8.56	114,097	4.00	142,622	5.00
Tangible Capital (to tangible assets)..	244,164	8.56	42,786	1.50	N/A	N/A
Tier 1 Capital (to risk-weighted assets)	244,164	12.31	79,310	4.00	118,965	6.00
As of December 31, 2004:						
Total Capital (to risk-weighted assets)	$ 257,933	15.34%	$ 134,552	8.00%	$ 168,190	10.00%
Core Capital (to adjusted tangible assets)	242,289	9.69	100,049	4.00	125,061	5.00
Tangible Capital (to tangible assets)..	242,289	9.69	37,518	1.50	N/A	N/A
Tier 1 Capital (to risk-weighted assets)	242,289	14.41	67,276	4.00	100,914	6.00

The Corporation has a simple capital structure with one class of $ 0.01 par common stock outstanding, each share having equal voting rights. In addition, the Corporation has authorized 7,500,000 shares of $0.01 par preferred stock. No preferred stock was outstanding at December 31, 2005 and 2004. When infused into the Bank, the Trust Preferred Securities issued in 2005 qualify as Tier 1 capital. WSFS is prohibited from paying any dividend or making any other capital distribution if, after making the distribution, WSFS would be undercapitalized within the meaning of the OTS Prompt Corrective Action regulations. Since 1996, the Board of Directors has approved several stock repurchase programs to reacquire common shares. As part of these programs, the Corporation acquired approximately 719,500 shares in 2005 for $40.2 million and 373,900 shares in 2004 for $18.0 million.

The Holding Company

In April 2005, WSFS Capital Trust III, an unconsolidated affiliate of WSFS Financial Corporation issued $67.0 million of aggregate principle of Pooled Floating Rate Securities at a variable interest rate of 177 basis points over the three-month LIBOR rate. The proceeds were used to refinance the WSFS Capital Trust I November 1998 issuance of $51.5 million of Trust Preferred Securities which had a variable rate of 250 basis points over the three-month LIBOR rate. At December 31, 2005, the coupon rate of the Capital Trust III securities was 6.18% with a scheduled maturity of June 1, 2035. The Corporation purchased an interest rate cap that effectively limits the three-month LIBOR to 6.00% on $50.0 million of the recently purchased $67.0 million of securities until 2008. The effective rate of these securities, including the cost of the cap was 8.29% at December 31, 2005. The effective rate will vary, however, due to fluctuations in interest rates. The proceeds from the issue were invested in Junior Subordinated Debentures issued by WSFS Financial Corporation. These securities are treated as borrowings with the interest included in interest expense on the consolidated statement of operations. Additional information concerning the Trust Preferred Securities and the interest rate cap is included in Notes 11 and 20 to the Financial Statements. The proceeds were used primarily to extinguish higher rate debt and for general corporate purposes.

Pursuant to federal laws and regulations, WSFS' ability to engage in transactions with affiliated corporations is limited, and WSFS generally may not lend funds to nor guarantee indebtedness of the Corporation.

13. ASSOCIATE (EMPLOYEE) BENEFIT PLANS

Associate 401(k) Savings Plan

Certain subsidiaries of the Corporation maintain a qualified plan in which Associates may participate. Participants in the plan may elect to direct a portion of their wages into investment accounts that include professionally managed mutual and money market funds and the Corporation's common stock. Generally, the principal and earnings thereon are tax deferred until withdrawn. The Company matches a portion of the Associates' contributions and periodically makes discretionary contributions based on Company performance into the plan for the benefit of Associates. The Corporation's total cash contributions to the plan on behalf of its Associates resulted in a cash expenditure of $1.4 million, $1.6 million and $1.3 million for 2005, 2004 and 2003, respectively.

All Company contributions are made in the form of the Corporation's common stock that Associates may transfer to various other investment vehicles without any significant restrictions. The plan purchased 36,000, 46,000 and 56,000 shares of common stock of the Corporation during 2005, 2004 and 2003, respectively.

Postretirement Benefits

The Corporation shares certain costs of providing health and life insurance benefits to retired Associates (and their eligible dependents). Substantially all Associates may become eligible for these benefits if they reach normal retirement age while working for the Corporation.

The Corporation accounts for its obligations under the provisions of SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. SFAS 106 requires that the costs of these benefits be recognized over an Associate's active working career. Amortization of unrecognized net gains or losses resulting from experience different from that assumed and from changes in assumptions is included as a component of net periodic benefit cost over the remaining service period of active employees to the extent that such gains and losses exceed 10% of the accumulated postretirement benefit obligation, as of the beginning of the year. Disclosures are in accordance with SFAS No. 132 (Revised), Employers' Disclosure About Pensions and Other Postretirement Benefits.

In December 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The Act expanded Medicare to include, for the first time, coverage for prescription drugs.

In May 2004, the FASB issued accounting guidance applicable to the Act in the form of FASB Staff Position (FSP) 106-2. The guidance states, in part, that it applies only to a health care plan for which the employer has concluded that prescription drug benefits available under the plan to some or all participants for some or all future years are "actuarially equivalent" to Medicare Part D and thus qualify for subsidy under the Act. The Company, using an analysis performed by an independent actuary, has determined that it is unlikely that its retiree medical plan would qualify as actuarially equivalent to the Medicare Part D benefit as of December 31, 2005.

