

HARLEYSVILLE SAVINGS FINANCIAL CORP
Form ARS
December 19, 2006

Harleysville Savings

FINANCIAL CORPORATION

2006

Annual
Report

[GRAPHIC]

Board of Directors

[PHOTO]

Seated (L to R): Charlotte A. Hunsberger, Ronald B. Geib, Edward J. Molnar,
Philip A. Clemens, David J. Friesen, Standing (L to R): Mark R. Cummins, James
L. Rittenhouse, Sanford L. Alderfer, George W. Meschter

Senior Officers

[PHOTO OF EDWARD J. MOLNAR]

Edward J. Molnar
Chairman
Chief Executive Officer

[PHOTO OF RONALD B. GEIB]

Ronald B. Geib
President
Chief Operating Officer

[PHOTO OF MARIAN BICKERSTAFF]

Marian Bickerstaff
Senior Vice President
Residential Lending Officer

[PHOTO OF BRENDAN J. MCGILL]

Brendan J. McGill
Senior Vice President
Chief Financial Officer

[PHOTO OF ADRIAN D. GORDON]

Adrian D. Gordon
Senior Vice President
Chief Information Officer

[PHOTO OF SHERI L. STROUSE]

Sheri L. Strouse
Senior Vice President
Branch Administrator

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[PHOTO OF STEPHEN J. KOPENHAVER]

Stephen J. Kopenhaver
Senior Vice President
Commercial Lending Officer

Selected Consolidated Financial and Other Data

Selected Balance Sheet Data:

(in thousands, except per share data)	As of September 30,			
	2006	2005	2004	2003
Total Assets	\$ 775,638	\$ 766,990	\$ 718,232	\$ 653,288
Mortgage-backed securities held to maturity	219,494	263,964	261,292	223,592
Mortgage-backed securities available-for-sale	820	1,045	3,795	6,656
Loans receivable - net	385,450	366,007	338,584	297,346
Investment securities held to maturity	111,099	87,364	68,162	83,327
Investment securities available-for-sale	8,108	2,835	7,715	4,923
Other investments (1)	25,549	23,971	19,903	18,618
Deposits	429,254	418,980	405,231	380,687
FHLB advances and other borrowings	294,611	297,268	265,953	228,817
Total stockholders' equity	48,471	47,576	44,313	40,816
Book value per share (3)	12.59	12.20	11.56	10.81

Selected Operations Data:

	Year Ended September 30,			
	2006	2005	2004	2003
Interest income	\$ 39,091	\$ 35,902	\$ 32,636	\$ 33,123
Interest expense	26,366	22,747	20,391	21,673
Net interest income	12,725	13,155	12,245	11,450
Provision for loan losses	-	(40)	-	-
Net interest income after provision for loan losses	12,725	13,195	12,245	11,450
Gain on sales of loans and securities	27	115	326	247
Other income	1,273	1,351	1,282	1,270
Other expense	8,568	7,965	7,399	6,897
Income before taxes	5,457	6,696	6,454	6,070
Income tax expense	1,255	1,693	1,604	1,476
Net income	\$ 4,202	\$ 5,003	\$ 4,850	\$ 4,594

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Earnings per share - basic (3)	\$	1.09	\$	1.29	\$	1.28	\$	1.21	\$
Earnings per share - diluted (3)		1.08		1.27		1.25		1.19	
Dividends per share (3)		0.64		0.58		0.48		0.40	

Selected Other Data:

	2006	2005	2004	2003
Return on average assets (2)	0.55%	0.67%	0.70%	0.72%
Return on average equity (2)	8.76%	10.91%	11.44%	11.68%
Dividend payout ratio	58.72%	44.96%	37.56%	32.67%
Average equity to average assets (2)	6.25%	6.15%	6.17%	6.14%
Interest rate spread (2)	1.51%	1.65%	1.64%	1.64%
Net yield on interest-earning assets (2)	1.71%	1.82%	1.80%	1.84%
Ratio of non-performing assets to total assets at end of period	0.00%	0.03%	0.04%	0.04%
Ratio of interest-earning assets to interest-bearing liabilities at end of period	105.6%	105.4%	105.6%	105.6%
Full service banking offices at end of period	6	5	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.

2006 ANNUAL REPORT 3

Chairman's Report to the Stockholders

To our Stockholders:

At our meeting of the stockholders on January 25, 2006, I announced that I would be retiring after 40 years from the position of Chief Executive Officer of our Company effective on the date of our 2007 stockholders' meeting.

During the time since that day, we have been transitioning to the new management team led by our current President and Chief Operating Officer, Ronald Geib. Ron has assembled a truly gifted and talented group of senior officers to take our Company forward and I am confident they will maintain the culture and success that we have experienced in the past. Each member of Ron's senior management team brings a genuine commitment to the mission of our Company.

I personally hired Ron thirty years ago as a young man right out of college. He has experienced every facet of the banking business and has weathered many different phases of the business cycle during those thirty years. He has faced the good and the bad during that time and believes in the culture that has been developed over the years that has made our Company unique and successful. He played a major role during the early 1980's as we managed the Bank through some

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of the highest interest rates in history and during the late 1980's and early 1990's as many financial institutions failed because of credit losses.

In 1987, when we converted the Bank to a public company, Ron played a major role in his responsibilities as our Chief Financial Officer. During our twenty years as a public company, Ron has served as our Chief Financial Officer and our President and Chief Operating Officer and now he is transitioning to his new responsibilities as our President and Chief Executive Officer.

Ron will bring much of the "old" with him, but he will also bring his own management style which will enable the changes to happen that are necessary for our Company to move forward in a very competitive environment.

Last year, in my report to you, I mentioned that we had been laying the foundation to expand relationships with small business customers in our market area to complement the Company's retail business. I am pleased to report that the newest member of Ron's senior management team, Senior Vice President and Chief Lending Officer, Steve Kopenhaver has been developing a strong foundation of policies and operating procedures to assure that the Company's key principles remain intact as we expand our business opportunities. As I have observed Steve's work over the past nine months, I have been impressed by his understanding of our culture as it applies to maintaining high asset quality and how critical that has been to our success.

In 1995, a young man joined our staff to develop the Company's growing technology needs. Senior Vice President and Chief Information Officer, Adrian Gordon, and a member of Ron's senior management team, is leading the way in implementing the new technology that has become indispensable to a successful 21st century financial institution. As we expand into small business relationships new technology advancements such as remote deposit capture will be necessary and Adrian and his team are implementing strategies to assure that our Company is able to offer the services that our customers will need to be successful.

Last year, I reported to you that construction was started on our newest branch location along the rapidly expanding "Route 422 Corridor". I am pleased to report that our new Upper Providence Office opened in July and is now serving our customers from that community. Sheri Strouse, Senior Vice President and Branch Administrator and a member of Ron's senior management team, deserves a great deal of credit for her tireless efforts in directing this project to its successful conclusion. Sheri has been a member of our team since 1997 and is already working on our seventh branch location which will serve our customers in the Souderton/Telford communities.

Charged with the responsibility of financial management is our Senior Vice President and Chief Financial Officer, Brendan McGill. Brendan joined our Company in 1999 and has provided leadership during a difficult time of flat and inverted yield curves during the past few years. The enduring principles that have been key to our success: High asset quality, exceptional operating efficiencies, effective capital management and genuine customer service take priority in every decision that Brendan makes as a member of Ron's senior management team.

I want to express a special thank you to Marian Bickerstaff. Marian will be voluntarily stepping down from her role as a senior officer on January 1st but will be continuing on a part time basis as the Company's Director of Marketing. Marian joined Harleysville Savings Bank in 1975 and has served as a senior officer since 1985. Her contribution to the decision making process was invaluable not only because of her vast experience, but because of her personal integrity, honesty and trustworthiness.

It has truly been an honor to serve and represent all of you as Chief Executive

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Officer during the past forty years. Sharing in the success and growth of our Company has been both exciting and rewarding for me personally and especially working with our wonderful staff and board of directors for each of those years.

Even though I will be continuing as non-executive Chairman of the Board, I will certainly miss the day to day activities of the Bank. I know that under Ron's leadership we will continue to honor the business philosophy that is consistent with the Proverb that God has given us: "A good name is to be more desired than great riches."

Finally, I want to express my personal appreciation to you for the confidence that you have expressed in the management of this Company and I hope to see you at our annual stockholders' meeting in January.

Sincerely,

/s/ Edward J. Molnar

Edward J. Molnar
Chairman and Chief Executive Officer

4 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

President's Report to the Stockholders

To our Stockholders:

Over the course of time, fiscal year 2006 for Harleysville Savings Financial Corporation will be known as a year of transition. We continue to be challenged with implementing new ideas, processes, products and services to meet the needs of our customers while preserving the core values to which our Company aspires. The Company has embarked on developing a new line of business while experiencing a transition in the senior management team in addition to operating in a difficult economic environment and increased competition in the financial industry.

Despite the challenging economic environment - a prolonged flat and inverted yield curve in a low interest rate scenario, the Company achieved a return on equity of 8.8% and increased assets to \$776 million during fiscal year 2006.

I am pleased that the Board of Directors recognizes the value of sharing financial success with our shareholders and that they increased the cash dividend for the 19th consecutive year to 17 cents per share, a 6.25% increase.

The success of our Company is primarily the result of the ongoing accomplishments of its team members.

I am pleased to report Shane Michalak and Anne Rostosky were appointed to the position of Vice President during the year. Shane will have increased responsibilities as he functions as the Company's Controller. Anne, who is the Branch Manager of the Harleysville office, will assist in the expansion of our non-deposit investments and our business banking deposit services.

The long-term service of our team members enables the Company to build strong relationships with our customers. This year, 12 of our team members were honored for their years of service: Edward J. Molnar - 40 years; Kathy Clairmont and Dorothy Kulp - 20 years; Beverly Fretz, Dawn Hufnagle, and Teresa Fenstermacher - 15 years; Marge Granahan - 10 years; Don Mihok, Joe Grayeske, Dhruva Shah, Bethany Holsendorff, and Anne Rostosky - 5 years.

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We are excited about our new line of business - Priority Business Banking. Led by Steve Kopenhaver, Senior Vice President, the Company is now positioned to offer the attentive personal service and a complete range of products and services to provide solutions to the financial needs of our business community.

We are also pleased with the performance of our newest Upper Providence Office, located at the intersection of Township Line Road and Ridge Pike in Upper Providence Township. Under the leadership of Branch Manager, Sherry Williamson, the office now has over \$3 million in deposits.

Over this past year, we updated our strategic plan with a focus on strengthening the retail components of our balance sheet: to grow and diversify the loan mix and to grow and diversify the deposit mix. In order to complement the existing offices, the strategic plan also calls for adding a key, full-service office in the Souderton-Telford area. Once this office is in place, the plan is to restore the profitability of the Company by concentrating on retail growth with exceptional customer service before opening additional offices.

We also believe that the success of the Company is dependent upon the quality of its management and the performance of every team member. It is the goal of management to maintain our competitive advantages of exceptional operating efficiency, high asset quality and exceptional customer service. We believe that we can increase the overall efficiency of the Company by continually emphasizing the necessity of "working smart" and utilizing state of the art technologies. We believe the quality of our team members and the quality of our service delivery will be enhanced by an emphasis on improving communication and service skills and through the personal growth of each team member, beginning with me.

2007 will mark Ed Molnar's retirement as CEO of Harleysville Savings Financial Corporation. While his daily presence will be missed by all, his legacy will be reflected in the strong leadership team and enduring relationships with customers, team members, stockholders and the community. Today, the culture of the bank reflects the principles and standards of performance that he values: integrity, trust, honesty, teamwork and exceptional customer service.

I am grateful to the Board of Directors for their support, for naming me as President and the next Chief Executive Officer of Harleysville Savings Financial Corporation, and for focusing on the need for thoughtful succession planning and a smooth transition. Once again, they have set an example of good governance. As we complete our carefully planned transition of leadership, the Board and management remain clearly aligned with the mission of the Company - to build value for our customers, team members, stockholders and the community by consistently providing an exceptional community banking experience.

As we build on our 91-year history, I am excited and energized with the opportunity to lead our competent and engaged management team as we expand our product line into business banking services while continuing to create additional value for our stakeholders. Thank you for your loyalty during a year of significant transition.

Sincerely,

/s/ Ronald B. Geib

Ronald B. Geib
President

A tribute to Edward J. Molnar

Edward J. Molnar will retire on January 24, 2007 after having served as the Chief Executive Officer of Harleysville Savings Financial Corporation and Harleysville Savings Bank for 40 years.

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The culture of the Company today reflects the principles and values he exemplified in his distinguished career with the Company - integrity, trust, honesty, teamwork and exceptional customer service.

One of his proudest achievements is seeing the Company grow and prosper. We are enormously grateful for his leadership in the Company, the banking industry and our community.

Ed will continue to serve as the Chairman of the Company.

2006 ANNUAL REPORT 5

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to management. In addition, in those and other portions of this document, the words "anticipate," "believe," "estimate," "except," "intend," "should" and similar expressions, or the negative thereof, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future-looking events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

Critical Accounting Policies and Judgments

The Company's consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in Note 2, Summary of Significant Accounting Policies. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variations and may significantly affect the Company's reported results and financial position for the period or in future periods. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on the Company's future financial condition and results of operations.

