HARLEYSVILLE SAVINGS FINANCIAL CORP
Form 10-Q
August 13, 2001

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, 2001

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 0-29709

HARLEYSVILLE SAVINGS FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

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, 2,306,455 as of August 8, 2001

HARLEYSVILLE SAVINGS FINANCIAL CORPORATION
AND SUBSIDIARY

Index

Harleysville Savings Financial Corporation
Unaudited Consolidated Statements of Financial Condition

	June 30, 2001	Sep
Assets		
Cash and amounts due from depository institutions	$ 1,424,848	$

Interest bearing deposits in other banks	8,971,208	
Total cash and cash equivalents	10,396,056	
Investment securities held to maturity (fair value - June 30, $79,681,000; September 30, $69,463,000)	79,153,853	7
Investment securities available-for-sale at fair value	5,334,545	
Mortgage-backed securities held to maturity (fair value - June 30, $152,647,000; September 30, $114,182,000)	152,252,629	11
Mortgage-backed securities available-for-sale at fair value	7,440,453	
Loans receivable (net of allowance for loan losses - June 30, $2,038,685; September 30, $2,038,131)	282,359,160	26
Accrued interest receivable	3,279,501	
Federal Home Loan Bank stock - at cost	8,950,200	
Office properties and equipment	5,212,988	
Deferred income taxes	261,984	
Prepaid expenses and other assets	8,647,622	
TOTAL ASSETS	$ 555,848,538	$ 48
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 338,641,942	$ 30
Advances from Federal Home Loan Bank	177,737,884	14
Accrued interest payable	1,168,018	
Advances from borrowers for taxes and insurance	4,154,796	
Accounts payable and accrued expenses	778,082	
Total liabilities	522,480,722	45
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 30, 2001, 2,306,455; September 30, 2000, 2,285,051	23,064	
Paid-in capital in excess of par	7,377,284	
Treasury stock, at cost June 30, 2001, 78,037 shares; September 30, 2000, 49,900 shares	(1,144,037)	
Retained earnings - partially restricted	27,130,584	2
Accumulated other comprehensive loss	(19,079)	
Total stockholders' equity	33,367,816	3
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 555,848,538	$ 48

See notes to unaudited consolidated financial statements.

Harleysville Savings Financial Corporation
Unaudited Consolidated Statements of Income

	For the Three Months Ended June 30, 2001	For the Three Months Ended June 30, 2000	For the Nine Month June 30, 2001	
INTEREST INCOME:				
Interest on mortgage loans	$ 4,169,818	$ 3,821,029	$12,268,822	$11,
Interest on mortgage-backed securities	2,393,493	2,097,961	7,277,392	6,
Interest on consumer and other loans	1,090,204	1,135,378	3,265,067	3,
Interest and dividends on investments	1,412,195	1,319,212	4,243,719	3,
Total interest income	9,065,710	8,373,580	27,055,000	24,
Interest Expense:				
Interest on deposits	4,212,284	3,835,720	12,490,796	11,
Interest on borrowings	2,462,413	1,873,866	7,382,328	5,
Total interest expense	6,674,697	5,709,586	19,873,124	16,
Net Interest Income	2,391,013	2,663,994	7,181,876	7,
Provision for loan losses	--	--	--	
Net Interest Income after Provision for Loan Losses	2,391,013	2,663,994	7,181,876	7,
Other Income:				
Gain on sales of securities	--	--	133,737	
Other income	279,626	126,284	734,907	
Total other income	279,626	126,284	868,644	
Other Expenses:				
Salaries and employee benefits	760,952	691,330	2,226,197	2,
Occupancy and equipment	289,594	254,132	832,842	
Deposit insurance premiums	14,772	15,775	45,572	
Other	438,997	406,027	1,177,951	1,
Total other expenses	1,504,315	1,367,264	4,282,562	3,
Income before Income Taxes	1,166,324	1,423,014	3,767,958	4,
Income tax expense	242,900	455,400	911,800	1,
Net Income	$ 923,424	$ 967,614	$ 2,856,158	$ 2,
Basic Earnings Per Share	$ 0.41	$ 0.43	$ 1.28	$
Diluted Earnings Per Share	$ 0.41	$ 0.43	$ 1.28	$
Dividends Per Share	$ 0.12	$ 0.11	$ 0.36	$

See notes to unaudited consolidated financial statements.

