WSFS FINANCIAL CORP
Form 10-Q
August 09, 2006

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

OR

( ) 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
(Exact name of registrant as specified in its charter)

Delaware	22-2866913
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

838 Market Street, Wilmington, Delaware	19801
(Address of principal executive offices)	(Zip Code)

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

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 12 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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):
Large accelerated filer ___ Accelerated filer X Non-accelerated filer ___

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 4, 2006:

Common Stock, par value $.01 per share	6,651,857
(Title of Class)	(Shares Outstanding)

WSFS FINANCIAL CORPORATION

FORM 10-Q

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WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

	Three months ended June 30,		Six months en
	2006	2005	2006
	(Unaudited) (In Thousands, Except Per Share Data)		
Interest income:			
Interest and fees on loans ...	$ 35,332	$ 25,447	$ 67,428
Interest on mortgage-backed securities ...	7,471	6,444	14,803
Interest and dividends on investment securities	388	639	1,023
Other interest income ...	677	356	1,091
	43,868	32,886	84,345
Interest expense:			
Interest on deposits ...	10,113	4,662	18,290
Interest on Federal Home Loan Bank advances ...	12,004	7,263	22,747
Interest on trust preferred borrowings ...	1,106	1,967	2,123
Interest on other borrowings ...	1,259	1,216	2,496
	24,482	15,108	45,656
Net interest income ...	19,386	17,778	38,689
Provision for loan losses ...	695	772	1,383
Net interest income after provision for loan losses .	18,691	17,006	37,306
Noninterest income:			
Credit/debit card and ATM income ...	4,858	3,665	9,018
Deposit service charges ...	2,826	2,487	5,403
Investment advisory income ...	618	619	1,248
Bank owned life insurance income ...	522	527	1,010

Loan fee income	413	569	834
Mortgage banking activities, net	61	37	83
Securities losses	(41)	-	(41)
Other income	623	810	1,363
	9,880	8,714	18,918
Noninterest expenses:			
Salaries, benefits and other compensation	9,421	8,494	18,613
Occupancy expense	1,347	1,263	2,647
Equipment expense	1,075	954	2,057
Data processing and operations expenses	889	998	1,746
Marketing expense	728	828	1,341
Professional fees	505	498	762
Other operating expense	2,967	2,568	6,008
	16,932	15,603	33,174
Income before minority interest and taxes	11,639	10,117	23,050
Less minority interest	15	37	31
Income before taxes	11,624	10,080	23,019
Income tax provision	4,126	3,514	8,180
Net income	$ 7,498	$ 6,566	$ 14,839
Earnings per share:			
Basic	$ 1.13	$ 0.95	$ 2.24
Diluted	$ 1.09	$ 0.90	$ 2.15

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

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WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CONDITION

	June 30, 2006	D
	(Unaudit	
	(In Thousa	
Assets		
Cash and due from banks	$ 71,237	$
Cash in non-owned ATMs	171,174	
Interest-bearing deposits in other banks	342	
Total cash and cash equivalents	242,753	
Investment securities held-to-maturity	4,638	
Investment securities available-for-sale including reverse mortgages	43,790	
Mortgage-backed securities available-for-sale	587,828	
Mortgage-backed securities trading	12,105	
Loans held-for-sale	1,752	

Loans, net of allowance for loan losses of $26,701 at June 30, 2006 and $25,381 at December 31, 2005	1,970,385	
Bank owned life insurance	55,203	
Stock in Federal Home Loan Bank of Pittsburgh, at cost	50,119	
Assets acquired through foreclosure	61	
Premises and equipment	26,451	
Accrued interest receivable and other assets	41,545	
Total assets	$ 3,036,630	$
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 289,054	$
Interest-bearing demand	126,430	
Money market	218,719	
Savings	244,843	
Time	278,057	
Jumbo certificates of deposit - retail	110,152	
Total retail deposits	1,267,255	
Jumbo certificates of deposit - non-retail	73,946	
Brokered certificates of deposit	241,623	
Total deposits	1,582,824	
Federal funds purchased and securities sold under agreements to repurchase	73,400	
Federal Home Loan Bank advances	1,051,458	
Trust preferred borrowings	67,011	
Other borrowed funds	43,353	
Accrued interest payable and other liabilities	27,151	
Total liabilities	2,845,197	
Minority Interest	69	
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 15,502,476 at June 30, 2006 and 15,435,630 at December 31, 2005	155	
Capital in excess of par value	77,779	
Accumulated other comprehensive loss	(16,769)	
Retained earnings	332,913	
Treasury stock at cost, 8,852,069 shares at June 30, 2006 and 8,839,569 shares at December 31, 2005	(202,714)	
Total stockholders' equity	191,364	
Total liabilities, minority interest and stockholders' equity	$ 3,036,630	$

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

WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months e
	2006
	(Unaudi
	(In Thou
Operating activities:	
Net income	$ 14,839
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	1,383
Depreciation, accretion and amortization	2,001
Increase in accrued interest receivable and other assets	(538)
Origination of loans held-for-sale	(10,492)
Proceeds from sales of loans held-for-sale	8,049
Gain on mortgage banking activity	(83)
Stock-based compensation expense (net of tax benefit recognized)	578
Excess tax benefits from share-based payment arrangements	(824)
Minority interest net income	31
Increase in accrued interest payable and other liabilities	4,648
Gain on sale of assets acquired through foreclosure	(8)
Increase in value of bank-owned life insurance	(1,010)
Increase in capitalized interest, net	(233)
Net cash provided by operating activities	18,341
Investing activities:	
Maturities of investment securities	180
Sale of investment securities available-for-sale	23,991
Purchase of investments available-for-sale	(14,765)
Repayments of mortgage-backed securities held-to-maturity	-
Repayments of mortgage-backed securities available-for-sale	54,090
Purchases of mortgage-backed securities available-for-sale	(44,793)
Repayments of reverse mortgages	354
Disbursements for reverse mortgages	(300)
Purchase of Cypress Capital Management LLC	(466)
Sale of loans	183
Purchase of loans	(6,955)
Net increase in loans	(188,964)
Net increase in stock of Federal Home Loan Bank of Pittsburgh	(3,826)
Sales of assets acquired through foreclosure, net	68
Investment in partnership	23
Investment in premises and equipment, net	(5,118)
Net cash used for investing activities	(186,298)
Financing activities:	
Net increase in demand and savings deposits	4,407
Net increase in time deposits	138,873
Net decrease in securities sold under agreement to repurchase	(9,750)
Receipts from FHLB advances	4,514,063
Repayments of FHLB advances	(4,471,326)
Redemption of WSFS Capital Trust I Preferred Securities	-
Issuance of Trust preferred borrowings	-

