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March 2, 2009

Special Inspector General- TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, D.C. 20220

Dear Inspector General:

We are responding to your letter of February 6, 2009 with respect to Hilltop Community Bancorp, Inc.

We intend to use the CPP funds (\$4 million) to continue our active lending to the communities that we serve in northern New Jersey. The CPP funds have not been segregated from other institutional funds.

Our intention is to continue to make consumer and commercial loans to existing customers and to new customers, primarily within our immediate service area, but always within the borders of the State of New Jersey.

Since January 1, 2009, Hilltop has closed loans and lines of credit totaling \$2,888,000 for our own portfolio and \$2,033,000 as originator for our residential mortgage broker partner (Taylor, Bean & Whitaker Mortgage Corp. in Ocala, Florida).

The \$2.9 million of Hilltop portfolio loans closed includes:

- three commercial line of credit renewals totaling \$375,000
- ten home equity loans and lines of credit totaling \$2,171,000
- one signature consumer loan totaling \$3,000
- one personal reserve account line totaling \$3,000
- one letter of credit in the amount of \$25,000
- one small business truck loan for \$20,000
- one small business term loan for \$47,000
- one commercial mortgage for \$119,000
- one commercial second mortgage loan for \$125,000

We expect to continue to be an active lender, using CPP funds to support this activity. This was our expectation when we applied for CPP funds and we will continue in this vein. One of our "post CPP" endeavors is a new print advertisement offering attractive interest rates on fixed rate home equity loans with terms of 5, 10 or 15 years.

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Our credit culture at Hilltop is such that we do not reward lenders for taking inappropriate risks. The compensation committee will review senior officer compensation in order to ensure compliance with this important tenet.

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(b) (4)

(b) (4) It is our understanding that the bill recently signed into law by President Obama will preclude the payment of, or accrual of, a bonus for our CEO. We will abide by this restriction. We also understand that the four senior officers of Hilltop who have employment contracts will not be able to benefit from change of control payouts while we hold CPP funds. Again, we will abide by this restriction.

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(b) (4)

We understand that the Treasury will be writing regulations that will spell out the specifics of the new legislation. Since the "targets" of the negative treatment are presumably the huge banks that are dominating the headlines, perhaps smaller community banks could be carved out of the legislation if they can demonstrate that they were not part of the subprime mortgage problem and, in fact, have continued to serve their communities as we have for years.

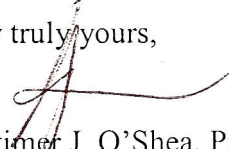
We have discussed the fact that we were approved for CPP funds in press releases and in our fourth quarter report to shareholders. We will send these to you along with copies of our advertisements concerning our lending activity. Our 2009 budget reflects the receipt of CPP funds and we will send this to you as well.

I certify to the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

If I may be permitted one observation, it appears that the media is not clearly distinguishing healthy banks, such as Hilltop, from the troubled institutions which have received the bulk of the Treasury funds. We hope that the Treasury will make this distinction clear as we go forward.

Please call me at (b) (6) if you require further information.

Very truly yours,



Mortimer J. O'Shea, President & CEO



Press Releases

Hilltop Community Bancorp Announces Preliminary Capital Purchase Plan Approval

January 9, 2009

SUMMIT, N.J., Hilltop Community Bancorp, Inc. (the Corporation) (OTC Bulletin Board: HTBC), the holding company for Hilltop Community Bank (the Bank) today announced that it has received preliminary approval from the Department of the Treasury regarding participation in the Capital Purchase Program. This action, when finalized, will result in a \$4,000,000 capital infusion into the Corporation in exchange for Preferred Stock.

In a joint statement, Chairman of the Board Richard D. Wellbrock and President & CEO Mortimer J. O'Shea commented: "We are very pleased that Hilltop has been selected for inclusion in this program. Only healthy banks are eligible for participation and the Treasury can potentially earn billions of dollars upon the successful conclusion of this Capital Purchase Plan which is being offered to large and small financial institutions throughout the United States . Hilltop will use these funds to enhance our active commercial and consumer lending programs and to continue to provide excellent service to customers in our market area."


Hilltop Community Bancorp, Inc. is the parent holding company for Hilltop Community Bank. Hilltop Community Bank is a New Jersey state-chartered commercial bank which commenced operations in February 2000 . The Bank operates as a locally headquartered community bank engaged in a general commercial banking business. The Bank has offices in Summit , Berkeley Heights and Madison, and administrative offices in New Providence . The service area includes surrounding communities in Union , Essex , Morris and Somerset counties.

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Hilltop Community Bancorp Reports Full Year and Fourth Quarter Results

January 23, 2009

SUMMIT, N.J. , Hilltop Community Bancorp, Inc. (the Corporation) (OTC Bulletin Board: HTBC), the holding company for Hilltop Community Bank (the Bank) today reported results for the full year and for the quarter ended December 31, 2008 . Net income for the full year was \$239,000 , compared to net income of \$565,000 for the year ended December 31, 2007 . Per share earnings were \$0.09 , basic and diluted, in 2008 compared to earnings of \$0.21 , basic and diluted, in 2007.

