

HARLEYSVILLE SAVINGS FINANCIAL CORP

Form 10-Q

May 11, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20429

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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
(State or other jurisdiction of
incorporation or organization)

23-3028464
(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)

N/A

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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, 3,728,760 shares outstanding as of May 11, 2012.

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HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

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Table of Contents**Harleysville Savings Financial Corporation****Unaudited Consolidated Statements of Financial Condition**

(In thousands, except share and per share data)	March 31, 2012	September 30, 2011
Assets		
Cash and amounts due from depository institutions	\$ 4,192	\$ 3,857
Interest bearing deposits	45,353	18,725
Total cash and cash equivalents	49,545	22,582
Investments and mortgage-backed securities:		
Available for sale (amortized cost March 31, \$15,158; September 30, \$18,560)	15,281	18,515
Held to maturity (fair value March 31, \$234,346; September 30, \$240,581)	226,148	231,756
Loans receivable (net of allowance for loan losses March 31, \$3,809; September 30, \$3,311)	508,090	518,486
Accrued interest receivable	2,637	2,847
Federal Home Loan Bank stock at cost	11,832	13,110
Foreclosed real estate	313	196
Office properties and equipment, net	11,806	12,005
Prepaid expenses and other assets	16,614	16,216
TOTAL ASSETS	\$ 842,266	\$ 835,713
Liabilities and Stockholders Equity		
Liabilities:		
Deposits	\$ 550,421	\$ 524,401
Long-term debt	227,227	250,194
Accrued interest payable	1,100	1,315
Advances from borrowers for taxes and insurance	4,483	1,368
Accounts payable and accrued expenses	1,009	1,353
Total liabilities	784,240	778,631
Commitments and contingencies		
Stockholders equity:		
Preferred Stock: \$.01 par value; 7,500,000 shares authorized; none issued		
Common stock: \$.01 par value; 15,000,000 shares authorized; 3,921,177 shares issued; outstanding March 31, 2012 3,728,089 shares September 30, 2011 3,758,751 shares	39	39
Additional paid-in capital	8,539	8,346
Treasury stock, at cost (March 31, 2012, 193,088 shares; September 30, 2011, 162,426 shares)	(2,918)	(2,405)
Retained earnings partially restricted	52,285	51,131
Accumulated other comprehensive income (loss)	81	(29)
Total stockholders equity	58,026	57,082
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 842,266	\$ 835,713

See notes to unaudited consolidated financial statements.

Table of Contents**Harleysville Savings Financial Corporation****Unaudited Consolidated Statements of Income**

(In thousands, except per share data)	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2012	2011	2012	2011
Interest Income:				
Interest on mortgage loans	\$ 4,496	\$ 4,688	\$ 9,158	\$ 9,491
Interest on commercial loans	1,384	1,246	2,774	2,482
Interest on mortgage-backed securities	1,343	1,329	2,757	2,734
Interest on consumer and other loans	934	1,008	1,920	2,060
Interest on other taxable investments	425	803	794	1,534
Interest on tax-exempt investments	153	216	335	419
Dividends on investment securities	1	1	2	2
Total interest income	8,736	9,291	17,740	18,722
Interest Expense:				
Interest on deposits	1,460	1,895	3,008	3,912
Interest on borrowings	2,495	2,869	4,914	5,827
Total interest expense	3,955	4,764	7,922	9,739
Net Interest Income	4,781	4,527	9,818	8,983
Provision for loan losses	255	175	505	325
Net Interest Income after Provision for Loan Losses	4,526	4,352	9,313	8,658
Other Income:				
Customer service fees	135	127	295	264
Income on bank-owned life insurance	121	121	243	244
Other income	206	184	495	425
Total other income	462	432	1,033	933
Other Expenses:				
Salaries and employee benefits	1,993	1,895	3,881	3,624
Occupancy and equipment	342	368	707	714
Deposit insurance premiums	138	263	270	489
Data processing	190	163	376	330
Other	750	651	1,476	1,345
Total other expenses	3,413	3,340	6,710	6,502
Income before Income Tax Expense	1,575	1,444	3,636	3,089
Income tax expense	354	350	1,051	779
Net Income	\$ 1,221	\$ 1,094	\$ 2,585	\$ 2,310
Basic Earnings Per Share	\$ 0.33	\$ 0.29	\$ 0.69	\$ 0.62

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Diluted Earnings Per Share	\$ 0.32	\$ 0.29	\$ 0.68	\$ 0.62
Dividends Per Share	\$ 0.19	\$ 0.19	\$ 0.38	\$ 0.38

See notes to unaudited consolidated financial statements.

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Table of Contents**Harleysville Savings Financial Corporation****Unaudited Consolidated Statements of Comprehensive Income**

(In Thousands)	Three Months Ended March 31,	
	2012	2011
Net Income	\$ 1,221	\$ 1,094
Other Comprehensive Income		
Unrealized gain (loss) on securities available for sale, net of tax (benefit) expense 2012, \$22; 2011, (\$10)	41(1)	(20)(1)
Total Comprehensive Income	\$ 1,262	\$ 1,074
	2012	2011
(1) Disclosure of change in components of unrealized gain (loss) on securities available for sale net of tax for the three month ended:		
Net unrealized gain (loss) arising during the three months ended	\$ 63	\$ (30)
Reclassification adjustment for net losses (gains) included in net income		
	63	(30)
Tax (expense) benefit	(22)	10
Net unrealized gain (loss) on securities available for sale	\$ 41	\$ (20)

Unaudited Consolidated Statements of Comprehensive Income

(In Thousands)	Six Months Ended March 31,	
	2012	2011
Net Income	\$ 2,585	\$ 2,310
Other Comprehensive Income		
Unrealized gain on securities available for sale, net of tax expense 2012, \$58; 2011, \$25	110(1)	50(1)
Total Comprehensive Income	\$ 2,695	\$ 2,360
	2012	2011
(1) Disclosure of change in components of unrealized gain (loss) on securities available for sale net of tax for the six month ended:		
Net unrealized gain arising during the six months ended	\$ 168	\$ 75
Reclassification adjustment for net losses (gains) included in net income		
	168	75
Tax expense	(58)	(25)
Net unrealized gain on securities available for sale	\$ 110	\$ 50

See notes to unaudited consolidated financial statements.