Dividends paid on common stock	(991)
Issuance of common stock and exercise of employee stock options	1,592
Excess tax benefit from share-based payment arrangements	824
Purchase of treasury stock, net of reissuance	(765)
Decrease in minority interest	(168)
Net cash provided by financing activities	176,759
Increase in cash and cash equivalents	8,802
Cash and cash equivalents at beginning of period	233,951
Cash and cash equivalents at end of period	$ 242,753

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WSFS FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Six months e
	2006
	(Unau (In Tho
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest during the year	$ 39,941
Cash paid for income taxes, net	7,427
Loans transferred to assets acquired through foreclosure	62
Net change in accumulated other comprehensive loss, net of taxes	(6,801)
Transfer of loans held-for-sale to loans	1,157

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

WSFS FINANCIAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated Financial Statements include the accounts of the parent company (WSFS Financial Corporation), Wilmington Savings Fund Society, FSB (Bank or WSFS) and Montchanin Capital Management, Inc. (Montchanin) and its non-wholly owned subsidiary, Cypress Capital Management, LLC (Cypress). WSFS Financial Corporation (Company or Corporation) also has one unconsolidated affiliate, WSFS Capital Trust III (the Trust). WSFS was founded in 1832 and is

one of the oldest financial institutions in the country. 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. Deposits are insured to their legal maximum by the Federal Deposit Insurance Corporation (FDIC). WSFS serves customers from its main office, 25 retail banking offices, loan production offices and operations centers located in Delaware and southeastern Pennsylvania. Montchanin was formed in 2003 to provide asset management products and services in the Bank's primary market area. In January 2005, Montchanin acquired a 80% interest in Cypress. Cypress is a Wilmington based investment advisory firm servicing high net-worth individuals and institutions. In January 2006, Montchanin increased its ownership in Cypress to 90%. The Trust was formed in 2005 to issue Pooled Floating Rate Capital Securities. The Trust invested all of the proceeds from the issuance of the Pooled Floating Rate Capital Securities in Junior Subordinated Debentures of the Corporation.

Fully-owned and consolidated subsidiaries of WSFS include WSFS Credit Corporation (WCC), WSFS Investment Group, Inc. and WSFS Reit, Inc. WSFS Investment Group, Inc. markets various third-party investment and insurance products, such as single-premium annuities, whole life policies and securities in conjunction with WSFS. The investment activity is processed through the Bank while the insurance products are processed through WSFS Investment Group, Inc. WSFS Reit, Inc. is a real estate investment trust formed to hold qualifying real estate assets and may be used to raise capital in the future.

The accounting and reporting policies of the Corporation conform with U.S. generally accepted accounting principles and prevailing practices within the banking industry for interim financial information and Rule 10-01 of Regulation S-X. Per Rule 10-01 of Regulation S-X, the Corporation is not required to include all information and notes for complete financial statements and prevailing practices within the banking industry. Operating results for the three and six months period ended June 30, 2006 are not necessarily indicative of the results that may be expected for any future quarters or for the year ending December 31, 2006. For further information, refer to the consolidated financial statements and notes thereto included in the Corporation's Annual Report of Form 10-K for the year ended December 31, 2005 as filed with the Securities and Exchange Commission.

Accounting for Stock Option Grants

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Base Payment (SFAS 123R). SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the consolidated financial statements based on their fair values. That expense will be recognized over the period during which an Associate is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period). The Corporation adopted SFAS 123R beginning January 1, 2006 using the Modified Prospective Application Method. This method relates to current and future periods and does not require the restatement of prior periods. The impact of adopting SFAS 123R for the three months ended June 30, 2006, was an increase of $358,000 (pre-tax) or $0.04 (after-tax) per share, to salaries, benefits and other compensation. The impact of adopting SFAS 123R for the six months ended June 30, 2006, was an increase of $691,000 (pre-tax) or $0.09 (after-tax) per share, to salaries, benefits and other compensation.

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 reserved for issuance under the 2005 Plan is 400,000. At June 30, 2006, there were 231,109 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 during 2006 vest in 20% or 25% per annum increments, start to become exercisable one year from the grant date and expire between five and ten 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 and changes during the quarter then ended is presented below:

	June 2006		Ju
	Shares	Weighted-Average Exercise Price	Shares
Stock Options:			
Outstanding at beginning of period	732,511	$32.00	816,237
Granted	1,808	60.67	1,798
Exercised	(41,456)	16.15	(27,617)
Forfeited	(340)	32.27	(2,930)
Outstanding at end of period	692,523	33.02	787,488
Exercisable at end of period	394,930	21.27	458,829
Weighted-average fair value of awards granted	$15.45		$12.76

Beginning April 1, 2006, 423,054 stock options were exercisable. During the second quarter of 2006, 13,332 options vested with an intrinsic value of $346,000, and a grant date fair value of $8.36 per option. Also, during the quarter, 41,456 options were exercised with an intrinsic value of $1.9 million. There were 394,930 exercisable options remaining at June 30, 2006, with an intrinsic value of $16.3 million and a remaining contractual term of 5.0 years. At June 30, 2006 there were 692,523 stock options outstanding with an intrinsic value of $20.6 million and a remaining contractual term of 5.5 years. During the second quarter of 2005, 27,617 options were exercised with an intrinsic value of $1.1 million and 12,516 options vested with a grant date fair value of $6.44 per option.

A summary of the status of the Corporation's Option Plans and changes during the six months then ended is presented below:

	June 2006		Ju
	Shares	Weighted-Average Exercise Price	Shares
Stock Options:			
Outstanding at beginning of period	745,949	$31.60	873,360
Granted	7,036	62.32	6,395
Exercised	(59,346)	18.53	(89,337)
Forfeited	(1,116)	37.53	(2,930)
Outstanding at end of period	692,523	33.02	787,488
Exercisable at end of period	394,930	21.27	458,829
Weighted-average fair value of awards granted	$16.26		$13.71

Beginning January 1, 2006, 434,144 stock options were exercisable. During the six months ended June 30, 2006, 20,132 options vested with an intrinsic value of $607,000, and a grant date fair value of $7.67 per option. Also, during the first six months of 2006, 59,346 options were exercised with an intrinsic value of $2.6 million. During the first six months of 2005, 89,337 options were exercised with an intrinsic value of $3.6 million and 48,890 options vested with a grant date fair value of $5.19 per option.

