

FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-Q

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

For the quarterly period ended September 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 _____

FDIC Insurance Certificate No. 29882

GREATER DELAWARE VALLEY SAVINGS BANK

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2750261
(I.R.S. Employer
Identification No.)

541 Lawrence Road, Broomall, Pennsylvania 19008-3599

(Address or principal executive offices)
(Zip Code)

(610) 353-2900

(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 No

Number of shares of Common Stock, \$.01 par value, outstanding at the close of business on November 4, 2002: 3,441,383

GREATER DELAWARE VALLEY SAVINGS BANK AND SUBSIDIARIES

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ALLIANCE BANK AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

(1) Business

Greater Delaware Valley Savings Bank, doing business as Alliance Bank (the “Bank”), is principally in the business of attracting deposits through its branch offices and investing those deposits together with funds from borrowings and operations in residential and commercial real estate, commercial business and consumer loans. The Bank is primarily supervised by the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking.

Basis of Consolidation

The accompanying unaudited condensed consolidated financial statements of the Bank include the accounts of Alliance Delaware Corporation and 541 Corporation, wholly owned subsidiaries of the Bank. Intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments consisting of normal recurring adjustments or accruals, which are necessary for a fair presentation of the financial statements, have been included. The results of operations for the three and nine months ended September 30, 2002 are not necessarily indicative of the results which may be expected for the year ended December 31, 2002 or any other period. The unaudited condensed consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Bank’s annual report to stockholders for the year ended December 31, 2001.

Stock Dividend

In April 2001, the Bank announced the declaration of a 5% stock dividend to shareholders of record on April 20, 2001 with distribution on May 4, 2001. The stock dividend resulted in 163,642 additional shares being issued. Earnings per share and other share data for the prior period has been restated.

Comprehensive Income

Statement of Financial Accounting Standards (“SFAS”) No. 130, *Reporting Comprehensive Income*, requires disclosure of amounts from transactions and other events, which are currently excluded from the statement of operations and are recorded directly to stockholders’ equity. Comprehensive income for the three months ended September 30, 2002 and 2001 amounted to \$522,000 and \$2.1 million, respectively, and for the nine months ended September 30, 2002 and 2001 amounted to \$2.0 million and \$4.1 million, respectively.

Allowance for Loan Losses

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Allowances are provided for specific loans when losses are probable and can be estimated. When this occurs, management considers the remaining principal balance, fair value and estimated net realizable value of the property collateralizing the loan. Current and future operating and/or sales conditions are also considered. These estimates are susceptible to changes that could result in material adjustments to results of operations. Recovery of the carrying value of such loans is dependent to a greater extent on economic, operating and other conditions that may be beyond management’s control.

General loan loss reserves are established as an allowance for losses based on the perceived risk of loss in the loan portfolio. In assessing risk, management considers historical experience, volume and composition of lending conducted by the Bank, industry standards, status of nonperforming loans, general economic conditions as they relate to the market area and other factors related to the collectibility of the Bank’s loan portfolio.

New Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board (“FASB”) issued 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 Bank’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, such as the Bank, 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. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

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

General

The Bank's profitability is highly dependent on its net interest income. The components that drive net interest income are the amounts of interest-earning assets and interest-bearing liabilities along with rates earned or paid on such rate sensitive instruments. The Bank manages interest rate exposure by attempting to match asset maturities with liability maturities. In addition to managing interest rate exposure, the Bank also considers the credit risk, prepayment risk and extension risk of certain assets. The Bank maintains asset quality by utilizing comprehensive loan underwriting standards and collection efforts as well as originating or purchasing primarily secured or guaranteed assets.

The Bank's profitability is also effected by fee income, profit or loss on real estate operations, general and administrative expenses, federal deposit insurance premiums, provisions for loan losses, other real estate owned and income taxes.

