

Harleysville

FINANCIAL CORPORATION

December 18, 2019

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Harleysville Financial Corporation, the holding company for Harleysville Bank. The meeting will be held at the Franconia Heritage Restaurant, located at 508 Harleysville Pike, Telford, Pennsylvania 18969, on Wednesday, January 22, 2020 at 9:30 a.m., Eastern time. The matters to be considered by shareholders at the annual meeting are described in the accompanying materials.

It is very important that your shares be voted at the annual meeting regardless of the number you own or whether you are able to attend the meeting in person. We urge you to mark, sign, and date your proxy card today and return it in the envelope provided, even if you plan to attend the annual meeting. This will not prevent you from voting in person, but will ensure that your vote is counted if you are unable to attend.

Your continued support of and interest in Harleysville Financial Corporation is sincerely appreciated.

Sincerely,



Ronald B. Geib
Chairman of the Board

HARLEYSVILLE FINANCIAL CORPORATION
271 Main Street
Harleysville, Pennsylvania 19438
(215) 256-8828

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 22, 2020

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Harleysville Financial Corporation (the "Company") will be held at the Franconia Heritage Restaurant, located at 508 Harleysville Pike, Telford, Pennsylvania 18969, on Wednesday, January 22, 2020 at 9:30 a.m., Eastern time, for the following purposes, all of which are more completely set forth in the accompanying proxy statement:

- (1) To elect three directors for a three-year term and in each case until their successors are elected and qualified;
- (2) To ratify the appointment of S.R. Snodgrass, A.C. as the Company's independent public accounting firm for the year ending September 30, 2020; and
- (3) To transact such other business as may properly come before the meeting or any adjournment thereof. Management is not aware of any other such business.

The board of directors has fixed December 3, 2019 as the voting record date for the determination of shareholders entitled to notice of and to vote at the annual meeting and at any adjournment thereof. Only those shareholders of record as of the close of business on that date will be entitled to vote at the annual meeting or at any such adjournment.

By Order of the Board of Directors



Adrian D. Gordon
Senior Vice President and Corporate Secretary

Harleysville, Pennsylvania
December 18, 2019

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT, YOU ARE URGED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE ENVELOPE PROVIDED. IF YOU ATTEND THE MEETING, YOU MAY VOTE EITHER IN PERSON OR BY PROXY. ANY PROXY GIVEN MAY BE REVOKED BY YOU IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE EXERCISE THEREOF.

HARLEYSVILLE FINANCIAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

JANUARY 22, 2020

General

This proxy statement is furnished to holders of common stock of Harleysville Financial Corporation (the “Company”), the bank holding company for Harleysville Bank (the “Bank”). Proxies are being solicited on behalf of the board of directors of the Company to be used at the annual meeting of shareholders to be held at the Franconia Heritage Restaurant, located at 508 Harleysville Pike, Telford, Pennsylvania 18969, on Wednesday, January 22, 2020 at 9:30 a.m., Eastern time, and at any adjournment thereof for the purposes set forth in the Notice of Annual Meeting of Shareholders. This proxy statement is first being mailed to shareholders on or about December 18, 2019.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on January 22, 2020. This proxy statement and the Annual Report to Shareholders for the year ended September 30, 2019 as well as driving directions to the annual meeting are available on our website at www.harleysvillebank.com under the tabs “About Us – Annual Meeting.”

Voting Rights

Only shareholders of record at the close of business on December 3, 2019 will be entitled to notice of and to vote at the annual meeting. At such date, there were 3,769,237 shares of common stock issued and outstanding and the Company had no other class of equity securities outstanding.

Each share of common stock is entitled to one vote at the annual meeting on all matters properly presented at the meeting. The presence in person or by proxy of at least a majority of the issued and outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the annual meeting. The three persons receiving the greatest number of votes will be elected as directors. The affirmative vote of a majority of the total votes cast is required for approval of the proposal to ratify the appointment of the Company’s independent public accounting firm.

Under rules applicable to broker-dealers, the proposal to ratify the independent registered public accounting firm is considered a “discretionary” item upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions. The election of directors is considered “non-discretionary” for which brokerage firms may not vote in their discretion on behalf of clients who do not furnish voting instructions and, thus, there may be “broker non-votes” at the meeting. Abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum at the annual meeting. However, because of the required votes, abstentions and broker non-votes will have no effect on the voting for the election of directors or the proposal to ratify the appointment of the Company’s independent public accounting firm.

Recommendation of the Board of Directors

The board of directors of the Company recommends that shareholders vote (i) FOR the nominees for director described herein; and (ii) FOR the ratification of S.R. Snodgrass, A.C. as the Company’s independent public accounting firm for the year ending September 30, 2020.

Proxies

The proxy solicited hereby, if properly signed and returned to the Company and not revoked prior to its use, will be voted in accordance with the instructions contained therein. If no contrary instructions are given, each proxy received will be voted (i) FOR the nominees for director described herein; (ii) FOR the ratification of S.R.