The total amount of compensation cost related to nonvested stock options as of June 30, 2006 is $1.9 million. The weighted-average period over which it is expected to be recognized is 1.3 years. The Corporation issues new shares upon the exercise of options.

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 4.7% in 2006; an expected option life of between three and three-quarter and six and one-half years for all awards; and an expected stock price volatility of 22.0% in 2006. For the purposes of this option-pricing model, 0.4% was used as the expected dividend yield. Prior to adoption of SFAS 123R the Corporation used a graded-vesting schedule to calculate the expense related to stock options. Since the adoption of SFAS 123R the Corporation now uses a straight-line schedule to calculate the expense related to new stock options issued.

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The Black-Scholes and other option-pricing models assume that options are freely tradable and immediately vested. Since options are not transferable, have 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.

Prior to adoption of SFAS 123R, SFAS No. 123 Accounting for Stock-Based

Compensation, encouraged, but did not require, the adoption of fair-value accounting for stock-based compensation to Associates. The Company, as permitted in 2005, had elected not to adopt the fair value accounting provisions of SFAS 123, and had instead continued to apply Accounting Principles Board (APB) Opinion 25, Accounting for Stock Issued to Employees, 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 $244,000 and $494,000 for the three and six months ended June 30, 2005 related to its Option Plans.

For comparative purposes, the following table illustrates the effect on net income and earnings per share, for the three and six months ended June 30, 2005, had the Company applied the fair value recognition provision of the SFAS No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	For the three ended June 30 (In Thousands
Net income, as reported	$ 6,566
Less : Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	207
Pro forma net income	$ 6,359
Earnings per share:	
Basic:	
Net income	$ 0.95
Less : Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	0.03
Pro forma net income	$ 0.92
Diluted:	
Net income, as reported	$ 0.90
Less : Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	0.03
Pro forma net income	$ 0.87

2. EARNINGS PER SHARE

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

For the three months

	ended June 30,	
	2006	2005
	(In Thousands	
Numerator:		
Net income	$ 7,498	$ 6,566
Denominator:		
Denominator for basic earnings per share - weighted average shares	6,620	6,942
Effect of dilutive employee stock options	280	371
Denominator for diluted earnings per share - adjusted weighted average shares and assumed exercise	6,900	7,313
Basic earnings per share	$ 1.13	$ 0.95
Diluted earnings per share	$ 1.09	$ 0.90
Outstanding common stock equivalents having no dilutive effect	102	75

3. 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 London InterBank Offered Rate (LIBOR) to 6.00% for the ten years ending December 1, 2008. Until December 31, 2003, the cap qualified as a hedge of the

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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 the first six months of 2006, the Company recognized a non-cash pre-tax charge of $53,000 in interest expense for the amortization of the remaining 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 June 30, 2006 was $188,000. The cap is considered a free standing derivative and all changes in the fair value of the cap are recorded in the Statement of Operations.

The following depicts the change in fair market value of the Company's derivative for the three and six months ended:

	For the three months ended June 30			
	2006			
	At April 1,	Change	At June 30,	At April 1,
			(In Thousands)	
Interest Rate Cap................	$ 162	$ 26	$ 188	$ 145

	For the six months ended June 30			
	2006			
	At January 1,	Change	At June 30,	At January 1,
			(In Thousands)	
Interest Rate Cap................	$ 125	$ 63	$ 188	$ 322

4. COMPREHENSIVE INCOME

The following schedule reconciles net income to total comprehensive income as required by SFAS No. 130, Reporting Comprehensive Income:

	For the three months ended June 30,		For the ended
	(In Thousands)		
	2006	2005	2006
Net income	$ 7,498	$ 6,566	$ 14,839
Other Comprehensive Income:			
Unrealized holding (losses) gains on securities available-for-sale arising during the period	(2,781)	6,895	(10,984)
Tax benefit (expense)	1,057	(2,620)	4,174
Net of tax amount	(1,724)	4,275	(6,810)
Unrealized holding gains (losses) arising during the Period on derivative used for cash flow hedge	26	(206)	52
Tax (expense) benefit	(9)	72	(18)
Net of tax amount	17	(134)	34
Reclassification adjustment for losses included in net income	(41)	-	(41)
Tax benefit	16	-	16

Net of tax amount	(25)	-	(25)
Total comprehensive income	$ 5,766	$ 10,707	$ 8,038

5. TAXES ON INCOME

The Corporation accounts for income taxes in accordance with SFAS No. 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 valuation allowances on the deferred income taxes due to, among other things, limitations imposed by Internal Revenue Code and uncertainties, including the timing of settlement and realization of these differences.

In November 2005, the FASB issued FASB Staff Position (FSP) No. FAS 123R-3, Transition Election for the Tax Effects of Share-Based Payment Awards. This FSP provides a simplified method to calculate the Company's hypothetical additional paid-in capital (APIC) pool for the beginning balance of excess benefits and the method of determining the subsequent pool of option awards that are outstanding and fully or partially vested upon adoption of SFAS 123R. This FSP allows companies up to one year from the later of the adoption date of SFAS 123R or November 10, 2006 to evaluate the available transition alternatives and make a one-time election. The Corporation has elected to use the simplified method of accounting for the tax effect of share-based payment awards.

6. SEGMENT INFORMATION

Under the definition of SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, the Corporation has two operating segments at June 30, 2006: WSFS and CashConnect, the ATM division of WSFS.

The WSFS segment provides financial products through its banking offices to commercial and retail customers. The CashConnect segment provides turnkey ATM services through strategic partnerships with several of the largest networks, manufacturers, and service providers in the ATM industry. The balance sheet category "Cash in non-owned ATMs" includes cash in which fee income is earned through bailment arrangements with customers of CashConnect. Bailment arrangements are typically renewed annually.