The following disclosures relating to postretirement benefits were measured at December 31, 2005:

	2005	2004	2003
(Dollars in Thousands)			
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 2,086	$ 2,083	$ 1,815
Service cost	106	97	74
Interest cost	122	122	119
Actuarial (gain)/loss	200	(81)	169
Benefits paid	(227)	(135)	(94)
Benefit obligation at end of year	$ 2,287	$ 2,086	$ 2,083
Change in plan assets:			
Fair value of plan assets at beginning of year	$ -	$ -	$ -
Employer contributions	227	135	94
Benefits paid	(227)	(135)	(94)
Fair value of plan assets at end of year	$ -	$ -	$ -
Funded status:			
Funded status	$(2,287)	$(2,086)	$(2,083)
Unrecognized transition obligation	429	491	552
Unrecognized net loss	647	461	563
Net amount recognized	$(1,211)	$(1,134)	$ (968)
Components of net periodic benefit cost:			
Service cost	$ 106	$ 97	$ 74
Interest cost	122	122	119
Amortization of transition obligation	61	61	61
Net loss recognition	15	21	13
Net periodic benefit cost	$ 304	$ 301	$ 267
Assumptions used to determine net periodic benefit cost:			
Discount rate	6.00%	6.00%	6.75%
Health care cost trend rate	5.50%	5.50%	6.00%
Sensitivity analysis of health care cost trends:			
Effect of +1% on service cost plus interest cost	$ 3	$ 3	$ 2
Effect of -1% on service cost plus interest cost	(1)	(1)	-
Effect of +1% on APBO	18	18	15
Effect of -1% on APBO	(9)	(10)	(8)
Assumptions used to value the Accumulated Postretirement Benefit Obligation (APBO):			
Discount rate	5.50%	6.00%	6.00%
Health care cost trend rate	5.50%	5.50%	5.50%
Ultimate trend rate	5.00%	5.00%	5.50%
Year of ultimate trend rate	2005	2005	2005
Estimated future benefit payments:			
The following table shows the expected future payments for the next ten years:			
During 2006	$ 115		
During 2007	115		
During 2008	114		
During 2009	107		
During 2010	108		
During 2011 through 2015	659		
	$ 1,218		

The Corporation assumes that the average annual rate of increase for medical benefits will decrease by one-half of 1% per year and stabilizes at an average increase of 5% per annum. The costs incurred for retirees' health care are limited since certain current and all future retirees are restricted to an annual medical premium cap indexed (since 1995) by the lesser of 4% or the actual increase in medical premiums paid by the Corporation. For 2005, this annual premium cap amounted to $2,133 per retiree. The Corporation estimates that it will contribute approximately $115,000 to the plan during fiscal 2006.

Supplemental Pension Plan

The Corporation provided a nonqualified plan that gives credit for 25 years of service based on the qualified plan formula. This plan is currently being provided to two retired executives of the Corporation. The plan is no longer being provided to Associates of the Corporation. Unrecognized net gains or losses resulting from experience different from that assumed and from changes in assumptions is recognized immediately as a component of net periodic benefit cost.

The following disclosures relating to the supplemental pension plan were measured at December 31, 2005:

	2005	2004	2003
(Dollars in Thousands)			
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 760	$ 784	$ 767
Service cost	-	-	-
Interest cost	43	45	49
Actuarial loss	58	15	52
Benefits paid	(84)	(84)	(84)
Benefit obligation at end of year	$ 777	$ 760	$ 784
Change in plan assets:			
Fair value of plan assets at beginning of year	$ -	$ -	$ -
Employer contributions	84	84	84
Benefits paid	(84)	(84)	(84)
Fair value of plan assets at end of year	$ -	$ -	$ -
Funded status:			
Funded status	$(777)	$(760)	$(784)
Unrecognized net loss	-	-	-
Net amount recognized	$(777)	$(760)	$(784)
Components of net periodic benefit cost:			
Service cost	$ -	$ -	$ -
Interest cost	43	45	49
Amortization of transition obligation	-	-	-
Net loss recognition	58	15	52
Net periodic benefit cost	$ 101	$ 60	$ 101
Assumptions used to determine net periodic benefit cost:			
Discount rate	6.00%	6.00%	6.75%
Assumptions used to value the Supplemental Pension Plan Obligation:			
Discount rate	5.50%	6.00%	6.00%

Estimated future supplemental pension plan payments:
The following table shows the expected future payments for the next ten years:

During 2006	$ 84
During 2007	84
During 2008	84
During 2009	83
During 2010	83
During 2011 through 2015	418
	$ 836

The Corporation estimates that it will contribute approximately $84,000 to the plan during fiscal 2006.

The Corporation has two additional plans. They are a Director's Plan with a corresponding liability of $171,000 and an Early Retirement Window Plan with a corresponding liability of $607,000.