Financial Condition

The Bank's total assets decreased \$1.3 million or 0.3% to \$375.8 million at September 30, 2002 compared to \$377.1 million at December 31, 2001. This decrease was due to a \$14.4 million or 7.1% decrease in net loans receivable combined with a \$6.8 million or 20.0% decrease in mortgage-backed securities. These decreases were partially offset by an increase of \$14.1 million or 37.3% in cash and cash equivalents, and to a lesser extent, an increase of \$3.5 million or 4.1% in investment securities. The increase in cash and cash equivalents primarily resulted from the continuation of significant prepayment and repayment activity on loans and, to a lesser extent, mortgage-backed securities. Total liabilities decreased \$2.5 million or 0.7% to \$340.0 million at September 30, 2002 compared to \$342.5 million at December 31, 2001. This decrease was primarily due to a decrease of \$2.6 million or 0.9% in customer deposits. Stockholders' equity increased \$1.2 million to \$35.8 million as of September 30, 2002 compared to \$34.6 million at December 31, 2001. This increase was primarily due to \$1.3 million in net income combined with a \$675,000 increase in net unrealized

gains on securities available for sale, which was partially offset by \$928,000 of dividends declared and paid during the nine months ended September 30, 2002.

The Bank's nonperforming assets, which consist of nonaccruing loans, accruing loans 90 days or more delinquent and other real estate owned (which includes real estate acquired through, or in lieu of, foreclosure) increased to \$10.9 million or 2.9% of total assets at September 30, 2002 from \$7.2 million or 1.9% of total assets at December 31, 2001. At September 30, 2002, the Bank's \$10.9 million of nonperforming assets consisted of \$609,000 of accruing loans 90 days or more delinquent, \$9.5 million of non-accrual loans and \$814,000 of other real estate owned. The increase in nonperforming assets was primarily due to a \$3.0 million increase in nonperforming loans and a \$636,000 increase in other real estate owned. The increase in nonperforming loans primarily resulted from two participation loans being placed on nonaccrual status due to the cash flow difficulties experienced by the borrowers. With respect to the first loan, the Bank holds a 50% share, or \$3.8 million, of the outstanding loan balance, which is secured by an eighteen-hole golf course and golf house located in Avondale, Pennsylvania. Both the golf course and the golf house are completed and fully operational. The Bank is presently engaged in transitioning the operations and management of this facility from the borrower, as management anticipates acquiring the property through foreclosure in the fourth quarter of 2002. Funding for the operations of the golf course, which include the maintenance and protection of the real estate collateral, have been advanced by the Bank and expensed accordingly as loan expense.

With respect to the second loan, the Bank also holds a 50% share, or \$987,000, of the outstanding balance, which is secured by a partially completed storage facility located in Clifton Heights, Pennsylvania. In August 2002, the borrower filed for bankruptcy protection under chapter 11, which automatically stayed any and all actions by the Bank to collect this debt. The borrower is required to file a plan of reorganization within ninety days of the date of bankruptcy or November 2002.

In March 2002, the Bank entered into a forbearance agreement relating to a \$3.2 million loan relationship, which became nonperforming in the fourth quarter of 2001. The Bank holds a 55% share, or \$2.4 million, of the outstanding loan balance, which is secured by a 24-unit operating hotel facility, including a restaurant and drug store under lease, and a 100% share, or \$777,000, of the outstanding loan balance secured by a single-family residence, all of which are located in center-city Philadelphia, Pennsylvania. The forbearance agreement provided for a payment plan to bring the loan relationship current in seven months. Subsequent to July 2002, payments were not in compliance with the terms of the agreement. In August 2002, the borrower filed for bankruptcy under chapter 11, which included both properties. The borrower is required to file a plan of reorganization within ninety days of the date of the bankruptcy.

Based on appraisals performed over the past 12 to 18 months and other factors such as general economic conditions and local real estate market conditions, management presently believes the Bank has provided appropriate reserves for these properties. However, management has recently ordered new appraisals on the properties discussed above, with the exception of the

single-family property with an outstanding loan balance of \$777,000. These appraisals are expected to be completed in the fourth quarter and no assurances can be given that additions to the reserves for these properties will not be necessary as a result of these appraisals, or other factors, in future periods. Any additional reserves would adversely affect the Bank's results of operations.

In April 2002, the Bank acquired through foreclosure a hotel property located in Ocean City, New Jersey in which it had a participation interest. The Bank charged off \$323,000 to the allowance for loan losses and reduced its \$1.1 million loan balance resulting in an \$800,000 carrying value (estimated fair value) upon transfer to other real estate owned. The property is currently under management by a third party and has been listed for sale. At September 30, 2002, the Bank further reduced the carrying value of this property from \$800,000 to \$600,000 and incurred a \$200,000 provision for loss on other real estate owned. Negotiation of a sales agreement to sell the property is currently in process. The Bank expects no further material loss from the sale of this property.