Reportable segments are business units that are managed separately and offer different services to distinct customer bases. The Corporation evaluates performance based on pre-tax ordinary income relative to resources used, and allocates resources based on these results. Segment information for the three and six months ended June 30, 2006 and 2005 follows:

For the three months ended

	2006			
			(In Thousands)	
	Bank	CashConnect	Total	Bank
External customer revenues:				
Interest income	$ 43,868	$ -	$ 43,868	$ 32,88
Non-interest income	5,873	4,007	9,880	5,73
Total external customer revenues	49,741	4,007	53,748	38,61
Intersegment revenues:				
Interest income	2,045	-	2,045	98
Non-interest income	169	171	340	19
Total intersegment revenues	2,214	171	2,385	1,17
Total revenue	51,955	4,178	56,133	39,79
External customer expenses:				
Interest expense	24,482	-	24,482	15,10
Non-interest expenses	15,993	939	16,932	14,48
Provision for loan loss	695	-	695	77
Total external customer expenses	41,170	939	42,109	30,36
Intersegment expenses:				
Interest expense	-	2,045	2,045	
Non-interest expenses	171	169	340	17
Total intersegment expenses	171	2,214	2,385	17
Total expenses	41,341	3,153	44,494	30,54
Income before taxes and extraordinary items	$ 10,614	$ 1,025	11,639	$ 9,25
Less minority interest			15	
Income tax provision			4,126	
Consolidated net income			$ 7,498	
Cash and cash equivalents	$ 71,579	$ 171,174	$ 242,753	$ 56,98
Other segment assets	2,779,999	13,878	2,793,877	2,500,14
Total segment assets	$2,851,578	$ 185,052	$3,036,630	$2,557,12
Capital expenditures	$ 2,105	$ 135	$ 2,240	$ 82

	For the six months ended J			
	2006			
			(In Thousands)	
	Bank	CashConnect	Total	Bank
External customer revenues:				
Interest income	$ 84,345	$ -	$ 84,345	$ 63,051
Non-interest income	11,453	7,465	18,918	10,913
Total external customer revenues	95,798	7,465	103,263	73,964
Intersegment revenues:				
Interest income	3,802	-	3,802	1,793
Non-interest income	336	340	676	374
Total intersegment revenues	4,138	340	4,478	2,167
Total revenue	99,936	7,805	107,741	76,131
External customer expenses:				
Interest expense	45,656	-	45,656	27,160
Non-interest expenses	31,285	1,889	33,174	28,877
Provision for loan loss	1,383	-	1,383	1,351
Total external customer expenses	78,324	1,889	80,213	57,388
Intersegment expenses:				
Interest expense	-	3,802	3,802	-
Non-interest expenses	340	336	676	334
Total intersegment expenses	340	4,138	4,478	334
Total expenses	78,664	6,027	84,691	57,722
Income before taxes and extraordinary items	$ 21,272	$ 1,778	23,050	$ 18,409
Less minority interest			31	
Income tax provision			8,180	
Consolidated net income			$ 14,839	
Cash and cash equivalents	$ 71,579	$ 171,174	$ 242,753	$ 56,983
Other segment assets	2,779,999	13,878	2,793,877	2,500,143
Total segment assets	$2,851,578	$ 185,052	$3,036,630	$2,557,126
Capital expenditures	$ 4,923	$ 195	$ 5,118	$ 1,099

7. INDEMNIFICATIONS AND GUARANTEES

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 sells certain first mortgage loans to the Federal Home Loan Mortgage Corporation as part of its ongoing asset/liability management program. Loans held-for-sale are carried at the lower of cost or market. 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 the second quarter of 2006, the Company made no repurchases of any loans sold in the secondary market.

Swap Guarantees. The Company entered into agreements with unrelated financial institutions, whereby those financial institutions entered into interest rate derivative contracts (interest rate swap transactions) with customers referred to them by the Company. By the terms of the agreements, those financial institutions have 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 June 30, 2006 and 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 approximately one to ten years. The aggregate market value of these swaps to the customers was an asset of $1.2 million at June 30, 2006 and $98,600 at December 31, 2005. The amount of liability recorded by the Company for these guarantees that were in a paying position at June 30, 2006 and December 31, 2005 was $3,000 and $8,000, respectively. This amount represented the fair market value of the guarantee to perform under the terms of the swap agreements.

8. ASSOCIATE (EMPLOYEE) BENEFIT PLANS

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. Disclosures are in accordance with SFAS No. 132 (Revised), Employer's Disclosure About Pensions and Other Postretirement Benefits, that standardized the applicable disclosure requirements.

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 beginning in 2006. The Corporation determined that its prescription drug benefits under its postretirement benefit plan is actuarially equivalent to Medicare Part D and thereby qualifies for subsidy under the Act.

Based on an actuarial analysis performed during the first quarter of 2006, the Corporation anticipates that its future benefit payments will be lower due to the subsidy. The reduction to the total accumulated postretirement benefit obligation (APBO) at January 1, 2006 was $559,000. Recognition of this subsidy is also expected to reduce 2006 net periodic benefit costs by approximately $74,000, or approximately $18,500 each quarter.

The following disclosures of the net periodic benefit cost components of post-retirement benefits are in accordance with SFAS 132 (Revised) and were measured at January 1, 2006:

	Three months ended June 30,		Six months ended Ju	
	2006	2005	2006	2
Service cost	$ 27	$ 27	$ 54	$
Interest cost	24	30	47	
Amortization of transition obligation	15	15	30	
Net loss recognition	-	4	-	
Net periodic benefit cost	$ 66	$ 76	$131	$

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 of the net periodic benefit cost components of a supplemental pension plan are in accordance with SFAS 132 (Revised) and were measured at January 1, 2006:

	Three months ended June 30,		Six months ended Ju	
	2006	2005	2006	2
Interest cost	$11	$11	$22	
Net loss recognition	14	6	28	

Net periodic benefit cost...............	$25	$17	$50
	===	===	===

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

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, 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 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, cash management and wealth 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 from its main office and 25 retail banking offices, loan production offices and operations centers located in Delaware and southeastern Pennsylvania. Wealth Management services includes WSFS Investment Group, Inc., Montchanin Capital Management, Inc. (Montchanin) and an investment management and trust services group.

The Corporation has two consolidated subsidiaries, WSFS and 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 in conjunction with WSFS, 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, a 90% owned subsidiary, is a Wilmington-based investment advisory firm serving high net-worth individuals and institutions. Cypress has more than $429 million in assets under management at June 30, 2006.

WSFS Credit Corporation (WCC), a consolidated subsidiary of the Bank, which was engaged primarily in indirect motor vehicle leasing, discontinued operations in 2000. WCC no longer accepts new applications but continues to service an immaterial amount of existing loans until their maturities.

FORWARD-LOOKING STATEMENTS

Within this report and financial statements, management has included certain "forward-looking statements" concerning the future operations of the

Corporation. Statements contained in this 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 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.

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

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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 judgments 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 judgments 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 judgment 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 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. The balance in this reserve at June 30, 2006 was $652,000.

