Creating Value In Our Communities Since 1915

Harleysville Savings
FINANCIAL CORPORATION

Annual Report 2009

BOARD OF DIRECTORS

Front Row:

Edward J. Molnar, Chairman of the Board; **Ronald B. Geib,** President and CEO

Second Row:

James L. Rittenhouse, Shareholder in the firm of Detweiler, Hershey & Associates, **Sanford L. Alderfer,** President of Sanford Alderfer Companies; **George W. Meschter,** President of Meschter Insurance Group.

Third Row:

Charlotte A. Hunsberger, Partner in the law firm of Bricker, Landis & Hunsberger; **Thomas D. Clemens,** Senior Vice President of the Clemens Food Group; **Mark R. Cummins,** Chief Investment Officer and Treasurer of the Harleysville Insurance Companies.

EXECUTIVE OFFICERS

Front Row: **Ronald B. Geib,** President, CEO and Director
Brendan J. McGill, Executive Vice President, Treasurer and Chief Financial Officer

Second Row: **Adrian D. Gordon,** Senior Vice President, Chief Information Officer and Corporate Secretary
Stephen J. Kopenhaver, Senior Vice President and Chief Lending Officer
Sheri L. Strouse, Senior Vice President and Chief Retail Officer

MANAGEMENT TEAM

Michelle A. Beck, Vice President and Security Officer

Marian Bickerstaff, Vice President and Director of Marketing

Daniel P. Brasch, Assistant Vice President and Upper Providence Branch Manager

Diane M. Carlson, Vice President and Human Resource Manager

Dawn L. Hufnagle, Assistant Vice President and Sumneytown Branch Manager

Rodney A. Kipp, Vice President and Technology Operations Manager

Lynn Levy, Assistant Vice President and Lansdale Branch Manager

Kim A. Licata, Vice President and Loan Customer Service Manager

Dominick Merlo, Assistant Vice President and Souderton Branch Manager

M. Shane Michalak, Vice President, Controller and Accounting Manager

Denise L. Monaghan, Assistant Vice President and Loan Administration Manager

Craig Munson, Vice President and Senior Credit Officer

Christine L. O'Neill, Assistant Vice President and Harleysville Branch Manager

Joseph V. Pawlowski, Assistant Vice President and West Norriton Branch Manager

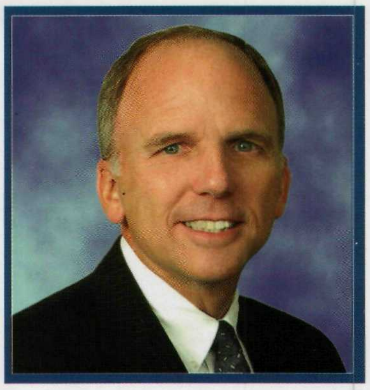
Dean L. Shollenberger, Vice President and Commercial Loan Officer

John Weierman, Vice President and Commercial Loan Officer

Jean Wieder, Vice President and Business Services Specialist

Sherry Williamson, Assistant Vice President and Hatfield Branch Manager

PRESIDENT AND CEO'S MESSAGE TO STOCKHOLDERS



As I reflect on the headlines and the state of the financial markets during the past few years, I am reminded of the childhood story of the hare and the tortoise. Like the rabbit on the fast track, Wall Street and big national banks jumped into unprecedented and unsound practices that resulted in the need for a government bailout and the partial loss of control of their companies. And like the steadfast but winning turtle, many community banks like Harleysville Savings Bank have methodically continued doing what they have done for decades – lending money to local credit-worthy individuals and businesses, gathering deposits, providing employment and supporting their communities.

I am proud yet humbled to report that Harleysville Savings Bank experienced a year of record growth and has substantially outperformed many of our peers. As a result of changing dynamics in the market, our deposits increased more than they had in the combined prior four years. Our loan growth was greater than any of the five prior years and the Company realized record earnings per share of $1.31. At the same time, we increased our cash dividend for the 22nd consecutive year, increased the level of our allowance for credit losses, and digested an increase of over $1 million in FDIC insurance premiums. We continue to experience one of the lowest non-performing asset ratios of all of our peers.

