WSFS FINANCIAL CORP
Form 10-K
March 16, 2006

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
TABLE OF CONTENTS

Part I

Part III

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.

-4-

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	
	Amount	Percent of Assets	Amount	Percent of Assets
			(Dollars In Thousands)	
Held-to-Maturity:				
Corporate bonds............................	$ -	-%	$ 310	-%
State and political subdivisions	4,806	0.2	7,457	0.3
	4,806	0.2	7,767	0.4
Available-for-Sale:				
Reverse Mortgages..........................	785	-	(109)	-
State and political subdivisions............	975	-	-	-
U.S. Government and agencies................	51,702	1.8	89,718	3.6
	53,462	1.8	89,609	3.6
Short-term investments:				
Interest-bearing deposits in other banks (1)	148	-	531	-
	$58,416	2.0%	$ 97,907	4.0%

(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 3
	Amount
	(Dollars in Th
Held-to-Maturity:	
State and political subdivisions (2):	
After one but within five years	$ 3,299
After ten years	1,508
Total debt securities, held-to-maturity	4,807
Available-for-Sale:	
Reverse Mortgages (3):	
Within one year	$ 785
	785
State and political subdivisions (2):	
After one but within five years	$ 635
After five but within ten years	340
	975
U.S. Government and agencies:	
Within one year	$12,929
After one but within five years	38,772
	51,701

Total debt securities, available-for-sale	53,461
Total debt securities	58,268
Short-term investments:	
Interest-bearing deposits in other banks	148
Total short-term investments	148
	$58,416

(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	
			(Dollars in Thousands)	
	Amount	Rate	Amount	Rate
Held-to-Maturity:				
Collateralized mortgage obligations	$ -	-%	$ -	-%
FHLMC	-	-	4	6.06
	$ -	-%	$ 4	6.06%

Available-for-Sale:				
Collateralized mortgage obligations.........	526,546	4.73%	401,231	4.38%
FNMA..	49,785	3.98	58,650	3.86
FHLMC.......................................	32,211	4.05	33,788	3.80
GNMA..	14,643	4.37	18,520	4.15
	$623,185	4.63%	$512,189	4.27%
Trading:				
Collateralized mortgage obligations.........	$ 11,951	7.37%	$ 11,951	5.32%

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		
Types of Loans	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%	$
Commercial real estate:							
Commercial mortgage.........	410,552	23.1	416,287	27.1	335,050	25.7	
Construction................	178,418	10.1	120,604	7.9	54,742	4.2	
Total commercial real estate...........	588,970	33.2	536,891	35.0	389,792	29.9	
Commercial..................	508,930	28.6	368,752	24.0	292,516	22.4	
Consumer....................	244,820	13.8	210,959	13.7	186,133	14.3	
Gross loans.................	1,800,371	101.4	1,559,625	101.6	1,326,849	101.7	1,

Less:							
(Deferred fees)							
unearned income..........	(304)	0.0	(64)	0.0	(414)	0.0	
Allowance for loan losses...	25,381	1.4	24,222	1.6	22,386	1.7	
Net loans..................	$1,775,294	100.0%	$1,535,467	100.0%	$1,304,877	100.0%	$1,

(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.

-9-

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.

-10-

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	
	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%
Home equity lines of credit.......	87,503	35.7	56,755	26.9	39,858	21.4
Automobile.......................	2,616	1.1	5,126	2.4	9,137	4.9
Unsecured lines of credit.........	8,780	3.6	9,338	4.4	10,506	5.6
Other............................	9,200	3.8	7,805	3.7	2,221	1.2

Total consumer loans	$244,820	100.0%	$210,959	100.0%	$ 186,133	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:

- Deposit growth
- The brokered CD market
- Borrowing from the FHLB
- Other borrowings such as repurchase agreements
- Cash flow 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.

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.

-15-

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)
			(In Thous
WSFS:			
Main Office (2) 9th & Market Streets Wilmington, DE 19899	Owned		$1,006
Union Street Branch 3rd & Union Streets Wilmington, DE 19805	Leased	2008	67
Trolley Square Branch 1711 Delaware Avenue Wilmington, DE 19806	Leased	2006	9
Fairfax Shopping Center Branch 2005 Concord Pike Wilmington, DE 19803	Leased	2008	84
Branmar Plaza Shopping Center Branch 1812 Marsh Road Wilmington, DE 19810	Leased	2008	13
Prices Corner Shopping Center Branch 3202 Kirkwood Highway Wilmington, DE 19808	Leased	2008	21
Pike Creek Shopping Center Branch New Linden Hill & Limestone Roads Wilmington, DE 19808	Leased	2006	144
University Plaza Shopping Center Branch I-95 & Route 273 Newark, DE 19712	Leased	2008	68
College Square Shopping Center Branch (3) Route 273 & Liberty Avenue Newark, DE 19711	Leased	2007	168
Airport Plaza Shopping Center Branch 144 N. DuPont Hwy. New Castle, DE 19720	Leased	2013	736
Stanton Branch Inside ShopRite at First State Plaza 1600 W. Newport Pike Wilmington, DE 19804	Leased	2006	29
Glasgow Branch Inside Genuardi's at Peoples Plaza Routes 40 & 896 Newark, DE 19804	Leased	2008	70
Middletown Crossing Shopping Center Route 299 and Silver Lake Road	Leased	2017	1,257