The Bank, as successor to originators of reverse mortgages is, from time to time, involved in arbitration or litigation with the various parties including borrowers or the heirs of borrowers. Because reverse mortgages are a relatively new and uncommon product, there can be no assurances about 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 No. 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.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Financial Condition

Total assets increased $189.9 million during the six months ended June 30, 2006. During the first six months of 2006, net loans grew $195.5 million, or 11%, to $2.0 billion, reflecting the continued strong growth in commercial and commercial real estate loans, which amounted to $146.3 million. Residential and consumer loans grew by $36.0 million and $14.5 million respectively. Cash and cash equivalents increased by $8.8 million. Mortgage-backed securities (MBS) decreased by $20.4 million, mainly due to repayments. Investment securities decreased $9.1 million, due to the sales of U.S. Treasury Notes.

Total liabilities increased $180.6 million between December 31, 2005 and June 30, 2006, to $2.8 billion, mainly due to a $136.6 million, or 9%, increase in deposits. This included increases of $73.3 million in retail deposits, $33.4 million in non-retail certificates of deposit (primarily municipal deposits), and $29.9 million in brokered certificates of deposits. The incremental increase in non-retail certificates of deposit and brokered certificates of deposit were used to fund the strong loan growth during the first six months of 2006. Federal Home Loan Bank (FHLB) advances increased $42.7 million. These increases were partially offset by a drecrease of $9.8 million in Federal Funds purchased and securities sold under agreement to repurchase.

Capital Resources

Stockholders' equity increased $9.4 million between December 31, 2005 and June 30, 2006. This increase was mainly due to net income of $14.8 million and an increase of $3.1 million from the issuance of common stock and exercise of employee stock options. These increases were partially offset by other comprehensive loss, which increased $6.8 million during the first six months of

2006 due,

in part to a decline in the fair value of securities available-for-sale resulting from rising interest rates. In addition, the Corporation purchased 12,500 shares of its common stock for $765,000 ($61.22 per share average). Finally, the Corporation declared cash dividends totaling $991,000 during the six months ended June 30, 2006.

Below is a table comparing the Bank's consolidated capital position to the minimum regulatory requirements as of June 30, 2006 (dollars in thousands):

	Consolidated Bank Capital		For Capital Adequacy Purposes		To be Under Acti
	Amount	% of Assets	Amount	% of Assets	Am
Total Capital (to Risk-Weighted Assets)	$284,541	13.07%	$174,231	8.00%	$217
Core Capital (to Adjusted Total Assets).....................	260,047	8.53	121,977	4.00	152
Tangible Capital (to Tangible Assets)	260,047	8.53	45,741	1.50	
Tier 1 Capital (to Risk-Weighted Assets)..........................	260,047	11.94	87,115	4.00	130

Under Office of Thrift Supervision (OTS) capital regulations, savings institutions such as the Bank 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 actions and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. At June 30, 2006 the Bank was in compliance with regulatory capital requirements and is considered a "well-capitalized" institution.

Liquidity

The Company manages its liquidity risk and funding needs through its treasury function and through its Asset/Liability Committee. 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 6.4% at June 30, 2006, compared with 6.5% at March 31, 2006. Both of these ratios were in excess of the policy minimum. Also, liquidity risk management is a primary area of examination by the OTS. The Company complies with guidance promulgated under Thrift Bulletin 77 that requires thrift institutions to maintain adequate liquidity to assure safe and sound operations.

As a financial institution, the Bank has ready access to several sources to fund growth and meet its liquidity needs. Among these are: net income, deposit programs, loan repayments, borrowing from the FHLB, repurchase agreements and the brokered CD market. The branch expansion the Company is currently undertaking is intended to enter the Company into new, but contiguous, markets, attract new customers and provide funding for its business loan growth. In addition, the Corporation has a large portfolio of high-quality, liquid investments, primarily short-duration, AAA-rated, mortgage-backed securities and Agency notes that are positioned to provide a near-continuous source of cash flow to meet current cash needs, or can be sold to meet larger discrete needs for cash. Management believes these sources are sufficient to maintain the required and prudent levels of liquidity.

During the six months ended June 30, 2006, net loan growth resulted in the use of $195.7 million in cash. The loan growth was primarily the result of the successful implementation of specific strategies designed to increase corporate and small business lending. 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, primarily through the Federal Home Loan Bank of Pittsburgh.

Additionally, during the six months ended June 30, 2006, $18.3 million in cash was provided by operating activities, while $4.4 million in cash was provided through the net increase in demand and savings deposits and $138.9 million in cash through the net increase in time deposits. For the period, cash and cash equivalents increased $8.8 million to $242.8 million.

NONPERFORMING ASSETS

The following table sets forth the Corporation's nonperforming assets and past due loans at the dates indicated. Nonperforming assets 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 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 loans contractually past due 90 days or more as to principal or interest payments but which remain on accrual status because they are considered well secured and in the process of collection.

	June 30, 2006	December 31, 2005
	(In Thousands)	
Nonaccruing loans:		
Commercial	$1,137	$ 925
Consumer	142	155
Commercial mortgage	553	727
Residential mortgage	1,357	1,567
Construction	-	36
Total nonaccruing loans	3,189	3,410

Assets acquired through foreclosure	61	59
Total nonperforming assets	$3,250	$3,469
Past due loans:		
Residential mortgages	$ 348	$ 327
Commercial and commercial mortgages	-	-
Consumer	179	59
Total past due loans	$ 527	$ 386
Ratios:		
Nonaccruing loans to total loans (1)	0.16%	0.19%
Allowance for loan losses to gross loans (1)...	1.34%	1.41%
Nonperforming assets to total assets	0.11%	0.12%
Loan loss allowance to nonaccruing loans (2)...	826%	709%
Loan and foreclosed asset allowance to total nonperforming assets (2)	810%	697%

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

Nonperforming assets decreased $219,000 between December 31, 2005 and June 30, 2006. This decrease resulted primarily from collections, charge-offs and accrual transfers of commercial mortgage, consumer and residential mortgage, exceeding non-accrual additions. Nonaccruing commercial loans increased primarily from the addition of a $247,000 loan. Nonaccruing construction loans decreased to zero due to the collection of a loan. Assets acquired through foreclosure remained almost flat as a result of sales and write-offs of various residential properties being almost equal to additions. An analysis of the change in the balance of non-performing assets is presented below.