Harleysville Savings Financial Corporation
Unaudited Consolidated Statements of Stockholders

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	Common Stock	Capital in Excess of Par	Treasury Stock	Earni Parti Restri
Balance at October 1, 2000	$ 22,851	$ 7,119,387	$ (714,163)	$ 25,076
Net Income				2,856
Issuance of Common Stock:	213	257,897		
Dividends - $.12 per share				(801
Treasury stock purchased			(429,874)	
Unrealized holding gain on available-for-sale securities net of tax				
Balance at June 30, 2001	$ 23,064	$ 7,377,284	$ (1,144,037)	$ 27,130

See notes to unaudited consolidated financial statements.

page -3-

Harleysville Savings Financial Corporation
Unaudited Consolidated Statements of Cash Flows

	Nine Months Ended June 2001	200
Operating Activities:		
Net Income	$ 2,856,158	$ 2,90
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	349,314	32
Decrease (increase) in deferred income taxes	51,682	(3
Amortization of deferred loan fees	(152,004)	(11
Gain on sale of mortgage backed securities available for sale	(133,737)	
Changes in assets and liabilities which provided (used) cash:		
Increase (decrease) in accounts payable and accrued expenses and income taxes payable	136,934	(
Increase in prepaid expenses and other assets	(651,667)	(71
Increase in accrued interest receivable	(32,787)	(23
Increase in accrued interest payable	343,346	44
Net cash provided by operating activities	2,767,239	2,56
Investing Activities:		
Purchase of investment securities held to maturity	(26,348,684)	(9,51
Proceeds from maturities of investment securities held to maturity	18,475,672	1,52
Proceeds from sale of mortgage-backed securities available for sale	7,331,055	
Purchase of investment securities available for sale	(2,009,298)	(20
Purchase of FHLB stock	(1,585,000)	(40
Long-term loans originated or acquired	(73,796,289)	(44,78
Purchase of mortgage-backed securities held to maturity	(54,150,473)	(7,51

Principal collected on long-term loans & mortgage-backed securities	72,872,726	43,93
Purchases of premises and equipment	(1,112,381)	(15
Net cash used in investing activities	(60,322,672)	(17,12
Financing Activities:		
Net increase (decrease) in demand deposits, NOW accounts and savings accounts	15,569,276	(5,46
Net increase in certificates of deposit	13,236,856	14,27
Cash dividends	(801,887)	(74
Net increase in FHLB advances	32,603,601	3,97
Purchase of treasury stock	(429,874)	(62
Net proceeds from issuance of stock	258,110	23
Net increase in advances from borrowers for taxes & insurance	3,435,205	2,99
Net cash provided by financing activities	63,871,287	14,64
INCREASE IN CASH AND CASH EQUIVALENTS	6,315,854	8
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,080,202	3,95
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 10,396,056	$ 4,04
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	$ 958,353	$ 1,31
Interest expense	20,216,470	16,28
Noncash transfer from loans to real estate owned		11

See notes to unaudited consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited consolidated 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 accounting principles generally accepted in the United States of America. 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, 2001 are not necessarily indicative of the results which may be expected for the entire fiscal year or any other period.

Comprehensive Income -Comprehensive income for the three month periods ended June 30, 2001 and 2000, was approximately $939,000 and $875,000, respectively. For the nine month periods ended June 30, 2001 and 2000, comprehensive income was approximately $2.94 million and $2.81 million, respectively.

Accounting for Derivative Instruments and Hedging Activities- The Company adopted the provisions of SFAS No. 133, as amended by SFAS No. 137 and 138, and as interpreted by the FASB and the Derivatives Implementation Group through "Statement 133 Implementation Issues", as of October 1, 2000. The Company believes that it has properly identified all derivative instruments and any embedded derivative instruments. Currently, no embedded derivatives require bifurcation. The Company currently does not employ hedging activities that require designation as either fair value or cash flow hedges, or hedges of a net investment in a foreign operation. SFAS No. 133 does not have a material effect on the Company's financial position or results of operations.