Snodgrass, A.C. as the Company's independent public accounting firm for the year ending September 30, 2020; and (iii) upon the transaction of such other business as may properly come before the meeting, in accordance with the best judgment of the persons appointed as proxies. Any shareholder giving a proxy has the power to revoke it at any time before it is exercised by (i) filing with the secretary of the Company written notice thereof (Adrian D. Gordon, Senior Vice President and Corporate Secretary, Harleysville Financial Corporation, 271 Main Street, Harleysville, Pennsylvania 19438); (ii) submitting a duly-executed proxy bearing a later date; or (iii) appearing at the annual meeting and giving the secretary notice of his or her intention to vote in person. Proxies solicited hereby may be exercised only at the annual meeting and any adjournment thereof and will not be used for any other meeting.

**INFORMATION WITH RESPECT TO NOMINEES FOR DIRECTOR,
DIRECTORS WHOSE TERMS CONTINUE AND EXECUTIVE OFFICERS**

Election of Directors

The articles of incorporation of the Company provide that the board of directors of the Company shall be divided into three classes which are as equal in number as possible, and that the members of each class are to be elected for a term of three years and until their successors are elected and qualified. One class of directors is to be elected annually and shareholders are not permitted to cumulate their votes for the election of directors. No nominee for director is related to any other director or executive officer of the Company by blood, marriage or adoption.

Unless otherwise directed, each proxy executed and returned by a shareholder will be voted for the election of the nominees for director listed below. If any person named as nominee should be unable or unwilling to stand for election at the time of the annual meeting, the proxies will nominate and vote for any replacement nominee or nominees recommended by the board of directors. At this time, the board of directors knows of no reason why any of the nominees listed below may not be able to serve as a director if elected.

The following tables present information concerning the nominees for director and each director whose term continues, including his or her tenure as a director of the Company.

Nominees for Director for a Three-Year Term Expiring in 2023

Name	Age	Principal Occupation During the Past Five Years	Director Since ⁽¹⁾
Charlotte A. Hunsberger	50	Ms. Hunsberger is a partner in the law firm of Landis, Hunsberger, Gingrich & Weik, LLP, located in Souderton, Pennsylvania.	2005
Brendan J. McGill	51	Mr. McGill has served as the Company's President since September 2014 and as Chief Executive Officer since March 2018. He also served as Chief Operating Officer from June 2010 until April 2018. Previously, Mr. McGill served as Executive Vice President and Chief Financial Officer from May 2009 until September 2014. From February 2000 until May 2009, Mr. McGill served as the Company's Senior Vice President, Treasurer and Chief Financial Officer. Mr. McGill joined the Bank in September 1999 as Senior Vice President, Chief Financial Officer and Treasurer.	2014
Keith E. Ahart	52	Mr. Ahart is an investment manager for Franklin Mutual Insurance Company, located in Branchville, New Jersey.	2016

The Board of Directors Recommends a Vote FOR Election of the Nominees for Director.

Members of the Board of Directors Continuing in Office

Directors With Terms Expiring in 2021

Name	Age	Principal Occupation During the Past Five Years	Director Since ⁽¹⁾
Thomas D. Clemens	59	Mr. Clemens is President of Clemens Development and Clemens Investment, located in Hatfield, Pennsylvania.	2009
George W. Meschter	67	Mr. Meschter is the President of Meschter Insurance Group, an insurance agency located in Collegeville, Pennsylvania.	1981
James L. Rittenhouse	58	Mr. Rittenhouse is a certified public accountant, certified valuation analyst, master analyst in financial forensics and a shareholder in the firm Detweiler, Hershey & Associates, P.C., located in Souderton, Pennsylvania.	2005

Directors With Terms Expiring in 2022

Name	Age	Principal Occupation During the Past Five Years	Director Since ⁽¹⁾
Sanford L. Alderfer	67	Mr. Alderfer is President of Sanford Alderfer Companies, located in Hatfield, Pennsylvania.	2001
Mark R. Cummins	63	Mr. Cummins is the retired Executive Vice President, Chief Investment Officer and Treasurer of Harleysville Group, Inc., an insurance company located in Harleysville, Pennsylvania.	1995
Ronald B. Geib	66	Mr. Geib has served as Chairman of the Board since January 2017. He served as President of the Company and the Bank from January 2007 until September 2014 and as Chief Executive Officer of the Company and the Bank from January 2007 until his retirement in March 2018. Prior thereto, Mr. Geib served as President and Chief Operating Officer of the Company and the Bank from November 2002 until January 2007. Mr. Geib also served as Executive Vice President and Chief Operating Officer of the Company and the Bank from 1999 to November 2002. Mr. Geib served as the Bank's Senior Vice President, Treasurer, and Chief Financial Officer from 1980 to 1999. Mr. Geib joined the Bank in 1976.	2001

⁽¹⁾ Includes service as a director of the Bank.

Independence of the Company's Board of Directors

It is the policy of the board of directors of the Company that a substantial majority of its directors be independent of the Company within the meaning of laws and regulations and the listing standards of the NASDAQ Stock Market, assuming that such standards were applicable to the Company.

Our board of directors has affirmatively determined that a majority of our directors are independent. All of our current directors are independent, except for Mr. McGill, who serves as our president and chief executive officer. Our board of directors also has affirmatively determined that each member of the audit committee, compensation committee and nominating committee of the board of directors is independent within the meaning of laws and regulations and the requirements of the NASDAQ Stock Market, assuming that such standards were applicable to the Company.