	For the six months ended June 30, 2006	For the year ended December 31, 2005
	(In Thousands)	
Beginning balance..............................	$ 3,469	$ 4,613
Additions	1,656	5,062
Collections................................	(1,524)	(4,467)
Transfers to accrual/restructured status....	(198)	(398)
Charge-offs / write-downs, net..............	(153)	(1,341)
Ending balance.................................	$ 3,250	$ 3,469

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The timely identification of problem loans is a key element in the Corporation's strategy to manage its loan portfolios. Timely identification enables the Corporation to take appropriate action and, accordingly, minimize losses. An asset review system established to monitor the asset quality of the Corporation's loans and investments in real estate portfolios facilitates the identification of problem assets. In general, this system utilizes guidelines established by federal regulation; however, there can be no assurance that the

levels or the categories of problem loans and assets established by the Bank are the same as those, which would result from a regulatory examination.

INTEREST SENSITIVITY

The matching of maturities or repricing periods of interest rate-sensitive assets and liabilities to promote a favorable interest rate spread and mitigate exposure to fluctuations in interest rates is the Corporation's primary tool for achieving its asset/liability management strategies. Management regularly reviews the interest-rate sensitivity of the Corporation and adjusts the sensitivity within acceptable tolerance ranges established by management. At June 30, 2006, interest-bearing liabilities exceeded interest-earning assets that mature or reprice within one year (interest-sensitive gap) by $51.7 million. The Corporation's interest-sensitive assets as a percentage of interest-sensitive liabilities within the one-year window decreased to 97% at June 30, 2006 compared to 100% at March 31, 2006. Likewise, the one-year interest-sensitive gap as a percentage of total assets changed to -1.92% at June 30, 2006 from 0.04% at March 31, 2006. The change in sensitivity since March 31, 2006 is the result of the current interest rate environment and the Corporation's continuing effort to effectively manage interest rate risk. Interest rate-sensitive assets of the Corporation excluded cash flows of discontinued operations as well as the interest rate-sensitive funding for these assets.

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 OTS-regulated institutions, is the test specified by OTS Thrift Bulletin No. 13a "Management of Interest Rate Risk, Investment Securities and Derivative Activities." This test measures the impact of an immediate change in interest rates in 100 basis point increments on the net portfolio value ratio. The net portfolio value ratio is defined as the net present value of the estimated cash flows from assets and liabilities as a percentage of net present value of cash flows from total assets (or the net present value of equity). The table below is the estimated impact of immediate changes in interest rates on the Company's net interest margin and net portfolio value ratio at the specified levels at June 30, 2006 and 2005, calculated in compliance with Thrift Bulletin No. 13a:

	At June 30,			
	2006		2005	
Change in Interest Rate (Basis Points)	% Change in Net Interest Margin (1)	Net Portfolio Value Ratio (2)	% Change in Net Interest Margin (1)	Net Portfolio Value Ratio (2)
+300	1%	7.54%	2%	8.49%
+200	1%	7.89%	2%	8.86%
+100	0%	8.25%	1%	9.16%
0	0%	8.87%	0%	9.37%
-100	-1%	9.29%	-2%	9.45%
-200	-4%	9.85%	-7%	9.18%
-300	-10%	10.68%	-13%	8.86%

(1) The percentage difference between net interest margin in a stable interest rate environment and net interest margin as projected under the various

rate change environments.

(2) The net portfolio value ratio of the Company in a stable interest rate environment and the net portfolio value ratio as projected under the various rate change environments.

COMPARISON OF THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

Results of Operations

The Corporation recorded net income of $7.5 million or $1.09 per diluted share for the second quarter of 2006. This compares to $6.6 million or $0.90 per diluted share for the same quarter last year. Earnings for the second quarter of 2005 were impacted by the refinancing of $50.0 million of Trust Preferred Securities, resulting in a non-cash charge, net of taxes, of $728,000, or $0.10 per share.

Net income for the six months ended June 30, 2006 was $14.8 million or $2.15 per diluted share. This compares to $13.4 million or $1.80 per diluted share for the comparable period last year. Earnings for the six months ended June 30, 2005 were also impacted by the refinancing charge related to the Trust Preferred Securities, discussed above.

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Net Interest Income

The following tables provide information concerning the balances, yields and rates on interest-earning assets and interest-bearing liabilities during the periods indicated.

	Three months ended		
	2006		
	Average Balance	Interest	Yield/ Rate (1)
	(Dollars in T		
Assets:			
Interest-earning assets:			
Loans (2) (3):			
Commercial real estate loans	$ 638,645	$ 12,860	8.05%
Residential real estate loans.............	484,000	6,621	5.47
Commercial loans	573,853	11,146	7.88
Consumer loans............................	257,930	4,687	7.29
Total loans............................	1,954,428	35,314	7.28
Mortgage-backed securities (4).................	617,553	7,471	4.84
Loans held-for-sale (3)........................	1,284	18	5.61
Investment securities (4) (5)..................	54,366	388	2.85
Other interest-earning assets	52,402	677	5.18
Total interest-earning assets.............	2,680,033	43,868	6.59
Allowance for loan losses......................	(26,397)		
Cash and due from banks........................	55,424		
Cash in non-owned ATMs.........................	157,655		

	Average Balance	Interest	Yield/ Rate
Bank owned life insurance......................	54,860		
Other noninterest-earning assets...............	62,156		
Total assets..............................	$2,983,731		
Liabilities and Stockholders' Equity:			
Interest-bearing liabilities:			
Interest-bearing deposits:			
Interest-bearing demand...................	$ 122,917	$ 162	0.53%
Money market..............................	228,493	1,978	3.47
Savings...................................	239,474	444	0.74
Retail time deposits	364,669	3,497	3.85
Total interest-bearing retail deposits...	955,553	6,081	2.55
Jumbo certificates of deposits	84,353	1,033	4.91
Brokered certificates of deposit..........	245,213	2,999	4.91
Total interest-bearing deposits.........	1,285,119	10,113	3.16
FHLB of Pittsburgh advances...................	1,037,132	12,004	4.58
Trust preferred borrowings....................	67,011	1,106	6.53
Other borrowed funds..........................	113,190	1,259	4.45
Total interest-bearing liabilities........	2,502,452	24,482	3.91
Noninterest-bearing demand deposits...........	269,060		
Other noninterest-bearing liabilities.........	22,566		
Minority interest	65		
Stockholders' equity..........................	189,588		
Total liabilities and stockholders' equity.....	$2,983,731		
Excess of interest-earning over interest-bearing liabilities.............	$ 177,581		
Net interest and dividend income..............		$ 19,386	
Interest rate spread..........................			2.68%
Net interest margin...........................			2.94%

(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.
(5) Includes reverse mortgages.