Middletown, DE 19709			
Dover Branch	Leased	2010	2
Inside Metro Food Market			
Rt 134 & White Oak Road			
Dover, DE 19901			

Location	Owned/ Leased	Date Lease Expires	Net Book Value Of Property or Leasehold Improvements (1)
			(In Thous
WSFS (continued...):			
West Dover Loan Office	Leased	2009	7
Greentree Office Center			
160 Greentree Drive			
Suite 105			
Dover, DE 19904			
Blue Bell Loan Office	Leased	2006	-
550 Township Line Road			
Suite 400			
Blue Bell, PA 19422			
Glen Eagle Branch	Leased	2008	106
Inside Genaurdi's Family Market			
475 Glen Eagle Square			
Glen Mills, PA 19342			
University of Delaware-Trabant University Center	Leased	2008	136
17 West Main Street			
Newark, DE 19716			
Brandywine Branch	Leased	2009	96
Inside Genaurdi's Family Market			
2522 Foulk Road			
Wilmington, DE 19810			
Wal-Mart Branch	Leased	2009	236
Route 40 & Wilton Boulevard			
New Castle, DE 19720			
Operations Center	Owned		829
2400 Philadelphia Pike			
Wilmington, DE 19703			
Longwood Branch	Leased	2010	119
830 E. Baltimore Pike			
E. Marlborough, PA 19348			
Holly Oak Branch	Leased	2010	93
Inside Superfresh			
2105 Philadelphia Pike			
Claymont, DE 19703			
Hockessin Branch	Leased	2015	652
7450 Lancaster Pike			
Wilmington, DE 19707			
Lewes Loan Center	Leased	2008	109
Southpointe Professional Center			
1515 Savannah Road, Suite 103			
Lewes Beach, DE 19958			

Fox Run Shopping Center Bear, DE	Leased	2006	1,113
Camden Town Center 4566 S. Dupont Highway Camden, DE 19934	Leased	2024	1,186
Rehoboth Lighthouse Plaza Route #1 Rehoboth, DE 19971	Leased	2029	1,045
Loan Operations 30 Blue Hen Drive, Suite 200 Newark, DE 19713	Leased	2007	107
West Dover (4) 1486 Forest Avenue Dover, DE 19904	Owned		1,321

-22-

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

(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
		(Dollars in Thousands, Except Per Share D		
At December 31,				
Total assets	$ 2,846,752	$ 2,502,956	$ 2,207,077	$ 1,705,00
Net loans (1)	1,775,294	1,535,467	1,304,877	1,197,03
Investment securities (2)	56,704	97,485	116,292	21,77
Investment in reverse mortgages, net	785	(109)	193	1,13
Other investments	46,466	44,477	44,771	93,50
Mortgage-backed securities (2)	620,323	524,144	530,552	148,23
Deposits	1,446,236	1,234,962	923,333	898,39
Borrowings (3)	1,127,997	1,002,609	1,031,058	466,00

Trust preferred borrowings	67,011	51,547	50,000	50,00
Stockholders' equity	181,975	196,303	187,992	182,67
Number of full-service branches (4)	24	24	23	2
For the Year Ended December 31,				
Interest income	$ 136,022	$ 104,110	$ 89,299	$ 94,70
Interest expense	62,380	37,246	31,301	33,43
Noninterest income	34,653	31,950	26,166	124,06
Noninterest expenses	62,877	55,699	49,417	51,61
Income from continuing operations ..	27,856	25,757	21,233	88,01
Net income	27,856	25,900	63,022	101,14
Earnings per share:				
Basic:				
Income from continuing operations	$ 4.10	$ 3.60	$ 2.73	$ 9.6
Net income	4.10	3.62	8.11	11.1
Diluted:				
Income from continuing operations	3.89	3.39	2.58	9.3
Net income	3.89	3.41	7.65	10.7
Interest rate spread	2.91%	3.07%	3.02%	4.9
Net interest margin	3.13	3.24	3.29	4.9
Return on average equity (5)	14.78	13.54	10.60	70.6
Return on average assets (5)	1.05	1.10	1.09	6.2
Average equity to average assets (5)	7.10	8.13	10.28	8.7

(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
Equity compensation plans approved by stockholders (1)	745,949	$ 31.60
Equity compensation plans not approved by stockholders	n/a	n/a
TOTAL	745,949	$ 31.60

(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 reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K fo ended December 31, 1994.
3.2	Amended and Restated Bylaws of WSFS Financial Corporation, incorporated herein reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K for th ended December 31, 2003.
10.1	WSFS Financial Corporation, 1994 Short Term Management Incentive Plan Summary Description is incorporated herein by reference to Exhibit 10.7 of the Registr 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 199 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 Commiss on April 29, 1997.
10.3	2000 Stock Option and Temporary Severance Agreement among Wilmington Savings

	Federal Savings Bank, WSFS Financial Corporation and Marvin N. Schoenh February 24, 2000 is incorporated herein by reference to Exhibit 10.4 of t 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 a Executives dated March 13, 2001, as amended is incorporated herein by referenc 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 ref to appendix A of the Registrant's Definitive Proxy Statement on Schedule 14-A 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 Section 906 of the Sarbanes-Oxley Act of 2002

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

-28-

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