Directors Attendance at Annual Meetings

Although we do not have a formal policy regarding attendance by members of the board of directors at annual meetings of shareholders, we expect that our directors will attend, absent a valid reason for not doing so. All of our directors attended our last annual meeting of shareholders held in January 2019.

Shareholder Nominations

Article III, Section 3.12 of the Company's bylaws governs nominations for election to the board and requires all such nominations, other than those made by the board, to be made at a meeting of shareholders called for the election of directors, and only by a shareholder who has complied with the notice provisions in that section. Shareholder nominations must be made pursuant to timely notice in writing to the secretary of the Company. To be timely, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Company not later than (i) with respect to an election to be held at an annual meeting of shareholders, 90 days prior to the anniversary date of the mailing of proxy materials by the Company for the immediately preceding annual meeting, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to shareholders.

Each written notice of a shareholder nomination shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (e) the consent of each nominee to serve as a director of the Company if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures. The Company did not receive any nominations from shareholders for the annual meeting.

The Board of Directors and Its Committees

Regular meetings of the board of directors of the Company and the Bank are typically held on a monthly basis and special meetings of the board of directors are held from time-to-time as needed. There were 12 meetings of the board of directors of the Company held during fiscal 2019. No director attended fewer than 75% of the aggregate of the total number of meetings of the board of directors and the total number of meetings of committees of the board on which the director served during the year.

The board of directors of the Company has established various committees, including Audit, Compensation and Human Resources and Corporate Governance and Nominating Committees.

The Compensation and Human Resources Committee, which met three times during fiscal 2019, reviews the Company's compensation programs and recommends salary and benefits for the Company's employees. The members of the committee are currently Messrs. Alderfer and Cummins and Ms. Hunsberger. The Compensation

and Human Resources Committee operates pursuant to a written charter, a copy of which is available on the Company's website at www.harleysvillebank.com.

The Corporate Governance and Nominating Committee, which met two times during fiscal 2019 with respect to nominations for directors for the annual meeting, advises the board of directors with respect to nominations of directors and recommends candidates to the board of directors as nominees for election, reviews existing corporate governance documents and establishes corporate governance principles for the Company, reviews nominations for director submitted by shareholders pursuant to the Company's bylaws and identifies and recommends to the board the selection of qualified individuals to serve as officers of the Company. The members of the Corporate Governance and Nominating Committee are currently Messrs. Clemens and Meschter and Ms. Hunsberger. Each of these persons is independent within the meaning of the rules of the NASDAQ Stock Market, assuming such rules were applicable to the Company. The Corporate Governance and Nominating Committee operates pursuant to a written charter, a copy of which is available on the Company's website at www.harleysvillebank.com.

The Corporate Governance and Nominating Committee will also consider candidates for director suggested by its shareholders. A shareholder who desires to recommend a prospective nominee for director should submit in writing the name and qualifications, including place of principal residence and place of employment, of such persons to the Corporate Governance and Nominating Committee no later than July 31st of any year. Submissions shall be sent to the Corporate Governance and Nominating Committee, Harleysville Financial Corporation, Corporate Secretary, 271 Main Street, Harleysville, Pennsylvania 19438. The Corporate Governance and Nominating Committee also considers whether to nominate any person nominated pursuant to the provision of the Company's articles of incorporation relating to shareholder nominations, which is described above under "- Shareholder Nominations." The Corporate Governance and Nominating Committee has the authority and ability to retain a search firm to identify or evaluate potential nominees if it so desires.

The charter of the Corporate Governance and Nominating Committee sets forth certain criteria the committee may consider when recommending individuals for nomination as director including: (a) ensuring that the board of directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise (including expertise that could qualify a director as a "financial expert," as that term is defined by the rules of the SEC), local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with our business and industry, independence of thought and an ability to work collegially. The committee also may consider the extent to which the candidate would fill a present need on the board of directors.

The charter of the Corporate Governance and Nominating Committee also provides that a director should have:

- a solid understanding of general management best practices and their application;
- a history of making good business decisions;
- the ability to read a balance sheet, income statement, cash flow statement and understand the use of financial ratios and other indicators for evaluating Company performance;
- the ability and the time to perform during periods of both short-term and prolonged crises;
- an understanding of what it takes to attract, motivate and energize a high-performance leadership team;
- an understanding of the importance of the strategic planning process in creating a competitive advantage through strategy;
- a good reputation for high ethical standards and integrity in their personal and professional dealings;
- mature confidence and value board and team performance over individual performance; respects others, is open to the opinions of others, has good listening skills, is confident enough to ask tough questions, and can communicate persuasively;

- a history of high performance standards as reflected in the person’s history of achievements;
- high intelligence, exhibit wisdom and will be expected to exercise prudence and care in carrying out the responsibilities of the position; and
- no existing or potential conflict of interest situation.

In addition, a director must be:

- a citizen of the United States of America and shall have his or her primary residence and place of employment within the Bank’s market area;
- a person who has a reputation for being trusted with confidential information; and
- a person who will faithfully attend board meetings, committee meetings and the annual meeting of the shareholders and takes the time to prepare for meaningful discussion.