Six months ended		
2006		
Average		Yield/

	Balance	Interest	Rate (1)
			(Dollars in T
Assets:			
Interest-earning assets:			
Loans (2) (3):			
Commercial real estate loans	$ 622,009	$24,621	7.92%
Residential real estate loans	475,213	12,900	5.43
Commercial loans	549,730	20,790	7.72
Consumer loans	254,413	9,093	7.21
Total loans	1,901,365	67,404	7.15
Mortgage-backed securities (4)	620,535	14,803	4.77
Loans held-for-sale (3)	941	24	5.10
Investment securities (4) (5)	56,203	1,023	3.64
Other interest-earning assets	50,556	1,091	4.35
Total interest-earning assets	2,629,600	84,345	6.46
Allowance for loan losses	(25,958)		
Cash and due from banks	53,401		
Cash in non-owned ATMs	151,086		
Bank-owned life insurance	54,614		
Other noninterest-earning assets	61,077		
Total assets	$2,923,820		
Liabilities and Stockholders' Equity:			
Interest-bearing liabilities:			
Interest-bearing deposits:			
Interest bearing demand	$ 123,359	$ 302	0.49%
Money market	227,367	3,693	3.28
Savings	243,292	955	0.79
Retail time deposits	343,544	6,184	3.63
Total interest-bearing retail deposits	937,562	11,134	2.39
Jumbo certificates of deposits	72,284	1,696	4.73
Brokered certificates of deposit	235,671	5,460	4.67
Total interest-bearing deposits	1,245,517	18,290	2.96
FHLB of Pittsburgh advances	1,020,334	22,747	4.43
Trust preferred borrowings	67,011	2,123	6.30
Other borrowed funds	117,481	2,496	4.25
Total interest-bearing liabilities	2,450,343	45,656	3.73
Noninterest-bearing demand deposits	263,542		
Other noninterest-bearing liabilities	21,799		
Minority interest	109		
Stockholders' equity	188,027		
Total liabilities and stockholders' equity	$2,923,820		
Excess of interest-earning assets over interest-bearing liabilities	$ 179,257		
Net interest and dividend income		$38,689	
Interest rate spread			2.73%

Net interest margin.............................	2.98%
	====

(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.
(5) Includes reverse mortgages.

Net interest income for the second quarter of 2006 was $19.4 million compared to $17.8 million for the same quarter in 2005. Higher loan and higher mortgage-backed securities (MBS) volumes drove much of this increase. The yield on earning assets was also higher in the second quarter of 2006 compared to the second quarter of 2005. The yield on loans increased 1.07% from 6.21% in the second quarter of 2005 to 7.28% in the second quarter of 2006, while the yield on mortgage backed securities increased 0.42% for the same period. The increases in the yields were due to the higher overall level of market interest rates as the Federal Reserve continued raising short-term interest rates through 2005 and into 2006. The net interest margin for the second quarter of 2006 was 2.94%, a slight decrease from the second quarter 2005 which was 3.03%.

The net interest margin for the second quarter of 2005 was negatively affected by 18 basis points due to the redemption of $50 million of WSFS Capital Trust I Securities, which carried an interest rate of the London InterBank Offered Rate (LIBOR) plus 250 basis points. In connection with the redemption, the Company recognized a $1.1 million (pre-tax) non-cash charge to interest expense from the write-down of the unamortized debt issuance costs of the called securities. In conjunction with this redemption, the Company issued $65 million aggregate principal amount of Pooled Floating Rate Capital Securities, which carry an interest rate of LIBOR plus 177 basis points. Without this charge the margin would have been 3.21 % for the second quarter of 2005.

Net interest income for the six-month period ending June 30, 2006 was $38.7 million compared with $35.9 million for the same period in 2005. Similar to the analysis for the second quarter above, the increase in net interest income was driven by higher loan and MBS volumes. The yield on loans increased 1.09% and the yield on MBS increased 0.40%. The net interest margin for the first six months of 2006 was 2.98%, compared with 3.13% for the same period in 2005.

The net interest margin for the six months ended June 30, 2005 was negatively affected by 9 basis points due to the redemption of $50 million of WSFS Capital Trust I Securities detailed above. Without this charge the margin would have been 3.22% for the six months ended June 30, 2005.

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 judgment 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 continuing 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 loans. 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 judgment, 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 homogenous in nature, such as consumer installment loans and residential mortgages. Pooled loan loss allowances are based on historical net charge-offs over the past 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 then 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 provision for loan losses increased from $1,351,000 for the first six months of 2005 to $1,383,000 for the first six months of 2006, primarily the result of continued loan growth, despite continued positive trends in asset quality.

The Corporation maintains allowances for credit losses and charges losses to these allowances when such losses are realized. The allowances for losses are maintained at a level which management considers adequate to provide for losses based upon an evaluation of known and inherent risks in the portfolios. Management's evaluation is based upon a continuing review of the portfolios.

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

	Six months ended June 30, 2006	Six months ended June 30, 2005
	(Dollars in Thousands)	
Beginning balance	$ 25,381	$ 24,222
Provision for loan losses	1,383	1,351
Charge-offs:		
Residential real estate	70	38
Commercial real estate (1)	-	-
Commercial	79	524
Consumer	189	289
Overdrafts	117	-
Total charge-offs	455	851
Recoveries:		
Residential real estate	14	57
Commercial real estate (1)	156	41
Commercial	121	39
Consumer	101	80
Total recoveries	392	217
Net charge-offs	63	634
Ending balance	$ 26,701	$ 24,939
Net charge-offs to average gross loans outstanding, net of unearned income (2)	0.01%	0.08%

(1) Includes commercial mortgage and construction loans.
(2) Ratio for six months ended June 30, 2006 and June 30, 2005 are annualized.

Noninterest Income

Noninterest income for the quarter ended June 30, 2006 was $9.9 million compared to $8.7 million for the second quarter of 2005 an increase of $1.2 million or 14%. The increase over the second quarter 2005 was mainly attributable to an increase of $1.2 million in card and ATM income due to increased volumes of cash in non-owned ATMs and higher rates earned on this cash during the quarter. Deposit service charges also increased $339,000 mainly due to an increase in deposit accounts resulting from the continued success of the Company's personal and business checking initiatives that began during the third quarter of 2004.