Analysis And Determination of the Allowance for Loan Losses - The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. The Company evaluates the need to establish allowances against losses on loans on a monthly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of three key elements: (1) specific allowances for certain impaired or collateral-dependent loans; (2) a general valuation allowance on certain identified problem loans; and (3) a general valuation allowance on the remainder of the loan portfolio. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available for the entire portfolio.

Specific Allowance Required for Certain Impaired or Collateral-Dependent Loans: We establish an allowance for certain impaired loans for the amounts by which

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the discounted cash flows (or collateral value or observable market price) are lower than the carrying value of the loan. Under current accounting guidelines, a loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement.

General Valuation Allowance on Certain Identified Problem Loans - We also establish a general allowance for classified loans that do not have an individual allowance. We segregate these loans by loan category and assign allowance percentages to each category based on inherent losses associated with each type of lending and consideration that these loans, in the aggregate, represent an above-average credit risk and that more of these loans will prove to be uncollectible compared to loans in the general portfolio.

General Valuation Allowance on the Remainder of the Loan Portfolio - We establish another general allowance for loans that are not classified to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on our historical loss experience, delinquency trends and management's evaluation of the collectibility of the loan portfolio. The allowance is adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the evaluation date. These significant factors may include changes in lending policies and procedures, changes in existing general economic and business conditions affecting our primary lending areas, credit quality trends, collateral value, loan volumes and concentrations, seasoning of the loan portfolio, loss experience in particular segments of the portfolio, duration of the current business cycle, and bank regulatory examination results. The applied loss factors are reevaluated monthly to ensure their relevance in the current economic environment.

Overview

Harleysville Savings Financial Corporation, a bank holding company, of which Harleysville Savings Bank (the "Bank"), is a wholly owned subsidiary, was formed in February 2000. For purposes of this discussion, the Company, including its wholly owned subsidiary, will be referred to as the "Company." The Company's earnings are primarily dependent upon its net interest income, which is determined by (i) the difference between yields earned on interest-earning assets and rates paid on interest-bearing liabilities ("interest rate spread") and (ii) the relative amounts of interest-earning assets and interest-bearing liabilities outstanding. The Company's interest rate spread is affected by regulatory, economic, and competitive factors that influence interest rates, loan demand and deposit flows. The Company, like other thrift institutions, is vulnerable to an increase in interest rates to the extent that interest-bearing liabilities mature or reprice more rapidly than interest-earning assets. To reduce the effect of adverse changes in interest rates on its operations, the Company has adopted certain asset and liability management strategies, described below. The Company's earnings are also affected by, among other factors, other non-interest income, other expenses, and income taxes. The Company's total assets at September 30, 2005, amounted to \$767.0 million, compared to \$718.2 million as of September 30, 2004. Deposits as of September 30, 2005, totaled \$419.0 million, compared to \$405.2 million at September 30, 2004. Stockholders' equity totaled \$47.6 million as of September 30, 2005, compared to \$44.3 million at September 30, 2004.

The Company's total assets at September 30, 2006, amounted to \$775.6 million, compared to \$767.0 million as of September 30, 2005. Deposits as of September 30, 2006, totaled \$429.3 million, compared to \$419.0 million at September 30, 2005. Stockholders' equity totaled \$48.5 million as of September 30, 2006, compared to \$47.6 million at September 30, 2005.

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During fiscal 2006, net interest income after provision for loan losses decreased \$471,000 or 3.6% from the prior fiscal year. This decrease was the result of 3.1% growth in the average interest-earning assets, which was offset by a 2.9% growth in average interest-bearing liabilities, and a decrease in the interest rate spread from 1.65% in fiscal 2005 to 1.51% in fiscal 2006. Earnings for fiscal 2006 were \$4.2 million compared to \$5.0 million and \$4.9 million for the years ended September 30, 2005 and 2004, respectively. The Company's return on average assets (net income divided by average total assets) was 0.55% during fiscal 2006 compared to 0.67% and 0.70% during fiscal 2005 and 2004, respectively. Return on average equity (net income divided by average equity) was 8.76% during fiscal 2006 compared to

6 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

10.91% during fiscal 2005 and 11.44% during fiscal 2004. This decline in return on average assets and return on average equity during the three-year period was a direct result of the compression of long and short term interest rates, increased prepayments of higher yielding assets and the Company reinvesting those funds into a shorter-term assets with a lower yield. The repositioning of the portfolio into short-term assets will allow the Company to have more cash flow to reinvest in a rising rate environment.

Recent Accounting Pronouncements - In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123R (revised 2004), "Share-Based Payment", which revises SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". This Statement requires an entity to recognize the cost of employee services received in exchange for an award of equity investment based on grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. For fiscal year 2006, the Company recognized approximately \$109,000 of pre-tax expense relating to these options previously accounted for under the provisions of APB No. 25.

In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107 which expressed the views of the SEC regarding the interaction between SFAS No. 123R and certain SEC rules and regulations. SAB No. 107 provides guidance related to the valuation of share-based payment arrangements for public companies, including assumptions such as expected volatility and expected term.

In May 2005, the FASB has issued Statement No. 154, "Accounting Changes and Error Corrections", a replacement of APB Opinion No. 20 and FASB Statement No. 3. The Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. Statement 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Statement 154 improves financial reporting because its requirements enhance the consistency of financial information between periods. Statement 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of this new pronouncement will depend on the Company changing an accounting principle and will be evaluated at that time.

In November 2005, the FASB issued FASB Staff Position (FSP) 115-1/124-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain

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Investments". This FSP provides additional guidance on when an investment in a debt or equity security should be considered impaired and when that impairment should be considered other-than-temporary and recognized as a loss in earnings. Specifically, the guidance clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell has not been made. The FSP also requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The Company applied the guidance in this FSP in 2006 and there was no material affect to the results of operations or the statement of financial position.

On December 19, 2005, the FASB issued FSP 94-6-1, "Terms of Loan Products That May Give Rise to a Concentration of Credit Risk". FSP 94-6-1 addresses whether, under existing guidance, non-traditional loan products represent a concentration of credit risk and what disclosures are required for entities that originate, hold, guarantee, service, or invest in loan products whose terms may give rise to a concentration of credit risk. Non-traditional loan products expose the originator, holder, investor, guarantor, or servicer to higher credit risk than traditional loan products. Typical features of non-traditional loan products may include high loan-to-value ratios and interest or principal repayments that are less than the repayments for fully amortizing loans of an equivalent term. FSP 94-6-1 was effective upon its issuance and it did not have a material impact on the Company's financial position or disclosures.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments. This statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interest in Securitized Financial Assets. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is still continuing to evaluate the impact of this pronouncement and does not expect that the guidance will have a material effect on the Company's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets - An Amendment of SFAS No. 140" ("SFAS No. 156"). SFAS No. 156: (i) clarifies when a servicing asset or servicing liability should be recognized; (ii) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; (iii) subsequent to initial measurement, permits an entity to choose either the amortization method or the fair value measurement method for each class of separately recognized servicing assets or servicing liabilities; and (iv) at its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights.

SFAS No. 156 is effective for all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including interim financial statements for any period of that fiscal year. The Company has chosen to adopt SFAS No. 156 effective January 1, 2006 and has elected the fair value measurement method for subsequently measuring its servicing assets. The election of the fair value measurement method will subject the Company's earnings to increases and decreases in the value of its servicing assets. The adoption of SFAS No. 156 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for

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the financial statement recognition and measurement of a tax position taken in a tax return. The Company must presume the tax position will be examined by the relevant tax authority and determine whether it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective January 1, 2007. The cumulative effect of applying the provisions of FIN 48 represents a change in accounting principle and shall be reported as an adjustment to the opening balance of retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on its Consolidated Financial Statements.

2006 ANNUAL REPORT 7

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The provisions of SFAS No. 157 should be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for certain financial instruments which require retrospective application as of the beginning of the fiscal year of initial application (a limited form of retrospective application). The transition adjustment, measured as the difference between the carrying amounts and the fair values of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings. The Company is currently evaluating the impact of adopting SFAS No. 157 on its Consolidated Financial Statements and whether to adopt its provisions prior to the required effective date.

In September 2006, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin ("SAB") No. 108. This release expresses the staff's views regarding the process of quantifying financial statement misstatements and addresses diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet. SAB No. 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006. The Company has reviewed the SAB in connection with our condensed consolidated financial statements for the current and prior periods, and has determined that its adoption will not have an impact on any of these financial statements.

Results of Operations

The table on the next page sets forth for and as of the periods indicated, information regarding: (i) the total dollar amounts of interest income from interest-earning assets and the resulting average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resulting average costs; (iii) net interest income; (iv) interest rate spread; (v) net interest-earning assets; (vi) the net yield earned on interest-earning assets; and (vii) the ratio of total interest-earning assets to total interest-bearing liabilities. Average balances are calculated on a monthly basis.

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Net Interest Income

Net interest income after provision for loan losses decreased by \$471,000 or 3.57% in fiscal 2006, and increased by \$951,000 or 7.77% in fiscal 2005 over the respective prior periods. The decrease in the net interest income after provision for loan losses in 2006 was due to a decrease in the interest rate spread between interest earning assets and interest earning liabilities. The increase in the net interest income after provision for loan losses in 2005 was due to a higher amount of interest-earning assets and an increase in the interest rate spread. The driving factors will be discussed below in Interest Income and Interest Expense.

Interest Income

Interest income on mortgage loans increased by \$761,000 or 5.0% in fiscal 2006 and increased by \$413,000 or 2.8% in fiscal 2005 from the respective prior years. During fiscal 2006, the average balance of mortgage loans increased \$14.0 million or 5.3% and the yield decreased by 1 basis point. The decrease in the yield of mortgage loans reflects the lower interest rate environment and the increase in refinancing of existing loans at lower rates. During fiscal 2005, the average balance of mortgage loans increased \$16.0 million or 6.5% and the yield decreased by 22 basis points. The majority of loans originated during the 2006 year were fixed rate mortgages. The decrease in interest income on mortgage-backed securities reflected a decrease of \$29.8 million or 11.0% in the average balance. There was however an increase in yield earned by 17 basis points during fiscal 2006. During fiscal 2005, the increase in interest income on mortgage-backed securities reflected an increase of \$13.2 million or 5.1% in the average balance, which was also benefited by a 28 basis point increase in yield. The increase in the balance of mortgage-backed securities reflects the need the Company had for mortgage-related products that the Company was not able to originate in the local market area. The Company needed a higher volume of mortgage-backed securities during fiscal 2004 and 2005 to offset the flat interest rate spread. In 2006, the increase in interest income on consumer and other loans reflected an increase in the average balance due to growth in home equity loans of \$10.8 million or 18.1%, and an increase in the yield to 5.97%. In 2005, the increase in interest income on consumer and other loans reflected an increase in the average balance due to growth in home equity loans of \$13.4 million or 28.9%, and an increase in the yield to 5.35%.

Interest and dividends on investments increased by \$2.2 million or 51.8% in fiscal 2006 over the respective prior years. During fiscal 2006, the increase resulted from the average balance on investments increasing \$29.5 million or 29.2% and a 74 basis point increase. The increase in the average balance in 2006 reflects funds that were redeployed from normal cash flows. Interest and dividends on investments increased by \$604,000 or 16.4% in fiscal 2005 over the respective prior years. During fiscal 2005, the increase resulted from an increase of 55 basis points and an increase in the average balance of \$1.3 million or 1.3%.

Interest Expense

Interest expense on deposits increased \$2.8 million or 27.4% in fiscal 2006 and increased by \$1.2 million or 13.6% in fiscal 2005 as compared to the respective prior years. In fiscal 2006, the average balance increased \$16.6 million or 4.1% with a 58 basis point increase in the average rate paid. The increase in the average balance reflects normal savings activity for the Company as well as business checking and savings accounts being added in 2006. In fiscal 2005, the average balance increased \$14.7 million or 3.8% with a 22 basis point increase in the average rate paid. The average rate paid on deposits was 3.2% for the year ended September 30, 2006, compared to 2.6% for the year ended September 30, 2005 and 2.4% for 2004. The average rate paid on deposits, is a direct

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reflection of the interest rate environment.

Interest expense on borrowings increased by \$791,000 or 6.4% in fiscal 2006 and increased by \$1.1 million or 7.2% in fiscal 2005 as compared to the respective prior years. The increase in interest expense during fiscal 2006 was the result of a \$3.0 million or 1.1% increase in the average balance of borrowings and an increase of 23 basis points in the average rate paid. Borrowings were primarily obtained during fiscal 2006 and 2005 to fund the purchase of mortgage-backed securities and long-term fixed-rate mortgages. Long-term FHLB advances were used to match the expected maturity terms of these mortgage products.

Provision for Loan Losses

Management establishes reserves for losses on loans when it determines that losses are probable. The adequacy of loan loss reserves is based upon a regular monthly review of loan delinquencies and "classified assets", as well as local and national economic trends. Although management has currently established no specific reserves for losses, no assurance can be given as to whether future provision may be required. The allowance for loan losses totaled \$2.0 million at September 30, 2006 and 2005 or 0.5% and 0.5% of total loans at September 30, 2006 and 2005, respectively. Due to the Company's loan portfolio status and its analysis of quantitative and qualitative factors, no provision was made in 2006, 2005 and 2004.

