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Harleysville Savings

FINANCIAL CORPORATION



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2008 Annual Report

BOARD OF DIRECTORS



Seated (L to R):

Ronald B. Geib, President and CEO, Harleysville Savings Financial Corporation, Harleysville, PA
Edward J. Molnar, Chairman, Harleysville Savings Financial Corporation, Harleysville, PA

Standing (L to R):

Charlotte A. Hunsberger, Esquire, Partner, Bricker, Landis & Hunsberger, Souderton, PA
David J. Friesen, CPA, CSEP, Senior Vice President, Trefoil Properties LP, Lansdale, PA
Sanford L. Alderfer, CEO, Sanford Alderfer Companies, Inc, Hatfield, PA
James J. Rittenhouse, CPA, Shareholder in the firm of Detweiler Hershey & Associates, PC, Souderton, PA
George W. Meschter, President, Meschter Insurance Group, Collegeville, PA
Mark R. Cummins, CPA, CFA, CIO and Treasurer, Harleysville Insurance Companies, Harleysville, PA

EXECUTIVE OFFICERS



Left to Right:

Brendan J. McGill, Senior Vice President and Chief Financial Officer
Sheri L. Strouse, Senior Vice President and Branch Administrator
Stephen J Kopenhaver, Senior Vice President and Chief Lending Officer
Ronald B. Geib, President and Chief Executive Officer
Adrian D. Gordon, Senior Vice President and Chief Information Officer

MANAGEMENT TEAM

Craig Munson
Vice President
Senior Credit Officer

Marian Bickerstaff
Vice President
Director of Marketing

Christine L. O'Neill
Assistant Vice President
Harleysville Branch Mgr

Denise L. Monaghan
Assistant Vice President
Loan Administration Mgr

Joseph V. Pawlowski
Assistant Vice President
West Norriton Branch Mgr

Dean L. Shollenberger
Vice President
Commercial Loan Officer

Michelle A. Beck
Vice President
Security Officer

Daniel P. Brasch
Assistant Vice President
Upper Providence Branch Mgr

Helena C. Baron
Assistant Vice President
Lansdale Branch Mgr

Kim A. Licata
Assistant Vice President
Loan Customer Service Mgr

Rodney A. Kipp
Assistant Vice President
Technology Operations Mgr

Diane M. Carlson
Vice President
Human Resource Manager

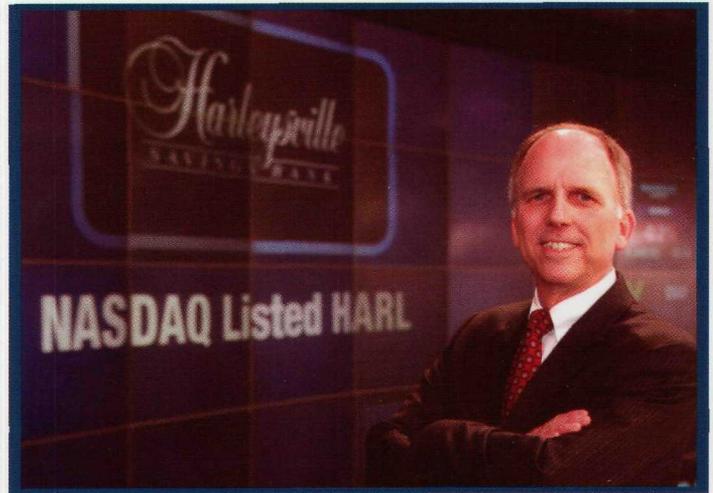
M. Shane Michalak
Vice President & Controller
Accounting Manager

Dawn L. Hufnagle
Assistant Vice President
Sunnyside Branch Mgr

Jean Wieder
Assistant Vice President
Business Services Specialist

Sherry L. Williamson
Assistant Vice President
Hatfield Branch Manager

PRESIDENT AND CEO'S MESSAGE TO STOCKHOLDERS



Members of our team had a special treat this year – a group representing all areas of the bank traveled to New York City to ring the NASDAQ closing bell in celebration of Harleyville Savings Financial Corporation's 20th year operating as a public company.

Through these years, we have experienced numerous economic cycles. During 2006-07, the financial industry experienced the “headwinds” of a flat and inverted yield curve, which is not a friend of our banking model, and our earnings suffered. Despite these challenges, we continued to practice tried and true principles, looked for opportunities to grow the Bank and for ways to increase efficiencies. We did not stray into “inventing profits” through unsound investments or position the bank for short-term gain. Regardless of the way the wind is blowing, we have continued to forge ahead while maintaining our fundamental operating principles of prudent underwriting standards, investing in high credit quality assets, controlling our operating expenses and practicing sound capital management.

This past fiscal year we have experienced the “tail winds” of a positive yield curve. This benefit, added to our fundamental operating principles, has allowed the Company to announce strong earnings for the year ended September 30, 2008. With the return of a positive sloping yield curve, a large portion of our balance sheet has re-priced resulting in our interest rate spread increasing to 1.57% from 1.39% last year, and it is the primary reason for the increase in our earnings per share.