For the fourth quarter of 2008, the Corporation recorded a net loss of \$421,000 (\$.16 per share, basic and diluted) compared to the fourth quarter of 2007 when the Corporation earned net income of \$127,000 (\$.05 per share, basic and diluted). Per share amounts have been adjusted to retroactively reflect the 5% stock dividend issued in December 2008 .

Both the fourth quarter and full year results were negatively impacted by an other than temporary impairment charge of \$985,000 on one of the bonds in the Bank's securities portfolio. Without this impairment charge, net income for the Corporation for the full year would have been \$828,000 . The bond in question is a private label collateralized mortgage obligation that is in a subordinate position. Although the bond continues to pay scheduled interest, current levels of foreclosures and losses on the underlying mortgages makes it unlikely that all of the principal will be repaid. There is no longer an active trading market for bonds of this type and current accounting standards require a write down to fair value. We have other bonds in our portfolio that have experienced market price declines and rating agency downgrades, but those bonds are in senior positions and full repayment of principal and interest is expected. Hilltop has the ability and intent to hold these bonds until maturity and is not forced to sell them in a depressed market.

In a joint statement, Chairman of the Board Richard D. Wellbrock and President & CEO Mortimer J. O'Shea commented: "We are obviously unhappy to report an impairment loss in our securities portfolio, particularly at the end of a year in which Hilltop's performance outstripped many of our peers based on normal operating results. For example, total assets increased by 13.4% when comparing year end 2008 to the end of the prior year. Net interest income increased by 12.7% in 2008 and our net interest margin increased by 16 basis points when compared to 2007. Our commercial and consumer loans continue to perform very well, with very few delinquencies, and our allowance for loan losses is in excess of 1.37%. These are unprecedented times but we believe that we will remain on track towards future improved operating results as the economy turns around. Hilltop is fundamentally sound and we are providing excellent service to the businesses and consumers in our trade area. In addition, we recently reported that the Corporation has received preliminary approval from the Treasury for a \$4 million capital infusion involving the issuance of preferred stock to the Treasury. This Capital Purchase Program is reserved for healthy financial institutions at the community bank level."

Hilltop Community Bancorp, Inc. is the parent bank holding company for Hilltop Community Bank. Hilltop Community Bank is a New Jersey state-chartered commercial bank which commenced operations in February 2000 . The bank operates as a locally headquartered, community bank engaged in a general commercial banking business. The Bank has offices in Summit , Berkeley Heights and Madison, and administrative offices in New Providence . The service area includes surrounding communities in Union , Essex , Morris and Somerset Counties.

The foregoing contains forward-looking statements within the meaning of the private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about management's confidence and strategies and management's expectations about new and existing programs and products, relationships, opportunities, technology and market conditions. Such forward-looking statements involve certain risks and uncertainties. These include, but are not limited to, successful implementation and integration of acquisitions, the effects of economic conditions and the impact of legal barriers and structures. Actual results may differ from such forward-looking statements. The Bank assumes no obligation for updating any such forward-looking statements at any time.