The remaining nonperforming loans amounted to \$2.1 million and consisted of \$1.3 million in commercial real estate loans, \$694,000 in single-family residential real estate loans, \$139,000 in commercial business loans and \$24,000 in student loans guaranteed by the U.S. Government. The \$1.3 million of commercial real estate loans at September 30, 2002 consisted of six loans with an average balance of \$214,000 and the largest loan amounted to \$584,000 secured by an office building located in Conshohocken, Pennsylvania. The \$694,000 of single-family residential real estate loans at September 30, 2002 consisted of six loans with an average balance of \$116,000 and the largest loan amounted to \$340,000 secured by a single-family residence located in Berwyn, Pennsylvania. In addition, there were \$818,000 and \$2.7 million of loans reported as 60 and 30 days delinquent, respectively, at September 30, 2002. The Bank's management continues to aggressively pursue the collection and resolution of all delinquent loans.

At September 30, 2002, the Bank's total allowance for loan losses amounted to \$3.1 million, as compared to \$2.9 million at December 31, 2001. The increase in the Bank's allowance at September 30, 2002 compared to December 31, 2001 was primarily due to provisions to maintain appropriate reserve levels to keep pace with the growth in the commercial loan portfolio, an increase in nonperforming loans and the current economic environment. At September 30, 2002, the Bank's allowance for loan losses amounted to 30.6% of total nonperforming loans and 1.6% of total loans receivable, as compared to 41.1% and 1.4% at December 31, 2001, respectively.

Although management of the Bank believes that the Bank's allowance for loan losses at September 30, 2002 was adequate based on facts and circumstances available to it at that time and that the net carrying values of the Bank's other real estate owned were equal to the lower of cost or fair value, there can be no assurances that additions to the allowance for loan losses or reductions in net carrying values of other real estate owned will not be necessary in future periods.

Results of Operations

General. The Bank recorded net income of \$215,000 or \$.06 per share for the three months ended September 30, 2002 as compared to \$591,000 or \$.17 per share for the same period in 2001. The \$376,000 or 63.6% decrease in net income was primarily due to an increase in other expenses, and to a lesser extent, an increase in the provision for loan losses. These increases were partially offset by a decrease in the provision for income taxes.

For the nine months ended September 30, 2002, net income amounted to \$1.3 million or \$.38 per share as compared to \$2.0 million or \$.59 per share for the same period in 2001. The \$708,000 or 35.3% decrease in net income primarily resulted from an increase in other expenses, a decrease in net interest income and an increase in the provision for loan losses. These changes were partially offset by a decrease in the provision for income taxes and an increase in other income.

Net Interest Income. Net interest income is determined by the Bank's interest rate spread (i.e., the difference between the yields earned on its interest-earning assets and the rates paid on its interest-bearing liabilities) and the relative amounts of interest-earning assets and interest-bearing liabilities. Net interest income decreased \$10,000 or 0.4% during the three months ended September 30, 2002 as compared to the same period in 2001. This decrease was primarily due to a higher level of nonperforming loans, which was partially offset by an increase in the interest rate spread of two basis points from 2.73% to 2.75% as the yield on interest-earning assets decreased from 7.26% to 6.09% and the cost of interest-bearing liabilities decreased from 4.53% to 3.34%.

For the nine months ended September 30, 2002, net interest income decreased \$128,000 or 1.5% as compared to the same period in 2001. Although, there was an increase in the volume of interest-earning assets from \$343.3 million for the nine months ended September 30, 2001 to \$359.8 million for the nine months ended September 30, 2002, such increase was more than offset by a decrease in the interest rate spread of 12 basis points from 2.82% to 2.70% as the yield on interest-earning assets decreased from 7.47% to 6.29% and the cost of interest-bearing liabilities decreased from 4.65% to 3.59%.

Interest Income. Interest income decreased \$922,000 or 14.4% to \$5.5 million for the three months ended September 30, 2002 compared to the same period in 2001. The decrease was primarily due to a \$553,000 or 12.6% decrease in interest income on loans, a \$135,000 or 23.8% decrease in interest income on mortgage-backed securities, a \$208,000 or 16.7% decrease in interest income on investment securities and a \$26,000 or 12.3% decrease in interest income on balances due from depository institutions. For the nine months ended September 30, 2002, interest income decreased \$2.3 million or 11.8% to \$17.0 million as compared to the same period in 2001. The decrease was primarily due to a \$1.6 million or 11.8% decrease in interest income on loans, a \$375,000 or 21.2% decrease in interest income on mortgage-backed securities, a \$262,000 or 7.3% decrease in interest income on investment

securities and a \$61,000 or 11.1% decrease in interest income on balances due from depository institutions. These decreases in interest income were primarily due to lower average yields reflecting the lower interest rate environment. In addition, the decrease in interest income on loans and mortgage-backed securities was due to lower average balances outstanding as a result of repayments and prepayments in the lower interest rate environment.