Building on last year's momentum and a continued positive yield curve, I believe the essence of our success is our unwavering focus on following our business plan and applying our core values. These solid results were attained by prudent underwriting standards, investing in high-quality assets, controlling expenses and sound capital management. At the same time, our team is working hard to add value for our stakeholders by building strong relationships, delivering on promises, providing highly personalized service, and embracing our mission.

FOCUS ON OUR CUSTOMERS:

Continuing from the prior year, we are still focused on the word "consistently" in our mission statement. At our Team Summit in February, our Customer Service Standards were introduced to provide our team with a compass for delivering a consistent exceptional banking experience. This is our "True North" – delivering commodity products and services with a focus on a rewarding relationship with our customers.

Our team is actively involved with business development. We recently expanded our Priority Business Banking team by adding another seasoned lender, John Weierman. Priority Remote Deposit is also now available to select business customers. We have focused on "Go Green Banking" promoting paperless banking services of direct deposit, debit cards, online banking and bill payment and e-statements. Our customers were also invited to "Tell a Friend" and are rewarded through their referrals that result in new checking accounts.

Despite the rain, a record number of our customers turned out to enjoy our annual Customer Appreciation Day on August 22nd. In addition to free food and activities for children, everyone attending received a Harleysville Savings t-shirt and some joined the team for a group photo.

We are also pleased to be able to expand our branch network in spite of the current economy. In February, 2010, we will celebrate the grand opening of our branch at 41 N.County Line Road in Souderton. Dominick Merlo has joined our team and will be the Souderton Branch Manager.

FOCUS ON OUR TEAM:

Just as we have experienced growth in the Company, we continue to put an emphasis on the personal growth of our team members. Each month, the management team meets with a leadership coach to deepen our skills in developing people. I am pleased to report that two of our Executive Officers, Adrian Gordon and Sheri Strouse graduated from the Stonier National Graduate School of Banking and the National School of Banking, respectively.

In keeping with the Company's core values of trust, fairness, teamwork, customer service, honesty and integrity, a team member task force developed our Internal Customer Service Standards, documenting how team members serve each other so that we don't lose sight of these values in the future. As we continue to work hard to maintain a good working environment, we are also grateful to the Board of Directors who recognize the value of sharing profits with those who create it.

FOCUS ON OUR STOCKHOLDERS:

I believe a strong message was sent to you, our stockholders, with another year of increased dividends. During the last five years the Company has paid out $12.5 million in dividends to our stockholders representing a tangible return on your investment.

Building long term value requires a commitment to remaining true to our business plan and focusing on disciplined and controlled organic growth. This past year, we have made a proactive effort to communicate the story of our strength, safety and soundness to our communities.

FOCUS ON OUR COMMUNITIES:

Today, more than in past years, people in our communities rely on the help and support of our non-profit organizations. In January, Harleysville Savings Bank was presented with the Pillar of the Community Award from the Indian Valley Chamber of Commerce. It was an honor for our Directors and team members to be recognized for their efforts in providing financial assistance, valuable time and talent in the communities where they live and work.

As we look forward to a new year, we will continue to focus on our business plan and capitalize on the positive trends we are now experiencing. We are excited to be able to reach into the Souderton market and are encouraged by people who have said they are looking forward to doing business with us there. We will continue to position the bank to take advantage of opportunities created by consolidation in the industry and will continue to work diligently to earn your trust and provide quality financial products and services to meet your needs. I am confident in the Company's ability to remain strong, remain well capitalized, and pursue excellence.

On behalf of the Directors and our entire team, I want to thank you for your trust, confidence and investment in the Company.

Ronald B. Geib

Ronald B. Geib
President and Chief Executive Officer

FINANCIAL RATIOS & SUMMARY OF KEY INFORMATION

Selected Balance Sheet Data:

(Dollars in thousands, except per share data)	As of September 30, 2009	2008	2007	2006	2005
Total Assets	**$830,007**	$825,675	$773,544	$775,638	$766,990
Mortgage-backed securities held to maturity	**162,430**	213,933	192,842	219,494	263,964
Mortgage-backed securities available-for-sale	**785**	758	818	820	1,045
Consumer loans receivable	**441,138**	434,439	405,672	386,486	368,034
Commercial loans	**59,347**	44,407	15,314	920	--
Allowance for loan losses	**2,094**	1,988	1,933	1,956	1,968
Investment securities held to maturity	**105,194**	79,254	108,693	111,099	87,364
Investment securities available-for-sale	**6,728**	854	1,910	8,108	2,835
Other investments (1)	**22,316**	23,731	20,810	23,952	23,971
Deposits	**466,601**	425,513	424,035	429,254	418,980
FHLB advances and other borrowings	**309,046**	347,846	298,609	294,611	297,268
Total stockholders' equity	**50,139**	47,209	47,041	48,471	47,576
Book value per share	**13.82**	13.23	12.65	12.59	12.20

Selected Operations Data:

	Year Ended September 30, 2009	2008	2007	2006	2005
Interest income	**$41,343**	$43,076	$40,289	$ 39,091	$ 35,902
Interest expense	**24,886**	29,016	28,806	26,366	22,747
Net interest income	**16,457**	14,060	11,483	12,725	13,155
Provision for loan losses	**400**	85	-	-	(40)
Net interest income after provision for loan losses	**16,057**	13,975	11,483	12,725	13,195
Realized gain (loss) on securities, including impairment	**(454)**	(179)	160	27	115
Other income	**1,925**	1,909	1,730	1,273	1,351
Other expense	**11,527**	10,094	9,216	8,568	7,965
Income before taxes	**6,001**	5,611	4,157	5,457	6,696
Income tax expense	**1,285**	1,232	911	1,255	1,693
Net income	**$ 4,716**	$ 4,379	$ 3,246	$ 4,202	$ 5,003
Earnings per share - basic	**$ 1.31**	$ 1.20	$ 0.85	$ 1.09	$ 1.29
Earnings per share - diluted	**1.31**	1.20	0.83	1.08	1.27
Dividends per share	**0.73**	0.69	0.68	0.64	0.58

Selected Other Data:

	Year Ended September 30, 2009	2008	2007	2006	2005
Return on average assets (2)	**0.57%**	0.54%	0.42%	0.55%	0.67%
Return on average equity (2)	**9.70%**	9.42%	6.71%	8.76%	10.91%
Dividend payout ratio	**55.60%**	57.26%	80.02%	58.72%	44.96%
Average equity to average assets (2)	**5.90%**	5.76%	6.13%	6.21%	6.19%
Interest rate spread (2)	**1.84%**	1.57%	1.39%	1.51%	1.65%
Net yield on interest-earning assets (2)	**2.04%**	1.79%	1.58%	1.71%	1.82%
Ratio of non-performing assets to total assets at end of period	**0.32%**	0.15%	0.00%	0.00%	0.03%
Ratio of interest-earning assets to Interest-bearing liabilities at end of period	**106.45%**	105.93%	104.75%	105.61%	105.35%
Full service banking offices at end of period	**6**	6	6	6	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.

CORPORATE INFORMATION

ANNUAL MEETING
Indian Valley Country Club
Telford, PA
Wednesday, January 27, 2010
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.rtco.com email:invrel@rtco.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
ParenteBeard, 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, 2009, 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.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended: September 30, 2009

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 Number)
271 Main Street, Harleysville, Pennsylvania	19438
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value per share	The Nasdaq Stock Market, LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES ☐ NO ☒

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 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 Website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.☒

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 the definitions 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 (Do not check if a smaller reporting company)	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the 3,167,626 shares of the Registrant's common stock held by non-affiliates (3,603,409 shares outstanding, less 435,783 shares held by affiliates), based upon the closing price of $11.64 for a share of common stock on March 31, 2009, as reported by the Nasdaq Stock Market, was approximately $36.9 million. Shares of common stock held by executive officers, directors and by each person who owns 5% or more of the outstanding common stock have been excluded since such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares of common stock outstanding as of December 4, 2009: 3,638,205

DOCUMENTS INCORPORATED BY REFERENCE

Set forth below are the documents incorporated by reference and the part of the Form 10-K into which the document is incorporated:

Portions of the definitive Proxy Statement for the 2010 Annual Meeting of Stockholders are incorporated by reference into Part II, Item 9 and Part III, Items 10-14 of this Form 10-K.