Harleysville Savings is fortunate to be located in a geographic area where the historical economy has been relatively stable, the work ethic is strong and people in our communities have a history of repaying debt. These conditions have also allowed the Company to be well-positioned to benefit from the current favorable yield curve.

Fiscal year 2008 ended with a record volume in loan growth with retail loans up 10% over the prior year. We also grew and diversified our retail assets, as part of our strategic plan, while non-performing assets continue to remain at record lows.

Our mission has not changed. It is our goal *to create value for our customers, team members, stockholders and community by consistently providing an exceptional community banking experience.*

VALUE FOR OUR CUSTOMERS

This year, we have focused on the word “consistently” in our mission statement. A group of our team members representing all of our customer contact areas developed our “Customer Service Standards” which will be implemented to be our benchmark for delivering a consistent exceptional banking experience. Valuable resources continue to be spent on training our team to help our customers find the best financial solutions for their needs. To enhance our business banking services, we have expanded our Priority Business Banking team and we have enhanced our website to include the ability for customers to open new accounts online. Our bi-annual W-Factor newsletter provided over 8,000 local customers with relevant financial information. New communication tools are in the process of being developed and we are eagerly approaching the ground-breaking of our Souderton branch.

VALUE FOR OUR TEAM MEMBERS

One of the joys I have as the CEO of the Company is to see individual team members grow in their knowledge, leadership and service abilities. In February of this past year, I encouraged our team to “turn up the heat” and create a 212 degree environment – to make incremental, sustained changes to move to a higher level of competency.

This challenge was enthusiastically embraced. The management team continues to meet monthly for leadership training, several senior officers are continuing their education, and two members of our team graduated from the Indian Valley Chamber's Community Leadership Institute and have made a commitment to serve on local nonprofit boards. The corporate values of trust, fairness, teamwork, customer service, honesty and integrity continue to be a measuring stick for our team and I am proud that our Board of Directors continues the practice of sharing success with those who create it.

VALUE FOR OUR STOCKHOLDERS

As a public company, it is our ultimate responsibility to create value for our shareholders. Harleysville Savings Financial Corporation continued its tradition of increasing the cash dividend in June, representing the 21st consecutive year of increased dividends. Building value for our shareholders requires a long-term focus on our fundamentals and the things we can control as we execute our business plan.

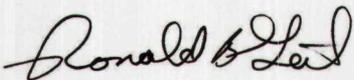
VALUE FOR OUR COMMUNITIES

Creating value for the communities we serve is one of the reasons a community bank is in business. Not only does the Company provide valuable financial products and services, but its directors, officers, managers and other team members live in the communities they serve and provide valuable time and talent for our area nonprofit organizations, agencies, schools and places of worship. Deposits from our communities are put to good and profitable use enabling businesses to grow and prosper while the lending transaction provides income for the bank, enabling it to prosper as well. Our businesses and the bank are also performing essential functions of providing stable jobs and income for people in our communities.

The Bank is entering a new year with positive momentum and we expect to restore the trend of earnings to what we've been accustomed for a bank of our size. The bank is well capitalized and led by competent Directors and a management team who understand the business and who have navigated the Company through previous troubled times. Our emphasis continues to focus on the conservative banking strategies of investing in quality assets, remaining strong, safe, secure and well capitalized, controlling operating expenses, offering sound products and building solid relationships.

We believe this is exceptional as headlines around the world revealed significant weaknesses in the financial industry and we are experiencing a global financial crisis second only to the Great Depression. The continual news about sub-prime lending, credit losses, record foreclosures, government bailouts and merger-takeovers are thankfully not a part of Harleysville Savings Financial Corporation's story. As some of the larger financial institutions “pull back”, we anticipate opportunities to establish new business relationships and to attract customers looking for a safe place for their deposits.

In times of uncertainty, the stability of our commitment to our relationships with our stakeholders matters. It is what our customers, team members, shareholders and the community have come to expect, and should always expect, from their bank. We will continue to work diligently as a competent and engaged team to earn your trust, to help you meet your financial goals and to provide you with the returns that you deserve.



Ronald B. Geib
President & Chief Executive Officer

FINANCIAL RATIOS & SUMMARY OF KEY INFORMATION

Selected Balance Sheet Data:

(in thousands except per share data)	As of September 30,				
	2008	2007	2006	2005	2004
Total Assets	\$825,675	\$773,544	\$775,638	\$766,990	\$718,232
Mortgage-backed securities held to maturity	213,933	192,842	219,494	263,964	261,292
Mortgage-backed securities available-for-sale	758	818	820	1,045	3,795
Consumer loans receivable	434,439	405,672	386,486	367,975	340,561
Commercial loans	44,407	15,314	920	-	-
Allowance for loan losses	1,988	1,933	1,956	1,968	1,977
Investment securities held to maturity	79,254	108,693	111,099	87,364	68,162
Investment securities available-for-sale	854	1,910	8,108	2,835	7,715
Other investments (1)	25,948	22,457	25,549	23,971	19,903
Deposits	425,513	424,035	429,254	418,980	405,231
FHLB advances and other borrowings	347,846	298,609	294,611	297,268	265,953
Total stockholders' equity	47,209	47,041	48,471	47,576	44,313
Book value per share (3)	13.23	12.65	12.59	12.20	11.56