Interest Expense. Interest expense decreased \$912,000 or 25.2% to \$2.7 million for the three months ended September 30, 2002 as compared to the same period in 2001. This decrease was primarily due to a decrease of \$888,000 or 33.1% in interest expense on deposits and a \$24,000 or 2.6% decrease in interest expense on FHLB advances and other borrowed money. For the nine months ended September 30, 2002, interest expense decreased \$2.1 million or 19.7% to \$8.8 million as compared to the same period in 2001. The decrease resulted from a \$2.0 million or 25.2% decrease in interest expense on deposits and an \$104,000 or 3.7% decrease in interest expense on FHLB advances and other borrowed money. The decreases in interest expense on deposits were due to decreases in the average rates paid on deposits, which were partially offset by increases in the average balances outstanding. The decreases in FHLB advances and other borrowed money were due to decreases in the average rates paid on such borrowings. The decreases in the average rates paid on deposits and borrowings were due to the lower interest rate environment.

Provision for Loan Losses. The Bank's provision for loan losses amounted to \$300,000 and \$540,000, respectively, for the three and nine months ended September 30, 2002 compared to \$180,000 and \$420,000, respectively, for the comparable periods in 2001. Such increases were primarily due to an increase in the commercial loan portfolio, an increase in nonperforming loans and the current economic environment.

Other Income. Other income increased \$27,000 or 11.5% to \$262,000 for the three months ended September 30, 2002 compared to the same period in 2001. For the nine months ended September 30, 2002, other income increased \$75,000 or 10.3% to \$806,000 as compared to the same period in 2001. These increases were primarily due to higher amounts of service charges on deposit accounts combined with lower amounts of loss on sale of other real estate owned, which were partially offset by loss on sale of securities and a reduction of income recorded from bank owned life insurance. Management believes other real estate owned expense may significantly increase in the upcoming quarters as the Bank is in the process of transitioning the operations and protecting its collateral in regard to certain nonperforming loans as previously discussed. Although the golf course and the hotel in Ocean City, New Jersey generate cash flow from operations, such operations are seasonal and highly dependent on weather, public usage and the general economy, and estimates of such expenses would be highly speculative at this time.

Other Expenses. Other expenses increased \$519,000 or 24.6% to \$2.6 million for the three months ended September 30, 2002 compared to the same period in 2001. For the nine months ended September 30, 2002, other expenses increased \$1.1 million or 18.1% to \$7.2 million as compared to the same period in 2001. These increases primarily resulted from costs associated

with certain nonperforming loans, which amounted to approximately \$400,000 through September 30, 2002, an increase in the provision for loss on other real estate owned, the opening of a new full-service office in March 2002 and increases in salaries and benefits for new and existing personnel. In addition, management believes other noninterest expenses, which include loan expense and professional fees, will continue at higher than normal levels in upcoming quarters due to the costs associated with certain nonperforming loans previously discussed.

Income Tax Expense (Benefit). Income tax expense (benefit) amounted to \$(115,000) and \$131,000 for the three months ended September 30, 2002 and 2001, respectively, resulting in effective tax rates of 0.0% and 18.1%, respectively. For the nine months ended September 30, 2002 and 2001, income tax expense amounted to \$1,000 and \$567,000, respectively, resulting in effective tax rates of 0.0% and 22.2%, respectively. The decrease in the effective tax rates primarily resulted from an increase in tax-exempt income that resulted from certain tax-exempt securities purchased by the Bank and a lower level of income before income taxes for the three and nine months ended September 30, 2002 as compared to the same periods in 2001.