Once the Corporate Governance and Nominating Committee has identified a prospective nominee, the committee makes an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on whatever information is provided to the committee with the recommendation of the prospective candidate, as well as the committee’s own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others.

The Audit Committee reviews the records and affairs of the Company to determine its financial condition, reviews with management and the Company’s independent registered public accounting firm the systems of internal control, monitors the Company’s adherence in accounting and financial reporting to generally accepted accounting principles, and performs such other duties deemed appropriate by the board of directors. The Audit Committee met five times in fiscal 2019. Messrs. Ahart, Cummins and Rittenhouse served on the Audit Committee in fiscal 2019. The members the Audit Committee are independent as defined in the listing standards of the NASDAQ Stock Market, assuming such rules were applicable to the Company. The Audit Committee operates pursuant to a written charter, a copy of which is available on the Company’s website at www.harleysvillebank.com.

Although such requirements are not applicable to the Company, the board of directors has determined that Messrs. Ahart, Cummins and Rittenhouse, members of the Audit Committee, meet the requirements adopted by the Securities and Exchange Commission for qualification as an audit committee financial expert. An audit committee financial expert is defined as a person who has the following attributes: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity or accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant’s financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions.

Report of the Audit Committee

The Audit Committee has reviewed and discussed the Company’s audited financial statements with management. The Audit Committee has discussed with the independent public accounting firm the matters required to be discussed by the Statement on Auditing Standards (“SAS”) No. 61, “Communication with Audit Committees,” as amended by SAS No. 90, “Audit Committee Communications” as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent public accounting firm required by Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees” and has discussed with the independent public accounting firm the auditor’s independence.

Keith E. Ahart
 Mark R. Cummins
 James L. Rittenhouse

Executive Officers Who Are Not Directors

The following table sets forth certain information with respect to the executive officers of the Company and the Bank who are not directors or nominees.

Name	Age	Position(s) with the Company and Principal Occupation During the Past Five Years
Stephen J. Kopenhaver	56	Mr. Kopenhaver has served as Senior Vice President and Chief Lending Officer for the Company and the Bank since December 2006. Mr. Kopenhaver was Senior Vice President/Commercial Services for the Company and the Bank from January 2006 to December 2006. Mr. Kopenhaver joined the Bank in 2006 and has 30 years of commercial banking experience.
Adrian D. Gordon	48	Mr. Gordon has served as Senior Vice President and Chief Information Officer for the Company and the Bank since January 2006. Mr. Gordon also serves as the Corporate Secretary of the Company and the Bank. Mr. Gordon joined the Bank in 1995 serving as Loan Servicing Manager/Data Information Coordinator until 1997, as Information Systems Manager from 1997 until 1998, as Assistant Vice President from 1999 until 2000 and as Vice President from 2000 until January 2006.
Sheri Strouse	56	Ms. Strouse has served as Senior Vice President and Chief Retail Officer for the Company and the Bank since December 2009. Ms. Strouse served as Senior Vice President and Branch Administrator from June 2006 to December 2009. Ms. Strouse previously served as Vice President of the Bank from 2000 until January 2006 and has been with the Bank since 1997.
M. Shane Michalak	48	Mr. Michalak has served as the Senior Vice President and Chief Financial Officer of the Company and the Bank since September 2014. Mr. Michalak previously served as Vice President, Controller and Treasurer of the Company and the Bank until September 2014. Mr. Michalak joined the Bank in 2002.

**BENEFICIAL OWNERSHIP OF COMMON STOCK
BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the beneficial ownership of the common stock as of the record date, and certain other information with respect to (i) the Harleysville Bank 401(k) Plan; (ii) each director and nominee for director of the Company, (iii) certain named executive officers of the Company, and (iv) all directors, nominees for director and executive officers of the Company as a group.

<u>Name of Beneficial Owner or Number of Persons in Group</u>	<u>Amount and Nature of Beneficial Ownership as of December 3, 2019(1)(2)</u>	<u>Percent of Common Stock</u>
Harleysville Bank 401(k) Plan	192,279(3)	5.1%
Directors and Nominees for Director:		
Keith E. Ahart	1,000	*
Sanford L. Alderfer	8,725(4)(5)	*
Thomas D. Clemens	21,200	*
Mark R. Cummins	13,279(5)(6)	*
Ronald B. Geib	184,948(7)	4.9
Charlotte A. Hunsberger	11,897(5)(8)	*
Brendan J. McGill	84,114(9)	2.2
George W. Meschter	58,491(10)	1.6
James L. Rittenhouse	25,265(11)	*
Named Executive Officers:		
Stephen J. Kopenhaver	51,426(12)	1.4
M. Shane Michalak	40,523(13)	1.1
All Directors, Nominees for Director and Executive Officers as a group (13 persons)	600,445(14)	15.5

*Less than 1% of the outstanding common stock.

