HARLEYSVILLE SAVINGS FINANCIAL CORP
Form 10-Q
August 14, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20429

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, 2002

OR

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

For the transition period from to

Pennsylvania	23-3028464
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

271 Main Street, Harleysville, Pennsylvania 19438
(Address of principal executive offices)
(Zip Code)

(215) 256-8828
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock, $.01 Par Value, 2,316,490 as of August 8, 2002

HARLEYSVILLE SAVINGS FINANCIAL CORPORATION
AND SUBSIDIARY

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Harleysville Savings Financial Corporation
Unaudited Condensed Consolidated Statements of Financial Condition

	June 30, 2002
Assets	
Cash and amounts due from depository institutions	$ 1,380,182
Interest bearing deposits in other banks	14,071,461
Total cash and cash equivalents	15,451,643
Investment securities held to maturity (fair value - June 30, $54,654,000; September 30, $63,568,000)	53,437,798

Investment securities available-for-sale at fair value	6,448,177
Mortgage-backed securities held to maturity (fair value - June 30, $184,433,000; September 30, $171,236,000)	181,363,356
Mortgage-backed securities available-for-sale at fair value	18,707,060
Loans receivable (net of allowance for loan losses - June 30, $2,038,000; September 30, $2,036,000)	299,274,584
Accrued interest receivable	3,214,609
Federal Home Loan Bank stock - at cost	10,234,000
Office properties and equipment	5,032,388
Deferred income taxes	291,698
Prepaid expenses and other assets	8,689,856
TOTAL ASSETS	$ 602,145,169
Liabilities and Stockholders' Equity	
Liabilities:	
Deposits	$ 355,205,423
Advances from Federal Home Loan Bank	204,203,763
Accrued interest payable	1,007,061
Advances from borrowers for taxes and insurance	4,099,448
Accounts payable and accrued expenses	810,420
Total liabilities	565,326,115
Commitments	
Stockholders' equity:	
Preferred Stock: $.01 par value; 7,500,000 shares authorized; none issued	
Common stock: $.01 par value; 15,000,000 shares authorized; issued and outstanding, June 2002, 2,316,490; Sept. 2001, 2,306,455	23,165
Paid-in capital in excess of par	7,517,826
Treasury stock, at cost (June 2002, 59,140 shares; Sept. 2001, 65,659)	
Retained earnings - partially restricted	(907,814)
Accumulated other comprehensive loss	30,262,638
Total stockholders' equity	(76,761)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	36,819,054
	$ 602,145,169

See notes to unaudited consolidated financial statements.

Harleysville Savings Financial Corporation
Unaudited Condensed Consolidated Statements of Income

	For the Three Months Ended June 30,		For the Nine Jun
	2002	2001	2002

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INTEREST INCOME:			
Interest on mortgage loans	$ 4,417,540	$ 4,169,818	$ 13,332,908
Interest on mortgage-backed securities	2,529,961	2,393,493	7,304,488
Interest on consumer and other loans	976,226	1,090,204	2,939,474
Interest and dividends on investments	908,637	1,412,195	2,839,680
Total interest income	8,832,364	9,065,710	26,416,550
Interest Expense:			
Interest on deposits	3,148,842	4,212,284	10,429,344
Interest on borrowings	2,729,782	2,462,413	7,881,188
Total interest expense	5,878,624	6,674,697	18,310,532
Net Interest Income	2,953,740	2,391,013	8,106,018
Provision for loan losses	--	--	--
Net Interest Income after Provision for Loan Losses	2,953,740	2,391,013	8,106,018
Other Income:			
Gain on sales of loans	500	--	1,227
(Loss) gain on sales of securities	--	--	(23,894)
Other income	276,149	279,626	803,932
Total other income	276,649	279,626	781,265
Other Expenses:			
Salaries and employee benefits	845,313	760,952	2,515,616
Occupancy and equipment	334,244	289,594	966,646
Deposit insurance premiums	15,423	14,772	46,845
Other	486,607	438,997	1,251,306
Total other expenses	1,681,587	1,504,315	4,780,413
Income before Income Taxes	1,548,802	1,166,324	4,106,870
Income tax expense	376,000	242,900	869,017
Net Income	$ 1,172,802	$ 923,424	$ 3,237,853
Basic Earnings Per Share	$ 0.52	$ 0.41	$ 1.44
Diluted Earnings Per Share	$ 0.51	$ 0.41	$ 1.41
Dividends Per Share	$ 0.14	$ 0.12	$ 0.40

See notes to unaudited condensed consolidated financial statements.