8 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

	As of Sept 30,		For The Year Ended September				
	2006	2006	2006	2005	2005	2005	
	Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Rate
Interest-earning assets:							
Mortgage loans (2) (3)	5.81%	\$277,359	\$ 16,101	5.81%	\$263,400	\$ 15,331	
Mortgage-backed securities	4.62%	241,751	10,801	4.47%	271,554	11,666	
Consumer and other loans (3)	6.24%	94,987	5,675	5.97%	86,257	4,614	
Investments	5.13%	130,425	6,514	4.99%	100,915	4,291	
Total interest-earning assets	5.39%	744,522	39,091	5.25%	722,126	35,902	
Interest-bearing liabilities:							
Deposits	3.42%	418,506	13,165	3.15%	401,920	10,337	
Borrowings	6.67%	286,500	13,201	4.61%	283,522	12,410	
Total interest-bearing liabilities	3.94%	705,006	26,366	3.74%	685,442	22,747	
Net interest income/interest rate spread	1.45%		\$ 12,725	1.51%		\$ 13,155	
Net interest-earning assets/net yield on interest-earning assets							

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(1)	\$ 39,516	1.71%	\$ 36,684
	=====	=====	=====

Ratio of interest-earning assets
to interest-bearing liabilities

105.6%
=====

- (1) Net interest income divided by average interest-earning assets.
- (2) Loan fee income is immaterial to this analysis.
- (3) There were no non-accruing loans at September 30, 2006, 2005 and 2004.

The following table shows, for the periods indicated, the changes in interest income and interest expense attributable to changes in volume (changes in volume multiplied by prior year rate) and changes in rate (changes in rate multiplied by prior year volume). Changes in rate/volume (determined by multiplying the change in rate by the change in volume) have been allocated to the change in rate or the change in volume based upon the respective percentages of their combined totals.

	Fiscal 2006 Compared to Fiscal 2005 Increase (Decrease)			Fiscal 2005 Compared to Fiscal 2004 Increase (Decrease)		
	Volume	Rate	Total	Volume	Rate	Total
Interest income on interest-earning assets:						
Mortgage loans (1)	\$ 810	\$ (40)	\$ 770	\$ 946	\$ (533)	\$ 413
Mortgage-backed securities	(1,317)	453	(864)	547	721	(184)
Consumer and other loans (1)	492	568	1,060	689	292	981
Investments	1,392	831	2,223	47	557	1,866
	-----	-----	-----	-----	-----	-----
Total	1,377	1,812	3,189	2,229	1,037	3,266
	-----	-----	-----	-----	-----	-----
Interest expense on interest-bearing liabilities:						
Deposits	441	2,387	2,828	355	882	1,477
Borrowings	131	660	791	1,243	(124)	1,119
	-----	-----	-----	-----	-----	-----
Total	572	3,047	3,619	1,598	758	2,617
	-----	-----	-----	-----	-----	-----
Net change in net interest income	\$ 805	\$ (1,235)	\$ (430)	\$ 631	\$ 279	\$ 301
	=====	=====	=====	=====	=====	=====

- (1) There were no non-accruing loans at September 30, 2006 and 2005.

2006 ANNUAL REPORT 9

Other Income

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The Company's total other operating income decreased to \$1.3 million in fiscal 2006 and decreased to \$1.5 million in fiscal 2005. The decrease from 2006 to 2005 is attributed to a gain on the sale of an investment available for sale of \$27,000 in fiscal 2006 as compared to a gain of \$100,000 in fiscal 2005.

Other income, which consists primarily of income from fees on demand accounts, loan servicing fees, the sale of non-deposit products, insurance commissions, and Bank Owned Life Insurance ("BOLI") income, decreased by \$63,000 or 7.0% during fiscal year 2006. During fiscal 2005, other income decreased by \$27,000 or 2.9%. The fees, which comprise other income, are set by the Company at a level, which is intended to cover the cost of providing the related services and expenses to customers and employees. Components of other income in 2006 remained relatively consistent with the results of 2005. Based on the current services offered by the Company, we anticipate other income to remain consistent in fiscal year 2007.

Other Expenses

Salaries and employee benefits increased by \$471,000 or 11.4% in fiscal 2006 and by \$251,000 or 6.5% in fiscal 2005 as compared to prior respective fiscal years. The increased expenses of salaries and employee benefits during the periods are attributable to the expensing of stock options in the amount of \$109,000 in 2006 compared to no expense in 2005 and the increased staffing needs due to additional branch, normal growth; normal salary increases and increased employee benefit expenses. The Company anticipates normal increase in salaries and employee benefits in fiscal year 2007 due to additional staffing needs, inflationary effects and stock option expense.

Occupancy and equipment expense increased by \$31,000 or 3.3% in fiscal 2006 and increased by \$73,000 or 8.4% in fiscal 2005 as compared to the prior respective fiscal years. The increase in 2006 and 2005 were attributable to the normal activity of the Company.

The Company anticipates occupancy and equipment expense to increase in fiscal year 2007 due to normal asset growth and a full year of operations of our new branch.

Other expenses, which consist primarily of advertising expenses, directors' fees, ATM network fees, professional fees, checking account costs, stockholders expense, and insurance premiums, increased by \$78,000 or 3.4% in fiscal 2006 and increased by \$264,000 or 13.2% in fiscal 2005 over the prior respective fiscal years.

Income Taxes

The Company recorded income tax provisions of \$1.3 million, \$1.7 million and \$1.6 million for fiscal years 2006, 2005 and 2004, respectively. The primary reason for the decrease in the income tax provision in fiscal 2006 was a decrease in income. See Note 12 of the "Notes to Financial Statements" which provides an analysis of the provision for income taxes.

Asset and Liability Management

The Company has instituted programs designed to decrease the sensitivity of its earnings to material and prolonged increases or decreases in interest rates. The principal determinant of the exposure of the Company's earnings to interest rate risk is the timing difference between the repricing or maturity of the Company's interest-earning assets and the repricing or maturity of its interest-bearing liabilities. If the maturities of such assets and liabilities were perfectly matched, and if the interest rates borne by its assets and liabilities were equally flexible and moved concurrently, neither of which is the case, the impact on net interest income of rapid increases or decreases in interest rates

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would be minimized. The Company's asset and liability management policies seek to increase the interest rate sensitivity by shortening the repricing intervals and the maturities of the Company's interest-earning assets. Although management of the Company believes that the steps taken have reduced the Company's overall vulnerability to increases and decreases in interest rates, the Company remains vulnerable to material and prolonged increases and decreases in interest rates during periods in which its interest rate sensitive liabilities exceed its interest rate sensitive assets and interest rate sensitive assets exceed interest rate sensitive liabilities, respectively.

The authority and responsibility for interest rate management is vested in the Company's Board of Directors. The Chief Financial Officer implements the Board of Directors' policies during the day-to-day operations of the Company. Each month, the Chief Financial Officer presents the Board of Directors with a report, which outlines the Company's asset and liability "gap" position in various time periods. The "gap" is the difference between interest-earning assets and interest-bearing liabilities which mature or reprice over a given time period. The Chief Financial Officer also meets weekly with the Company's other senior officers to review and establish policies and strategies designed to regulate the Company's flow of funds and coordinate the sources, uses and pricing of such funds. The first priority in structuring and pricing the Company's assets and liabilities is to maintain an acceptable interest rate spread while reducing the effects of changes in interest rates and maintaining the quality of the Company's assets.

The table on the next page summarizes the amount of interest-earning assets and interest-bearing liabilities outstanding as of September 30, 2006, which are expected to mature, prepay or reprice in each of the future time periods shown. Except as stated below, the amounts of assets or liabilities shown which mature or reprice during a particular period were determined in accordance with the contractual terms of the asset or liability. Adjustable and floating-rate assets are included in the period in which interest rates are next scheduled to adjust rather than in the period in which they are due, and fixed-rate loans and mortgage-backed securities are included in the periods in which they are anticipated to be repaid. However, many of our assets can prepay at any time without a penalty unlike many of our liabilities that have a contractual maturity.

The passbook accounts, negotiable order of withdrawal ("NOW") accounts and a portion of the money market deposit accounts, are included in the "Over 5 Years" categories based on management's beliefs that these funds are core deposits having significantly longer effective maturities based on the Company's retention of such deposits in changing interest rate environments.

Generally, during a period of rising interest rates, a positive gap would result in an increase in net interest income while a negative gap would adversely affect net interest income. Conversely, during a period of falling interest rates, a positive gap would result in a decrease in net interest income while a negative gap would positively affect net interest income. However, the above table does not necessarily indicate the impact of general interest rate movements on the Company's net interest income because the repricing of certain categories of assets and liabilities is discretionary and is subject to competitive and other pressures. As a result, certain assets and liabilities indicated as repricing within a stated period may in fact reprice at different rate levels in a different period.

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	1 Year or Less	1 to 3 Years	3 to 5 Years	Over 5 Years
Interest-earning assets:				
Mortgage loans	\$ 37,995	\$ 59,240	\$ 44,894	\$ 140,05
Commercial Mortgage loans	813	21	9	5,05
Mortgage-backed securities	75,077	74,071	36,295	34,87
Consumer and other loans	58,263	28,069	9,747	8,73
Investment securities and other investments	54,682	18,434	19,030	64,54
Total interest-earning assets	226,830	179,835	109,975	253,24
Interest-bearing liabilities:				
Passbook and Club accounts	-	-	-	3,32
NOW accounts	-	-	-	36,13
Consumer Money Market Deposit accounts	17,411	-	-	39,53
Business Money Market Deposit accounts	1,536	-	-	51
Certificate accounts	210,395	103,594	6,482	
Borrowed money	101,003	60,609	44,971	88,02
Total interest-bearing liabilities	330,345	164,203	51,453	167,52
Repricing GAP during the period	\$ (103,515)	\$ 15,632	\$ 58,522	\$ 85,72
Cumulative GAP	\$ (103,515)	\$ (87,883)	\$ (29,361)	\$ 56,36
Ratio of GAP during the period to total assets	-13.35%	2.02%	7.55%	11.0
Ratio of cumulative GAP to total assets	-13.35%	-11.33%	-3.79%	7.2

Liquidity and Capital Resources

The Company's assets increased to \$776.0 million as of September 30, 2006, from \$767.0 million as of September 30, 2005. Stockholders' equity increased to \$48.5 million as of September 30, 2006, from \$47.6 million as of September 30, 2005. As of September 30, 2006, stockholders' equity amounted to 6.3% of the Banks total assets under accounting principles generally accepted in the United States of America ("GAAP").

For a financial institution, liquidity is a measure of the ability to fund customers' needs for loans, deposit withdrawals and repayment of borrowings. Harleysville Savings regularly evaluates economic conditions in order to maintain a strong liquidity position. One of the most significant factors considered by management when evaluating liquidity requirements is the stability of the Company's core deposit base. In addition to cash, the Company maintains a portfolio of cash flows generating investments to meet its liquidity requirements. The Company also relies upon cash flow from operations and other financing activities, generally short-term and long-term debt. Liquidity is also provided by investing activities including the repayment and maturity of loans and investment securities as well as the management of asset sales when considered necessary. The Company also has access to and sufficient assets to secure lines of credit and other borrowings in amounts adequate to fund any

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unexpected cash requirements.

2006 ANNUAL REPORT 11

As of September 30, 2006, the Company had a remaining borrowing capacity with the Federal Home Loan Bank of Pittsburgh of approximately \$262,548,000. To the extent that the Company cannot meet its liquidity needs with normal cash flows and deposit growth, the Company will be able to utilize the available borrowing capacity provided by the Federal Home Loan Bank of Pittsburgh to fund asset growth and loan commitments. At September 30, 2006 the Company had exposures to limited recourse arrangements with respect to the Company's sale of whole loans. At September 30, 2006, the exposure, which represents a portion of credit risk associated with the sold interests, amounted to \$62,000. The exposure is for the life of the related loans and payable, on our proportional share, as losses are incurred

The Company's contractual cash obligations at September 30, 2006 were as follows:

	Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Year
Lease agreements	\$ 512,191	\$ 94,174	\$ 202,739	\$ 106,978	\$ 108
FHLB debt	294,611,162	79,492,234	72,800,311	47,793,090	94,525
Funding Commitments	46,844,731	46,844,731			
	\$341,968,084	\$126,431,139	\$ 73,003,050	\$ 47,900,068	\$ 94,633
	\$341,968,084	\$126,431,139	\$ 73,003,050	\$ 47,900,068	\$ 94,633

Impact of Inflation and Changing Prices

The consolidated financial statements and related data presented herein have been prepared in accordance with GAAP which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since prices are affected by inflation to a larger extent than interest rates.