Liquidity and Capital Resources

The Bank's liquidity, represented by cash and cash equivalents, is a product of its cash flows from operations. The Bank's primary sources of funds are deposits, borrowings, amortization, prepayments and maturities of outstanding loans and mortgage-backed securities, sales of loans, maturities of investment securities and other short-term investments and income from operations. Changes in the cash flows of these instruments are greatly influenced by economic conditions and competition. The Bank attempts to balance supply and demand by managing the pricing of its loan and deposit products while maintaining a level of growth consistent with the conservative operating philosophy of the management and board of directors. Any excess funds are invested in overnight and other short-term interest-earning accounts. The Bank generates cash flow through the retail deposit market, its traditional funding source, for use in investing activities. In addition, the Bank may utilize borrowings such as Federal Home Loan Bank advances for liquidity or profit enhancement. At September 30, 2002, the Bank had \$61.2 million of outstanding advances from the FHLB of Pittsburgh. In addition, the Bank has access to the Federal Reserve Bank discount window.

The primary use of funds is to meet ongoing loan and investment commitments, to pay maturing savings certificates and savings withdrawals and expenses related to general operations of the Bank. At September 30, 2002, the total approved loan commitments outstanding amounted to \$14.9 million. At the same date, commitments under unused lines of credit amounted to \$7.1 million and the unadvanced portion of construction loans and lines amounted to \$7.6 million. Certificates of deposit scheduled to mature in one year or less at September 30, 2002 totaled \$117.0 million. Investment and mortgage-backed securities totaled \$116.9 million at September 30, 2002, of which \$24.0 million are scheduled to mature or reprice in one year or less. Management believes that a significant portion of maturing deposits will remain with the

Bank. The Bank anticipates that it will continue to have sufficient cash flows to meet its current and future commitments.

Regulatory Capital Requirements

The following table summarizes the Bank's total stockholders' equity, FDIC regulatory capital, total FDIC risk-based assets, leverage and risk-based regulatory ratios at September 30, 2002.

	Sept. 30, <u>2002</u> (Dollars in Thousands)
Total stockholders' equity or GAAP capital	\$ 35,817
Less: FDIC adjustment for unrealized gain on available-for-sale securities	<u>1,363</u>
FDIC leverage capital	34,454
Plus: FDIC tier 2 capital (1)	<u>2,633</u>
Total FDIC risk-based capital	<u><u>\$ 37,087</u></u>
FDIC quarterly average total assets for leverage ratio	\$ 374,421
FDIC net risk-weighted assets	<u><u>210,158</u></u>
FDIC leverage capital ratio	9.2%
Minimum requirement (2)	<u><u>3.0% to 5.0%</u></u>
FDIC risk-based capital - tier 1	16.4%
Minimum requirement	<u><u>4.0%</u></u>
FDIC actual capital (tier 1 & 2)	17.7%
Minimum requirement	<u><u>8.0%</u></u>

(1) Tier 2 capital consists entirely of the allowable portion of the allowance for loan losses, which is limited to 1.25% of total risk-weighted assets as detailed under regulations of the FDIC.

(2) The FDIC has indicated that most highly rated institutions, which meet certain criteria, will be required to maintain a ratio of 3%, and all other institutions will be required to maintain an additional cushion of 100 to 200 basis points. As of September 30, 2002, the Bank had not been advised of any additional requirements in this regard.

Impact of Inflation and Changing Prices

The unaudited condensed consolidated financial statements and related financial data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation. Unlike most industrial companies, virtually all of the Bank's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.

Critical Accounting Policies

In management's opinion, the most critical accounting policy impacting the Bank's financial statements is the evaluation of the allowance for loan losses. Management carefully monitors the credit quality of the loan portfolio and makes estimates about the amount of credit losses that have been incurred at each financial statement date. Management evaluates the fair value of collateral supporting the impaired loans using independent appraisals and other measures of fair value. This process involves subjective judgments and assumptions and is subject to change based on factors that may be outside the control of the Bank.

Forward-Looking Statements

This Report contains certain forward-looking statements and information relating to the Bank 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," "except," "intend," "should" and similar expressions, or the negative thereof, as they relate to the Bank or the Bank's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Bank 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 Bank does not intend to update these forward-looking statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of the Bank's asset and liability management policies as well as the potential impact of interest rate changes upon the market value of the Bank's portfolio equity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Bank's 2001 Annual Report to Stockholders. There has been no material change in the

Bank's asset and liability position or the market value of the Bank's portfolio equity since December 31, 2001.