Harleysville Savings Financial Corporation
Unaudited Condensed Consolidated Statement of Stockholders' Equity

	Common Stock	Paid-in Capital in Excess of Par	Treasury Stock	Retained Earnings Partiall Restrict
Balance at October 1, 2001	$ 23,065	$ 7,358,681	$(1,024,733)	$27,922,
Net Income				3,237,
Issuance of Common Stock:	100	159,145		
Dividends				(897,
Issuance of treasury stock			351,804	
Purchase of treasury stock			(234,885)	
Unrealized holding loss on available-for- sale securities, net of tax				
Balance at June 30, 2002	$ 23,165	$ 7,517,826	$ (907,814)	$30,262,

See notes to unaudited condensed consolidated financial statements.

Harleysville Savings Financial Corporation
Unaudited Condensed Consolidated Statement of Comprehensive Income

	Three Months Ended 2002	
Net Income	$ 1,172,802	$
Other Comprehensive Income		
Unrealized (loss) gain on securities net of tax (benefit) expense	(50,378)	
Total Comprehensive Income	$ 1,122,424	$

	Nine Months Ended 2002	
Net Income	$ 3,237,853	$ 2
Other Comprehensive Income		
Unrealized (loss) gain on securities net of tax (benefit) expense	(61,454)	
Total Comprehensive Income	$ 3,176,399	$ 2

See notes to unaudited condensed consolidated financial statements.

Harleysville Savings Financial Corporation
Unaudited Consolidated Statements of Cash Flows

	Nine Month 2002
Operating Activities:	
Net Income	$ 3,237,853
Adjustments to reconcile net income to net cash provided by (used by) operating activities:	
Depreciation	310,287
Amortization of deferred loan fees	(362,214
Gain on sale of loans	1,227
Loss on sale of securities available for sale	23,894
Proceeds from the sale of loans held for sale	102,918
Gain on sale of mortgage backed securities available for sale	--
Changes in assets and liabilities which provided (used) cash:	
(Decrease) increase in accounts payable and accrued expenses and income taxes payable	(150,405
Decrease in deferred income taxes	31,657
Increase (decrease) in prepaid expenses and other assets	523,871
Decrease (increase) in accrued interest receivable	188,336
Increase in accrued interest payable	279,560
Net cash provided by operating activities	4,186,984
Investing Activities:	
Purchase of investment securities held to maturity	(30,897,815
Proceeds from maturities of investment securities held to maturity	39,662,422
Proceeds from sale of mortgage-backed securities available for sale	--
Purchase of investment securities available for sale	(7,096,559
Proceeds from sale of investmentsecurities available for sale	3,918,469
Purchase of FHLB stock	(1,283,800

Long-term loans originated or acquired	(92,387,513
Purchase of mortgage-backed securities available for sale	(19,028,203
Purchase of mortgage-backed securities held to maturity	(49,524,955
Principal collected on long-term loans & mortgage-backed securities	118,623,485
Purchases of premises and equipment	(120,502
Net cash used in investing activities	(38,134,971
Financing Activities:	
Net increase in demand deposits, NOW accounts and savings accounts	18,530,375
Net (decrease) increase in certificates of deposit	(13,471,507
Cash dividends	(897,397
Net increase in FHLB advances	32,894,379
Use of treasury stock	351,804
Purchase of treasury stock	(234,885
Net proceeds from issuance of stock	159,245
Net increase in advances from borrowers for taxes & insurance	3,119,484
Net cash provided by financing activities	40,451,498
INCREASE IN CASH AND CASH EQUIVALENTS	6,503,511
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,948,132
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 15,451,643
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the period for:	
Income taxes	$ 917,519
Interest expense	19,317,593

See notes to unaudited condensed consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include information or footnotes necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. However, all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation have been included. The results of operations for the three and nine months ended June 30, 2002 are not necessarily indicative of the results which may be expected for the entire fiscal year or any other period.