14. TAXES ON INCOME

The Corporation and its subsidiaries file a consolidated federal income tax return and separate state income tax returns. The income tax provision consists of the following:

Year Ended December 31,	2005	2004	2003
(In Thousands)			
From continuing operations:			
Current income taxes:			
Federal taxes	$ 11,118	$ 12,175	$ 11,212
State and local taxes	2,197	1,993	1,695
Deferred income taxes:			
Federal taxes	1,445	(22)	(1,943)
State and local taxes	87	(195)	-
Subtotal	14,847	13,951	10,964
From discontinued operations and businesses held-for-sale:			
Current income taxes:			
Federal taxes	-	112	26,826
State and local taxes	-	65	2,210
Deferred income taxes:			
Federal taxes	-	-	(4,258)
State and local taxes	-	-	(878)
Subtotal	-	177	23,900
Total	$ 14,847	$ 14,128	$ 34,864

Current federal income taxes include taxes on income that cannot be offset by net operating loss carryforwards.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following is a summary of the significant components of the Corporation's deferred tax assets and liabilities as of December 31, 2005 and 2004:

	2005	2004
(In Thousands)		
Deferred tax liabilities:		
Accelerated depreciation	$ (856)	$ (1,256)
Other	(310)	(321)
Prepaid expenses	(1,109)	(990)
Deferred loan costs	(1,866)	-
Total deferred tax liabilities	(4,141)	(2,567)
Deferred tax assets:		
Bad debt deductions	8,849	8,462
Tax credit carryforwards	150	150

Net operating loss carryforwards	3,911	4,484
Loan fees	28	12
Reserves and other	1,748	1,646
Unrealized losses on available-for-sale securities	6,088	2,019
Total deferred tax assets	20,774	16,773
Valuation allowance	(2,702)	(2,812)
Net deferred tax asset	$ 13,931	$ 11,394

Included in the table above is the effect of certain temporary differences for which no deferred tax expense or benefit was recognized. Such items consisted primarily of unrealized gains and losses on certain investments in debt and equity securities accounted for under SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, and certain adjustments in non-wholly owned subsidiaries.

Based on the Corporation's history of prior earnings and its expectations of the future, it is anticipated that operating income and the reversal pattern of its temporary differences will, more likely than not, be sufficient to realize a net deferred tax asset of $13.9 million at December 31, 2005. An adjustment to decrease gross deferred tax assets and the related valuation allowance in the amount of $110,000 was made in 2005 to reflect state tax net operating losses that have expired. An adjustment to the valuation allowance was made in 2004 to reflect benefits previously recognized for state tax net operating losses that are not realizable due to changes in state tax law enacted in 2004, along with further unrealized benefits related to the discontinuance of the leasing company. No adjustments to the valuation allowance were made in 2003.

At December 31, 2005, approximately $3.3 million in gross deferred tax assets of the Corporation were related to net operating losses and tax credits attributable to a former subsidiary. The Corporation has assessed a valuation allowance of $1.96 million on a portion of these deferred tax assets due to limitations imposed by the Internal Revenue Code.

Approximately $744,000 in gross deferred tax assets of the Corporation at December 31, 2005 are related to state tax net operating losses. The Company has assessed a valuation allowance of $744,000 on this entire deferred tax asset due to an expectation of such net operating losses expiring before being utilized.

Net operating loss carryforwards (NOLs) of $21.6 million remain at December 31, 2005. The expiration dates and amounts of such carryforwards are listed below:

	Federal	State
(In Thousands)		
2007	$ -	$ 8,479
2008	2,291	-
2009	6,755	-
2017	-	31
2018	-	4,071
	$ 9,046	$12,581

The Corporation's ability to use its federal NOLs to offset future income is subject to restrictions enacted in Section 382 of the Internal Revenue Code. These restrictions limit a company's future use of NOLs if there is a significant ownership change in a company's stock (an "Ownership Change"). The utilization of approximately $9.0 million of federal net operating loss carryforwards is limited to approximately $1.3 million each year as a result of such Ownership Change in a former subsidiary's stock.

A reconciliation setting forth the differences between the effective tax rate of the Corporation and the U.S. Federal statutory tax rate is as follows:

Year Ended December 31,	2005	2004	2003

Statutory federal income tax rate	35.0%	35.0%	35.0%
State tax net of federal tax benefit	3.2	3.0	1.2
Interest income 50% excludable	(1.7)	(1.9)	(0.8)
Bank-owned life insurance income	(1.6)	(1.9)	-
Utilization of loss carryforwards and valuation allowance adjustments	-	1.1	-
Other	(0.1)	-	0.2
Effective tax rate	34.8%	35.3%	35.6%

15. STOCK OPTION PLANS

The Corporation has stock options outstanding under two stock option plans (collectively, "Option Plans") for officers, directors and Associates of the Corporation and its subsidiaries. After shareholder approval in 2005, the 1997 Stock Option Plan ("1997 Plan") was replaced by the 2005 Incentive Plan ("2005 Plan"). No future awards may be granted under the 1997 Plan. The 2005 Plan will terminate on the tenth anniversary of its effective date, after which no awards may be granted. The number of shares originally authorized under the 2005 Plan is 400,000. At December 31, 2005, there were 268,193 shares available for future grants under the 2005 Plan.

The Option Plans provide for the granting of incentive stock options as defined in Section 422 of the Internal Revenue Code as well as nonincentive stock options (collectively, "Stock Options"). Additionally, the 2005 Plan provides for the granting of stock appreciation rights, performance awards, restricted stock and restricted stock unit awards, deferred stock units, dividend equivalents, other stock-based awards and cash awards. All Stock Options are to be granted at not less than the market price of the Corporation's common stock on the date of the grant. All Stock Options granted between October 1, 1996 and December 14, 2005 are exercisable one year from grant date, vest in 20% per annum increments and expire no later than ten years from the grant date. All Stock Options granted between December 15, 2005 and December 31, 2005 are exercisable one year from grant date, vest in 25% per annum increments and expire no later than five years from the grant date. Generally, all awards become immediately exercisable in the event of a change in control, as defined within the Option Plans.