Financial Information

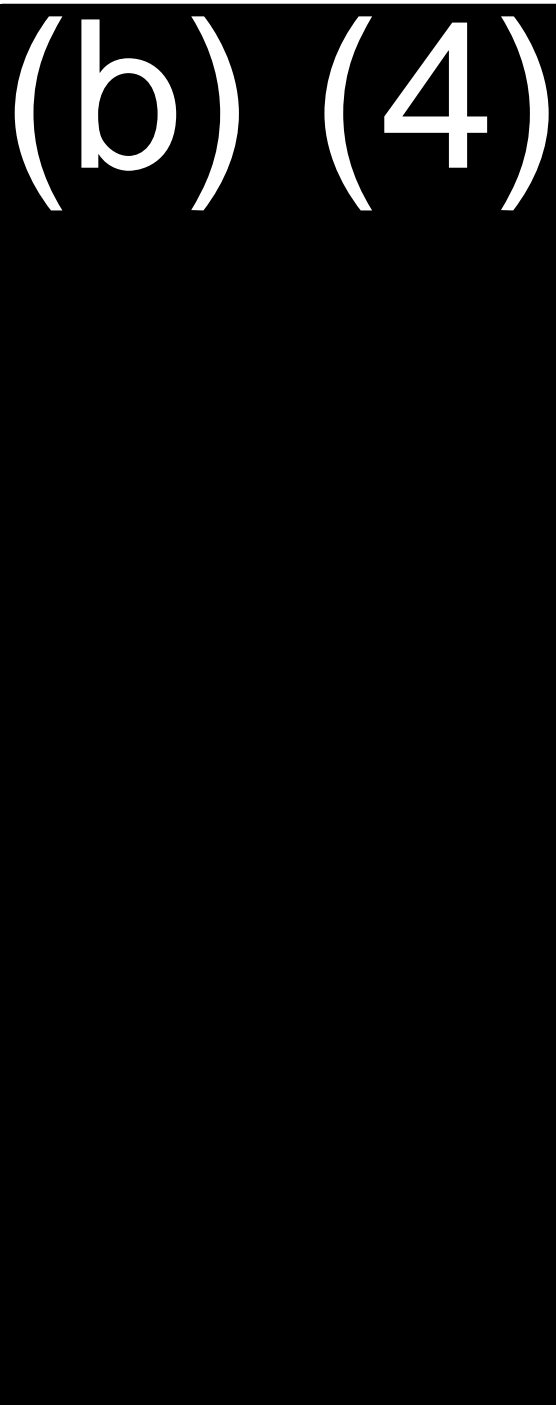
December 31, 2008

| | 12/31/08 | 12/31/07 | | |
|--|----------------|-------------|-------------|-------------|
| | ----- | ----- | | |
| Balance Sheet Data: | (in thousands) | | | |
| Total assets | \$180,626 | \$159,215 | | |
| Federal funds sold | 20,100 | 250 | | |
| Short-term investments | 8,144 | 9,723 | | |
| Investment securities | 29,132 | 32,726 | | |
| Gross loans | 116,711 | 111,051 | | |
| Allowance for loan losses | 1,604 | 1,484 | | |
| | ----- | ----- | | |
| Net loans | 115,107 | 109,567 | | |
| Intangible assets | 373 | 373 | | |
| Deposits | 160,401 | 138,542 | | |
| Short-term borrowings | 2,068 | 1,302 | | |
| Shareholders' equity | 16,693 | 17,625 | | |
| | | | | |
| | | | QTD | YTD |
| | | | ---- | ---- |
| | 12/31/08 | 12/31/07 | 12/31/08 | 12/31/07 |
| | ----- | ----- | ----- | ----- |
| Income Statement Data: | (in thousands) | | | |
| Interest income | \$2,292 | \$2,316 | \$9,344 | \$9,242 |
| Interest expense | 768 | 1,019 | 3,451 | 4,015 |
| | ----- | ----- | ----- | ----- |
| Net interest income | 1,524 | 1,297 | 5,893 | 5,227 |
| Provision for loan losses | 30 | 15 | 120 | 150 |
| Noninterest income (loss) | 64 | 85 | 308 | 280 |
| OTTI charge | 985 | - | 985 | - |
| Noninterest expense | 1,307 | 1,160 | 4,804 | 4,419 |
| Tax expense | (313) | 80 | 53 | 373 |
| Net income | (421) | 127 | 239 | 565 |
| | | | | |
| Net Interest Margin (tax equivalent basis) | 3.76% | 3.48% | 3.65% | 3.49% |
| | | | | |
| Per Common Share Data: | | | | |
| Net income per share-basic | \$(0.16) | \$0.05 | \$0.09 | \$0.21 |
| Net income per share-diluted | (0.16) | 0.05 | 0.09 | 0.21 |
| Tangible book value-period end | | | 6.31 | 6.68 |
| | | | | |
| Average earning assets | 163,589,663 | 148,499,266 | 163,840,356 | 150,110,740 |
| Average shareholders' equity | 17,210,162 | 17,483,049 | 17,575,500 | 17,594,055 |
| Common shares outstanding | | | 2,584,738 | 2,581,255 |

Figures are in Whole Dollars

Month Ended 01-2009

| | History 12-2008 Month End | Budget 12-2009 Month End | Var \$ | Var % |
|---------------------|---------------------------------|--------------------------------|--------|-------|
| Cash/Cash Items | 545,178 | | | |
| Due From Banks | 2,049,837 | | | |
| Due From Bk-Int | 210,496 | | | |
| Total Cash/Due | 2,805,511 | | | |
| Institut Fund | 8,144,000 | | | |
| Total ST Invest | 8,144,000 | | | |
| Fed Funds Sold | 20,100,000 | | | |
| Total FFS | 20,100,000 | | | |
| AFS Fx Rt CMOs | 23,804,609 | | | |
| AFS Vr Rt MBS | 167,123 | | | |
| AFS Fx Rt Crp Se | 0 | | | |
| AFS Fx Rt SCM | 4,726,639 | | | |
| AFS FRTxbiSCM | 2,282,540 | | | |
| Unreal G/L Inv | -1,849,324 | | | |
| Total AFS | 29,131,587 | | | |
| Total Investmnt | 29,131,587 | | | |
| Fx Rt RE Comm Ln | 1,356,190 | | | |
| Adj RE Comm Ln | 61,182,271 | | | |
| Vr Rt RE Comm Ln | 2,858,703 | | | |
| Fx Rt C&I Lns | 5,807,859 | | | |
| Adj Rt C&I Lns | 6,092,104 | | | |
| Vr Rt C&I Lns | 8,494,394 | | | |
| Total Comm Lns | 85,791,521 | | | |
| Res First Mrtg | 1,059,420 | | | |
| Total Mrtg Lns | 1,059,420 | | | |
| Home Equity Lns | 18,371,326 | | | |
| Cons Inst Lns | 472,708 | | | |
| Cons RE/Const Ln | 2,118,515 | | | |
| New HECL | 0 | | | |
| Credit Line Lns | 9,012,138 | | | |
| Total Cons Lns | 29,974,687 | | | |
| OD & Other | -114,827 | | | |
| Gross Loans | 116,710,802 | | | |
| Allow Loan Loss | -1,603,698 | | | |
| Net Loans | 115,107,104 | | | |
| Net Fixed Assets | 2,287,901 | | | |
| Accr Int Rec | 650,226 | | | |
| Prepays | 156,361 | | | |
| Net Intangibles | 372,890 | | | |
| Other Assets | 1,962,642 | | | |
| Ttl Othr Assets | 5,430,020 | | | |
| TOTAL ASSETS | 180,718,221 | | | |