2. INVESTMENT SECURITIES HELD TO MATURITY

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

	June 30, 2001			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Ap Fa
U.S. Government agencies				
Due after 2 years through 5 years	$ 13,969,458	$ 6,542		$
Due after 5 years through 10 years	21,983,357	125,630	$ (106,987)	
Due after 10 years through 15 years	19,441,786	65,679	(225,465)	
Tax Exempt Obligations				
Due after 10 years through 15 years	1,526,806	16,194		
Due after 15 years	22,232,446	680,608	(35,054)	
Total Investment Securities	$ 79,153,853	$ 894,653	$ (367,506)	$

	September 30, 2000			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Ap Fa
U.S. Government agencies				
Due after 3 years through 5 years	$ 16,500,000		$ (386,000)	$
Due after 5 years through 10 years	21,980,911	$ 38,090	(971,001)	
Due after 10 years through 15 years	17,418,624	43,263	(703,887)	
Tax Exempt Obligations				
Due after 15 years	15,381,306	232,610	(70,916)	
Total Investment Securities	$ 71,280,841	$ 313,963	$(2,131,804)	$

U.S. Government Agencies include structured note securities with periodic interest rate adjustments and are called periodically by the issuing agency. These structured notes were comprised of step-up bonds with par values of $999,000 at June 30, 2001 and September 30, 2000.

The Bank has the positive intent and the ability to hold these securities to maturity. At June 30, 2001, 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, 2001	Amortized Cost	Gross Unrealized Gain	Gross Unrealize Losses
ARM Mutual Funds	$ 5,363,452	$ --	$ (28,90
Total Investment Securities	$ 5,363,452	$ --	$ (28,90

September 30, 2000	Amortized Cost	Gross Unrealized Gain	Gross Unrealize Losses
ARM Mutual Funds	$ 3,354,154	$ --	$ (44,418
Total Investment Securities	$ 3,354,154	$ --	$ (44,418

4. MORTGAGE-BACKED SECURITIES HELD TO MATURITY

A comparison of cost and approximate fair value of mortgage-backed securities is as follows:

June 30, 2001	Amortized Cost	Gross Unrealized Gain	Gross Unrealize Losses
Collateralized mortgage obligations	$45,687,572	$ 490,923	$ (218
FHLMC pass-through certificates	15,168,438	176,804	(63
FNMA pass-through certificates	21,051,672	82,723	(129
GNMA pass-through certificates	70,344,947	431,367	(376

Total Mortgage-backed Securities	$152,252,629	$ 1,181,817	$ (787

	September 30, 2000		
	Amortized Cost	Gross Unrealized Gain	Gross Unrealize Losses
Collateralized mortgage obligations	$52,482,502	$ 138,918	$ (996
FHLMC pass-through certificates	9,935,756	26,355	(110
FNMA pass-through certificates	21,402,545	33,968	(565
GNMA pass-through certificates	32,482,927	1,654	(650
Total Mortgage-backed Securities	$116,303,730	$ 200,895	$(2,322

5. MORTGAGE-BACKED SECURITIES AVAILABLE-FOR-SALE

A comparison of cost and approximate fair value of mortgage-backed securities is as follows:

	September 30, 2000		
	Amortized Cost	Gross Unrealized Gain	Gross Unrealize Losses
FHLMC pass-through certificates	$ 2,835,053	$ --	$ (93,5
GNMA pass-through certificates	4,721,589		(22,6
Total Mortgage-backed Securities	$ 7,556,642	$ --	$ (116,

6. LOANS RECEIVABLE

Loans receivable consist of the following:

	June 30, 2001	September 30, 2000
Residential Mortgages	$ 226,564,513	$ 207,928,146
Commercial Mortgages	791,219	807,156
Construction	13,567,795	6,579,523
Education	3,314,245	1,414,011
Savings Account	625,914	618,884
Home Equity	43,941,316	44,727,366
Automobile and other	535,445	639,693
Line of Credit	8,737,157	7,888,612

Total	298,077,604	270,603,391
Undisbursed portion of loans in process	(11,636,288)	(3,844,612)
Deferred loan fees	(2,043,471)	(1,946,270)
Allowance for loan losses	(2,038,685)	(2,038,131)
Loans receivable - net	$ 282,359,160	$ 262,774,378

The total amount of loans being serviced for the benefit of others was approximately $5.5 million and $6.6 million at June 30, 2001 and September 30, 2000, respectively.