A summary of the status of the Corporation's Option Plans as of December 31, 2005, 2004 and 2003, and changes during the years then ended is presented below:

	2005		2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Stock Options:						
Outstanding at beginning of year	873,360	$23.48	938,264	$19.49	1,080,060	$16.33
Granted	109,847	62.69	87,495	55.10	91,455	42.52
Exercised	(226,963)	15.05	(131,849)	15.51	(220,441)	13.86
Canceled	(10,295)	38.98	(20,550)	26.92	(12,810)	14.55
Outstanding at end of year	745,949	31.60	873,360	23.48	938,264	19.49
Exercisable at end of year	434,144	20.51	499,496	16.90	436,863	15.70
Weighted-average fair value of awards granted	$15.13		$13.90		$9.19	

The Black-Scholes option-pricing model was used to determine the grant-date fair-value of options. Significant assumptions used in the model included a weighted-average risk-free rate of return of 4.3% in 2005, 3.7% in 2004 and 3.3% in 2003; expected option life of between three and three-quarter and six years for all awards; and expected stock price volatility of 19% in 2005, 19% in 2004 and 17% in 2003. For the purposes of this option-pricing model 1% was used as the expected dividend yield.

The Black-Scholes and other option-pricing models assume that options are freely tradable and immediately vested. Since executives' options are not transferable, have long vesting provisions, and are subject to trading blackout periods imposed by the Company, the value calculated by the Black-Scholes model may significantly overstate the true economic value of the options.

SFAS No. 123, Accounting for Stock-Based Compensation, encourages, but does not require, the adoption of fair-value accounting for stock-based compensation to Associates. The Company, as permitted, had elected not to adopt the fair value accounting provisions of SFAS 123, and has instead continued to apply Accounting Principles Board (APB) Opinion 25, Accounting for Stock Issued to Employees, and Related Interpretations, and related interpretations in accounting for the Stock Plans and to provide the required pro forma disclosures of SFAS 123. Had the grant-date fair-value provisions of SFAS 123 been adopted, the Corporation would have recognized pretax compensation expense of $1.2 million in 2005, $907,000 in 2004 and $1.1 million in 2003 related to its Option Plans. As a result, pro forma income from continuing operations for the Corporation would have been $26.9 million in 2005, $25.2 million in 2004 and $20.5 million in 2003. Pro forma diluted earnings per share from continuing operations would have been $3.75 in 2005, $3.31 in 2004 and $2.49 in 2003.

The effects on pro forma net income and diluted earnings per share of applying the disclosure requirement of SFAS 123 in past years may not be representative of the future pro forma effects on net income and EPS due to the vesting provisions of the options and future awards that are available to be granted.

The following table summarizes all stock options outstanding and exercisable for Option Plans as of December 31, 2005, segmented by range of exercise prices:

	Outstanding			Exercisable	
	Number	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number	Weighted-Average Exercise Price
Stock Options:					
$ 0.00-$ 6.37	6,545	$ -	2.8 years	-	$ -
$ 6.38-$12.73	90,427	10.92	4.8 years	90,427	10.92
$12.74-$19.10	288,603	16.00	5.0 years	244,203	15.87
$25.47-$31.83	4,000	31.60	7.2 years	1,600	31.60
$31.84-$38.20	90,971	33.41	7.0 years	50,675	33.40
$38.21-$44.57	77,955	43.71	7.8 years	30,948	43.71
$44.58-$50.94	5,080	48.67	8.5 years	1,016	48.67
$50.95-$57.30	8,907	53.86	9.4 years	220	53.26
$57.31-$63.67	173,461	61.49	6.7 years	15,055	58.78
Total	745,949	$31.60	6.0 years	434,144	$20.51

16. COMMITMENTS AND CONTINGENCIES

Lending Operations

At December 31, 2005, the Corporation had commitments to extend credit of $503.4 million. Consumer lines of credit totaled $49.7 million of which $38.7 million was secured by real estate. Outstanding letters of credit were $26.7 million and outstanding commitments to make or acquire mortgage loans aggregated $37.7 million. Approximately $20.7 million of which were at fixed rates ranging from 5.25% to 7.88%, and approximately $17.0 million were at variable rates ranging from 4.38% to 7.38%. Mortgage commitments generally have closing dates within a six-month period.

Data Processing Operations

The Company has entered into contracts to manage network operations, data processing and other related services. The projected amounts of future minimum payments contractually due (in thousands) are as follows:

2006	$3,364
2007	3,417
2008	2,730
2009	2,421
2010	655

Legal Proceedings

In the ordinary course of business, the Corporation, the Bank and its subsidiaries are subject to legal actions that involve claims for monetary relief. Based upon information presently available to the Corporation and its counsel, it is the Corporation's opinion that any legal and financial responsibility arising from such claims will not have a material adverse effect on the Corporation's results of operations.