New Accounting Pronouncements- In April 2002, the Financial Accounting

Standdards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS")No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. The provisions of this statement related to the rescission of SFAS No. 4 are effective for fiscal years beginning after May 15, 2002. Management has not determined the impact of applying these provisions. Certain provisions of the statement relating to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of the statement are effective for financial statements issued on or after May 15, 2002. These provisions had no impact on the Company's financial statements.

In July 2002, the FASB issued Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. Statement 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

2. INVESTMENT SECURITIES HELD TO MATURITY

A comparison of cost and approximate fair value of investment securities, by maturities, is as follows:

	June 30, 2002		
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses
U.S. Government agencies			
Due after 1 years through 5 years	$ 8,044,979		$ 24,021
Due after 5 years through 10 years	2,000,000	$ 105,000	
Due after 10 years through 15 years	18,532,446	210,826	(7,272)
Tax Exempt Obligations			
Due after 10 years through 15 years	3,235,365	88,093	(2,458)
Due after 15 years	21,625,008	806,999	(9,007)
Total Investment Securities	$53,437,798	$ 1,210,918	$ 5,284

	September 30, 2001		
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses
U.S. Government agencies			
Due after 2 years through 5 years	$ 1,000,000		$ --
Due after 5 years through 10 years	12,985,052	$ 214,948	--
Due after 10 years through 15 years	24,446,500	304,500	--
Tax Exempt Obligations			

Due after 15 years	23,770,853	846,147	--
Total Investment Securities	$62,202,405	$ 1,365,595	$ --

The Company has the positive intent and the ability to hold these securities to maturity. At June 30, 2002, neither a disposal, nor conditions that could lead to a decision not to hold these securities to maturity were reasonably foreseen.

3. INVESTMENT SECURITIES AVAILABLE-FOR-SALE
A comparison of cost and approximate fair value of investment securities is as follows:

June 30, 2002	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Ap F
ARM Mutual Funds	$6,448,177	$ --	$ --	$
Total Investment Securities	$6,448,177	$ --	$ --	$

September 30, 2001	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses
ARM Mutual Funds	$3,317,173	$ --	$ (23,192)
Total Investment Securities	$3,317,173	$ --	$ (23,192)

4. MORTGAGE-BACKED SECURITIES HELD TO MATURITY
A comparison of cost and approximate fair value of mortgage-backed securities is as follows:

June 30, 2002	Amortized Cost	Gross Unrealized Gain	Gr Unre Lo

Collateralized mortgage obligations	$ 58,624,463	$ 331,272	$ (
FHLMC pass-through certificates	29,316,791	684,600	
FNMA pass-through certificates	32,128,791	734,748	
GNMA pass-through certificates	61,293,311	1,487,689	
Total Mortgage-backed Securities	$181,363,356	$ 3,238,009	$ (

September 30, 2001

	Amortized Cost	Gross Unrealized Gain	Gro Unrea Los
Collateralized mortgage obligations	$ 68,183,560	$ 887,139	$ (
FHLMC pass-through certificates	14,315,089	544,911	
FNMA pass-through certificates	19,714,010	528,990	
GNMA pass-through certificates	65,514,066	1,729,934	
Total Mortgage-backed Securities	$167,726,725	$ 3,690,974	$ (

5. MORTGAGE-BACKED SECURITIES AVAILABLE-FOR-SALE
A comparison of cost and approximate fair value of mortgage-backed securities is as follows:

June 30, 2002

	Amortized Cost	Gross Unrealized Gain	Gr Unre Lo
FNMA pass-through certificates	$18,823,364	$ 1,164	$ (
Total Mortgage-backed Securities	$18,823,364	$ 1,164	$ (

6. LOANS RECEIVABLE
Loans receivable consist of the following:

	June 30, 2002	September 30, 2001
Residential Mortgages	$ 238,955,486	$ 233,290,694
Commercial Mortgages	577,802	785,923
Construction	7,691,220	14,649,063
Education	2,501,175	1,041,197

Savings Account	510,244	617,244
Home Equity	42,857,778	43,401,198
Automobile and other	666,055	628,752
Line of Credit	15,587,383	9,806,918
Total	309,347,143	304,220,989
Undisbursed portion of loans in process	(5,952,318)	(9,919,306)
Deferred loan fees	(2,082,026)	(2,052,274)
Allowance for loan losses	(2,038,215)	(2,036,188)
Loans receivable - net	$ 299,274,584	$ 290,213,221

The total amount of loans being serviced for the benefit of others was approximately $3.8 million and $4.9 million at June 30, 2002 and September 30, 2001, respectively.