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

	Nine Months Ended June 30,	
	2001	2000
Balance, beginning of period	$2,038,131	$2,040,000
Provision for loan losses	--	--
Loan recoveries	554	--
Balance, end of period	$2,038,685	$2,040,000

7. OFFICE PROPERTIES AND EQUIPMENT

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

	June 30, 2001	September 30, 2000
Land and buildings	$ 4,040,126	$ 4,176,671
Construction in progress	951,723	
Furniture, fixtures and equipment	3,195,264	2,898,061
Automobiles	56,164	56,164
Total	8,243,277	7,130,896
Less accumulated depreciation	(3,030,289)	(2,680,975)
Net	$ 5,212,988	$ 4,449,921

8. DEPOSITS

Deposits are summarized as follows:

	June 30, 2001	September 30, 2000
NOW accounts	$ 12,454,265	$ 10,748,610
Checking accounts	7,007,274	5,780,503

Money Market Demand accounts	62,384,566	49,928,562
Passbook and Club accounts	2,576,723	2,395,877
Certificate accounts	254,219,114	240,982,258
Total deposits	$338,641,942	$309,835,810

The aggregate amount of certificate accounts in denominations of more than $100,000 at June 30, 2001 amounted to approximately $14.6 million.

9. COMMITMENTS

At June 30, 2001, the following commitments were outstanding:

Origination of fixed-rate mortgage loans	$ 6,139,212
Origination of adjustable-rate mortgage loans	620,650
Unused line of credit loans	13,279,915
Loans in process	11,636,288
Total	$31,676,065

10. DIVIDEND

On July 18, 2001, the Board of Directors declared a cash dividend of $.12 per share payable on August 22, 2001 to the stockholders' of record at the close of business on August 8, 2001.

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 nine months ended June 30, 2001 and 2000.

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

	For the Three Months Ended June 30,		For the Nine Jun
	2001	2000	2001
Basic	2,229,300	2,243,354	2,227,819
Diluted	2,258,124	2,265,705	2,255,433

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, 2001
Total assets at June 30, 2001 were $555.8 million, an increase of $67.3 million or 13.8% for the nine-month period. The increase was primarily the result of an increase in Mortgage-backed securities of $35.9 million, an increase in loans receivable of $19.6 million, an increase in investment securities held to maturity of $7.8 million, an increase in investment securities available for sale of $2.0 million, an increase in FHLB stock of $1.6 million and an increase of $763 thousand in office property and equipment. These increases were off set by decrease of $7.4 million in Mortgage-backed securities available for sale.

During the nine-month period ended June 30, 2001, total deposits increased by $28.8 million to $338.6 million. Advances from borrowers for taxes and insurance also increased by $3.4million. 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 $32.6 million, which was used to fund the purchase of investment 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, 2001 with the Three and Nine-Month Periods Ended June 30, 2000.

Net Interest Income

The decrease in the net interest income for the three and nine month periods ended June 30, 2001 when compared to the same periods in 2000 can be attributed to the reduction in the interest spread of 31 and 24 basis points, respectively. This reduction was partially offset by an increase in the average balance of interest-earning assets increasing to $520.8 and $504.4 million for the three and nine month periods ended June 30, 2001, respectively, from $464.5 and $462.2 million for the comparable periods ended June 30, 2000.