During the second quarter of 2006, the Corporation sold $11.0 million of U.S. Government securities, which resulted in a $41,000 loss. These securities were originally purchased for collateral management purposes. Subsequent to the purchase of the securities, certain collateral requirements were adjusted and the U.S. Government securities were no longer required. As a

result, the securities were then sold.

For the six months ended June 30, 2006, noninterest income was $18.9 million, an increase of $2.3 million or 14% over the same period in 2005. Consistent with the quarter, this increase was mainly due to increases in card and ATM income at CashConnect and deposit service charges.

Noninterest Expense

For the quarter ended June 30, 2006, noninterest expense was $16.9 million compared to $15.6 million for the same period in 2005 an increase of $1.3 million or 8%. The increase in salaries, benefits and other compensation was partially due to $333,000 of expense related to stock options. As of January 1, 2006 the Corporation implemented SFAS 123R, which requires that all share-based payments to participants, including grants of stock options, be recognized as compensation expense in the income statement based on their fair values. The remaining increases in noninterest expense were primarily the result of overall growth of the Company.

Noninterest expense for the six months ended June 30, 2006 was $33.2 million, an increase of $2.6 million or 8% over the $30.6 million reported for the same period in 2005. This increase was mainly due to salaries, benefits and other compensation. These expenses increased primarily due to the Company's continued growth efforts and, as a result, the number of Associates increased to 554 at June 30, 2006. This was an increase of 38 Associates compared to the same period in 2005. In addition, and consistent with the discussion above, the increase in salaries, benefits and other compensation was impacted by $691,000 of expense related to stock options which resulted from the implementation of SFAS 123R. Lastly, the first six months of 2005 were favorably impacted by the reversal of a $503,000 reserve for losses in the CashConnect (ATM) business. This reserve was no longer necessary because losses were determined to be unlikely.

The Corporation's stock option plans contain provisions which accelerate vesting of stock options upon retirement. SFAS 123R requires accelerated expensing of option awards to participants who are or will become eligible for retirement under those plans. There are a number of participants who qualify for this accelerated vesting. Had the Corporation been subject to SFAS 123R at the time of the Corporation's award in December 2005, it would have expensed $309,000 (pre-tax), or $0.03 per share, net of tax, related to awards granted to retirement-eligible participants. Historically, the Corporation awards options in the fourth quarter of each year and expects this practice to continue.

Income Taxes

The Corporation and its subsidiaries file a consolidated Federal income tax return and separate state income tax returns. Income taxes are accounted for in accordance with SFAS 109, which requires the recording of deferred income taxes for tax consequences of "temporary differences." The Corporation recorded a provision for income taxes during the three and six months ended June 30, 2006 of $4.1 million and $8.2 million, respectively, compared to an income tax provision of $3.5 million and $7.1 million for the same periods in 2005. The effective tax rate for the three and six month periods ended June 30, 2006 was 36%, compared to 35% for the comparable periods in 2005. This increased effective tax rate was primarily due to the non-deductibility of stock option expense related to incentive stock options in accordance with SFAS 123R.

The effective tax rates reflect the recognition of certain tax benefits in the financial statements including those benefits from tax-exempt interest income, BOLI income, and fifty percent interest income exclusion on a loan to an Employee Stock Ownership Plan. These tax benefits are offset by the tax effect of stock based compensation expense related to incentive stock options and a provision for state income tax expense.

The Corporation analyzes its projections of taxable income on an ongoing basis and makes adjustments to its provision for income taxes accordingly.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 155, Accounting for Certain Hybrid Financial Instruments - An Amendment of Statements No. 133 and 140. This Statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It also clarifies which interest-only strips are not subject to the requirements of SFAS 133. In addition, it establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. SFAS 155 becomes effective in fiscal years beginning after September 15, 2006. The adoption of this Statement is not expected to have a material impact on the Corporation's Consolidated Financial Statements.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets - An Amendment of Statement No. 140. This Statement will modify the accounting for servicing assets and liabilities, such as those common with mortgage securitization activities. The new Standard addresses the recognition and measurement of separately recognized servicing assets and liabilities and provides an approach to lessen the efforts to obtain hedge-like (offset) accounting. SFAS 156 becomes effective in fiscal years beginning after September 15, 2006. The adoption of this Statement is not expected to have a material impact on the Corporation's Consolidated Financial Statements.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). This interpretation of SFAS No. 109 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The interpretation is effective for fiscal years beginning after December 15, 2006. The Corporation has reserves related to certain of its tax positions which would be subject to analysis under FIN 48. The Corporation has not yet determined the impact on its Consolidated Financial Statements, if any, that would result as a consequence of adopting this interpretation in 2007.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Incorporated herein by reference from Item 2, of this quarterly report on Form 10-Q.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), the Company's principal executive

officer and the principal financial officer have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q such disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company 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 and is accumulated

and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in internal control over financial reporting. During the quarter under report, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not engaged in any legal proceedings of a material nature at June 30, 2006. From time to time, the Company is party to legal proceedings in the ordinary course of business wherein it enforces its security interest in loans.

Item 1A. Risk Factors

Management of the Company does not believe there have been any material changes to the risk factors previously disclosed under Item 1A. of the Company's Form 10-K for the year ended December 31, 2005, previously filed with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table lists purchases of the Company's Common Stock during the second quarter of 2006.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Num Shares Pu As Part of Announced
April 1, to April 30, 2006	0	$0.00	0
May 1, to May 31, 2006	0	$0.00	0
June 1, to June 30, 2006	0	$0.00	0
Total for the quarter ended June 30, 2006	0	$0.00	

There is no expiration date under either Plan.

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

At the Corporation's Annual Stockholder's Meeting (the Meeting) held on April 27, 2006, all the nominees for director proposed by the Corporation were elected. The votes cast for each nominee were as follows:

	For
Linda C. Drake	6,048,452
David E. Hollowell	6,047,338
Scott E. Reed	6,048,213
Claibourne D. Smith	5,978,943

At the Meeting, the shareholders also ratified the appointment of KPMG, LLP as independent auditors for fiscal year ending December 31, 2006. The votes cast were as follows:

For	Against	Abstain
5,957,212	101,011	8,150

Item 5. Other Information

Not applicable

Item 6. Exhibits

(a) Exhibit 31 - Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(b) Exhibit 32 - Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements 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: August 8, 2006

/s/Marvin N. Schoenhals

Marvin N. Schoenhals
President and Chief Executive Officer

Date: August 8, 2006	/s/Stephen A. Fowle
	Stephen A. Fowle Executive Vice President and Chief Financial Officer