

THE STILWELL GROUP
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Dear Fellow HFBC Owner,

Under the current Management and Board, our Bank has earned poor returns for the owners for a long time.

- Average return on equity has been below 3% in 3 of the last 4 years.
- CEO John Peck's salary has been increased by the Board every year since the turn of the millennium, including in these difficult times.
- Their dilutive capital raise in 2010 reduced book value by 25%!
- Dividends are a mere 2 pennies per quarter.
- The executive officers and directors as a group (11 people) own less than 4% of our Company.
- HFBC pays for Mr. Peck and Mr. Bennett's country club dues, as well as the lease payment on Mr. Peck's car.
- Nine days after announcing the Sumner acquisition, CEO John Peck sold 10,000 shares at 75% of tangible book value. Two months prior, Mr. Peck received a cash bonus of \$58,750.
- Net interest margin has been decreasing for the last 3 years.
- The efficiency ratio has been deteriorating for the last 3 years.
- The problematic balance sheet carries TRuPS, repos, and high-cost FHLB advances, and only 43% of deposits are core deposits.
- Years back, they leveraged an interest rate bet with a swap that still carries a \$1.1M market loss today.
- When John Peck became CEO and President of the Bank in 2000, there were 30 employees, which was the equivalent of 1 employee for every \$7.7M of bank assets. Today, with 270 employees, there is 1 employee for every \$3.6M of assets. They sure like to grow, but it hasn't benefitted us.

And now they want to buy another bank? We think the Sumner acquisition is a bad idea and should be canceled. IN LIGHT OF THE SHORTCOMINGS LISTED ABOVE, HOW CAN WE TRUST THEM TO INTEGRATE ANOTHER BANK?

If Management can't earn decent returns at our Bank, perhaps the Board should find a well-managed buyer for our Company.

Sincerely,

/s/ Joseph Stilwell