- (1) Based upon records of the Company's transfer agent and information furnished by the respective individuals. Shares of common stock are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares (i) voting power, which includes the power to vote or to direct the voting of the shares, or (ii) investment power, which includes the power to dispose or to direct the disposition of the shares. Unless otherwise indicated, the named beneficial owner has sole voting and dispositive power with respect to the shares.
- (2) A person is deemed to have beneficial ownership of any shares of common stock which may be acquired within 60 days of the record date pursuant to the exercise of outstanding stock options. Shares of common stock which are subject to stock options are deemed to be outstanding for the purpose of computing the percentage of outstanding common stock owned by such person or group but not deemed outstanding for the purpose of computing the percentage of common stock owned by any other person or group.
- (3) The Harleysville Bank 401(k) Plan (the "401(k) Plan") is an employee benefit plan with individual accounts for the benefit of participating employees, including an account which invests in common stock of the Company. The 401(k) Plan's assets are held in a trust, which the trustees are currently Sanford L. Alderfer, Mark R. Cummins and Charlotte A. Hunsberger (the "Plan Trustees"). The number of shares listed as beneficially owned by the 401(k) Plan represents the number of shares of common stock held by the plan and allocated to the accounts of participating employees as of December 3, 2019. In general,

participating employees have the power and authority to direct the voting of shares of common stock allocated to their account in the plan. In the event that participating employees do not instruct the Plan Trustees how to vote shares of common stock allocated to their account, the shares are generally voted by the Plan Trustees in their discretion, subject to the fiduciary duties of the Plan Trustees and applicable law.

- (4) Includes 8,725 shares held jointly with Mr. Alderfer's wife.
- (5) Does not include shares of common stock held in the 401(k) Plan, for which Messrs. Alderfer and Cummins and Ms. Hunsberger are Plan Trustees. Messrs. Alderfer and Cummins and Ms. Hunsberger disclaim beneficial ownership of the shares held in the 401(k) Plan.
- (6) Includes 12,377 shares held jointly with Mr. Cummins' wife and 902 shares owned by Mr. Cummins children.
- (7) Includes 23,467 shares which may be acquired within 60 days of the record date pursuant to the exercise of vested stock options.
- (8) Includes 7,341 shares held jointly with Ms. Hunsberger's husband and 431 shares held as custodian for Ms. Hunsberger's children.
- (9) Includes 38,091 shares held by Mr. McGill in the 401(k) Plan and 23,675 shares which may be acquired within 60 days of the record date pursuant to the exercise of vested stock options.
- (10) Includes 12,740 shares owned by Meschter Insurance Group of which Mr. Meschter is President, 7,640 shares held in a trust which Mr. Meschter is trustee and 1,737 shares held by Mr. Meschter's wife as custodian for their child.
- (11) Includes 1,383 shares held by Mr. Rittenhouse's children.
- (12) Includes 3,561 shares held by Mr. Kopenhaver in the 401(k) Plan and 19,234 shares which may be acquired within 60 days of the record date pursuant to the exercise of vested stock options.
- (13) Includes 3,745 shares held jointly with Mr. Michalak's spouse, 9,941 shares held by Mr. Michalak in the 401(k) Plan and 9,403 shares which may be acquired within 60 days of the record date pursuant to the exercise of vested stock options.
- (14) Includes 100,733 shares subject to outstanding stock options which are exercisable within 60 days of the record date and 79,893 shares held in the 401(k) Plan for the account of all executive officers and directors as a group.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Executive Compensation

The following table sets forth a summary of certain information concerning the compensation awarded to or paid by the Company or its subsidiaries for services rendered in all capacities during the last two fiscal years to our principal executive officer as well as our two other highest compensated executive officers. We refer to these individuals throughout this proxy statement as the “named executive officers.”

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ⁽¹⁾	Bonus	Stock Awards ⁽²⁾	Option Awards ⁽²⁾	Non-Equity Incentive Plan Compensation ⁽³⁾	Nonqualified Deferred Compensation Earnings	All Other Compensation ⁽⁴⁾	Total
Brendan J. McGill ⁽⁵⁾ <i>President and Chief Executive Officer</i>	2019	\$332,000	--	\$25,169	\$ 8,398	\$101,401	--	\$61,232	\$528,200
	2018	289,404	--	48,012	55,199	81,704	--	58,942	533,261
Stephen J. Kopenhaver <i>Senior Vice President and Chief Lending Officer</i>	2019	216,547	--	16,353	5,455	66,139	--	19,489	323,983
	2018	210,238	--	31,306	10,433	59,354	--	18,921	330,252
M. Shane Michalak <i>Senior Vice President and Chief Financial Officer</i>	2019	169,925	--	12,964	4,319	51,899	--	15,293	254,400
	2018	159,711	--	23,697	9,052	45,089	--	14,373	251,922

(1) Includes amounts deferred and contributed to the 401(k) Plan by the named executive officer.