The Bank, as successor to originators, is from time to time involved in arbitration or litigation with reverse mortgage loan borrowers or with the heirs of borrowers. Because reverse mortgages are a relatively new and uncommon product, there can be no assurances regarding how the courts or arbitrators may apply existing legal principles to the interpretation and enforcement of the terms and conditions of the Bank's reverse mortgage rights and obligations.

Financial Instruments With Off Balance Sheet Risk

The Corporation is a party to financial instruments with off balance sheet risk in the normal course of business primarily to meet the financing needs of its customers. To varying degrees, these financial instruments involve elements of credit risk that are not recognized in the Consolidated Statement of Condition.

Exposure to loss for commitments to extend credit and standby letters of credit written is represented by the contractual amount of those instruments. The Corporation generally requires collateral to support such financial instruments in excess of the contractual amount of those instruments and essentially uses the same credit policies in making commitments as it does for on-balance sheet instruments.

The following represents a summary of off balance sheet financial instruments at year-end:

December 31,	2005	2004
(In Thousands)		
Financial instruments with contract amounts which represent potential credit risk:		
Construction loan commitments	$104,000	$ 68,905
Commercial mortgage loan commitments	93,966	85,204
Commercial loan commitments	176,344	142,081
Commercial standby letters of credit	26,720	13,348
Residential mortgage loan commitments	37,692	19,923
Consumer loan commitments	64,676	57,250

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The Corporation evaluates each customer's creditworthiness and obtains collateral based on management's credit evaluation of the counterparty.

Indemnifications

Secondary Market Loan Sales. The Company generally does not sell loans with recourse except to the extent arising from standard loan sale contract provisions covering violations of representations and warranties and, under certain circumstances first payment default by the borrower. These are customary repurchase provisions in the secondary market for conforming mortgage loan sales. The Company typically sells fixed-rate, conforming first mortgage loans to Freddie Mac as part of its ongoing asset/liability management program. Loans held-for-sale are carried at the lower of cost or market of the aggregate or in some cases individual loans. Gains and losses on sales of loans are recognized at the time of the sale.

As is customary in such sales, WSFS provides indemnifications to the buyers under certain circumstances. These indemnifications may include the repurchase of loans by WSFS. Repurchases and losses are rare, and no provision is made for losses at the time of sale. During 2005, the Company had no repurchases.

Swap Guarantees. The Company entered into an agreement with an unaffiliated financial institution whereby that financial institution entered into interest rate derivative contracts (interest rate swap transactions) with customers referred to them by the Company. By the terms of the agreement, that financial institution has recourse to the Company for any exposure created under each swap transaction in the event the customer defaults on the swap agreement and the agreement is in a paying position to the third-party financial institution. This is a customary arrangement that allows smaller financial institutions such as WSFS to provide access to interest rate swap transactions for its customers without WSFS creating the swap itself.

At December 31, 2005 there were eighteen variable-rate to fixed-rate swap transactions between the third-party financial institution and customers of WSFS with an initial notional amount aggregating approximately $57.9 million, and with maturities ranging from two to ten years. The aggregate market value of these swaps to the customers was an asset of $98,600 as of December 31, 2005.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The reported fair values of financial instruments are based on a variety of factors. In certain cases, fair values represent quoted market prices for identical or comparable instruments. In other cases, fair values have been estimated based on assumptions regarding the amount and timing of estimated future cash flows that are discounted to reflect current market rates and varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of year-end or that will be realized in the future.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Short-Term Investments: For cash and short-term investments, including due from banks, federal funds sold, securities purchased under agreements to resell and interest-bearing deposits with other banks, the carrying amount is a reasonable estimate of fair value.

Investments and Mortgage-Backed Securities: Fair value for investment and mortgage-backed securities is based on quoted market prices, where available. If a quoted market price is not available, fair value is estimated using quoted prices for similar securities. The fair value of the Corporation's investment in reverse mortgages is based on the net present value of estimated cash flows, which have been updated to reflect recent external appraisals of the underlying collateral.

Loans: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type: commercial, commercial mortgages, construction, residential mortgages and consumer. For loans that reprice frequently, the book value approximates fair value. The fair values of other types of loans are estimated by discounting expected cash flows using the current rates at which similar loans would be made to borrowers with comparable credit ratings and for similar remaining maturities. The fair value of nonperforming loans is based on recent external appraisals of the underlying collateral. Estimated cash flows, discounted using a rate commensurate with current rates and the risk associated with the estimated cash flows, are utilized if appraisals are not available.

Interest Rate Cap: The fair value is estimated using a standard sophisticated option model.

Deposit Liabilities: The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, money market and interest-bearing demand deposits and savings deposits, is assumed to be equal to the amount payable on demand. The carrying value of variable rate time deposits and time deposits that reprice frequently also approximates fair value. The fair value of the remaining time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits with comparable remaining maturities.

Borrowed Funds: Rates currently available to the Corporation for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Off Balance Sheet Instruments: The fair value of off balance sheet instruments, including commitments to extend credit and standby letters of credit, is estimated using the fees currently charged to enter into similar agreements with comparable remaining terms and reflects the present creditworthiness of the counterparties.