The following schedule summarizes the changes in the allowance for loan losses:

	Nine Months Ended June 30, 2002	2001
Balance, beginning of period	$2,036,188	$2,038,131
Loan recoveries	2,027	554
Balance, end of period	$2,038,215	$2,038,685

7. OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment are summarized by major classification as follows:

	June 30, 2002	September 30, 2001
Land and buildings	$ 5,088,965	$ 5,081,110
Construction in progress	19,849	--
Furniture, fixtures and equipment	3,378,233	3,243,153
Automobiles	81,059	56,164
Total	8,568,106	8,380,427
Less accumulated depreciation	(3,535,718)	(3,155,945)
Net	$ 5,032,388	$ 5,224,482

8. DEPOSITS

Deposits are summarized as follows:

	June 30, 2002	September 30, 2001
NOW accounts	$ 17,287,190	$ 12,280,113
Checking accounts	7,040,824	6,859,090
Money Market Demand accounts	80,712,334	67,941,336
Passbook and Club accounts	3,105,649	2,535,083
Certificate accounts	247,059,426	260,530,933
Total deposits	$355,205,423	$350,146,555

The aggregate amount of certificate accounts in denominations of more than $100,000 at June 30, 2002 amounted to approximately $17.8 million.

9. COMMITMENTS
At March 31, 2002, the following commitments were outstanding:

Origination of fixed-rate mortgage loans	$ 7,841,990
Origination of adjustable-rate mortgage loans	869,607
Unused line of credit loans	18,363,853
Loans in process	5,952,318
Total	$33,027,768

10. DIVIDEND
On July 17, 2002, the Board of Directors declared a cash dividend of $.14 per share payable on August 21, 2002 to the stockholders' of record at the close of business on August 7, 2002.

11. EARNINGS PER SHARE
The calculations of earnings per share were based on the number of common stock and common stock equivalents outstanding for the three and nine months ended June 30, 2002 and 2001.

The following average shares were used for the computation of earnings per share:

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2002	2001	2002	200
Basic	2,257,574	2,229,300	2,246,829	2,227,
Diluted	2,303,573	2,258,124	2,288,888	2,255,

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

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to management. In addition, in those and other portions of this document, the words "anticipate," "believe," "estimate," "intend," "should" and similar expressions, or the negative thereof, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future-looking events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

Changes in Financial Position for the Nine-Month Period Ended June 30, 2002

Total assets at June 30, 2002 were $602.1 million, an increase of $43.8 million or 7.8% for the nine-month period. The increase was primarily the result of an increase in Mortgage-backed securities of $32.3 million, an increase in loans receivable of $9.1 million, an increase in cash equivalents of $6.5 million, an increase in investment securities available for sale of $3.2 million and an increase in FHLB stock of $1.3 million. These increases were offset by a decrease of $8.8 million in investment securities held to maturity. Retail deposits and long term Federal Home Loan Bank advances funded the overall increase in assets.

During the nine-month period ended June 30, 2002, total deposits increased by $5.1 million to $355.2 million. The increase was partially attributed to an increase of $17.8 million in NOW and Money Market Demand accounts, which was partially offset by a decrease of Certificates of $13.5 million. Advances from borrowers for taxes and insurance also increased by $3.1million. This is a seasonal increase as the majority of taxes the Company escrows for are disbursed in the month of August. There was also an increase in advances from Federal Home Loan Bank of $32.9 million, which was used to fund the purchase of Mortgage-backed securities and the origination of loans. The increase in the accrued interest payable was a direct result of the increased balance in the advances from Federal Home Loan Bank.