(2) Reflects the aggregate grant date value computed in accordance with FASB ASC Topic 718 during the indicated fiscal year with respect to awards of restricted stock and/or stock options, as the case may be, with respect to each of the named executive officers. On November 7, 2017, Messrs. McGill, Kopenhaver and Michalak were granted stock options to purchase 2,192, 1,408 and 1,058 shares of common stock, respectively, and 1,091, 701 and 527 shares of restricted stock, respectively. The stock options have an exercise price of \$22.00 per share and vest on January 7, 2022. On December 2, 2017, Mr. McGill was granted stock options to purchase 10,000 shares of common stock, which have an exercise price of \$23.48 per share and vest one-fifth each year over five years from the date of grant. On August 15, 2018, Messrs. McGill, Kopenhaver and Michalak were granted stock options to purchase 1,541, 1,020 and 1,000 shares of common stock, respectively, and 978, 647 and 493 shares of restricted stock, respectively. The stock options have an exercise price of \$24.55 per share and vest five years from the date of grant. On August 20, 2019, Messrs. McGill, Kopenhaver and Michalak were granted stock options to purchase 2,137, 1,388 and 1,099 shares of common stock, respectively, and 1,062, 690 and 547 shares of restricted stock, respectively. The stock options have an exercise price of \$23.70 per share and vest five years from the date of grant. The restricted stock awards vest one-third per year over three years from the date of grant. For a discussion of the assumptions used to establish the valuation of the restricted stock awards and stock options, reference is made to Note 2 of the Notes to the Consolidated Financial Statements of the Company included in the Company’s Annual Report to Shareholders for the year ended September 30, 2019.

(3) Reflects cash bonuses paid to executive officers under the Company’s Profit Sharing Incentive Plan.

(4) In fiscal 2019, includes amounts paid by the Company to the accounts of Messrs. McGill, Kopenhaver and Michalak pursuant to the 401(k) Plan of \$26,969, \$19,489 and \$15,293, respectively. Also includes for Mr. McGill in fiscal 2019, the payment of \$30,700 in director’s fees and perquisites and other benefits in the amount of \$3,563 for the cost of the personal use of a Company-provided automobile.

(5) Mr. McGill served as President and Chief Operating Officer until April 1, 2018 and as President and Chief Executive Officer since then.

Employment Agreement

The Company and the Bank entered into an employment agreement with Mr. McGill, effective March 30, 2018, pursuant to which the Company and the Bank agreed to employ Mr. McGill as President and Chief Executive Officer. The agreement provides for Mr. McGill to serve as Chief Executive Officer of the Company and the Bank, at a current base salary of \$336,000. The term of the agreement is five years, which term extends automatically on

March 30th of each year to continue for a five year term unless the board of directors of the Company, the Bank or Mr. McGill gives advance notice not to extend the term.

The agreement is terminable with or without cause by the Company and the Bank. Mr. McGill will have no right to compensation or other benefits pursuant to the agreement for any period after voluntary termination or termination by the Company and the Bank for cause, retirement or death. If Mr. McGill's employment is terminated due to disability, he will be entitled to a declining percentage of his base salary for the remaining term of the agreement.

If prior to a change in control of the Company or the Bank either (i) Mr. McGill terminates his employment as a result of certain adverse actions by the Company or the Bank or (ii) the agreement is terminated by the Company and the Bank other than for cause, disability, retirement or death, then Mr. McGill will be entitled to a lump sum cash severance amount equal to his base salary for the remaining term of the agreement or, if greater, for 2.99 years, with such base salary to be discounted to present value, plus a lump sum cash payment equal to the projected cost of providing continued benefits (other than insurance benefits or benefits under retirement plans, stock compensation plans or cash compensation plans) to Mr. McGill for the lesser of the remaining term of his agreement or three years. If Mr. McGill's employment is terminated concurrently with or subsequent to a change in control of the Company or the Bank, as defined, by either (a) the Company or the Bank for other than cause, disability, retirement or death or (b) Mr. McGill as a result of certain adverse actions by the Company or the Bank, then Mr. McGill will be entitled to a cash severance amount equal to three times his annual compensation. Annual compensation is defined as the average aggregate annual compensation paid to Mr. McGill and includible in his gross income for federal income tax purposes during the five calendar years preceding the year in which the date of termination occurs, and such compensation includes among other things salary, bonuses and income related to the exercise of stock options. In addition, in any of the termination events set forth in this paragraph, Mr. McGill will also be entitled to the continuation of insurance benefits similar to those he is receiving at the time of such termination for periods specified in the agreement or until he obtains full-time employment with another employer providing similar benefits, whichever occurs first, plus a lump sum cash payment equal to the projected cost of providing continued benefits (other than insurance benefits or benefits under retirement plans, stock compensation plans or cash compensation plans) to Mr. McGill for the lesser of the remaining term of his agreement or three years.

The employment agreement provides that in the event any of the payments to be made thereunder or otherwise upon termination of employment are deemed to constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments and benefits received thereunder shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits being non-deductible by the Company and the Bank for federal income tax purposes. Parachute payments generally are payments equal to or greater than three times the executive's base amount, which is defined to mean the executive's average annual compensation from the employer includable in the executive's gross income during the most recent five taxable years ending before the year in which a change in control of the employer occurs. Recipients of parachute payments are subject to a 20% excise tax on the amount by which such payments exceed the base amount, in addition to regular income taxes, and payments in excess of the base amount are not deductible by the employer as compensation expense for federal income tax purposes.