Figures are in Whole Dollars

Month Ended 01-2009

| | History 12-2008 Month End | Budget 12-2009 Month End | Var \$ | Var % |
|----------------------------|---------------------------------|--------------------------------|--------|-------|
| Non Int Demand | 24,055,274 | (b) (4) | | |
| Reg Cking | 4,785,718 | | | |
| Bus Cking | 785,720 | | | |
| Public Cking | 7,118,176 | | | |
| <u>Tt Int Bear Dem</u> | <u>12,689,615</u> | | | |
| Reg Moneymax | 10,905,171 | | | |
| Bus Moneymax | 8,065,242 | | | |
| Gov't Fund MMA | 25,460 | | | |
| <u>Ttl Money Mrkt</u> | <u>18,995,873</u> | | | |
| Statement Saving | 7,545,466 | | | |
| Tenant Cking | 181,123 | | | |
| Escrow Mgt Cking | 21,473,201 | | | |
| <u>Ttl Savings</u> | <u>29,199,791</u> | | | |
| CDs <100M 0-3M | 59,245 | | | |
| CDs <100M 4<12M | 26,243,834 | | | |
| CDs <100M 1-<2Yr | 4,096,738 | | | |
| CDs <100M 2-<3Yr | 4,799,793 | | | |
| CDs <100M 3-<5Yr | 3,619,519 | | | |
| <u>Ttl CDs <100M</u> | <u>38,819,128</u> | | | |
| CDs 100M & Over | 38,779,542 | | | |
| <u>Total Deposits</u> | <u>162,539,223</u> | | | |
| Sec Sold Rep Agr | 2,067,613 | | | |
| <u>Tot ST Borrowng</u> | <u>2,067,613</u> | | | |
| Cap Lease Oblig | 1,088,323 | | | |
| Other Liab | 455,721 | | | |
| Capital Stock | 7,811,915 | | | |
| Surplus | 8,292,270 | | | |
| Undivid Profits | -661,078 | | | |
| Profit/Loss YTD | 234,231 | | | |
| Net G/L AFS Sec | -1,109,997 | | | |
| <u>Ttl Equity Cap</u> | <u>14,567,341</u> | | | |
| <u>TOTAL LIAB & EQ</u> | <u>180,718,221</u> | | | |

Figures are in Whole Dollars

Month Ended 01-2009

01-2009 02-2009 03-2009 04-2009 05-2009 06-2009 07-2009 08-2009 09-2009 10-2009 11-2009

Total Cash/Due
Total ST Invest
Total FFS
Total AFS
Total Investment
Total Comm Lns
Total Mfg Lns
Total Cons Lns
OD & Other
Gross Loans
Allow Loan Loss
Net Loans
Net Fixed Assets
Accr Int Rec
Prepays
Net Intangibles
Other Assets
Ttl Othr Assets
TOTAL ASSETS
Non Int Demand
Ttl Int Bear Dem
Ttl Money Mkt
Ttl Savings
Ttl CDs <100M
CDs 100M & Over
Total Deposits
Tot ST Borrowing
Cap Lease Oblig
Other Liab
Ttl Equity Cap
TOTAL LIAB & EQ

(b) (4)

12-2009

(b) (4)

| | |
|------------------|--|
| Total Cash/Due | |
| Total ST Invest | |
| Total FFS | |
| Total AFS | |
| Total Investment | |
| Total Comm Lns | |
| Total Mtg Lns | |
| Total Cons Lns | |
| OD & Other | |
| Gross Loans | |
| Allow Loan Loss | |
| Net Loans | |
| Net Fixed Assets | |
| Accr Int Rec | |
| Prepays | |
| Net Intangibles | |
| Other Assets | |
| Ttl Othr Assets | |
| TOTAL ASSETS | |
| Non Int Demand | |
| Ttl Int Bear Dem | |
| Ttl Money Mkt | |
| Ttl Savings | |
| Ttl CDs <100M | |
| CDs 100M & Over | |
| Total Deposits | |
| Tot ST Borrowing | |
| Cap Lease Oblig | |
| Other Liab | |
| Ttl Equity Cap | |
| TOTAL LIAB & EQ | |

