

THE STILWELL GROUP
111 BROADWAY • 12TH FLOOR
NEW YORK, NY 10006
(212) 269-1551
INFO@STILWELLGROUP.COM

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Dear Fellow HFBC Owner,

In HFBC's flashy proxy materials decorated with movie directors' chairs, CEO John Peck says they are proud as they "wrap up another award-winning year of accomplishments." Is this a parody? Last year's return on equity of 2.5% was well below average.¹ The year before, HFBC also performed well below the average bank. The CEO has a distorted perception of reality, and the Board doesn't seem to be providing proper supervision. Aren't they ashamed of how poorly they've done for the owners?

We are troubled by the Bank's inability to acknowledge their shortcomings. Beyond that, their statement that the CEO did not receive an increase in base compensation in 2012 is misleading. **The salary amounts reported in HFBC's proxy statements for Mr. Peck have been higher each and every year for 12 years.** Further, according to the Company's own proxy materials, Mr. Peck's total compensation for 2012 was **\$529,205**. We believe the Board has made sure that Mr. Peck has done quite well even in years when the shareholders haven't.

If HFBC is going to liken their performance to a documentary film, then we think the story should end here. At the end of the day, poor performance is simply not acceptable regardless of how you dress it up. In our estimation, these self-accolades demonstrate the current actors shouldn't be running this show. We believe HFBC should retain an investment banker with the charge to maximize shareholder value.

Sincerely,

/s/ Joseph Stilwell

P.S. While our nominee, Robert Bolton, does not have specific plans for the Company and will not represent a majority of the Board, we believe electing him to the Board will send a strong signal that a majority of the shareholders favor maximizing shareholder value.

¹ See <http://www2.fdic.gov/qbp/2011dec/all3a2.html>; and <http://www2.fdic.gov/qbp/2012dec/all3a2.html> (used to calculate average for institutions with a similar asset size); See also <http://www2.fdic.gov/qbp/2012dec/all1a.html> (all institutions average).