Comparisons of Results of Operations for the Three-Month and Nine-Month Periods Ended June 30, 2002 with the Three and Nine-Month Periods Ended June 30, 2001.

Net Interest Income

The increase in the net interest income for the three and nine month periods ended June 30, 2002 when compared to the same periods in 2001 can be attributed to the increase in the interest spread of 20 basis points and 1 basis point, respectively. The increase can also be attributed to the average balance of interest-earning assets increasing to $574.5 and $561.4 million for the three and nine-month periods ended June 30, 2002, respectively, from $520.8 million and $504.4 million, respectively for the comparable periods ended June 30, 2001.

Total interest income was $8.8 million for the three-month period ended June 30, 2002 compared to $9.1 million for the comparable period in 2001. For the nine month period ended June 30, 2002, total interest income was $26.4 million compared to $27.1 million for the comparable period in 2001. The decrease is the result of the reduction in the average yield for the interest-earning assets from 6.96% and 7.15% for the three and nine-month period ended June 30, 2001, respectively to 6.15% and 6.27% for the comparable periods in 2002 which was partially offset by the increased average balance of interest-earning assets.

Total interest expense decreased to $5.9 million for the three-month period ended June 30, 2002 from $6.8 million for the comparable period in 2001. For the nine-month period ended June 30, 2002, total interest expense decreased to $18.3 million from $19.9 million for the comparable period in 2001. These decreases occurred as a result of a decrease in the average rate on liabilities from 5.33% and 5.46% for the three and nine-month periods ended June 30, 2001, respectively, to 4.33% and 4.57% for the comparable period ended June 30, 2002.

Other Income

Other income decreased to $277,000 for the three-month period ended June 30, 2002 from $280,000 for the comparable period in 2001. For the nine-month period ended June 30, 2002, other income decreased to $781,000 from $869,000 for the comparable period in 2001. The three-month and nine month decrease is due to the lack of a gain on sale of mortgage-backed securities, which was recognized in the second quarter 2001, which was partially offset by an increase in the fee generating services offered by the Company.

Other Expenses

During the quarter ended June 30, 2002, other expenses increased by $177,000 or 11.8% to $1.7 million when compared to the same period in 2001. For the nine month period ended June 30, 2002, other expenses increased by $498,000 or 11.6% compared to the comparable period in 2001. Management believes these are normal increases in the cost of operations after considering the effects of inflation and the impact of the growth in the assets of the Company when compared to the same periods in 2001. The annualized ratio of expenses to average assets for the three and nine month periods ended June 30, 2002 was 1.13% and 1.11%, respectively when compared to the three and nine month periods ended June 30, 2001 of 1.12% and 1.10%, respectively.

Income Taxes

The Company made provisions for income taxes of $376,000 and $869,000 for the three and nine-month periods ended June 30, 2002, respectively, compared to $243,000 and $912,000 for the comparable periods in 2001. These provisions are based on the levels of taxable income.

Liquidity and Capital Resources

The Company's net income for the quarter ended June 30, 2002 of $1.2 million increased stockholder's equity to $36.9 million or 6.10% of total assets. This amount is well in excess of the Company's minimum regulatory capital requirements as illustrated below:

	(in thousands)			
	Leveraged		Risk-based	
Actual regulatory capital	$36,742	6.1%	$36,742	14.2%
Minimum required regulatory capital	24,086	4.0%	20,652	8.0%
Excess capital	$12,656	2.1%	$16,090	6.2%

The liquidity of the Company's operations, measured by the ratio of the cash and securities balances to total assets, equaled 45.7% at June 30, 2002 compared to 43.4% at September 30, 2001.

As of June 30, 2002, the Company had $33 million in commitments to fund loan originations, disburse loans in process and meet other obligations. Management anticipates that the majority of these commitments will be funded within the next six months by means of normal cash flows and net new deposits. In addition, the amount of certificate accounts, which are scheduled to mature during the 12 months ending June 30, 2003, is $144 million. Management expects that a substantial portion of these maturing deposits will remain as accounts in the

Company.