The book value and estimated fair value of the Corporation's financial instruments are as follows:

December 31,	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
(In Thousands)				
Financial assets:				
Cash and cash equivalents	$ 233,951	$ 233,951	$ 193,009	$ 193,009
Investment securities	57,489	57,688	97,376	97,895
Mortgage-backed securities	620,323	620,323	524,144	524,144
Loans, net	1,775,294	1,779,746	1,535,467	1,542,006
Bank-owned life insurance	54,193	54,193	52,190	52,190
Stock in Federal Home Loan Bank of Pittsburgh46,293	46,293	46,293	43,946	43,946
Accrued interest receivable	11,070	11,070	8,656	8,656
Interest rate cap	125	125	322	322
Financial liabilities:				
Deposits	1,446,236	1,447,165	1,234,962	1,237,779
Borrowed funds	1,195,008	1,200,477	1,054,156	1,060,555
Accrued interest payable	7,554	7,554	3,863	3,863

The estimated fair value of the Corporation's off-balance sheet financial instruments is as follows:

December 31,	2005	2004
(In Thousands)		
Off-balance sheet instruments:		
Commitments to extend credit	$4,120	$3,171
Standby letters of credit	267	133

18. RELATED PARTY TRANSACTIONS

The Corporation routinely enters into transactions with its directors and officers. Such transactions are made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and do not, in the opinion of management, involve more than the normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties was $6.9 million and $7.9 million at December 31, 2005 and 2004, respectively. During 2005, new loans and credit line advances to such related parties amounted to $5.9 million and repayments amounted to $6.9 million.

A director of the Corporation is also a director of a loan customer of the Bank. At December 31, 2005, the principal balance outstanding of that loan was $8.5 million.

The Chairman of the Corporation is also the Chairman of the FHLB of Pittsburgh. At December 31, 2005, the Bank had borrowed funds outstanding from the FHLB of Pittsburgh of $1.0 billion and owned $46.3 million of FHLB of Pittsburgh stock. These transactions have the same terms and conditions as comparable transactions with other financial institutions.

19. PARENT COMPANY FINANCIAL INFORMATION

Condensed Statement of Financial Condition

December 31,	2005	2004
(In Thousands)		
Assets:		
Cash	$ 10,097	$ 1,574
Investment in subsidiaries	236,095	240,892
Investment in interest rate cap	125	322
Investment in Capital Trust I	-	1,547
Investment in Capital Trust III	2,011	-
Other assets	1,056	2,240
Total assets	$ 249,384	$ 246,575
Liabilities:		
Borrowings	$ 67,011	$ 50,000
Interest payable	357	217
Other liabilities	41	55
Total liabilities	67,409	50,272
Stockholders' equity:		
Common stock	154	152
Capital in excess of par value	74,673	68,327
Comprehensive loss	(9,968)	(3,385)
Retained earnings	319,065	293,054
Treasury stock	(201,949)	(161,845)
Total stockholders' equity	181,975	196,303
Total liabilities and stockholders' equity	$ 249,384	$ 246,575

Condensed Statement of Operations

Year Ended December 31,	2005	2004	2003
(In Thousands)			
Income:			
Interest income	$ 533	$ 101	$ 631
Noninterest income	139	139	118
	672	240	749
Expenses:			
Interest expense	5,292	2,246	2,023

Other operating expenses	(1,567)	(681)	(401)
	3,725	1,565	1,622
Loss before equity in undistributed income of subsidiaries	(3,053)	(1,325)	(873)
Equity in undistributed income of subsidiaries	30,909	27,225	63,895
Net income	$ 27,856	$ 25,900	$ 63,022

Condensed Statement of Cash Flows

Year Ended December 31,	2005	2004	2003
(In Thousands)			
Operating activities:			
Net income	$ 27,856	$ 25,900	$ 63,022
Adjustments to reconcile net income to net cash used for operating activities:			
Equity in undistributed income of subsidiaries	(30,909)	(27,225)	(63,895)
Amortization	1,398	175	50
Decrease (increase) in other assets	432	(600)	160
Increase (decrease) in other liabilities	126	37	(20)
Net cash used for operating activities	(1,097)	(1,713)	(683)
Investing activities:			
Decrease in investment in subsidiaries	28,210	18,577	52,000
Net issuance of Pooled Floating Rate Capital Securities	17,011	-	-
Net cash provided by investing activities	45,221	18,577	52,000
Financing activities:			
Issuance of common stock	6,348	3,590	4,951
Dividends paid on common stock	(1,845)	(1,643)	(1,583)
Treasury stock, net of reissuance	(40,104)	(17,899)	(58,418)
Net cash used for financing activities	(35,601)	(15,952)	(55,050)
Increase (decrease) in cash	8,523	912	(3,733)
Cash at beginning of period	1,574	662	4,395
Cash at end of period	$ 10,097	$ 1,574	$ 662

20. ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING

The Corporation has an interest-rate cap with a notional amount of $50.0 million, which limits three-month LIBOR to 6.00% for the ten years ending December 1, 2008. Until December 31, 2003, the cap qualified as a hedge of the cash flows on $50.0 million in trust preferred floating rate debt. The change in the fair value of the cap during the hedging relationship, was captured in accumulated other comprehensive income. The remaining amount recorded in accumulated other comprehensive income from December 31, 2003 will be reclassified into interest expense when each of the quarterly interest payments is made on the trust preferred debt. During 2006, the company anticipates recognizing a non-cash charge of $74,000 for interest expense from the amortization of the balance in accumulated other comprehensive income.