Change in Control Agreements

The Company and the Bank have entered into change of control agreements with Messrs. Kopenhaver, Gordon and Michalak and Ms. Strouse in order to assist the Company and the Bank in maintaining a stable and competent management base. The agreements provide for a three-year term, and subject to satisfactory performance reviews, among other things, shall extend on each anniversary date for an additional year so that the remaining term will be three years, unless either the boards of directors of the Company or the Bank or the executive provides contrary written notice to the other not less than 30 days in advance of such anniversary date. The agreements are automatically extended for an additional one year upon a change in control of the Company or the Bank, as defined. In the event that the executive's employment is terminated or other certain adverse actions are taken with respect to the executive's employment within 18 months subsequent to a change in control, the agreements provide that the executive would receive a severance payment in the amount of two times the executive's annual compensation (defined as the highest annual salary plus average bonus during the last three years), the continued participation in all group, life, health, accident and disability insurance for the lesser of 36 months or until the executive's full time

employment by another employer, and a cash amount equal to the projected cost of benefits provided to the executive under certain employee benefit plans for 36 months. The total amount of payments under the agreements shall be reduced by the amount necessary to result in no portion of the payments being “parachute payments” and non-deductible to the Company pursuant to Section 280G of the Internal Revenue Code.

401(k) Plan

The Company maintains the Harleysville Bank 401(k) Plan, a deferred salary savings plan. All officers and employees working 1,000 hours or more in a plan year, who have attained the age of 21 and have completed 12 months of service, participate in the 401(k) Plan. Under the plan, the Company or a subsidiary contributes 6% of a participant’s earnings to a participant’s account. In addition, participants may defer a portion of their salary by payroll deduction. The Company or a subsidiary also makes a matching contribution of 100% of the first 3% of the participant’s contribution. All contributions are invested via a plan trust. The Company’s first contribution of 3% is vested immediately and the Company’s next 3% contribution and the Company’s matching contribution is vested after three years of service. All contributions are invested via a plan trust at the direction of the participant among several options, including several different mutual funds and a Company common stock fund. Benefit payments normally are made in connection with a participant’s retirement. Under current Internal Revenue Service regulations, the amount contributed to the plan and the earnings on those contributions are not subject to Federal income tax until they are withdrawn from the plan. The amount of the contributions by the Company under the 401(k) Plan to the named executive officers in fiscal 2019 are included in the Summary Compensation Table above.

Profit Sharing Incentive Plan

The Company maintains the Profit Sharing Incentive Plan which is designed to provide cash incentive payments to the Company’s officers and employees when the Company exceeds certain performance criteria. All of the Company’s employees participate in the profit sharing plan, including the named executive officers. The profit sharing plan provides that the Company will make allocations to a bonus pool provided certain performance criteria are satisfied. For fiscal 2019, the bonus pool was based upon achieving levels of basic earnings per share (the "target earnings"). Awards from the bonus pool are based on each participant’s base earnings as a percentage of the total base earnings of all participants, and a weighing factor which recognizes that the Company’s senior management, middle management and other employees have varying levels of responsibility for the Company’s overall performance. The amounts paid to the named executive officers under the profit sharing plan for fiscal 2019 are included in the Summary Compensation Table above. The total amount of incentive payments made to all employees (129 people) who received payments pursuant to the profit sharing plan for the year ended September 30, 2019 was \$858,184.

Directors’ Compensation

Directors of the Company received an annual fee of \$16,800, plus \$1,000 for each regular board meeting attended during fiscal 2019. For each committee meeting attended during fiscal 2019, directors of the Company, with the exception of executive officers, received \$1,100 and the chairman of each committee received \$1,650.

The following table sets forth information concerning compensation paid or accrued by the Company and its subsidiaries to each member of the board of directors during the year ended September 30, 2019. Mr. McGill has been omitted from the table as his compensation is fully reported in the Summary Compensation Table above.

Name	Fees Earned or Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾	Option Awards ⁽²⁾	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Keith E. Ahart	\$36,200	\$ --	\$3,930	\$ --	\$ --	\$ --	\$40,130
Sanford L. Alderfer	34,000	--	3,930	--	--	--	37,930
Thomas D. Clemens	32,900	--	3,930	--	--	--	36,830
Mark R. Cummins	41,150	--	3,930	--	--	--	45,080
Ronald B. Geib	56,100	--	3,930	--	--	--	60,030
Charlotte A. Hunsberger	36,300	--	3,930	--	--	--	40,230

George W. Meschter	32,900	--	3,930	--	--	--	36,830
James L. Rittenhouse	38,950	--	3,930	--	--	--	42,880

- (1) Include payment of directors' fees for service on the board of directors of the Company and the Bank. Also includes the payment of fees for attendance at meetings of the board and committees that the director serves on as well as fees for service as chairman of a board committee.
- (2) Reflects the aggregate grant date value computed in accordance with FASB ASC Topic 718 during the indicated fiscal year with respect to awards of restricted stock and/or stock options. On August 20, 2019, stock options to acquire 1,000 shares of common stock were granted to each of Messrs. Ahart, Alderfer, Clemens, Cummins and Geib, Ms. Hunsberger, Messrs. Meschter and Rittenhouse. The stock options have an exercise price of \$23.70 and vest in five years from the date of grant. For a discussion of the assumptions used to establish the valuation of the stock options and restricted stock, reference is made to Note 2 of the Notes to the Consolidated Financial Statements of the Company included in the Company's Annual Report to Shareholders for the year ended September 30, 2019. At September 30, 2019, Mr. Geib held vested options to purchase 23,467 shares of common stock and Messrs. Ahart, Alderfer, Clemens, Cummins and Geib, Ms. Hunsberger, Messrs. Meschter and Rittenhouse held unvested options to purchase 5,000, 5,000, 5,000, 5,000, 2,000, 5,000, 5,000 and 5,000 shares of common stock, respectively.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In accordance with applicable federal laws and regulations, the Bank offers mortgage loans to its directors, officers and employees for the financing of their primary residences as well as various business and consumer loans. These loans are generally made on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. It is the belief of management that these loans neither involve more than the normal risk of collectibility nor present other unfavorable features.