Quantitative and Qualitative Disclosures About Market Risk

The Company has instituted programs designed to decrease the sensitivity of its earnings to material and prolonged increases in interest rates. The principal determinant of the exposure of the Company's earnings to interest rate risk is the timing difference between the repricing or maturity of the Company's interest-earning assets and the repricing or maturity of its interest-bearing liabilities. If the maturities of such assets and liabilities were perfectly matched, and if the interest rates borne by its assets and liabilities were equally flexible and moved concurrently, neither of which is the case, the impact on net interest income of rapid increases or decreases in interest rates would be minimized. The Company's asset and liability management policies seek to increase the interest rate sensitivity by shortening the repricing intervals and the maturities of the Company's interest-earning assets. Although management of the Company believes that the steps taken have reduced the Company's overall vulnerability to increases in interest rates, the Company remains vulnerable to material and prolonged increases in interest rates during periods in which its interest rate sensitive liabilities exceed its interest rate sensitive assets.

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The authority and responsibility for interest rate management is vested in the Company's Board of Directors. The Chief Executive Officer implements the Board of Directors' policies during the day-to-day operations of the Company. Each month, the Chief Executive Officer presents the Board of Directors with a report, which outlines the Company's asset and liability "gap" position in various time periods. The "gap" is the difference between interest-earning assets and interest-bearing liabilities which mature or reprice over a given time period. He also meets weekly with the Company's other senior officers to review and establish policies and strategies designed to regulate the Company's flow of funds and coordinate the sources, uses and pricing of such funds. The first priority in structuring and pricing the Company's assets and liabilities is to maintain an acceptable interest rate spread while reducing the effects of changes in interest rates and maintaining the quality of the Company's assets.

The following table summarizes the amount of interest-earning assets and interest-bearing liabilities outstanding as of June 30, 2002, which are expected to mature, prepay or reprice in each of the future time periods shown. Except as stated below, the amounts of assets or liabilities shown which mature or reprice during a particular period were determined in accordance with the contractual terms of the asset or liability. Adjustable and floating-rate assets are included in the period in which interest rates are next scheduled to adjust rather than in the period in which they are due, and fixed-rate loans and mortgage-backed securities are included in the periods in which they are anticipated to be repaid.

The following table does not necessarily indicate the impact of general interest rate movements on Harleysville Savings' net interest income because the repricing of certain categories of assets and liabilities is discretionary and is subject to competitive and other pressures. As a result, certain assets and liabilities indicated as repricing within a stated period may in fact reprice at different rate levels.

	1 Year or less	1 to 3 Years	3 to 5 Years

Interest-earning assets			
Mortgage loans	$ 39,071	$ 37,342	$ 28,646
Mortgage-backed securities	87,427	21,402	18,248
Consumer and other loans	34,238	15,694	8,919
Investment securities and other investments	54,011	10,059	--
Total interest-earning assets	214,747	84,497	55,813
Interest-bearing liabilities			
Passbook and Club accounts	--	--	--
NOW accounts	--	--	--
Money Market Deposit accounts	28,157	--	--
Certificate accounts	144,342	77,946	24,771
Borrowed money	22,184	38,357	27,255
Total interest-bearing liabilities	194,683	116,303	52,026
Repricing GAP during the period	$ 20,064	$ (31,806)	$ 3,787
Cumulative GAP	$ 20,064	$ (11,742)	$ (7,955)
Ratio of GAP during the period to total assets	3.37%	-5.35%	0.64%
Ratio of cumulative GAP to total assets	3.37%	-1.97%	-1.34%

Part II OTHER INFORMATION

Item 1-5. Not applicable.

Item 6. Exhibits and Reports on Form 8-K

None

Signatures6

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

The undersigned executive officer of Harleysville Savings Financial Corporation (the "Registrant") hereby certifies that the Registrant's Form 10-Q for the three months ended June 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Edward J. Molnar

Edward J. Molnar
President and Chief Executive Officer

Date: August 9, 2002

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

The undersigned executive officer of Harleysville Savings Financial Corporation (the "Registrant") hereby certifies that the Registrant's Form 10-Q for the three months ended June 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Brendan J. McGill

Brendan J. McGill
Senior Vice President and
Chief Financial Officer

Date: August 9, 2002