| | History 12-2008 (YTD) Amount | Budget 12-2009 (YTD) Amount | Var \$ | Var % |
|-----------------------------|------------------------------------|-----------------------------------|--------|-------|
| Tot Due Fr- Int | 4,276 | (b) (4) | | |
| Total ST Invest | 416,995 | | | |
| Total FFS | 3,288 | | | |
| Total AFS | 1,610,545 | | | |
| Total HTM | 38,309 | | | |
| Total Investmnt | 1,648,854 | | | |
| Total Comm Lns | 5,568,377 | | | |
| Total Mrtg Lns | 29,520 | | | |
| Total Cons Lns | 1,670,776 | | | |
| Total Loan Inc | 7,268,674 | | | |
| Ttl Oth Div | 1,958 | | | |
| TOTINTINCOME | 9,344,044 | | | |
| Tt Int Bear Dem | 149,774 | | | |
| Ttl Money Mrkt | 416,133 | | | |
| Ttl Savings | 278,877 | | | |
| Ttl CDs <100M | 1,420,152 | | | |
| CDs 100M & Over | 1,107,873 | | | |
| Tot Deposit Exp | 3,372,808 | | | |
| Tot ST Borrowng | 32,235 | | | |
| Cap Lease Oblig | 121,918 | | | |
| TOTINTEXPENSE | 3,526,961 | | | |
| NETINTINCOME | 5,817,084 | | | |
| TOTNONINTINC | -676,801 | | | |
| Ttl Sal/Tax/Ben | 2,705,946 | | | |
| Ttl Occ Exp | 536,246 | | | |
| Ttl Equip Exp | 107,025 | | | |
| Ttl Bus Develop | 37,558 | | | |
| Ttl Empl Exp | 30,132 | | | |
| Ttl Human Res | 33,226 | | | |
| Ttl Mrkting Exp | 126,959 | | | |
| Ttl Prof Fees | 119,020 | | | |
| Ttl DP Exp | 524,673 | | | |
| Ttl Telecom Exp | 42,186 | | | |
| Ttl Losses | 5,237 | | | |
| Ttl Dues/Subs | 18,549 | | | |
| Ttl Credit Exp | 28,688 | | | |
| Ttl Corr Bnk | 34,757 | | | |
| Ttl Exam Fees | 111,000 | | | |
| Ttl Post/Print | 20,281 | | | |
| Ttl Share Relat | 1,736 | | | |
| Ttl Other Exp | 237,196 | | | |
| TOTNONINTEXP | 4,736,311 | | | |
| PROVLNLOSS | 120,000 | | | |
| INCOMEBEFOR TAX | 283,971 | | | |
| NET TAXES & ADJ. | 49,740 | | | |
| NETINCOME | 234,231 | | | |

Month Ended 01-2009

| | 01-2009 | 02-2009 | 03-2009 | 04-2009 | 05-2009 | 06-2009 | 07-2009 |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| Tot Due Fr- Int | | | | | | | |
| Total ST Invest | | | | | | | |
| Total FFS | | | | | | | |
| Total AFS | | | | | | | |
| Total Investmnt | | | | | | | |
| Total Comm Lns | | | | | | | |
| Total Mrtg Lns | | | | | | | |
| Total Cons Lns | | | | | | | |
| Total Loan Inc | | | | | | | |
| Ttl Oth Div | | | | | | | |
| TOTINTINCOME | | | | | | | |
| Tt Int Bear Dem | | | | | | | |
| Ttl Money Mrkt | | | | | | | |
| Ttl Savings | | | | | | | |
| Ttl CDs <100M | | | | | | | |
| CDs 100M & Over | | | | | | | |
| Tot Deposit Exp | | | | | | | |
| Tot ST Borrowng | | | | | | | |
| Cap Lease Oblig | | | | | | | |
| TOTINEXPENSE | | | | | | | |
| NETINTINCOME | | | | | | | |
| TOTNONINTINC | | | | | | | |
| Ttl Sal/Tax/Ben | | | | | | | |
| Ttl Occ Exp | | | | | | | |
| Ttl Equip Exp | | | | | | | |
| Ttl Bus Develop | | | | | | | |
| Ttl Empl Exp | | | | | | | |
| Ttl Human Res | | | | | | | |
| Ttl Mrkting Exp | | | | | | | |
| Ttl Prof Fees | | | | | | | |
| Ttl DP Exp | | | | | | | |
| Ttl Telecom Exp | | | | | | | |
| Ttl Losses | | | | | | | |
| Ttl Dues/Subs | | | | | | | |
| Ttl Credit Exp | | | | | | | |
| Ttl Corr Bnk | | | | | | | |
| Ttl Exam Fees | | | | | | | |
| Ttl Post/Frght | | | | | | | |
| Ttl Stat/Print | | | | | | | |
| Ttl Other Exp | | | | | | | |
| TOTNONINTEXP | | | | | | | |
| PROVLNLOSS | | | | | | | |
| INCOMEBEFORTAX | | | | | | | |
| NET TAXES & ADJ. | | | | | | | |
| NETINCOME | | | | | | | |