Total interest income was $9.1 million for the three-month period ended June 30, 2001 compared to $8.4 million for the comparable period in 2000. For the nine month period ended June 30, 2001, total interest income was $27.1 million compared to $24.6 million for the comparable period in 2000. The increase is the result of the increased average balance of interest-earning assets which was partially offset by the reduction in the average yield for the interest-earning assets from 7.21% and 7.15% for the three and nine-month period ended June 30, 2000, respectively to 6.96% and 7.09% for the comparable periods in 2001.

Total interest expense increased to $6.7 million for the three-month period ended June 30, 2001 from $5.7 million for the comparable period in 2000. For the nine-month period ended June 30, 2001, total interest expense increased to $19.9 million from $16.7 million for the comparable period in 2000. These increases occurred as a result of an increase in the average interest-bearing liabilities from $433.5 million and $432.1million for the three and nine month periods ended June 30, 2000, respectively, to $500.5 million and $485.3 million for the comparable period ended June 30, 2001. These increases also occurred as a result of an increase in the average rate on liabilities from 5.27% and 5.16% for the three and nine month periods ended June 30, 2000, respectively, to 5.33% and 5.46% for the comparable period ended June 30, 2001.

Other Income

Other income increased to $280,000 for the three-month period ended June 30, 2001 from $126,000 for the comparable period in 2000. For the nine-month period ended June 30, 2001, other income increased to $869,000 from $350,000 for the comparable period in 2000. The three-month and nine month increase is due to an increase in the fee generating services offered by the Company, income from Bank Owned Life Insurance and the gain on sale of mortgage-backed securities in the second quarter 2001.

Other Expenses

During the quarter ended June 30, 2001, other expenses increased by $137,000 or 10.0% to $1.5 million when compared to the same period in 2000. For the nine month period ended June 30, 2001, other expenses increased by $305,000 or 7.7% compared to the comparable period in 2000. 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 2000. The annualized ratio of expenses to average assets for the three and nine month periods ended June 30, 2001 was 1.12% and 1.10%, respectively.

Income Taxes

The Company made provisions for income taxes of $243,000 and $912,000 for the three and nine-month periods ended June 30, 2001, respectively, compared to $455,000 and $1.3 million for the comparable periods in 2000. The reduction in income taxes is attributed to an increase in tax-free municipal investments for the three and nine month periods ended June 30, 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, 2001 of $923,000 increased stockholder's equity to $33.4 million or 6.12% 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	$33,368	6.1%	$34,911	14.6%
Minimum required regulatory capital	22,234	4.0%	19,119	8.0%
Excess capital	$11,134	2.1%	$15,792	6.6%

The liquidity of the Company's operations, measured by the ratio of the cash and securities balances to total assets, equaled 44.5% at June 30, 2001 compared to 41.4% at September 30, 2000.

As of June 30, 2001, the Company had $31.7 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, 2002 is $162 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.

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, 2000, 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	$ 43,540	$ 37,900	$ 28,225
Mortgage-backed securities	45,750	21,422	17,256
Consumer and other loans	27,319	16,065	9,117
Investment securities and other investments	31,550	5,000	3,000
Total interest-earning assets	148,159	80,387	57,598
Interest-bearing liabilities			
Passbook and Club accounts	--	--	--
NOW accounts	--	--	--
Money Market Deposit accounts	9,129	--	--
Certificate accounts	161,556	84,670	7,993
Borrowed money	50,897	55,569	22,166
Total interest-bearing liabilities	221,582	140,239	30,159
Repricing GAP during the period	$ (73,423)	$ (59,852)	$ 27,439
Cumulative GAP	$ (73,423)	$(133,275)	$(105,836)
Ratio of GAP during the period to total assets	-13.39%	-10.92%	5.00%
Ratio of cumulative GAP to total assets	-13.39%	-24.31%	-19.30%

Part II OTHER INFORMATION

Item 1-5. Not applicable.

Item 6. Exhibits and Reports on Form 8-K

None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Bank has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

Date: August 9, 2001 By: /s/ Edward J. Molnar

Edward J. Molnar
President and Chief Executive Officer

Date: August 9, 2001 By: /s/ Brendan J. McGill

Brendan J. McGill
Senior Vice President
Treasurer and Chief Financial Officer