The fair value of the cap is estimated using a standard option model. The fair value of the interest rate cap at December 31, 2005 was $125,000 and is considered a freestanding derivative.

The following depicts the change in fair market value of the Company's derivatives from January 1, 2003 to December 31, 2005:

	Carrying Value at Jan. 1, 2003	Activity	Carrying Value at Dec. 31, 2003	Activity	Carrying Value at Dec. 31, 2004	Activity	Carrying Value at Dec. 31, 2005
(In Thousands)							
Interest Rate Cap	$1,012	$60	$1,072	$(750)	322	$(197)	$125

21. SEGMENT INFORMATION

Under the definition of SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, the Corporation has two operating segments: WSFS and CashConnect, the ATM division of WSFS. WSFS provides financial products through its main office, 24 retail banking offices, loan production offices and operations centers to commercial and retail customers. Retail and Commercial Banking, Commercial Real Estate Lending, Private Banking and other banking business units are operating departments of WSFS. These departments share the same regulator, market, many of the same customers, share common resources (corporate and department-level) and provide similar products and services through the general infrastructure of the Company. Because of these and other reasons, these departments are not considered discrete segments and further are appropriately aggregated within the WSFS segment of the Company in accordance with SFAS No. 131. CashConnect provides turnkey ATM services through strategic partnerships with several of the largest networks, manufacturers and service providers in the ATM industry.

An operating segment is a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Corporation evaluates performance based on pretax ordinary income relative to resources used, and allocates resources based on these results. Segment information for the years ended December 31, 2005, 2004 and 2003 are shown below.

For the year ended December 31, 2005:	WSFS	CashConnect	Total
(in thousands)			
External customer revenues:			
Interest income	$136,022	$ -	$136,022
Noninterest income	22,114	12,539	34,653
Total external customer revenues	158,136	12,539	170,675
Inter-segment revenues:			
Interest income	4,729	-	4,729
Noninterest income	778	682	1,460
Total inter-segment revenues	5,507	682	6,189
Total revenue	163,643	13,221	176,864
External customer expenses:			
Interest expense	62,380	-	62,380
Noninterest expenses	58,921	3,956	62,877

Provision for loan loss	2,582	-	2,582
Total external customer expenses	123,883	3,956	127,839
Inter-segment expense:			
Interest expense	-	4,729	4,729
Noninterest expenses	682	778	1,460
Total inter-segment expenses	682	5,507	6,189
Total expenses	124,565	9,463	134,028
Income before taxes and extraordinary items	$ 39,078	$ 3,758	42,836
Provision for income taxes			14,847
Minority interest			133
Consolidated net income			$ 27,856
Cash and cash equivalents	$ 59,424	$ 174,527	$ 233,951
Other segment assets	2,605,648	7,153	2,612,801
Total segment assets	$2,665,072	$ 181,680	$2,846,752
Capital expenditures	$ 15,703	$ 811	$ 16,514

For the year ended December 31, 2004:	WSFS	CashConnect	Total
(in thousands)			
External customer revenues:			
Interest income	$ 104,110	$ -	$ 104,110
Noninterest income	21,874	10,076	31,950
Total external customer revenues	125,984	10,076	136,060
Inter-segment revenues:			
Interest income	1,771	-	1,771
Noninterest income	717	742	1,459
Total inter-segment revenues	2,488	742	3,230
Total revenue	128,472	10,818	139,290
External customer expenses:			
Interest expense	37,246	-	37,246
Noninterest expenses	52,183	3,516	55,699
Provision for loan loss	3,217	-	3,217
Total external customer expenses	92,646	3,516	96,162
Inter-segment expense:			
Interest expense	-	1,771	1,771
Noninterest expenses	742	717	1,459
Total inter-segment expenses	742	2,488	3,230
Total expenses	93,388	6,004	99,392
Income before taxes and extraordinary items	$ 35,084	$ 4,814	39,898

Provision for income taxes			13,951
Minority interest			190
Income on wind-down of discontinued operations, net of taxes			143
Consolidated net income			$ 25,900
Cash and cash equivalents	$ 61,328	$ 131,150	$ 192,478
Other segment assets	2,302,895	7,583	2,310,478
Total segment assets	$2,364,223	$ 138,733	$2,502,956
Capital expenditures	$ 5,886	$ 522	$ 6,408

For the year ended December 31, 2003:	WSFS	CashConnect	Total
(in thousands)			
External customer revenues:			
Interest income	$ 89,299	$ -	$ 89,299
Noninterest income	18,386	7,780	26,166
Total external customer revenues	107,685	7,780	115,465
Inter-segment revenues:			
Interest income	1,110	-	1,110
Noninterest income	662	747	1,409
Total inter-segment revenues	1,772	747	2,519
Total revenue	109,457	8,527	117,984
External customer expenses:			
Interest expense	31,301	-	31,301
Noninterest expenses	46,311	3,106	49,417
Provision for loan loss	2,550	-	2,550
Total external customer expenses	80,162	3,106	83,268
Inter-segment expense:			
Interest expense	-	1,110	1,110
Noninterest expenses	747	662	1,409
Total inter-segment expenses	747	1,772	2,519
Total expenses	80,909	4,878	85,787
Income before taxes and extraordinary items	$ 28,548	$ 3,649	32,197
Provision for income taxes			10,964
Gain on sale of businesses held-for-sale			41,789
Consolidated net income			$ 63,022
Cash and cash equivalents	$ 46,709	$113,711	$ 160,420
Other segment assets	2,043,162	3,495	2,046,657
Total segment assets	$2,089,871	$117,206	$2,207,077
Capital expenditures	$ 2,496	$ 301	$ 2,797