Section 22(h) of the Federal Reserve Act generally provides that any credit extended by a savings institution to its executive officers, directors and, to the extent otherwise permitted, principal shareholder(s), or any related interest of the foregoing, must (i) be on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by the savings association with non-affiliated parties; (ii) be pursuant to underwriting standards that are no less stringent than those applicable to comparable transactions with non-affiliated parties; (iii) not involve more than the normal risk of repayment or present other unfavorable features; and (iv) not exceed, in the aggregate, the institution's unimpaired capital and surplus, as defined.

The Bank offers certain loans to its directors, executive officers and employees. It is the belief of management that these loans do not involve more than the normal risk of collectibility. These loans are made on substantially the same terms as those prevailing at the time for comparable transactions with nonaffiliated persons. Directors, executive officers and employees of the Bank receive no discount from the market interest rate for loans made by the Bank. As of September 30, 2019, two of the Company's directors and executive officers, or their affiliates, had loans outstanding with a balance in excess of \$120,000, which amounted to approximately \$13.7 million in the aggregate.

RATIFICATION OF THE SELECTION OF THE INDEPENDENT PUBLIC ACCOUNTING FIRM

General

The Audit Committee of the board of directors of the Company has appointed S.R. Snodgrass, A.C. as the independent public accounting firm for the Company for the year ending September 30, 2019. The board of directors has directed that the selection of the accounting firm be submitted for ratification by the shareholders at the annual meeting. The Company has been advised by S.R. Snodgrass that neither the firm nor any of its associates has any relationship with the Company or its subsidiaries other than the usual relationship that exists between independent public accounting firm and clients. S.R. Snodgrass will have representatives at the annual meeting who will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

Auditor Fees

The following table sets forth the aggregate fees paid by us to S.R Snodgrass A.C. in fiscal 2019 and 2018, respectively, for professional services in connection with the audit of the Company's consolidated financial statements, and the fees paid by us to S.R. Snodgrass for audit-related services, tax services and all other services during fiscal 2019 and 2018, respectively.

	Fiscal Year Ended September 30,	
	2019	2018
Audit fees (1)	\$103,500	\$100,450
Audit-related fees (2)	--	--
Tax fees	16,275	16,000
All other fees	--	--
Total	<u>\$119,775</u>	<u>\$116,450</u>

- (1) Includes professional services rendered for the audit of the Company's annual financial statements and review of financial statements included in Forms 10-Q, or services normally provided in connection with statutory and regulatory filings, including out-of-pocket expenses.
- (2) Assurance and related services reasonably related to the performance of the audit or review of financial statements, including assistance with the adoption of Accounting Standards Updates and other attest services not required by statute or regulation.

Pre-Approval Policy and Procedures

The Audit Committee selects the Company's independent public accounting firm and pre-approves all audit services to be provided by it to the Company. The Audit Committee also reviews and pre-approves all audit-related, tax and all other services rendered by our independent registered public accounting firm in accordance with the audit committee's charter and policy on pre-approval of audit-related, tax and other services. In its review of these services and related fees and terms, the audit committee considers, among other things, the possible effect of the performance of such services on the independence of our independent public accounting firm. Pursuant to its policy, the audit committee pre-approves certain audit-related services and certain tax services which are specifically described by the Audit Committee on an annual basis and separately approves other individual engagements as necessary. The pre-approval requirements do not apply to certain services if: (i) the aggregate amount of such services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its independent auditor during the year in which the services are provided; (ii) such services were not recognized by the Company at the time of the engagement to be other services; and (iii) such services are promptly brought to the attention of the committee and approved by the committee or by one or more members of the committee to whom authority to grant such approvals has been delegated by the committee prior to the completion of the audit. The Audit Committee may delegate to one or more designated members of the committee the authority to grant required pre-approvals. The decisions of any member to whom authority is delegated to pre-approve an activity shall be presented to the full committee at its next scheduled meeting.

During the fiscal year ended September 30, 2019, each new engagement of the independent public accounting firm was approved in advance by the Audit Committee.

The Board of Directors recommends that you vote FOR the ratification of the appointment of S.R. Snodgrass A.C. as our independent public accounting firm for the year ending September 30, 2020.

ANNUAL REPORTS

A copy of the Company's Annual Report to Shareholders for the year ended September 30, 2019, including the audited consolidated financial statements of the Company for the years ended September 30, 2019 and 2018, accompanies this proxy statement. Such annual report is not part of the proxy solicitation materials.

OTHER MATTERS

Management is not aware of any business to come before the annual meeting other than the matters described above in this proxy statement. However, if any other matters should properly come before the meeting, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

The cost of the solicitation of proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending the proxy materials to the beneficial owners of the common stock. In addition to solicitations by mail, directors, officers and employees of the Company may solicit proxies personally or by telephone without additional compensation.