Selected Operations Data:

	Year Ended September 30,				
	2008	2007	2006	2005	2004
Interest income	\$43,076	\$ 40,289	\$ 39,091	\$ 35,902	\$ 32,636
Interest expense	29,016	28,806	26,366	22,747	20,391
Net interest income	14,060	11,483	12,725	13,155	12,245
Provision for loan losses	85	-	-	(40)	-
Net interest income after provision for loan losses	13,975	11,483	12,725	13,195	12,245
Gain (loss) on impairment and sales of loans and securities	(179)	160	27	115	326
Other income	1,909	1,730	1,273	1,351	1,282
Other expense	10,094	9,216	8,568	7,965	7,399
Income before taxes	5,611	4,157	5,457	6,696	6,454
Income tax expense	1,232	911	1,255	1,693	1,604
Net income	\$ 4,379	\$ 3,246	\$ 4,202	\$ 5,003	\$ 4,850
Earnings per share - basic (3)	\$ 1.20	\$ 0.85	\$ 1.09	\$ 1.29	\$ 1.28
Earnings per share - diluted (3)	1.20	0.83	1.08	1.27	1.25
Dividends per share (3)	.69	0.68	0.64	0.58	0.48

Selected Other Data:

	Year Ended September 30,				
	2008	2007	2006	2005	2004
Return on average assets (2)	0.54%	0.42%	0.55%	0.67%	0.70%
Return on average equity (2)	9.42%	6.71%	8.76%	10.91%	11.44%
Dividend payout ratio	57.26%	80.02%	58.72%	44.96%	37.56%
Average equity to average assets (2)	5.76%	6.13%	6.21%	6.19%	6.12%
Interest rate spread (2)	1.57%	1.39%	1.51%	1.65%	1.64%
Net yield on interest-earning assets (2)	1.79%	1.58%	1.71%	1.82%	1.80%
Ratio of non-performing assets to total assets at end of period	0.15%	0.00%	0.00%	0.03%	0.04%
Ratio of interest-earning assets to interest-bearing liabilities at end of period	105.9%	104.7%	105.6%	105.4%	105.6%
Full service banking offices at end of period	6	6	6	5	5

(1) Includes interest-bearing deposits at other depository institutions & stock of the Federal Home Loan Bank of Pittsburgh.

(2) All ratios are based on average monthly balances during the indicated periods.

(3) The number of shares and per share information for all periods presented has been restated to reflect the five for three stock split as of February 24, 2005.

CORPORATE INFORMATION

ANNUAL MEETING

Indian Valley Country Club
Telford, PA
Wednesday, January 28, 2009
9:30 AM

STOCK LISTING

Harleysville Savings Financial Corporation common stock
is traded under the symbol HARL.

TRANSFER AGENT

Direct questions regarding dividend checks, address and
name changes or lost certificates to Registrar and Transfer
Company, 10 Commerce Drive, Cranford, NJ 07016;
Website: www.rtc.com email: invrel@rtc.com

DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment and Stock
Purchase Plan. Interested stockholders can obtain more
information regarding the plan by contacting Registrar and
Transfer Company, 10 Commerce Drive, Cranford, NJ
07016 and by telephone at 800.525.7686 extension 2542.

DIVIDEND DIRECT DEPOSIT

Shareholders not participating in the Dividend
Reinvestment Plan may opt to have their dividends
deposited directly into their checking or savings account
by contacting Registrar and Transfer Company.

AUDITORS

Beard Miller Company, LLP
One Windsor Plaza
7535 Windsor Drive, Suite 300
Allentown, PA 18915
610.336.8180

SPECIAL COUNSEL

Elias, Matz, Tiernan & Herrick LLP.
734 15th Street, N.W., Washington, DC 20005
202.347.0300

GENERAL COUNSEL

James J. Garrity
Wisler, Pearlstine, Talone, Craig, Garrity & Potash
Office Court at Walton Point, 484 Norristown Road,
Blue Bell, PA 19422 610.825.8400

INVESTOR INFORMATION

Investors, analysts and others seeking financial information
may contact Chief Financial Officer, Harleysville Savings
Financial Corporation, 271 Main Street, Harleysville, PA
19438, 215.256.8828

Upon request, the Company's Annual Report or form 10-K
for the year ended September 30, 2008, and the
accompanying exhibits required to be filed with the
Securities and Exchange Commission under the Securities
Act of 1934 will be furnished without charge to any
stockholder. They are also available on the financial
section of our website. Visit harleysvillesavings.com.

Harleysville Savings Financial Corporation

Harleysville Savings Bank

271 Main Street, Harleysville, PA 19438
1.800.243.8700
harleysvillesavings.com

Locations

271 Main Street, Harleysville
1550 Cowpath Road, Hatfield
640 East Main Street, Lansdale
3090 Main Street, Sumneytown
1889 East Ridge Pike, Upper Providence
2301 West Main Street, West Norriton

MISSION STATEMENT

To create value for our customers, team members, stockholders and community by consistently providing an exceptional community banking experience.