QUARTERLY FINANCIAL SUMMARY (Unaudited)

Three Months Ended	12/31/05	9/30/05	6/30/05	3/31/05	12/31/04	9/30/04	6/30/04	3/31/04
(In Thousands, Except Per Share Data)								
Interest income	$37,835	$35,136	$32,886	$30,165	$29,065	$26,601	$24,282	$24,162
Interest expense	19,299	15,921	15,108	12,052	10,809	9,481	8,674	8,282
Net interest income	18,536	19,215	17,778	18,113	18,256	17,120	15,608	15,880
Provision for loan losses	1,006	225	772	579	847	996	687	687
Net interest income after provision for loan losses	17,530	18,990	17,006	17,534	17,409	16,124	14,921	15,193
Noninterest income	9,499	8,584	8,714	7,856	8,012	8,160	8,220	7,558
Noninterest expenses	16,154	16,150	15,603	14,970	15,105	14,167	13,189	13,238
Income from continuing operations before minority interest and taxes	10,875	11,424	10,117	10,420	10,316	10,117	9,952	9,513
Less minority interest	11	48	37	37	32	66	47	45
Income from continuing operations before taxes	10,864	11,376	10,080	10,383	10,284	10,051	9,905	9,468
Income tax provision	3,771	3,969	3,514	3,593	3,528	3,499	3,638	3,286
Income from continuing operations	7,093	7,407	6,566	6,790	6,756	6,552	6,267	6,182
Income on wind-down of discontinued operations, net of taxes	-	-	-	-	143	-	-	-
Net income	$ 7,093	$ 7,407	$ 6,566	$ 6,790	$ 6,899	$ 6,552	$ 6,267	$ 6,182
Earnings per share:								
Basic:								
Income from continuing operations	$ 1.09	$ 1.12	$ 0.95	$ 0.96	$ 0.96	$ 0.93	$ 0.87	$ 0.84
Income on wind-down of discontinued operations, net of taxes	-	-	-	-	0.02	-	-	-
Net income	$ 1.09	$ 1.12	$ 0.95	$ 0.96	$ 0.98	$ 0.93	$ 0.87	$ 0.84
Diluted:								
Income from continuing operations	$ 1.03	$ 1.06	$ 0.90	$ 0.90	$ 0.90	$ 0.88	$ 0.82	$ 0.79
Income on wind-down of discontinued operations, net of taxes	-	-	-	-	0.02	-	-	-
Net income	$ 1.03	$ 1.06	$ 0.90	$ 0.90	$ 0.92	$ 0.88	$ 0.82	$ 0.79

Subsidiaries of the Registrant

Parent Company	Subsidiary	Percent Owned	State or Other Jurisdiction of Incorporation
WSFS Financial Corporation	Wilmington Savings Fund Society, Federal Savings Bank	100%	United States
	WSFS Capital Trust, III	100%	Delaware
	Montchanin Capital Management, Inc.	94%(1)	Delaware
Wilmington Savings Fund Society, Federal Savings Bank	WSFS Reit, Inc	100%	Delaware
	WSFS Investment Group, Inc.	100%	Delaware
	WSFS Credit Corporation	100%	Delaware
Montchanin Capital Management, Inc.	Cypress Capital Management, LLC	80%(2)	Delaware

(1) During 2006 this ownership percentage increased to 100%.
(2) During 2006 this ownership percentage increased to 90%.

CONSENT OF KPMG LLP

Consent of Independent Registered Public Accounting Firm

The Board of Directors
WSFS Financial Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-106561, No. 333-26099, No. 333-33713, No. 333-40032, and No. 333-127225) on Form S-8 of WSFS Financial Corporation of our report dated March 15, 2006, with respect to the consolidated statement of condition of WSFS Financial Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005, and the effectiveness of internal control over financial reporting as of December 31, 2005, which reports appear in the December 31, 2005 annual report on Form 10-K of WSFS Financial Corporation.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 15, 2006

SECTION 302 CERTIFICATION

I, Marvin N. Schoenhals, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of WSFS Financial Corporation;

2. Based on my knowledge, this report does 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 statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 15, 2006

/s/ Marvin N. Schoenhals

Marvin N. Schoenhals
President and Chief Executive Officer

SECTION 302 CERTIFICATION

I, Stephen A. Fowle, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of WSFS Financial Corporation;

2. Based on my knowledge, this report does 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 statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 15, 2006

/s/ Stephen A. Fowle

Stephen A. Fowle
Executive Vice President and
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of WSFS Financial Corporation (the "Corporation") on Form 10-K for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Marvin N. Schoenhals, Chairman, President and Chief Executive Officer, and Stephen A. Fowle, Executive Vice President and Chief Financial Officer (Principal Accounting Officer), hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1) This annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in this annual report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Marvin N. Schoenhals	/s/ Stephen A. Fowle
Marvin N. Schoenhals Chairman and President	Stephen A. Fowle Executive Vice President and Chief Financial Officer

March 15, 2006