12 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Harleysville Savings Financial Corporation and Subsidiary - Harleysville, Pennsylvania:

We have audited the accompanying consolidated statements of financial condition

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of Harleysville Savings Financial Corporation and Subsidiary (the "Company") as of September 30, 2006 and 2005, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Harleysville Savings Financial Corporation and Subsidiary as of September 30, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, on October 1, 2005 the Company adopted the fair-value method of accounting for stock based compensation.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
December 8, 2006

2006 ANNUAL REPORT 13

Consolidated Statements of Financial Condition

	September 30,	
	2006	2005
Assets		
Cash and amounts due from depository institutions	\$ 1,596,695	\$ 1,193,
Interest bearing deposits	8,453,455	6,741,
	10,050,150	7,934,
Total cash and cash equivalents		
Investment securities held to maturity (fair value - 2006, \$111,248,000; 2005, \$88,404,000)	111,098,682	87,364,

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Investment securities available-for-sale at fair value	8,107,759	2,835,
Mortgage-backed securities held to maturity (fair value - 2006, \$213,913,000; 2005, \$259,994,000)	219,493,818	263,963,
Mortgage-backed securities available-for-sale at fair value	820,255	1,045,
Loans receivable (net of allowance for loan losses - 2006, \$1,956,000; 2005, \$1,968,000)	385,450,375	366,006,
Accrued interest receivable	3,969,610	3,432,
Federal Home Loan Bank stock - at cost	15,498,600	16,035,
Office properties and equipment, net	8,013,969	5,829,
Prepaid expenses and other assets	13,134,625	12,542,
	-----	-----
Total Assets	\$ 775,637,843	\$ 766,990,
	=====	=====

Liabilities and Stockholders' Equity

Liabilities:

Deposits	\$ 429,254,047	\$ 418,979,
Advances from Federal Home Loan Bank	294,611,162	297,268,
Accrued interest payable	1,406,161	1,358,
Advances from borrowers for taxes and insurance	1,184,089	1,135,
Accounts payable and accrued expenses	711,014	672,
	-----	-----
Total liabilities	727,166,473	719,414,
	-----	-----

Commitments and contingencies (Note 16 & 17)

Stockholders' Equity:

Preferred Stock: \$.01 par value; 12,500,000 shares authorized; none issued		
Common stock: \$.01 par value; 25,000,000 shares authorized; issued and outstanding, 2006, 3,921,177 shares and 2005, 3,904,136 shares	39,212	39,
Additional Paid-in capital	7,992,014	7,610,
Treasury stock, at cost (2006, 71,441 shares; 2005, 3,255 shares)	(1,262,412)	(60,
Retained earnings - partially restricted	41,714,616	39,995,
Accumulated other comprehensive loss	(12,060)	(9,
	-----	-----
Total stockholders' equity	48,471,370	47,575,
	-----	-----

Total Liabilities And Stockholders' Equity	\$ 775,637,843	\$ 766,990,
	=====	=====

See notes to consolidated financial statements.

14 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

Consolidated Statements of Income

Year Ended September 30,
2006 2005 2004

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Interest Income:			
Interest and fees on mortgage loans	\$ 16,092,641	\$ 15,331,323	\$ 14,918,198
Interest on mortgage-backed securities	10,801,029	11,665,529	10,397,548
Interest on consumer and other loans	5,683,386	4,614,316	3,633,483
Interest on taxable investments	5,066,939	2,886,342	2,292,515
Interest on tax-exempt investments	1,408,484	1,377,968	1,374,965
Dividends on investment securities	38,085	26,962	19,400
	-----	-----	-----
Total interest and dividend income	39,090,564	35,902,440	32,636,109
	-----	-----	-----
Interest Expense:			
Interest on deposits	13,164,538	10,336,704	9,100,454
Interest on borrowings	13,201,226	12,410,032	11,290,735
	-----	-----	-----
Total interest expense	26,365,764	22,746,736	20,391,189
	-----	-----	-----
Net Interest Income	12,724,800	13,155,704	12,244,920
Provision for Loan Losses	-	(40,407)	-
	-----	-----	-----
Net Interest Income, after Provision for Loan Losses	12,724,800	13,196,111	12,244,920
	-----	-----	-----
Other Income:			
Gain on sales of loans	-	16,672	61,024
Gain on sales of investments and mortgage-backed securities	26,920	97,905	265,602
Increase in cash surrender value on BOLI	436,000	450,500	354,000
Other income	837,464	900,304	927,558
	-----	-----	-----
Total other income	1,300,384	1,465,381	1,608,184
	-----	-----	-----
Other Expenses:			
Salaries and employee benefits	4,617,167	4,146,584	3,895,117
Occupancy and equipment	967,990	937,228	864,469
Deposit insurance premiums	54,656	57,263	58,643
Data processing	589,558	562,932	583,591
Other	2,339,098	2,261,238	1,997,363
	-----	-----	-----
Total other expenses	8,568,469	7,965,245	7,399,183
	-----	-----	-----
Income before Income Taxes:	5,456,715	6,696,247	6,453,921
Income tax expenses	1,255,177	1,692,527	1,603,824
	-----	-----	-----
Net Income	\$ 4,201,538	\$ 5,003,720	\$ 4,850,097
	=====	=====	=====
Earnings Per Share:			
Basic	\$ 1.09	\$ 1.29	\$ 1.28
	=====	=====	=====

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Diluted	\$ 1.08	\$ 1.27	\$ 1.25
	=====	=====	=====
Weighted Average Shares Outstanding:			
Basic	3,872,655	3,871,255	3,802,937
	=====	=====	=====
Diluted	3,903,291	3,940,701	3,890,212
	=====	=====	=====

See notes to consolidated financial statements.

2006 ANNUAL REPORT 15

Consolidated Statements of Comprehensive Income

	2006	

Net Income	\$ 4,201,538	\$
Other Comprehensive (Loss) Income		
Unrealized (loss) gain on securities net of tax (benefit) or expense -- 2006, \$(1,744); 2005, \$(25,930); 2004, \$10,909	(2,847) (1)	

Total Comprehensive Income	\$ 4,198,691	\$
	=====	
(1) Disclosure of reclassification amount, net of tax for the years ended:	2006	

Net unrealized gain arising during the year	\$ 14,920	\$
Less: Reclassification adjustment for net gains included in net income		
Net of tax expense -- 2006, \$9,153; 2005, \$33,288; 2004, \$90,305	17,767	

Net unrealized (loss) gain on securities	\$ (2,847)	\$
	=====	

See notes to consolidated financial statements.

Consolidated Statements of Stockholder's Equity

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings- Partially Restricted	Accumulat Other Comprehens Income (Lo

Balance at October 1, 2003	2,316,500	\$ 23,165	\$ 7,584,949	\$ 34,220,406	\$ 15,
Net Income				4,850,097	
Dividends - \$.48 per share				(1,826,303)	
Treasury stock purchased					
Treasury stock delivered under					

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employee stock plans			(296,533)		
Treasury stock delivered under Dividend Reinvestment Plan			138,437		
Change in unrealized holding gain on available-for-sale securities, net of tax					17,
Balance at September 30, 2004	2,316,500	23,165	7,426,853	37,244,200	33,
Net Income				5,003,720	
Issuance of Common Stock	15,876	436	459,995		
Stock split	1,571,760	15,440	(15,440)		
Dividends - \$.58 per share				(2,252,336)	
Treasury stock purchased					
Treasury stock delivered under employee stock plans			(272,586)		
Treasury stock delivered under Dividend Reinvestment Plan			11,689		
Change in unrealized holding gain on available-for-sale securities, net of tax					(42,
Balance at September 30, 2005	3,904,136	39,041	7,610,511	39,995,584	(9,
Net Income				4,201,538	
Issuance of Common Stock	17,041	171	300,428		
Dividends - \$.64 per share				(2,482,506)	
Option Compensation			109,025		
Treasury stock purchased					
Treasury stock delivered under employee stock plans			(26,694)		
Treasury stock delivered under Dividend Reinvestment Plan			(1,256)		
Change in unrealized holding gain on available-for-sale securities, net of tax					(2,
Balance at September 30, 2006	3,921,177	\$ 39,212	\$ 7,992,014	\$ 41,714,616	\$ (12,

See notes to consolidated financial statements.

16 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

Consolidated Statements of Cash Flows

	Year Ended S	20
	2006	20
Operating Activities:		
Net Income	\$ 4,201,538	\$ 5,
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	466,020	
Deferred income taxes	10,963	
Realized gain on sales of loans	-	

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Net realized gain on sale of investment securities	(18,585)	
Realized loss on disposal of fixed assets	3,124	
Origination of loans held for sale	-	
Proceeds from the sale of loans held for sale	-	
Amortization of deferred loan fees	(52,287)	
Net amortization of premiums and discounts	309,052	
Increase in bank owned life insurance	-	(2,
Increase in cash surrender value	(436,000)	
Compensation charge on stock options	109,025	
Changes in assets and liabilities which provided (used) cash:		
Increase (decrease) in accounts payable and accrued expenses	38,890	
Increase (decrease) in prepaid expenses and other assets	(145,283)	
Increase in accrued interest receivable	(537,556)	
Increase in accrued interest payable	47,208	
	-----	-----
Net cash provided by operating activities	3,996,109	3,
	-----	-----
Investing Activities:		
Purchase of mortgage-backed securities held to maturity	(2,011,250)	(62,
Purchase of mortgage-backed securities available-for-sale	-	
Purchase of investment securities held to maturity	(28,748,285)	(35,
Purchase of investment securities available-for-sale	(5,578,924)	
Proceeds (purchase) of FHLB stock	537,300	
Proceeds from the sale of investment securities available-for-sale	327,357	5,
Proceeds from maturities of investment securities	4,595,380	16,
Principal collected on long-term loans & mortgage-backed securities	134,713,613	147,
Long-term loans originated or acquired	(107,316,274)	(113,
Purchases of premises and equipment	(2,653,419)	
	-----	-----
Net cash used in investing activities	(6,134,502)	(43,
	-----	-----
Financing Activities:		
Net (decrease) increase in demand deposits, NOW accounts and savings accounts	(8,608,274)	(18,
Net increase in certificates of deposit	18,882,665	32,
Cash dividends	(2,482,506)	(2,
Net (decrease) increase in FHLB advances	(2,657,326)	31,
Purchase of treasury stock	(1,681,657)	
Treasury stock delivered under Dividend Reinvestment and employee stock plan	451,402	
Net proceeds from issuance of stock	300,599	
Net increase (decrease) in advances from borrowers for taxes and insurance	48,660	
	-----	-----
Net cash provided by financing activities	4,253,563	43,
	-----	-----
Increase (Decrease) in cash and cash equivalents	2,115,170	3,
Cash and cash equivalents at beginning of year	7,934,980	4,
	-----	-----
Cash and cash equivalents at end of year	\$ 10,050,150	\$ 7,
	=====	=====

Supplemental Disclosure of Cash Flow Information-
Cash paid during the period for:

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Interest (credited and paid)	\$	26,318,556	\$	22,
Income Tax		1,378,000		1,

See notes to consolidated financial statements.

2006 ANNUAL REPORT 17

Notes to Consolidated Financial Statements

1. Nature of Operations and Organizational Structure

On February 25, 2000, Harleysville Savings Bank (the "Bank") completed its Agreement and Plan of Reorganization ("Agreement") pursuant to which the Bank was reorganized into a holding company form of ownership. The Agreement was subject to approval by the Pennsylvania Department of Banking, the Board of Governors of the Federal Reserve System and approved by the stockholders of the Bank. Harleysville Savings Financial Corporation (the "Company") was incorporated under the laws of the Commonwealth of Pennsylvania. It was formed for the purpose of becoming the bank holding company of the Bank through the issuance and exchange of its stock pursuant to the Agreement and the concurrent acquisition of 100% of the common stock of the Bank. In connection with the Reorganization, each share of the Bank's common stock, ("Bank Common Stock"), was converted into one share of the Company's common stock, ("Company Common Stock"). The result of the Reorganization of the Bank was that the Company became the owner of all of the outstanding shares of Bank Common Stock and each stockholder of the Bank became the owner of one share of the Company Common Stock for each share of bank Common Stock held by him or her immediately prior thereto.

The Company is a bank holding company that is regulated by the Federal Reserve Bank of Philadelphia. The Bank is a wholly owned subsidiary and is regulated by the FDIC and the Pennsylvania Department of Banking. 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, primarily in single family residential and consumer loans.

2. Summary of Significant Accounting Policies

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company, the Bank, and the Bank's wholly owned subsidiary, HSB Inc a Delaware subsidiary which was formed in order to accommodate the transfer of certain assets, Freedom Financial LLC that allows the Company to offer non deposit products and HARL LLC that allows the Bank to invest in equity investments. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in Preparation of the Consolidated Financial Statements

- The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement and the reported amounts of income and expenses during the reporting period. The most significant of these estimates and assumptions in the Company's consolidated financial statements is the allowance for loan losses. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks.

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Interest-Bearing Deposits in Banks - Interest-bearing deposits in banks are carried at cost.

Investments and Mortgage-Backed Securities - The Company classifies and accounts for debt and equity securities as follows:

Held to Maturity - Debt securities that management has the positive intent and ability to hold until maturity are classified as held to maturity and are carried at their remaining unpaid principal balance, net of unamortized premiums or unaccreted discounts. Premiums are amortized and discounts are accreted using the interest method over the estimated remaining term of the underlying security.

Available for Sale - Debt and equity securities that will be held for indefinite periods of time, including securities that may be sold in response to changes in market interest or prepayment rates, needs for liquidity and changes in the availability of and the yield of alternative investments are classified as available for sale. These assets are carried at fair value. Fair value is determined using published quotes as of the close of business. Unrealized gains and losses are excluded from earnings and are reported net of tax in other comprehensive income until realized. Realized gains and losses on the sale of investment securities are recorded as of trade date, reported in the consolidated statement of income and determined using the adjusted cost of the specific security sold.