CONTROLS AND PROCEDURES

Within 90 days prior to the date of this Quarterly Report, the Bank carried out an evaluation, under the supervision and with the participation of the Bank's management, including the Bank's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Bank's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures are effective. There were no significant changes in the Bank's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are the controls and other procedures of the Bank that are designed to ensure that the information required to be disclosed by the Bank in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Bank in its reports filed under the Exchange Act is accumulated and communicated to the Bank's management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

SECTION 302 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER Exhibit A

I, William E. Hecht, the Chief Executive Officer of Alliance Bank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Bank;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: _____

William E. Hecht
Chief Executive Officer

Exhibit B

SECTION 302 CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Peter J. Meier, the Chief Financial Officer of Alliance Bank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Bank;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: _____

Peter J. Meier
Chief Financial Officer

Part II - Other Information

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibit is filed herewith:

<u>Ex. No.</u>	<u>Description</u>
99.1	Certification of Chief Executive Officer
99.2	Certification of Chief Financial Officer

(b) None

SIGNATURES

Under 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.

GREATER DELAWARE VALLEY SAVINGS BANK

Date: November 5, 2002

By: _____
William E. Hecht, President and Chief
Executive Officer

Date: November 5, 2002

By: _____
Dennis D. Cirucci, Executive Vice President
and Chief Operating Officer

EXHIBIT 99.1

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 Alliance Bank (the ARegistrant@) hereby certifies that the Registrant=s Form 10-Q for the three months ended September 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.

Date: November 5, 2002

Name: William E. Hecht

Title: President and Chief Executive Officer

EXHIBIT 99.2

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 Alliance Bank (the ARegistrant@) hereby certifies that the Registrants Form 10-Q for the three months ended September 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.

Date: November 5, 2002

Name: Peter J. Meier

Title: Senior Vice President and Chief
Financial Officer

ALLIANCE BANK AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except per share amounts)

	<u>Sept. 30, 2002</u>	<u>Dec. 31, 2001</u>
ASSETS:		
Cash and cash equivalents	\$ 51,836	\$ 37,757
Investment securities available for sale	59,738	59,278
Investment securities held to maturity - (fair value - 2002, \$31,003; 2001, \$26,711)	29,890	26,808
Mortgage-backed securities available for sale	27,228	34,056
Loans receivable - net of allowance for loan losses - 2002, \$3,092; 2001, \$2,903	187,493	201,890
Loans held for sale	2,665	1,568
Accrued interest receivable	2,165	2,485
Premises and fixed assets - net	3,835	3,695
Other real estate owned (OREO)	814	178
Deferred income taxes	267	619
Prepaid and other assets	9,896	8,811
TOTAL ASSETS	<u>\$ 375,827</u>	<u>\$ 377,145</u>

LIABILITIES AND STOCKHOLDERS' EQUITY**LIABILITIES:**

Deposits	\$ 275,585	\$ 278,186
Demand notes issued to the U.S. Treasury	847	842
Other borrowed money	61,213	61,219
Employee Stock Ownership Plan (ESOP) debt	241	297
Other liabilities	2,124	1,954
Total liabilities	<u>340,010</u>	<u>342,498</u>

STOCKHOLDERS' EQUITY:

Common stock, \$.01 par value; 10,000,000 shares authorized; 3,441,383 shares issued and outstanding	34	34
Additional paid-in capital	7,407	7,335
Retained earnings - partially restricted	27,254	26,887
Common stock acquired by the ESOP	(241)	(297)
Accumulated other comprehensive income	1,363	688
Total stockholders' equity	<u>35,817</u>	<u>34,647</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 375,827 \$ 377,145

See notes to unaudited condensed consolidated financial statements.

ALLIANCE BANK AND SUBSIDIARIES**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		
	2002	2001	2002	2001	
INTEREST INCOME:					
Loans	3,819	4,372	11,741	13,313	7,922
Mortgage-backed securities	432	567	1,394	1,769	962
Investment securities	1,040	1,248	3,341	3,603	2,301
Balances due from depository institutions	185	211	488	549	303
Total interest income	<u>5,476</u>	<u>6,398</u>	<u>16,964</u>	<u>19,234</u>	<u>11,488</u>
INTEREST EXPENSE:					
Deposits	1,797	2,685	6,046	8,084	4,249
Other borrowed money	911	935	2,711	2,815	1,800
Total interest expense	<u>2,708</u>	<u>3,620</u>	<u>8,757</u>	<u>10,899</u>	<u>6,049</u>
NET INTEREST INCOME	2,768	2,778	8,207	8,335	5,439
PROVISION FOR LOAN	<u>300</u>	<u>180</u>	<u>540</u>	<u>420</u>	<u>240</u>