Table of Contents**Harleysville Savings Financial Corporation****Unaudited Consolidated Statements of Stockholders' Equity**

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings- Partially Restricted	Accumulated Other Comprehensive Income (Loss) /	Treasury Stock	Total Stockholders Equity
(In thousands, except share and per share data)	Outstanding	Stock	Capital	Restricted	Income	Stock	Equity
Balance at October 1, 2011	3,758,751	\$ 39	\$ 8,346	\$ 51,131	\$ (29)	\$ (2,405)	\$ 57,082
Net income				2,585			2,585
Dividends \$.38 per share				(1,431)			(1,431)
Restricted stock	565		(8)			8	
Stock option compensation			101				101
Treasury stock delivered under 401(k) plan	58,735		61			806	867
Treasury stock repurchase	(115,546)					(1,679)	(1,679)
Treasury stock delivered under reinvestment plan	19,817		51			273	324
Employee options exercised	5,767		(12)			79	67
Change in unrealized holding loss on available-for-sale securities, net of tax					110		110
Balance at March 31, 2012	3,728,089	\$ 39	\$ 8,539	\$ 52,285	\$ 81	\$ (2,918)	\$ 58,026

Unaudited Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings- Partially Restricted	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders Equity
(In thousands, except share and per share data)	Outstanding	Stock	Capital	Restricted	Income	Stock	Equity
Balance at October 1, 2010	3,687,409	\$ 39	\$ 8,126	\$ 48,562	\$ 7	\$ (3,383)	\$ 53,351
Net income				2,310			2,310
Dividends \$.38 per share				(1,406)			(1,406)
Stock option compensation			103				103
Treasury stock delivered under ESOP	10,000		10			137	147
Treasury stock delivered under reinvestment plan	20,380		26			280	306
Employee options exercised	13,785		(41)			189	148
Change in unrealized holding gain on available-for-sale securities, net of reclassification and tax					50		50
Balance at March 31, 2011	3,731,574	\$ 39	\$ 8,224	\$ 49,466	\$ 57	\$ (2,777)	\$ 55,009

See notes to unaudited consolidated financial statements.

Table of Contents**Harleysville Savings Financial Corporation****Unaudited Consolidated Statements of Cash Flows**

(In Thousands)	Six Months Ended March 31,	
	2012	2011
Operating Activities:		
Net Income	\$ 2,585	\$ 2,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	306	309
Provision for loan losses	505	325
Writedowns of foreclosed real estate	9	
Amortization of deferred loan fees	112	126
Net accretion of premiums and discounts	(85)	(86)
Increase in cash surrender value of bank owned life insurance	(243)	(244)
Stock based compensation	101	103
Changes in assets and liabilities which provided (used) cash:		
Decrease in accounts payable and accrued expenses	(344)	(206)
Decrease in prepaid expenses and other assets	(155)	(649)
Increase in accrued interest receivable	210	43
Decrease in accrued interest payable	(215)	(74)
Net cash provided by operating activities	2,786	1,957
Investing Activities:		
Purchase of mortgage-backed securities held to maturity	(21,024)	(36,930)
Purchase of investment securities held to maturity	(34,982)	(39,228)
Purchase of investment securities available-for-sale	(50,271)	(33,114)
Net redemption FHLB stock	1,278	1,570
Proceeds from the redemption of investment securities available-for-sale	53,615	43,717
Proceeds from maturities of investment securities held to maturity	35,450	36,665
Principal collected on mortgage-backed securities held to maturity	26,249	23,923
Principal collected on long term loans	91,539	60,948
Long term loans originated or acquired	(81,886)	(52,672)
Purchases of premises and equipment	(107)	(221)
Net cash provided by investing activities	19,861	4,658
Financing Activities:		
Net increase in demand deposits, NOW accounts and savings accounts	36,898	9,196
Net decrease in certificates of deposit	(10,878)	(6,024)
Cash dividends	(1,107)	(1,100)
Proceeds from long-term debt	2,000	
Repayment of long-term debt	(24,967)	(8,415)
Acquisition of treasury stock	(1,679)	
Treasury stock delivered under employee stock plans	934	295
Net increase in advances from borrowers for taxes and insurance	3,115	3,203
Used in (provided by) financing activities	4,316	(2,845)
INCREASE IN CASH AND CASH EQUIVALENTS	26,963	3,770
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,582	20,190
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 49,545	\$ 23,960

Supplemental Disclosure of Cash Flow Information

Cash paid during the period for:

Interest (credited and paid)	\$ 7,904	\$ 9,813
Income taxes	1,475	1,020
Foreclosed real estate acquired in settlement of loans	126	186

See notes to unaudited consolidated financial statements.

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