In March 2004, the Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") reached consensus on several issues being addressed in EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". The consensus provides guidance for evaluating whether an investment is other-than-temporarily impaired and was effective for other-than-temporary impairment evaluations made in reporting periods beginning after June 15, 2004. The disclosure provisions of EITF 03-1 continue to be effective for the Company's consolidated financial statements for the year ended September 30, 2006.

On November 3, 2005, the FASB issued FASB Staff Position ("FSP") Nos. FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". This FSP addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. This FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. This FSP nullifies certain requirements of EITF Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments", and supersedes EITF Topic No. D-44, "Recognition of Other-Than-Temporary Impairment upon the Planned Sale of a Security Whose Cost Exceeds Fair Value". The guidance in this FSP amends FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The FSP is effective for reporting periods beginning after December 15, 2005. There was no material impact on the Company.

For all securities that are in an unrealized loss position for an extended period of time and for all securities whose fair value is significantly below amortized cost, the Company performs an evaluation of the specific events attributable to the market decline of the security. The Company considers the length of time and extent to which the security's market value has been below cost as well as the general market conditions, industry characteristics, and the fundamental operating results of the issuer to determine if the decline is other-than-temporary. The Company also considers as part of the evaluation its intent and ability to hold the security until its market value has recovered to

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a level at least equal to the amortized cost. When the Company determines that a security's unrealized loss is other-than-temporary, a realized loss is recognized in the period in which the decline in value is determined to be other-than-temporary. The write-downs are measured based on public market prices of the security at the time the Company determines the decline in value was other-than-temporary.

Loans - The Company grants mortgage and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout Pennsylvania. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance.

Interest Income on Loans - Interest on loans is recognized as income when earned. The accrual of interest on mortgage loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Other personal loans are typically charged off no later than 180 days past due. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Deferred Loan Fees - Loan origination fees, net of certain direct origination costs, are deferred and the balance is amortized to income as an adjustment over the life of the loan using the interest method.

Allowance for Loan Losses - The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when

18 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. An allowance for loan losses is maintained at a level that management considers adequate to provide for losses based upon evaluation of known and inherent risks in the loan portfolio. The loan loss reserves are established as an allowance for estimated losses based on the probable losses of the loan portfolio. In assessing risk, management considers historical experience, volume and composition of lending conducted by the Company, industry standards, status of nonperforming loans, general economic conditions as they relate to the Company's market area, and other factors related to the collectibility of the Company's loan portfolio.

The allowance for loan losses consists of three elements: (1) specific allowances for impaired loans; (2) a general valuation allowance on all classified loans which are not impaired; and (3) a general valuation allowance on the remainder of the loan portfolio. This is consistent with the regulatory method of classifying reserves. Although the amount of each element of the allowance is determined separately, the entire allowance for loan losses is

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available for the entire portfolio. An allowance for impaired loans is established in the amounts by which the discounted cash flows (or collateral value or observable market price) are lower than the carrying value of the loan. A general allowance is established for classified loans that are not impaired. These loans are segregated by loan category, and allowance percentages are assigned to each category based on inherent losses associated with each type of lending and consideration that these loans, in the aggregate, represent an above-average credit risk and that more of these loans will prove to be uncollectible compared to loans in the general portfolio. The general allowance for loans that are not classified is established to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. This general valuation allowance is determined by segregating non-classified loans by loan category and assigning allowance percentages to each category. The allowance percentages have been derived using percentages commonly applied under the regulatory framework for the Company and similarly sized institutions. The percentages are adjusted for significant factors that, in management's judgment, could affect the collectibility of the portfolio as of the evaluation date. These significant factors may include changes in lending policies and procedures, changes in existing general economic and business conditions affecting our primary lending areas, credit quality trends, collateral value, loan volumes and concentrations, seasoning of the loan portfolio, loss experience in particular segments of the portfolio, duration of the current business cycle, and bank regulatory examination results. The applied loss factors are reevaluated monthly to ensure their relevance in the current economic environment.

Real Estate Owned - Real estate owned is carried at the lower of carrying value of the loan or fair value of the property based on an appraisal. Costs relating to the development and improvement of the property are capitalized, and those relating to holding the property are charged to expense.

Office Properties and Equipment - Land is carried at cost. Office properties and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the expected useful lives of the assets that range from four to fifty years. The costs of maintenance and repairs are expensed as they are incurred, and renewals and betterments are capitalized.

FHLB Stock - The Company reports its investment in FHLB stock at cost in the consolidated statements of financial condition as the Company does not have the ability to influence the FHLB.

Cash Surrender Value Of Bank Owned Life Insurance - The Bank funded the purchase of insurance policies on the lives of officers and employees of the Bank. The Company has recognized any increase in cash surrender value of life insurance, net of insurance costs, in the consolidated statements of income as increase in cash surrender value on BOLI. The cash surrender value of the insurance policies is recorded as an asset in other assets in the consolidated statements of financial condition.

Long-Lived Assets - Management evaluates the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impaired loss for long-lived assets would be based on the fair value of the asset. For the years ended September 30, 2006, 2005 and 2004, the Company did not recognize an impairment.

Income Taxes - Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the

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enactment date.

Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -The Company accounts for transfers and servicing of financial assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (a replacement of FASB Statement No. 125). This Statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS No. 125 provisions without reconsideration.

The Statement requires an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred, derecognize financial assets when control has been surrendered, and derecognize liabilities when extinguished. It requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the asset sold, if any, and retained interest, if any, based on their relative fair values at the date of transfer. It also provides implementation guidance for servicing of financial assets, securitizations, loan syndications and participations and transfers of loan receivables with recourse.

Accounting for Derivative Instruments and Hedging Activities - The Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS Nos. 137 and 138, and as interpreted by the FASB and the Derivatives Implementation Group through "Statement 133 Implementation Issues", as of October 1, 2000. In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amended and clarified accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This Statement was effective for contracts entered into or modified after June 30, 2003, except for the provision of this statement that relate to SFAS 133 Implementation Issues that had been effective for fiscal quarters that began prior to June 15, 2003 and for hedging relationships designated after June 30, 2003. All provisions were to be applied prospectively except for the provision of this Statement that relate to SFAS 133 Implementation Issues that had been effective for fiscal quarters that began prior to June 15, 2003. These provisions are to be applied in accordance with their respective effective dates. Currently, no embedded derivatives require bifurcation. The Company currently does not employ hedging activities that require designation as either fair value or cash flow hedges, or hedges of a net investment in a foreign operation.

Treasury Stock - The Company records treasury stock purchases at cost. Gains and losses on subsequent reissuance of shares are credited or charged to capital in excess of par value using the average-cost method.

In November of 2005, February, March, April and May of 2006, the Company repurchased 3,000, 6,527, 52,767, 10,000 and 23,586 shares of common stock respectively at \$17.40, \$17.68, \$17.50, \$17.50 and \$17.62 per share, respectively, for its treasury at a total cost of \$1,681,657.

Accounting for Stock Options - In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123R (revised 2004), "Share-Based Payment", which revises SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". This Statement requires an entity to recognize the cost of employee services received in exchange for an award of equity investment based on grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. The Company adopted the modified prospective method provisions of SFAS No. 123R. Effective October 1, 2005, the Company was required to recognize compensation expense for the fair value of

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stock options that were granted or vest after that date. Upon adoption of SFAS No. 123R, the Company was required to recognize through earnings, the fair value of the remaining unvested portion of options granted prior to January 1, 2002.

2006 ANNUAL REPORT 19

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, using Binomial Option Pricing Model, to stock-based employee compensation.

	Year Ended September 30,		
	2006	2005	
Net income: as reported	\$ 4,201,538	\$ 5,003,720	\$ 4
Add: Total stock-based employee compensation expense included in reported net income (net of tax)			
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	109,025	(42,594)	
	(109,025)	(42,594)	
Pro forma net income	\$ 4,201,538	\$ 4,961,126	\$ 4
Earnings per share:			
Basic-as reported	\$ 1.09	\$ 1.29	\$
Basic-pro forma	1.09	1.28	
Diluted-as reported	\$ 1.08	\$ 1.27	\$
Diluted-pro forma	1.08	1.26	
Significant assumptions used to calculate the above are as follows:			
Risk free interest rate of return	4.36%	1%	
Expected option life	84 months	84 months	8
Expected volatility	17%	10%	
Expected dividends	3%	3%	

Stock Split - On January 26, 2005, the Board of Directors declared a declared a cash dividend of \$.25 (\$.15 post split) per share and a five for three stock split payable on February 23, 2005 to the stockholders of record at the close of business on February 9, 2005. The number of shares and per share information has been restated to reflect the five for three stock split. The shares of Harleysville Savings Financial Corporation traded on February 24, 2005 on a post split basis.

Earnings Per Share - Basic earnings per common share is computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed based on the weighted average number of shares outstanding, increased by the number of common shares that are assumed to have been purchased with the proceeds from the exercise of stock options (treasury stock method). These purchases were assumed to have been made at the average market price of the common stock. The weighted average shares outstanding used to calculate earnings per share were as follows:

	Year Ended September 30,		
	2006	2005	2004
Average shares outstanding - basic	3,872,655	3,871,255	3,802,937
Increase in shares due to dilutive options	30,636	69,446	87,275

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Average shares outstanding - diluted	3,903,291	3,940,701	3,890,212
	=====	=====	=====

Other Comprehensive Income - The Company presents, as a component of comprehensive income, amounts from transactions and other events, which are currently excluded from the statement of income and are recorded directly to stockholders' equity. The Company's other comprehensive income consists of net unrealized holding gains or losses on securities available-for-sale, net of income taxes.

Interest Rate Risk - The Company is engaged principally in providing first mortgage loans to individuals and commercial enterprises. At September 30, 2006, the Company's assets that earned interest at fixed and variable interest rates were funded primarily with long-term liabilities that have interest rates that are fixed.

The Company is vulnerable to a decrease in interest rates to the extent that interest-earning assets mature or reprice more rapidly than interest-bearing liabilities. In the current market, the Company primarily originates long-term fixed rate loans secured by single-family residences and purchases short-term investments. The source of these funds has been long-term advances.

At September 30, 2006, the Company had interest-earning assets of approximately \$744,522,000 having a weighted average effective yield of 5.25% and interest-bearing liabilities of approximately \$705,006,000 having a weighted average effective interest rate of 3.74%.

Recent Accounting Pronouncements - In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123R (revised 2004), "Share-Based Payment", which revises SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". This Statement requires an entity to recognize the cost of employee services received in exchange for an award of equity investment based on grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. For fiscal year 2006, the Company recognized approximately \$109,000 of pre-tax expense relating to these options previously accounted for under the provisions of APB No. 25.

In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107 which expressed the views of the SEC regarding the interaction between SFAS No. 123R and certain SEC rules and regulations. SAB No. 107 provides guidance related to the valuation of share-based payment arrangements for public companies, including assumptions such as expected volatility and expected term.

In May 2005, the FASB has issued Statement No. 154, "Accounting Changes and Error Corrections", a replacement of APB Opinion No. 20 and FASB Statement No.3. The Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. Statement 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Statement 154 improves financial reporting because its requirements enhance the consistency of financial information between periods.

20 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

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Statement 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of this new pronouncement will depend on the Company changing an accounting principle and will be evaluated at that time.

In November 2005, the FASB issued FASB Staff Position (FSP) 115-1/124-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments". This FSP provides additional guidance on when an investment in a debt or equity security should be considered impaired and when that impairment should be considered other-than-temporary and recognized as a loss in earnings. Specifically, the guidance clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell has not been made. The FSP also requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The Company applied the guidance in this FSP in 2006 and there was no material affect to the results of operations or the statement of financial position.

On December 19, 2005, the FASB issued FSP 94-6-1, "Terms of Loan Products That May Give Rise to a Concentration of Credit Risk". FSP 94-6-1 addresses whether, under existing guidance, non-traditional loan products represent a concentration of credit risk and what disclosures are required for entities that originate, hold, guarantee, service, or invest in loan products whose terms may give rise to a concentration of credit risk. Non-traditional loan products expose the originator, holder, investor, guarantor, or servicer to higher credit risk than traditional loan products. Typical features of non-traditional loan products may include high loan-to-value ratios and interest or principal repayments that are less than the repayments for fully amortizing loans of an equivalent term. FSP 94-6-1 was effective upon its issuance and it did not have a material impact on the Company's financial position or disclosures.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments. This statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interest in Securitized Financial Assets. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is still continuing to evaluate the impact of this pronouncement and does not expect that the guidance will have a material effect on the Company's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets - An Amendment of SFAS No. 140" ("SFAS No. 156"). SFAS No. 156: (i) clarifies when a servicing asset or servicing liability should be recognized; (ii) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; (iii) subsequent to initial measurement, permits an entity to choose either the amortization method or the fair value measurement method for each class of separately recognized servicing assets or servicing liabilities; and (iv) at its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights.