| | 08-2009 | 09-2009 | 10-2009 | 11-2009 | 12-2009 | Total |
|------------------|----------------|---------|---------|---------|---------|-------|
| Tot Due Fr- Int | (b) (4) | | | | | |
| Total ST Invest | | | | | | |
| Total FFS | | | | | | |
| Total AFS | | | | | | |
| Total Investmnt | | | | | | |
| Total Comm Lns | | | | | | |
| Total Mrtg Lns | | | | | | |
| Total Cons Lns | | | | | | |
| Total Loan Inc | | | | | | |
| Ttl Oth Div | | | | | | |
| TOTINTINCOME | | | | | | |
| Tt Int Bear Dem | | | | | | |
| Ttl Money Mrkt | | | | | | |
| Ttl Savings | | | | | | |
| Ttl CDs <100M | | | | | | |
| CDs 100M & Over | | | | | | |
| Tot Deposit Exp | | | | | | |
| Tot ST Borrowng | | | | | | |
| Cap Lease Oblig | | | | | | |
| TOTINTEXPENSE | | | | | | |
| NETINTINCOME | | | | | | |
| TOTNONINTINC | | | | | | |
| Ttl Sal/Tax/Ben | | | | | | |
| Ttl Occ Exp | | | | | | |
| Ttl Equip Exp | | | | | | |
| Ttl Bus Develop | | | | | | |
| Ttl Empl Exp | | | | | | |
| Ttl Human Res | | | | | | |
| Ttl Mrkting Exp | | | | | | |
| Ttl Prof Fees | | | | | | |
| Ttl DP Exp | | | | | | |
| Ttl Telecom Exp | | | | | | |
| Ttl Losses | | | | | | |
| Ttl Dues/Subs | | | | | | |
| Ttl Credit Exp | | | | | | |
| Ttl Corr Bnk | | | | | | |
| Ttl Exam Fees | | | | | | |
| Ttl Post/Frght | | | | | | |
| Ttl Stat/Print | | | | | | |
| Ttl Other Exp | | | | | | |
| TOTNONINTEXP | | | | | | |
| PROVLNLOSS | | | | | | |
| INCOMEBEFORTAX | | | | | | |
| NET TAXES & ADJ. | | | | | | |
| NETINCOME | | | | | | |

| | 01-2009 | 02-2009 | 03-2009 | 04-2009 | 05-2009 | 06-2009 | 07-2009 |
|--|---------|---------|---------|---------|---------|---------|---------|
|--|---------|---------|---------|---------|---------|---------|---------|

CAPITAL RATIOS:

Capital to Asset

Tier One Capital

Tier One Cap/Ast

Tier One Cap/RBA

Risk Based Cap

ASSET QUALITY:

Avg Earn Assets

Average Funds

Earn Asset/Asset

Non Earn/Asset

EARNING RATIOS:

Yield Avg Assets

Cost on Avg Asst

Spread Avg Asset

ROA by Period

ROAYTD

ROE by Period

ROEYTD

Net Int Margin

NIM YTD

Annualized NII

Cost of Avg Fund

Net Int Spread

LIQUIDITY RATIO

Loans to Deposit

Loans to Assets

Deposits/Assets

Free Funds Ratio

OTHER RATIOS:

Yield on Loans

Yield/Earn Assts

Cost/Earn Assets

Cost on Deposits

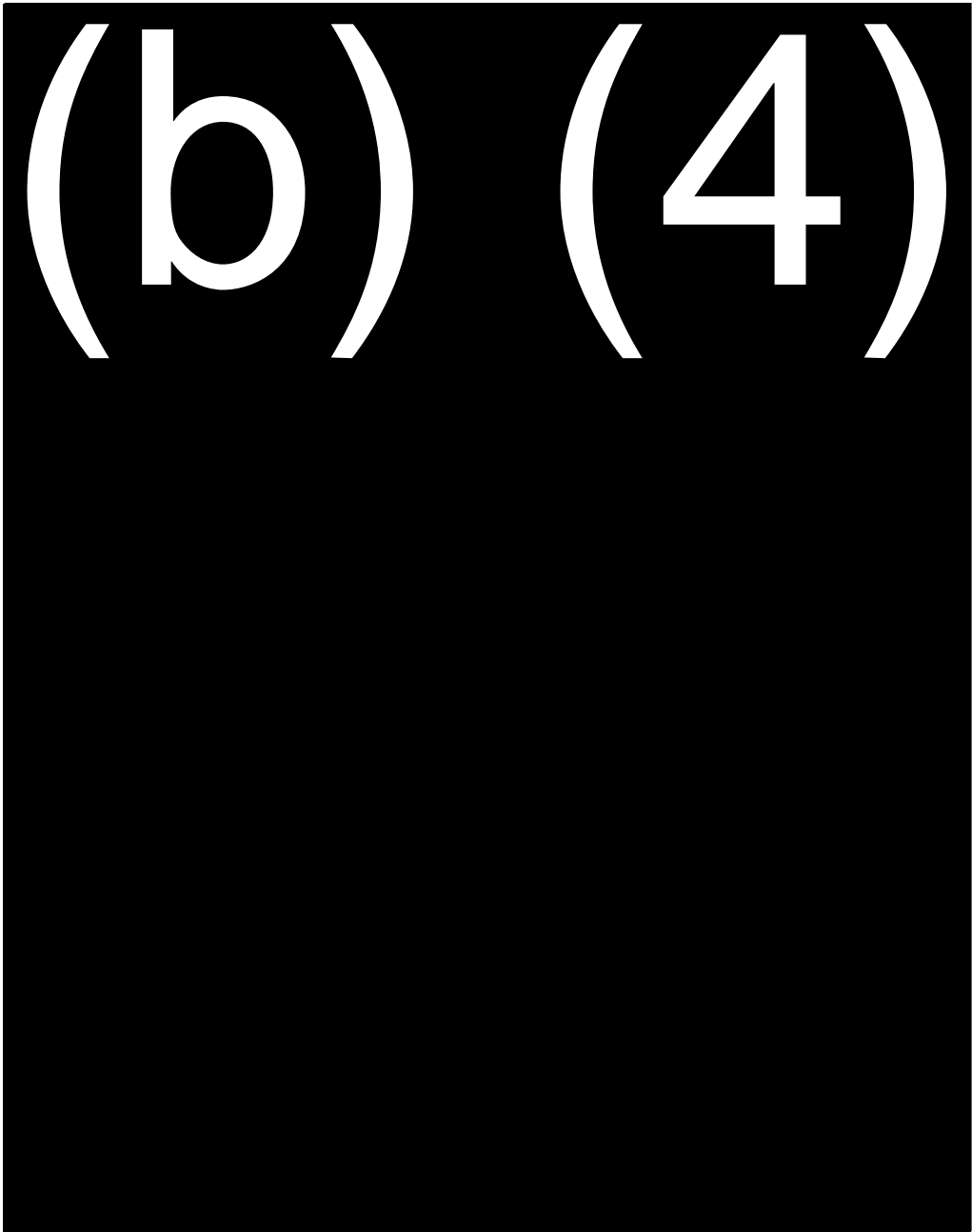
USER DEFINED RATIOS

Efficiency- Mo.

Efficiency- YTD

Assets per FTE

LnLoss/GrLoans



08-2009 09-2009 10-2009 11-2009 12-2009

CAPITAL RATIOS:

Capital to Asset
Tier One Capital
Tier One Cap/Ast
Tier One Cap/RBA
Risk Based Cap

ASSET QUALITY:

Avg Earn Assets
Average Funds
Earn Asset/Asset
Non Earn/Asset

EARNING RATIOS:

Yield Avg Assets
Cost on Avg Asst
Spread Avg Asset
ROA by Period
ROA YTD
ROE by Period
ROE YTD
Net Int Margin
NIM YTD
Annualized NII
Cost of Avg Fund
Net Int Spread

LIQUIDITY RATIO

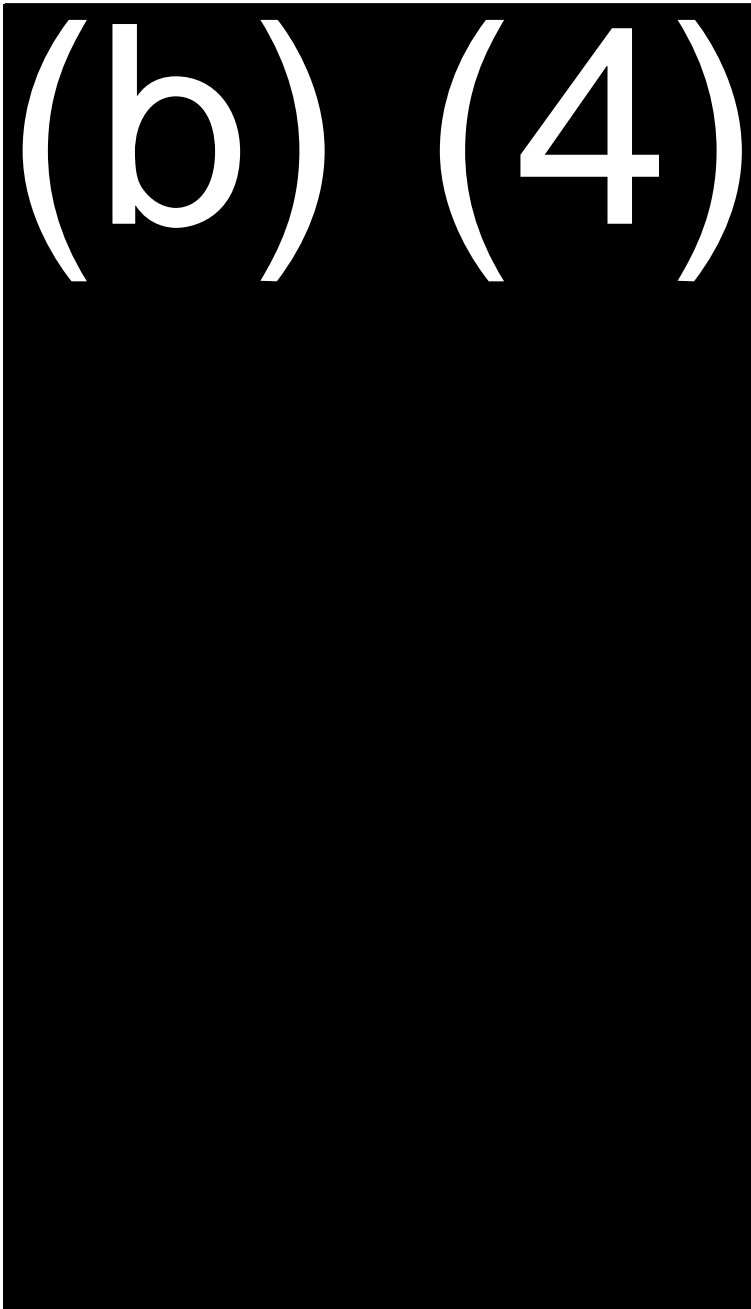
Loans to Deposit
Loans to Assets
Deposits/Assets
Free Funds Ratio

