

VIA FACSIMILE AND BY CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Harvard Savings Bank
58 North Ayer Street
Harvard, Illinois 60033

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from a mutual to stock form filed on behalf of Harvard Savings Bank, Harvard, Illinois, was reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160-303.163 and other pertinent FDIC regulations. Based on the information presented and the representations made, the FDIC poses no objection to the proposed conversion transaction.

Enclosed is our Order and Basis for Corporation Approval ("Order") for the applications filed on behalf of Harvard Savings Bank in conjunction with the conversion transaction. Our approval is subject to the conditions stated in the Order, some of which must be met on an ongoing basis.

Please notify the Chicago Regional Office in writing when the proposed transaction has been consummated. If an extension of the time limit included in the Order is required, a letter requesting a specific extension of the limitation including reasons therefore should be submitted to the Chicago Regional Office.

Sincerely,

/s/

John M. Lane
Deputy Director

cc: Eric Envall
Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, N.W., Suite 400
Washington, D.C. 20015

Enclosure

FEDERAL DEPOSIT INSURANCE CORPORATION

Harvard Savings Bank
Harvard, Cook County, Illinois

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), an application has been filed on behalf of Harvard Savings Bank, Chicago, Illinois (Mutual Institution), currently an Illinois-chartered mutual savings bank and Savings Association Insurance Fund (SAIF) member with total resources of \$113,716,000 and total deposits of \$82,385,000 as of June 30, 2005 for the FDIC's consent to merge with Interim Two Federal Savings Bank (In Organization), Harvard, Illinois, a proposed new interim federally-chartered stock savings bank.

The transaction is to effect the Mutual Institution's plan of reorganization, which, solely to facilitate such undertaking, provides for:

- Mutual Institution will organize an interim federal stock savings bank, Interim One Federal Savings Bank (Interim One), as a wholly-owned subsidiary;
- Interim One will organize an interim federal stock savings bank, Interim Two Federal Savings Bank (Interim Two), as a wholly-owned subsidiary. Interim One will organize a federal stock holding company (Harvard Financial Corporation), as a wholly-owned, federally-chartered stock subsidiary and capitalize it with \$10,000;
- The Mutual Institution will exchange its mutual charter for an Illinois stock bank charter to become a stock bank (Stock Bank), and Interim One will exchange its charter for a federal mutual holding company charter to become a mutual holding company (Harvard Savings, :.MI-IC).
- Simultaneously with the above transaction, Interim Two will merge with and into the Stock Bank, with the Stock Bank as the resulting institution.
- In connection with the foregoing, the shares of stock of the Stock Bank that were deemed to be constructively owned by the former members of the Mutual Institution will be deemed to have been transferred to Harvard Savings, MHC.
- Harvard Savings, MHC will contribute the shares of the Stock Bank to Harvard Financial Corporation, and the Stock Bank will become a wholly-owned subsidiary of the Harvard Financial Corporation.

The Stock Bank will continue to operate with the title of Harvard Savings Bank, Harvard, Illinois, and its deposits will continue to be insured under the SAIF. Applications for the establishment of Harvard Savings, MHC, for Harvard Financial Corporation to acquire Harvard Savings Bank subsequent to its conversion to a stock savings bank, and for Harvard Savings Bank to be deemed a "savings association" for purposes of section 10(1) of the Home Owners' Loan Act, as amended, are under consideration by the Office of Thrift Supervision (OTS). Following consummation of the merger, Harvard Savings Bank will operate the same banking business, with the same management, and at the same locations as Mutual Institution. The proposed transaction will not alter the competitive structure of banking in the market served by Mutual Institution. Harvard Savings Bank's main office will be at 58 North Ayer Street, Harvard, Illinois.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of Mutual Institution, discloses no inconsistencies with the purposes of the CRA. The resulting institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

In connection with the application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent banks and the resulting bank, the convenience and needs of the community to be served, and the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities. Having found favorably on all statutory factors and having considered other relevant information, including reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the OTS, and the Attorney General of the United States, it is the FDIC's judgment that the application should be and is hereby approved, subject to the following conditions:

1. That the transaction may not be consummated unless the Plan of Reorganization from a mutual savings bank to a mutual holding company receives prior approval by an affirmative vote of at least a majority of the total votes eligible to be cast by Mutual Institution's depositors;
2. That, except for the proposed transfer of stock to Harvard Financial Corporation, no shares of stock of Harvard Savings Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from the FDIC;
3. That, prior to the sale, transfer, or other disposition of any shares of Harvard Financial Corporation by Harvard Savings, MHC to any person (including any Employee Stock Ownership Plan), or a conversion of the Harvard Savings, MHC to stock form, Harvard Savings Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with state and federal banking and/or securities regulators in connection with such sale, transfer, disposition, or conversion;

4. That should any shares of the stock of Harvard Savings Bank or Harvard Financial Corporation be issued to persons other than Harvard Savings, MHC, any dividends waived by Harvard Savings, MHC must be retained by Harvard Financial Corporation or Harvard Savings Bank and segregated, earmarked, or otherwise identified on the books and records of Harvard Financial Corporation or Harvard Savings Bank; such amounts must be taken into account in any valuation of the institution, and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Harvard Savings, MHC to stock form; such amounts shall not be available for payment to, or the value thereof transferred to, minority shareholders, by any means, including through dividend payments or at liquidation;
5. That any change in proposed management, including the board of directors, will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction;
6. That the proposed transaction may not be consummated unless and until Harvard Savings Bank has the authority to conduct banking business, and that its establishment and operation as a stock savings bank have been fully approved by appropriate State of Illinois officials, and its holding companies, Harvard Savings, MHC and Harvard Financial Corporation, are granted approval by the OTS to become holding companies for Harvard Savings Bank;
7. That the transaction shall not be consummated within less than fifteen days after the date of this Order, or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and
8. That until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to delegated authority.

Dated at Washington, D.C., this 8th day of August 2005.

/S/

- By:

John M. Lane
Deputy Director

Division of Supervision and Consumer Protection