SFAS No. 156 is effective for all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including interim financial statements for any period of that fiscal year. The Company has chosen to adopt SFAS No. 156 effective January 1, 2006 and has elected the fair value measurement method for subsequently

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measuring its servicing assets. The election of the fair value measurement method will subject the Company's earnings to increases and decreases in the value of its servicing assets. The adoption of SFAS No. 156 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. The Company must presume the tax position will be examined by the relevant tax authority and determine whether it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective January 1, 2007. The cumulative effect of applying the provisions of FIN 48 represents a change in accounting principle and shall be reported as an adjustment to the opening balance of retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on its Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The provisions of SFAS No. 157 should be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for certain financial instruments which require retrospective application as of the beginning of the fiscal year of initial application (a limited form of retrospective application). The transition adjustment, measured as the difference between the carrying amounts and the fair values of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings. The Company is currently evaluating the impact of adopting SFAS No. 157 on its Consolidated Financial Statements and whether to adopt its provisions prior to the required effective date.

In September 2006, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin ("SAB") No. 108. This release expresses the staffs views regarding the process of quantifying financial statement misstatements and addresses diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet. SAB No. 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006. The Company has reviewed the SAB in connection with our condensed consolidated financial statements for the current and prior periods, and has determined that its adoption will not have an impact on any of these financial statements.

Reclassification - Certain items in the 2005 and 2004 financial statements have been reclassified to conform with the presentation in the 2006 consolidated financial statements.

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3. Investment Securities Held to Maturity

A comparison of amortized cost and approximate fair value of investment securities with gross unrealized gains and losses, by maturities, is as follows:

		September 30, 2006		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value

U.S. Government Agencies				
Due after 1 year through 5 years	\$ 12,000,000		\$ (146,000)	\$ 11,854,000
Due after 5 years through 10 years	21,878,790	\$ 24,290	(386,080)	21,517,000
Due after 10 years through 15 years	46,237,147	45,273	(769,420)	45,513,000
Due after 15 years	6,386,754		(97,754)	6,289,000
Tax Exempt Obligations				
Due after 10 years through 15 years	17,981,750	997,250	-	18,979,000
Due after 15 years	6,614,241	481,759	-	7,096,000
	-----	-----	-----	-----
Total Investment Securities	\$111,098,682	\$ 1,548,572	\$ (1,399,254)	\$ 111,248,000
	=====	=====	=====	=====

A summary of investment with unrealized losses, aggregated by category, at September 30, 2006 is as follows:

	Less than 12 Months		12 Months or Longer		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value

US Government agencies	\$ 26,578,627	\$ (216,285)	\$ 50,655,619	\$ (1,182,969)	\$ 50,472,650
Total	\$ 26,578,627	\$ (216,285)	\$ 50,655,619	\$ (1,182,969)	\$ 50,472,650
	=====	=====	=====	=====	=====

At September 30, 2006, investment securities in a gross unrealized loss position for twelve months or longer consisted of 19 US Government Agency Securities that at such date had an aggregate depreciation of 2.3% from the Company's amortized cost basis. Management believes that the estimated fair value of the securities disclosed above is primarily dependent upon the movement in market interest rates. Management evaluated the length of time and the extent to which the market value has been less than cost; the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may effect the future earnings potential. The Company has the ability and intent to hold these securities until the anticipated recovery of fair value occurs. Management does not believe any individual unrealized loss as of September 30, 2006 represents an other-than-temporary impairment.

September 30, 2005

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value

U.S. Government Agencies				
Due after 1 year through 5 years	\$ 12,000,000		\$ (197,000)	\$ 11,803,000
Due after 5 years through 10 years	25,703,340	\$ 77,445	(207,785)	25,573,000
Due after 10 years through 15 years	24,862,533	5,200	(497,733)	24,370,000
Tax Exempt Obligations				
Due after 10 years through 15 years	13,050,956	949,044	-	14,000,000
Due after 15 years	11,747,616	910,384	-	12,658,000
	-----	-----	-----	-----
Total Investment Securities	\$ 87,364,445	\$ 1,942,073	\$ (902,518)	\$ 88,404,000
	=====	=====	=====	=====

A summary of investment with unrealized losses, aggregated by category, at September 30, 2005 is as follows:

	Less than 12 Months		12 Months or Longer		F
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
US Government agencies	\$ 31,567,124	\$ (284,269)	\$ 21,339,331	\$ (618,249)	\$
Total	\$ 31,567,124	\$ (284,269)	\$ 21,339,331	\$ (618,249)	\$
	=====	=====	=====	=====	=====

At September 30, 2005, investment securities in a gross unrealized loss position for twelve months or longer consisted of 8 US Government Agency Securities that at such date had an aggregate depreciation of 2.8% from the Company's amortized cost basis. Management believes that the estimated fair value of the securities disclosed above is primarily dependent upon the movement in market interest rates. Management evaluated the length of time and the extent to which the market value has been less than cost; the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may effect the future earnings potential. The Company has the ability and intent to hold these securities until the anticipated recovery of fair value occurs. Management does not believe any individual unrealized loss as of September 30, 2005 represents an other-than-temporary impairment.

22 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

4. Investment Securities Available-For-Sale

A comparison of amortized cost and approximate fair value of investment securities with gross unrealized gains and losses, by maturities, is as follows:

	Amortized Cost	September 30, 2006		Fair Value
		Gross Unrealized Gain	Gross Unrealized Losses	

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Equity Securities	\$1,050,664	\$ 13,802	\$ (67,143)	\$ 997,323
Money Market Mutual Funds	7,110,436	-	-	7,110,436
	-----	-----	-----	-----
Total Investment Securities	\$8,161,100	\$ 13,802	\$ (67,143)	\$8,107,759
	=====	=====	=====	=====

A summary of investment with unrealized losses, aggregated by category, at September 30, 2006 is as follows:

	Less than 12 Months		12 Months or Longer		Total Fair Value
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
	-----	-----	-----	-----	-----
Unrealized Losses					
Equity Securities	\$ 582,873	\$ (67,143)	\$ -	\$ -	\$ 582,873
	-----	-----	-----	-----	-----
Total	\$ 582,873	\$ (67,143)	\$ -	\$ -	\$ 582,873
	=====	=====	=====	=====	=====

There were no securities in a loss position greater than twelve months. Management evaluated the length of time and the extent to which the market value has been less than cost; the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may effect the future earnings potential. The Company has the ability and intent to hold these securities until the anticipated recovery of fair value occurs. Management does not believe any individual unrealized loss as of September 30, 2006 represents an other-than-temporary impairment.

	Amortized Cost	September 30, 2005		Fair Value
		Unrealized Gain	Gross Unrealized Losses	
	-----	-----	-----	-----
Equity Securities	\$ 906,113	\$ 9,830	\$ (56,723)	\$ 859,220
Money Market Mutual Funds	1,976,024	-	-	1,976,024
	-----	-----	-----	-----
Total Investment Securities	\$2,882,137	\$ 9,830	\$ (56,723)	\$2,835,244
	=====	=====	=====	=====

A summary of investment with unrealized losses, aggregated by category, at September 30, 2005 is as follows:

	Less than 12 Months		12 Months or Longer		Total Fair Value
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
	-----	-----	-----	-----	-----
Unrealized Losses					
Equity Securities	\$ 751,220	\$ (56,723)	\$ -	\$ -	\$ 751,220
	-----	-----	-----	-----	-----
Total	\$ 751,220	\$ (56,723)	\$ -	\$ -	\$ 751,220
	=====	=====	=====	=====	=====

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There were no securities in a loss position greater than twelve months. Management evaluated the length of time and the extent to which the market value has been less than cost; the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may effect the future earnings potential. The Company has the ability and intent to hold these securities until the anticipated recovery of fair value occurs. Management does not believe any individual unrealized loss as of September 30, 2005 represents an other-than-temporary impairment.

Proceeds from the sale of investments available for sale during the year ended September 30, 2006 were \$327,000 resulting in a gross gain of \$27,000 and a net tax gain of \$18,000. Proceeds from the sale of investments available for sale during the year ended September 30, 2005 were \$5,650,000 resulting in a gross gain of \$98,000 and a net tax gain of \$65,000. Proceeds from the sale of investments available for sale during the year ended September 30, 2004 were \$2,601,000 resulting in a gross gain of \$266,000 and a net tax gain of \$176,000.

2006 ANNUAL REPORT 23

5. Mortgage-Backed Securities Held to Maturity

A comparison of amortized cost and approximate fair value of mortgage-backed securities with gross unrealized gains and losses, by maturities, is as follows:

	Amortized Cost	September 30, 2006 Gross Unrealized		Approximate Fair Value
		Gains	Losses	
Collateralized mortgage obligations	\$ 15,088,964	\$ 88,867	\$ (319,831)	\$ 14,858,000
FHLMC pass-through certificates	98,855,830	70,407	(2,793,237)	96,133,000
FNMA pass-through certificates	100,287,098	83,203	(2,825,301)	97,545,000
GNMA pass-through certificates	5,261,926	115,074	-	5,377,000
Total Mortgage-Backed Securities	\$ 219,493,818	\$ 357,551	\$ (5,938,369)	\$ 213,913,000

A summary of investment with unrealized losses, aggregated by category, at September 30, 2006 is as follows:

	Less than 12 Months		12 Months or Longer		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
Mortgage-backed securities held to maturity	\$ 6,898,645	\$ (68,773)	\$ 191,950,265	\$ (5,869,596)	\$
Total	\$ 6,898,645	\$ (68,773)	\$ 191,950,265	\$ (5,869,596)	\$

At September 30, 2006, mortgage-related securities in a gross unrealized loss

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position for twelve months or longer consisted of 76 securities that at such date had an aggregate depreciation of 3.1% from the Company's amortized cost basis. Management believes that the estimated fair value of the securities disclosed above is primarily dependent upon the movement in market interest rates. Management evaluated the length of time and the extent to which the market value has been less than cost; the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may effect the future earnings potential. The Company has the ability and intent to hold these securities until the anticipated recovery of fair value occurs. Management does not believe any individual unrealized loss as of September 30, 2006 represents an other-than-temporary impairment.

	Amortized Cost	September 30, 2005 Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Collateralized mortgage obligations	\$ 17,089,874	\$ 36,738	\$ (278,612)	\$ 16,848,000
FHLMC pass-through certificates	118,663,486	128,502	(2,047,988)	116,744,000
FNMA pass-through certificates	121,596,729	161,648	(2,216,377)	119,542,000
GNMA pass-through certificates	6,613,676	246,324	-	6,860,000
Total Mortgage-Backed Securities	\$ 263,963,765	\$ 573,212	\$ (4,542,977)	\$ 259,994,000

A summary of investment with unrealized losses, aggregated by category, at September 30, 2005 is as follows:

	Less than 12 Months		12 Months or Longer		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	F
Mortgage-backed securities held to maturity	\$ 178,406,095	\$ (2,751,178)	\$ 58,493,074	\$ (1,791,799)	\$
Total	\$ 178,406,095	\$ (2,751,178)	\$ 58,493,074	\$ (1,791,799)	\$

At September 30, 2005, mortgage-related securities in a gross unrealized loss position for twelve months or longer consisted of 27 securities that at such date had an aggregate depreciation of 3.0% from the Company's amortized cost basis. Management believes that the estimated fair value of the securities disclosed above is primarily dependent upon the movement in market interest rates. Management evaluated the length of time and the extent to which the market value has been less than cost; the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may effect the future earnings potential. The Company has the ability and intent to hold these securities until the anticipated recovery of fair value occurs. Management does not believe any individual unrealized loss as of September 30, 2005 represents an other-than-temporary impairment.

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6. Mortgage-Backed Securities Available-For-Sale

A comparison of amortized cost and approximate fair value of mortgage-backed securities with gross unrealized gains and losses, by maturities, is as follows:

	Amortized Cost	September 30, 2006 Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FNMA pass-through certificates	\$ 785,187	\$ 35,068	\$ -	\$ 820,255
Total Mortgage-Backed Securities	\$ 785,187	\$ 35,068	\$ -	\$ 820,255

There were no securities in a loss position greater than twelve months.

24 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

	Amortized Cost	September 30, 2005 Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
FNMA pass-through certificates	\$ 1,012,154	\$ 32,933	\$ -	\$ 1,045,087
Total Mortgage-Backed Securities	\$ 1,012,154	\$ 32,933	\$ -	\$ 1,045,087

There were no securities in a loss position greater than twelve months.

7. Loans Receivable

Loans receivable consist of the following:

	September 30, 2006	2005
Residential Mortgages	\$ 282,181,674	\$ 268,047,173
Commercial Mortgages	5,893,737	4,896,608
Construction	6,986,632	7,639,300
Savings Account	1,002,672	921,400
Home Equity	70,515,174	59,724,004
Automobile and other	811,963	771,538
Line of Credit	25,499,895	31,579,680
Total	392,891,747	373,579,703
Undisbursed portion of loans in process	(4,941,266)	(4,933,753)
Deferred loan fees	(544,301)	(671,426)
Allowance for loan losses	(1,955,805)	(1,967,607)

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Loans Receivable - net	\$ 385,450,375	\$ 366,006,917
	=====	=====

The Company originates both adjustable and fixed interest rate loans and purchases both adjustable and fixed interest rate mortgage-backed securities. At September 30, 2006, the composition of these loans and mortgage-backed securities, in thousands, is as follows:

Fixed-Rate		Adjustable-Rate	
Term to Maturity	Book Value	Term to Maturity	Book Value
1 year or less	\$ 35,003	1 year or less	\$ 16,581
1-3 years	32,989	1-3 years	1,548
3-5 years	18,574	3-5 years	2,265
5-15 years	256,575		-
over 15 years	233,246		-
	-----		-----
	\$ 576,387		\$ 20,394
	=====		=====

The adjustable rate loans have interest rate adjustment limitations and are generally indexed to the 1-year U.S. Treasury Securities rate. Future market factors may affect the correlation of the interest rate adjustment with the rates the Company pays on the short-term deposits that have been primarily utilized to fund these loans. At September 30, 2006 and 2005, the Company was servicing loans for others amounting to approximately \$3,928,000 and \$4,730,000 respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. Loan servicing income is recognized over the life of the loan. In connection with the loans serviced for others, the Company held borrowers' escrow balances of approximately \$21,000, \$36,000, and \$37,000 at September 30, 2006, 2005, and 2004, respectively. Loans to officers and directors at September 30, 2006 and 2005, were approximately \$648,000 and \$459,000, respectively. Additional loans and repayments for the year ended September 30, 2006, were \$90,000 and \$476,000, respectively, and for the year ended September 30, 2005, were approximately \$70,000 and \$127,000, respectively. The Company provides loans primarily in its local market area to borrowers that share similar attributes. This concentration of credit exposes the Company to a higher degree of risk in this regard.

