

Harleysville

FINANCIAL CORPORATION

AUDIT COMMITTEE CHARTER

Last Review – August 16, 2017

Last Update – August 16, 2017

Purpose

The audit committee is appointed by the Board of Directors (“Board of Directors” or the “Board”) of Harleysville Financial Corporation (the “Company”) to assist the Company in monitoring (1) the integrity of the financial statements of the Company, (2) the independent registered public accounting firm’s qualifications and independence, (3) the performance of the Company’s internal audit function and independent registered public accounting firm, and (4) compliance by the Company with regulatory and legal requirements.

Committee Membership

The audit committee shall consist of at least three members. Each member shall be an independent director as such term is defined in the Marketplace Rules of The Nasdaq Stock Market and meet the criteria for independence set forth in Rule 10A-3(b)(1) of the Securities and Exchange Commission (“SEC”). The Board shall determine whether each existing or potential audit committee member is independent at least annually. Among other conditions, to be considered independent a director may not receive directly or indirectly any consulting, advisory, or compensatory fee from the Company or any subsidiary, other than board or committee fees. Also to be considered independent, a person must not be an affiliated person, an executive officer or controlling shareholder of the Company or any affiliate of the Company or participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. In addition, to be considered independent, a person may not have a lending relationship with the Company or any subsidiary, other than permitted by banking regulators.

Each member must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement. Additionally, at least one member of the audit committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Upon determination by the Board of Directors that any member fully qualifies as a financial expert as defined by the rules and regulations of the SEC, at least one such member will be appointed to the audit committee. Audit committee members shall not simultaneously serve on the audit committees of more than two other public companies.

The members of the audit committee are appointed annually by the Board of Directors. The members of the audit committee shall serve until their successors are duly appointed and qualified by the Board. The Board shall appoint one of the members of the audit committee to serve as Chair and the audit committee may also appoint a Secretary, who need not be a director.

Meetings

The audit committee shall meet as often as it determines, but not less frequently than three times annually. The audit committee shall meet periodically with the independent registered public accounting firm in executive session to discuss pertinent matters and to determine that there have been no restrictions placed by management on the scope of their examination. The audit committee may request any officer or team member of the Company or the Company’s outside counsel, independent registered public accounting firm, or consultant to attend any meeting of the audit committee.

Committee Authority and Responsibilities

The audit committee shall have the sole authority to appoint or replace the independent registered public accounting firm (subject, if applicable, to stockholder ratification). The audit committee shall be directly responsible for the compensation and oversight of the independent registered public accounting firm (including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent registered public accounting firm shall report directly to the audit committee.

The audit committee shall pre-approve all material auditing services and permitted material non-audit services (including the fees and terms of such arrangements) to be performed for the Company or any subsidiary.

The audit committee shall review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of SEC's Regulation S-K (e.g., Company transactions with any director or executive officer of the Company or any Company stockholder who holds more than five percent of the voting securities, including immediate family members or associates or affiliates of any of the above).

The audit committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the audit committee for such services.

Financial Statement and Disclosure Matters

The audit committee shall:

- Discuss with the independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- Review and discuss with management and the independent registered public accounting firm the Company's annual audited financial statements, including additional disclosures made in the section of the Annual Report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- Review and discuss with management and the independent registered public accounting firm significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's application of accounting principles or internal controls.
- Review and discuss with management and the independent registered public accounting firm the effect of any significant regulatory or accounting changes as well as any off-balance sheet structures that may affect the Company's financial reporting.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- Meet with the independent registered public accounting firm prior to the audit to discuss the planning and staffing of the audit.
- Ensure that the independent registered public accounting firm submits to the audit committee the annual written disclosures required by Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and discuss with the auditors the auditors' independence.
- Maintain an active dialogue with the independent registered public accounting firm regarding any disclosed relationships or services that could affect the objectivity and independence of the outside auditors, and be responsible for taking, or recommending that the Board of Directors take, appropriate action to oversee the independent registered public accounting firm's independence.
- Establish procedures for the receipt, retention and treatment of complaints received from team members of the Company or subsidiaries regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by team members of concerns regarding questionable accounting or auditing matters.
- Discuss with management and independent registered public accounting firm any correspondence with or from the regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
- Perform any other activities consistent with this charter, the Corporation's Bylaws and governing laws and regulations as the audit committee or the Board deems necessary or appropriate.

Limitation of Audit Committee's Role

While the audit committee has the responsibilities and powers set forth in this charter, it is not the duty of the audit committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent registered public accounting firm.

Annual Review of Audit Committee Charter

The audit committee charter shall be reviewed at least annually.