LOSSES					
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,468	2,598	7,667	7,915	5,199
OTHER INCOME:					
Service charges on deposit accounts	72	59	202	175	130
Other fee income	22	22	74	73	52
Loss on sale of securities	--	--	(39)	--	(39)
Management fees	90	90	270	270	180
Loss on sale of OREO	--	(26)	(1)	(32)	(1)
Expense on OREO	(21)	(15)	(26)	(102)	(5)
Other	99	105	326	347	227
Total other income	<u>262</u>	<u>235</u>	<u>806</u>	<u>731</u>	<u>544</u>
OTHER EXPENSES:					
Salaries and employee benefits	1,353	1,259	3,911	3,578	2,558
Expenses of premises and fixed assets	421	359	1,183	1,090	762
Advertising and marketing	74	72	295	259	221
Federal deposit insurance premiums	12	12	36	36	24
Provision for loss on OREO	200	60	200	60	
Other noninterest expense	570	349	1,552	1,053	982
Total other expenses	<u>2,630</u>	<u>2,111</u>	<u>7,177</u>	<u>6,076</u>	<u>4,547</u>
INCOME BEFORE INCOME TAXES	100	722	1,296	2,570	1,196
INCOME TAX EXPENSE (BENEFIT)	(115)	131	1	567	116
NET INCOME	<u>215</u>	<u>591</u>	<u>1,295</u>	<u>2,003</u>	<u>1,080</u>
BASIC EARNINGS PER SHARE	<u>0.06</u>	<u>0.17</u>	<u>0.38</u>	<u>0.59</u>	
DILUTED EARNINGS PER SHARE	<u>0.06</u>	<u>0.17</u>	<u>0.38</u>	<u>0.59</u>	

See Notes to Unaudited condensed consolidated financial statements.

ALLIANCE BANK AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(In thousands, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings Partially Restricted	Stock Acquired by ESOP	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2002	\$34	\$7,335	\$26,887	\$(297)	\$688	\$34,647
Excess of fair value above cost of ESOP shares committed to be released		72				72
Principal payment on ESOP loan				56		56
Net income for period						

					1,295	1,295
Dividends declared - \$0.09 per share					(928)	(928)
Change in net unrealized income on securities available for sale - net of tax					675	675
Balance, September 30, 2002	\$34	\$7,407	\$27,254	(241)	\$1,363	\$35,817

See notes to unaudited condensed consolidated financial statements.

ALLIANCE BANK AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Nine Months Ended September 30,	
	2002	2001
OPERATING ACTIVITIES:		
Net income	\$ 1,295	\$ 2,003
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for:		
Loan losses	540	420

Depreciation and amortization	466	436
Loss on OREO	200	60
Loss on sale of securities	39	--
Excess fair value above cost of ESOP	72	--
Changes in assets and liabilities which provided (used) cash:		
Other liabilities	170	489
Deferred taxes	4	63
Prepaid expenses and other assets	(1,085)	(1,251)
Accrued interest receivable		138
	320	
Net cash provided by operating activities	<u>2,021</u>	<u>2,358</u>

INVESTING ACTIVITIES:

Purchase of investment securities	(48,985)	(34,625)
Purchase of mortgage-backed securities	(2,719)	(3,178)
Loans originated and acquired	(56,226)	(49,948)
Proceeds from maturities and calls of investment securities	45,783	32,027
Proceeds from sale of securities available for sale	3,234	4,000
Principal repayments of:		
Loans	54,871	36,396
Mortgage-backed securities	6,957	5,984
Loans and participations sold	14,115	7,177
Purchase of property and equipment	(606)	(539)
(Increase) decrease in other real estate owned	(836)	215
Net cash provided by (used in) investing activities	<u>15,588</u>	<u>(2,491)</u>

FINANCING ACTIVITIES:

Proceeds from exercise of stock options		38
Dividends declared	(928)	(913)
(Decrease) increase in deposits	(2,601)	21,005
Increase (decrease) in:		
Demand notes issued to the U.S. Treasury	5	661
Other borrowed money	(6)	(1,006)

Net cash (used in) provided by financing activities	(3,530)	19,785
INCREASE IN CASH EQUIVALENTS	14,079	19,652
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	37,757	8,519
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 51,836</u>	<u>\$ 28,171</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:		
Interest (credited and paid)	\$ 6,046	\$ 8,084
Income taxes	300	300
Non-cash transfers of loans receivable to other real estate owned	892	177

See notes to unaudited condensed consolidated financial statements.