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

	Year Ended September 30,		
	2006	2005	2004
Balance, beginning of year	\$ 1,967,607	\$ 1,976,849	\$ 1,990,672
Recoveries	8,524	83,707	1,571
Charged off	(20,326)	(92,949)	(15,394)
	-----	-----	-----
Balance, end of year	\$ 1,955,805	\$ 1,967,607	\$ 1,976,849
	=====	=====	=====

The activity in the recoveries and charge off accounts was primarily the result of the Company's Bounce protection program. This program extends credit automatically to our depositors. If the account is not brought current by the depositor the loan is charged off. If the customer subsequently brings the account current, a recovery is recognized.

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The provision for loan losses charged to expense is based upon past loss experiences and an evaluation of potential losses in the current loan portfolio, including the evaluation of impaired loans under SFAS No. 114. A loan is considered to be impaired when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. An insignificant delay or insignificant shortfall in amount of payments does not necessarily result in the loan being identified as impaired. For this purpose, delays less than 90 days are considered to be insignificant. As of September 30, 2006, 100% of the impaired loan balance was measured for impairment based on the fair value of the loans' collateral. Impairment losses are included in the provision for loan losses. SFAS No. 114 does not apply to large groups of smaller balance homogeneous loans that are collectively evaluated for impairment, except for those loans restructured under a troubled debt restructuring. Loans collectively evaluated for impairment include consumer loans and residential real estate loans. At September 30, 2006 and 2005, the Company's impaired loans consisted of smaller balance residential mortgage loans collectively evaluated for impairment. Non-performing loans (which include loans in excess of 90 days delinquent) at September 30, 2006 and 2005, amounted to approximately \$18,000 and \$260,000, respectively. The non-performing loans are still accruing interest. The loans were collectively evaluated for impairment.

8. Accrued Interest Receivable

Accrued interest receivable consists of the following:

	September 30,	
	2006	2005
Investments and interest-bearing deposits	\$ 1,499,045	\$ 1,022,126
Mortgage-backed securities	872,319	1,036,830
Loans receivable	1,598,246	1,373,098
	-----	-----
Total	\$ 3,969,610	\$ 3,432,054
	=====	=====

9. Office Properties and Equipment

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

	September 30,	
	2006	2005
Land	\$ 1,159,031	\$ 184,788
Buildings	7,543,587	6,383,356
Furniture, fixtures and equipment	3,694,898	3,433,247
Automobiles	24,896	24,896
	-----	-----
Total	12,422,412	10,026,287
Less accumulated depreciation	(4,408,443)	(4,196,593)
	-----	-----
Net	\$ 8,013,969	\$ 5,829,694
	=====	=====

Depreciation expense for the years ended September 30, 2006, 2005, and 2004 amounted to approximately \$466,000, \$436,000, and \$484,000, respectively.

10. Deposits

Deposits are summarized as follows:

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	2006		September 30, 2005	
	Amount	Weighted Interest Rate	Amount	Weighted Interest Rate
NOW accounts	\$ 15,719,531	0.25%	\$ 18,282,489	0.25%
Non-interest Checking accounts	10,338,951	0.00%	9,618,764	0.00%
Interest Checking accounts	20,410,198	2.46%	9,102,649	2.47%
Money Market Deposit accounts	58,989,416	1.58%	76,581,019	1.32%
Passbook and Club accounts	3,325,151	0.96%	3,806,599	0.78%
Certificate accounts	320,470,800	4.01%	301,588,135	3.52%
Total Deposits	\$ 429,254,047	3.34%	\$ 418,979,655	2.85%

At September 30, 2006, the amounts of scheduled maturities of certificate accounts were as follows:

For the year ended September 30:	2007	\$ 209,308,816
	2008	71,344,627
	2009	32,489,187
	2010	5,373,535
	2011	1,954,635
	Total	\$ 320,470,800

26 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

The aggregate amount of certificate accounts in denominations of \$100,000 or more at September 30, 2006 and 2005 amounted to approximately \$47.6 million and \$39.7 million, respectively. Deposits in excess of \$100,000 are not federally insured.

The following table sets forth the maturity of certificate deposits in excess of \$100,000 as of September 30, 2006.

	Amount
	(In thousands)
1 to 3 months	\$ 6,875
4 to 6 months	9,033
7 to 12 months	8,689
Thereafter	18,576
Total	\$43,173

Interest expense on savings deposits is composed of the following:

	September 30,		
	2006	2005	2004

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NOW accounts and MMDA accounts	\$ 1,371,109	\$ 1,245,110	\$ 1,093,438
Passbook and Club accounts	27,867	26,325	22,734
Certificate accounts	11,765,562	9,065,269	7,984,282
	-----	-----	-----
 Total	 \$ 13,164,538	 \$ 10,336,704	 \$ 9,100,454
	=====	=====	=====

11. Advances from Federal Home Loan Bank

Advances from the Federal Home Loan Bank consist of the following:

Maturing Period	September 30,			
	2006		2005	
	Amount	Weighted Interest Rate	Amount	Weighted Interest Rate
	-----	-----	-----	-----
1 to 12 months	\$ 79,492,234	4.92%	\$ 36,043,911	3.73%
13 to 24 months	46,949,489	4.79%	25,446,061	3.66%
25 to 36 months	25,850,822	4.07%	69,114,248	4.83%
37 to 48 months	8,375,148	3.96%	31,484,966	3.89%
49 to 60 months	39,417,941	5.38%	9,302,331	3.97%
61 to 72 months	59,525,528	4.47%	40,208,732	5.35%
73 to 84 months	5,000,000	3.80%	60,668,239	4.47%
85 to 120 months	30,000,000	4.10%	25,000,000	3.80%
	-----	-----	-----	-----
 Total	 \$ 294,611,162	 4.67%	 \$ 297,268,488	 4.38%
	=====	=====	=====	=====

The advances are collateralized by Federal Home Loan Bank stock and substantially all first mortgage loans.

The Company has a line of credit of which \$58.2 million and \$21.0 million of the available \$60.0 million was used at September 30, 2006 and 2005, respectively. The average balance outstanding on the line of credit for September 30, 2006 and 2005 was \$29.3 million and \$29.4 million, respectively. The maximum amount outstanding at any time for 2006 and 2005 was \$59.4 million and \$36.1 million, respectively. The weighted average interest rate during 2006 and 2005 was 4.89% and 2.98%, respectively.

2006 ANNUAL REPORT 27

12. Income Taxes

The Company computes its reserve for bad debts under the specific charge-off method. The bad debt deduction allowable under this method is available to large banks with assets greater than \$500 million. Generally, this method allows the Company to deduct an annual addition to the reserve for bad debts equal to its net charge-offs. Retained earnings at September 30, 2006 and 2005 includes approximately \$1,325,000 representing bad debt deductions for which no deferred income taxes have been provided.

The expense for income taxes differs from that computed at the statutory federal corporate tax rate as follows:

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	2006		Year Ended September 30, 2005		2004
	Amount	Percentage of Pretax Income	Amount	Percentage of Pretax Income	
At statutory rate	\$ 1,855,280	34.0%	\$ 2,276,724	34.0%	\$ 2,184,643
Adjustments resulting from:					
Tax-exempt income	(592,375)	(10.9)	(595,428)	(8.9)	(572,457)
State tax-net of federal tax benefit	-	-	69,588	1.0	29,057
Other	(7,728)	(0.1)	(58,357)	(0.8)	(37,419)
Expense per consolidated statements of income	\$ 1,255,177	23.0%	\$ 1,692,527	25.3%	\$ 1,603,824

Income tax expense is summarized as follows:

	Year Ended September 30,		
	2006	2005	2004
Current	\$ 1,244,214	\$ 1,624,759	\$ 1,628,569
Deferred	10,963	67,768	(24,745)
Total Income Tax Expense	\$ 1,255,177	\$ 1,692,527	\$ 1,603,824

Items that gave rise to significant portions of the deferred tax accounts are as follows:

	September 30,	
	2006	2005
Deferred Tax Assets:		
Deferred Loan Fees	\$ 73,722	\$ 87,919
Allowance for Loan Losses	664,974	668,986
Unrealized loss on investment securities	6,212	4,746
Other	39,564	9,846
Sub-Total	784,472	771,497
Deferred Tax Liabilities:		
Property	(433,922)	(431,910)
Other	-	-
Sub-Total	(433,922)	(431,910)
Total	\$ 350,550	\$ 339,587

Income taxes paid were approximately \$1,378,000, \$1,528,000, and \$1,533,000 for the years ended September 30, 2006, 2005, and 2004, respectively.

13. Regulatory Capital Requirements

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The Bank is subject to various regulatory capital requirements administered by the federal Banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory

28 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier 1 capital (as defined) to assets (as defined). Management believes, as of September 30, 2006, that the Bank meets all capital adequacy requirements to which it is subject.

As of September 30, 2006, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the table.

	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To Be Con Capital Prompt Action Amount

As of September 30, 2006					
Tier 1 Capital (to assets)	\$48,182,567	6.24%	\$30,868,800	4.00%	\$38,586,0
Tier 1 Capital (to risk weighted assets)	48,182,567	13.02%	14,800,960	4.00%	22,201,4
Total Capital (to risk weighted assets)	50,138,888	13.55%	29,601,920	8.00%	37,002,4
As of September 30, 2005					
Tier 1 Capital (to assets)	\$47,524,213	6.26%	\$30,376,680	4.00%	\$37,970,8
Tier 1 Capital (to risk weighted assets)	47,524,213	13.31%	14,283,160	4.00%	21,424,7
Total Capital (to risk weighted assets)	49,491,820	13.86%	28,566,320	8.00%	35,707,9

14. Retirement Savings Plan

The Company has an employee stock ownership pension plan and a qualified 401 (k) retirement savings plan covering all full-time employees meeting certain eligibility requirements. Contributions for both plans are at the discretion of the Company's Board of Directors. Contributions expense related to the plans was \$254,989, \$260,528 and \$241,185 for the years ended September 30, 2006, 2005, and 2004, respectively.

15. Stock Options

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In 1987, the Company established a stock compensation program for executive officers and other selected full-time employees and directors of the Company. The 1987 program consists of four plans that are available for grant: Plan I - incentive stock options; Plan II - compensatory stock options; Plan III - stock appreciation rights; and Plan IV - performance share awards.

In January 1996, the stockholders approved the 1995 Stock Option Plan. This plan consists of two parts: Plan I - incentive stock options and Plan II - compensatory stock options.

In January 2001, the stockholders approved the 2000 Stock Option Plan. This plan consists of two parts: Plan I - incentive stock options and Plan II - compensatory stock options. In January 2006, the stockholders approved the 2005 Stock Option Plan. This plan consists of two parts: Plan I - incentive stock options and Plan II - compensatory stock options.

A summary of transactions under this plan follows:

	2006		Year Ended September 30, 2005		2004
	Options	Weighted Average Price	Options	Weighted Average Price	Options
Outstanding, beginning of year	169,032	\$ 13.23	201,982	\$ 10.96	209,802
Exercised	(10,704)	8.93	(69,133)	9.16	(42,320)
Canceled	(2,078)	12.16	(2,917)	13.50	(2,500)
Granted	86,850	17.68	39,100	17.78	37,000
	-----	-----	-----	-----	-----
Outstanding, end of year	243,100	\$ 15.01	169,032	\$ 13.23	201,982
	=====	=====	=====	=====	=====
Options exercisable, end of year	130,400	\$ 13.32	98,267	\$ 11.98	130,315
	=====	=====	=====	=====	=====

2006 ANNUAL REPORT 29

A summary of the exercise price range at September 30, 2006 is as follows:

Number of Option Shares	Exercise Price Range	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
56,600	\$ 7.11 - 11.48	3.96 years	\$ 9.26
186,500	\$12.06 - 18.00	8.20 years	16.75
-----	-----	-----	-----
243,100	\$ 7.11 - 18.00	7.22 years	\$15.01
=====	=====	=====	=====

The Company also has established an Employee Stock Purchase Plan (the "Purchase Plan") whereby employees may elect to make contributions to the Purchase Plan in an aggregate amount not less than 2% no more than 10% of such employee's total compensation. These contributions would then be used to purchase stock during an offering period determined by the Company's Salary and Benefits Committee. The

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purchase price of the stock would be the lesser of 85% of the market price on the first day or the last day of the offering period. During 2006 and 2005, 0 and 3,729 shares were issued to employees, respectively. At September 30, 2006 and 2005, there were 31,081 shares available for future purchase. The Company suspended participation in the Purchase Plan in March 2005 and the plan is not currently active.

16. Commitments

At September 30, 2006, the Company had approximately \$4.5 million in outstanding commitments to originate mortgage loans, of which \$4.4 million were at fixed rates ranging from 5.25% to 7.13% and adjustable rates of \$1.0 million ranging from 6.00% to 6.38%. The unfunded line of credit commitments at September 30, 2006 were \$41.3 million. The Company had \$900,000 and \$1.6 million of committed commercial and consumer loans, respectively at September 30, 2006. The amounts of undisbursed portions of loans in process at September 30, 2006 were \$4.9 million. At September 30, 2006 the Company had exposures to limited recourse arrangements with respect to the Company's sale of whole loans. At September 30, 2006, the exposure, which represents a portion of credit risk associated with the sold interests, amounted to \$62,000. The exposure is for the life of the related loans and payable, on our proportional share, as losses are incurred. Also, at September 30, 2006, the Company had no outstanding futures or options positions.

The Company leases land for two of its branch offices. Minimum rental commitments at September 30, 2006, are summarized below:

Fiscal Year	Rental Amount
-----	-----
2007	94,174
2008	98,407
2009	104,332
2010	106,978
2011	108,300

Total	\$512,191
	=====

17. Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

18. Conversion To A Stock Savings Bank

At the time of conversion, in 1987, the Bank established a liquidation account in an amount equal to the Bank's net worth as reflected in the latest consolidated statement of financial condition of the Bank contained in the offering circular utilized in the conversion. The function of the liquidation account is to establish a priority on liquidation and, except with respect to the payment of cash dividends on, or the re-purchase of, any of the common stock by the Bank, the existence of the liquidation account will not operate to restrict the use or application of any of the net worth accounts of the Bank. In the event of a complete liquidation of the Bank (and only in such event), each eligible account holder will be entitled to receive a pro rata distribution from the liquidation account, based on such holder's proportionate amount of the total current adjusted balances from deposit accounts then held by all eligible account holders, before any liquidation distribution may be made with respect to stockholders. The liquidation account was approximately \$2,300,000 at September 30, 2006. Furthermore, the Company may not repurchase any of its stock if the

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effect thereof would cause the Company's net worth to be reduced below (i) the amount required for the liquidation account or (ii) the regulatory capital requirements.

30 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

19. Fair Market Value of Financial Instruments

The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret the market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	2006		September 30
	Carrying Amount	Estimated Fair Value	Carr Amo
Assets:			
Cash and cash equivalents	\$ 10,050,150	\$ 10,050,150	\$ 7,9
Investment securities held to maturity	111,098,682	111,247,877	87,3
Investment securities available-for-sale at fair value	8,107,758	8,107,758	2,8
Mortgage-backed securities held to maturity	219,493,818	213,912,604	263,9
Mortgage-backed securities available-for-sale at fair value	820,255	820,255	1,0
Loans receivable - net	385,450,374	379,488,305	366,0
Federal Home Loan Bank Stock	15,498,600	15,498,600	16,0
Liabilities:			
Passbook, Club and NOW accounts	49,793,832	49,793,832	40,8
Money Market Demand accounts	58,989,416	58,989,416	76,5
Certificate accounts	320,470,800	316,274,938	301,5
Advances from Federal Home Loan Bank	294,611,162	293,194,247	297,2

The carrying amounts of cash and short-term instruments approximate fair values. The carrying amounts of interest-bearing deposits maturing within ninety days approximate their fair values. The fair value of investment securities and mortgage-backed securities is based on quoted market prices, dealer quotes, and prices obtained from independent pricing services. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (e.g., one-to-four family residential) and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable. Although Federal Home Loan Bank Stock (FHLB) is an equity interest in FHLB, it is carried at cost because it does not have a readily determinable fair value as its ownership is restricted and it lacks a market. The estimated fair value approximates the carrying amount.

The fair value of NOW and money market deposits and savings accounts is the

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amount reported in the consolidated financial statements. The fair value of savings certificates and advances from Federal Home Loan Bank are based on a present value estimate using rates currently offered for instruments of similar remaining maturity. Fair values for off-balance sheet lending commitments are based on fees currently charged to enter similar agreements.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2006 and 2005. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

20. Parent Company Condensed Financial Information

Condensed financial statements of Harleysville Savings Financial Corporation are as follows:

Condensed Statements of Financial Condition

	September 30,	
	2006	2005
Assets		
Cash	\$ 183,080	\$ 19,441
Investment in subsidiary	48,662,388	47,603,551
	-----	-----
Total Assets	\$ 48,845,468	\$ 47,622,992
	=====	=====
Liabilities & Stockholders' Equity		
Liabilities		
Other Liabilities	\$ 374,098	\$ 47,176
Stockholders' equity	48,471,370	47,575,816
	-----	-----
Total liabilities & stockholders' equity	\$ 48,845,468	\$ 47,622,992
	=====	=====

2006 ANNUAL REPORT 31

Condensed Statement of Income

	Year Ended September 30,		
	2006	2005	2004
Income:			
Equity in undistributed income of subsidiary	\$ 4,594,634	\$ 5,375,655	\$ 5,150,999
Other expense	393,096	371,935	300,900
	-----	-----	-----
Net income	\$ 4,201,538	\$ 5,003,720	\$ 4,850,099
	=====	=====	=====

Condensed Statement of Cash Flows

	Year Ended September 30,		
	2006	2005	2004
Net income	\$ 4,201,538	\$ 5,003,720	\$ 4,850,099

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Increase in other Liabilities	326,922	3,408	7,500
Undistributed income of Harleysville Savings Bank	(4,594,634)	(5,375,655)	(5,150,990)
Net cash used by operating activities	(66,174)	(368,527)	(293,390)
Investing activities:			
Dividends received from subsidiaries	3,641,975	1,960,000	1,696,000
Net cash provided by investing activities	3,641,975	1,960,000	1,696,000
Financing activities:			
Acquisition of treasury stock	(1,681,657)	(328,280)	(251,580)
Use of treasury stock	451,573	421,706	707,820
Proceeds from issuance of common stock	300,428	460,431	
Dividends paid	(2,482,506)	(2,252,336)	(1,826,300)
Net cash used in financing activities	(3,412,162)	(1,698,479)	(1,370,050)
Net increase (decrease) in cash and cash equivalents	163,639	(107,006)	32,540
Cash and cash equivalents at the beginning of the period	19,441	126,447	93,890
Cash and cash equivalents at the end of the period	\$ 183,080	\$ 19,441	\$ 126,440

21. Quarterly Financial Data (Unaudited)

Unaudited quarterly financial data for the years ended September 30, 2006 and 2005 is as follows:

	2005				2006	
	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR
Interest Income	\$9,463	\$9,635	\$9,923	\$10,062	\$8,586	\$8,848
Interest Expense	6,422	6,371	6,621	6,953	5,351	5,503
Net Interest Income	3,041	3,264	3,302	3,109	3,235	3,345
Provision for loan loss						
Net interest income after provision for loan losses	3,041	3,264	3,302	3,109	3,235	3,345
Non-interest income	329	282	340	356	407	341
Non-interest expense	1,973	2,031	2,156	2,407	1,959	2,012
Income before income taxes	1,397	1,515	1,486	1,058	1,683	1,674
Income tax expense	316	354	386	199	428	432
Net income	\$1,081	\$1,161	\$1,100	\$ 859	\$1,255	\$1,242
Per Common Share:						
Earnings per share - basic	\$ 0.28	\$ 0.30	\$ 0.29	\$ 0.22	\$ 0.33	\$ 0.32
Earnings per share - diluted	\$ 0.27	\$ 0.29	\$ 0.28	\$ 0.22	\$ 0.32	\$ 0.32

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Earnings per share is computed independently for each period presented. Consequently, the sum of the quarters may not equal the total earnings per share for the year.

The number of shares and per share information for all periods presented has been restated to reflect the five for three stock split.

32 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

Market and Corporate Information

Market Information

Harleysville Savings Financial Corporation's Common Stock is traded in the Over-the-Counter Market and quoted on the NASDAQ National Market System under the symbol "HARL". The Common Stock was issued at an adjusted price of \$1.45 per share in connection with the Company's conversion from mutual to stock form and the Common Stock commenced trading on the NASDAQ National Market System on September 3, 1987. Prices shown below reflect the prices reported by the NASDAQ systems. The closing price on September 30, 2006, was \$16.90 per share. There were 3,849,736 shares outstanding as of September 30, 2006, held by approximately 1,000 stockholders.

For The Quarter Ended	High	Low	Close	Cash Dividends Declared
September 30, 2004	\$ 18.00	\$ 15.45	\$ 17.25	\$0.12
December 31, 2004	18.12	16.35	18.06	0.13
March 31, 2005	26.00	16.50	18.75	0.15
June 30, 2005	20.00	16.00	17.70	0.15
September 30, 2005	18.25	17.00	17.15	0.15
December 31, 2005	18.44	17.01	17.98	0.16
March 31, 2006	18.00	17.20	17.45	0.16
June 30, 2006	17.95	17.08	17.22	0.16
September 30, 2006	17.35	14.81	16.90	0.16

Corporate Information

Auditors

Deloitte & Touche LLP
1700 Market Street
Philadelphia, PA 19103-3984
(215) 246-2300

Annual Meeting

Indian Valley Country Club
Telford, PA
Wednesday, January 24, 2007
9:30 A.M.

Market Makers

Boenning & Scattergood, Inc.
Midwest Res. First Tennessee
Ryan Beck & Co., Inc.

Special Counsel

Elias, Matz, Tiernan & Herrick LLP.

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734 15th Street, N.W.
Washington, DC 20005
(202) 347-0300

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
(800) 525-7686, extension 2542

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

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
web site: www.rtco.com
email: invrel@rtco.com

Upon request, the Company's Annual Report or form 10-K for the year ended September 30, 2006, and the exhibits thereto required to be filed with the Securities and Exchange Commission under the Securities Act of 1934 will be furnished without charge to any stockholder.

2006 ANNUAL REPORT 33

BOARD OF DIRECTORS

Sanford L. Alderfer
President
Sanford Alderfer
Auction Co., Inc.
Hatfield, PA

Ronald B. Geib
President/COO

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Harleysville Savings
Financial Corporation
Harleysville, PA

James J. Rittenhouse, CPA
Shareholder in the firm
Detweiler, Hershey &
Associates, P.C.
Souderton, PA

Philip A. Clemens
Chairman/CEO
Clemens Family Corporation
Hatfield, PA

Charlotte A. Hunsberger, Esq.
Partner
Bricker, Landis & Hunsberger
Souderton, PA

Mark R. Cummins, CPA, CFA
Executive Vice President,
CIO, and Treasurer
Harleysville Insurance Companies
Harleysville, PA

George W. Meschter
President
Meschter Insurance Group
Collegeville, PA

David J. Friesen, CPA
Director of Development
Penn View Christian School
Souderton, PA

Edward J. Molnar
Chairman/CEO
Harleysville Savings
Financial Corporation
Harleysville, PA

OFFICERS

Edward J. Molnar
Chairman and
Chief Executive Officer

Adrian D. Gordon
Senior Vice President and
Chief Information Officer

Ronald B. Geib
President and
Chief Operating Officer

Sheri Strouse
Senior Vice President
and Branch Administrator

Marian Bickerstaff
Senior Vice President

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Residential Lending Officer
and Corporate Secretary

Stephen J. Kopenhaver
Senior Vice President and
Commercial Lending Officer

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

34 HARLEYSVILLE SAVINGS FINANCIAL CORPORATION

Managers

[PHOTO]

Michelle A. Beck
Assistant Vice President
Security Officer

Rodney A. Kipp
Assistant Vice President
Technology Operations Manager

M. Shane Michalak
Vice President, Controller
Accounting Department Manager

[PHOTO]

Kathleen L. Clairmont
Assistant Vice President
West Norriton Office Manager

Sherry L. Williamson
Assistant Vice President
Upper Providence Office Manager

Anne J. Rostosky
Vice President
Harleysville Office Manager

[PHOTO]

Denise L. Monaghan
Assistant Vice President
Loan Department Manager

Kim A. Licata
Assistant Vice President
Loan Customer Service Manager

[PHOTO]

Dawn L. Hufnagle
Assistant Vice President
Sumneytown Office Manager

Helena C. Baron
Assistant Vice President
Lansdale Office Manager

Paul F. Pendrak
Assistant Vice President
Hatfield Office Manager

Diane M. Carlson
Assistant Vice President
Human Resource Manager

Harleysville Savings Bank
Mission Statement

To create value for customers, team members,

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stockholders and the community by consistently
providing an exceptional community
banking experience

Harleysville 271 Main Street Harleysville, PA 19438 215-256-8828	Hatfield 1700 Cowpath Rd Hatfield, PA 19440 215-362-0750	Lansdale 640 East Main St Lansdale, PA 19446 215-855-1011	Sumneytown 3090 Main St Sumneytown, PA 18084 215-234-8053	Upper P 1889 East Royersfo 610-4
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