OTHER RATIOS:

Yield on Loans
Yield/Earn Assts
Cost/Earn Assets
Cost on Deposits

USER DEFINED RATIOS

Efficiency- Mo.
Efficiency- YTD
Assets per FTE
LnLoss/GrLoans

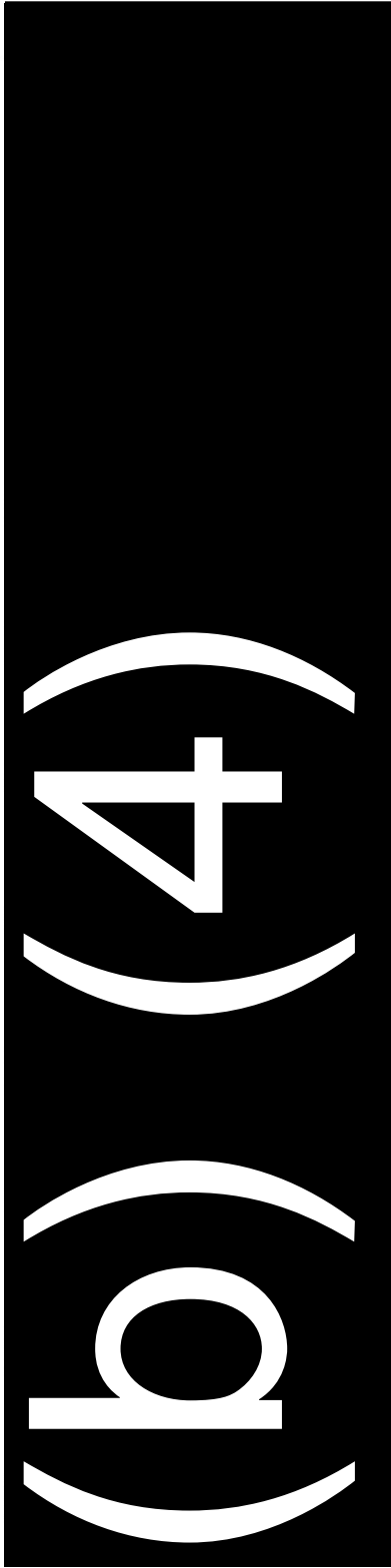


Figures are in Whole Dollars

Month Ended 01-2009

01-2009 02-2009 03-2009 04-2009 05-2009 06-2009 07-2009 08-2009 09-2009 10-2009 11-2009

NATIONAL PRIME
FEDFUNDS
3MONTHLIBOR
91 DAY T-BILL
182 DAY T-BILL
1 YEAR T-BILL
3 YEAR T-NOTE
5 YEAR T-NOTE
7 YEAR T-NOTE
10 YEAR T-NOTE
30 YEAR T-BOND
Yield Curve



Figures are in Whole Dollars

Month Ended 01-2009

12-2009

(b) (4)

NATIONAL PRIME
FEDFUNDS
3MONTHLIBOR
91 DAY T-BILL
182 DAY T-BILL
1 YEAR T-BILL
3 YEAR T-NOTE
5 YEAR T-NOTE
7 YEAR T-NOTE
10 YEAR T-NOTE
30 YEAR T-BOND
Yield Curve

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5.50% APR***

NO POINTS

**15 Year
5.50% APR***

NO POINTS

HILLTOP

Branch Locations

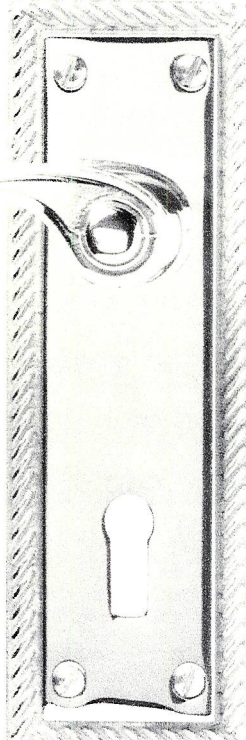
- 385 Springfield Ave., Summit, NJ
- 555 Springfield Ave., Berkeley Hts., NJ
- 177 Main St., Madison, NJ

* Includes a .25% rate reduction for automatic debit from a Hilltop checking account. Other programs are available. Offer applies to single-family residences with up to 75% loan-to-value ratio. APR means Annual Percentage Rate. For every \$1,000 borrowed the monthly payment on our Home Equity Loans will be: \$18.99 on 60 month loans; \$10.86 on 120 month loans; \$8.17 on 180 month loans. Property insurance is required. Interest may be tax deductible, consult your tax advisor. Member FDIC. Equal Opportunity Lender. Rates effective as of February 5, 2009.

Member FDIC
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www.hilltopcommunitybank.com



Fields Perform

at Watchung Arts Center, 18 Stirling Road, Watchung; part of the Powerful Women of Song Concert Series; the concerts raise funds for worthy causes; email info@eventbrite.com for more information.

Diene Carter Trio Performs at Sanctuary Concerts

at The Presbyterian Church, 240 Southern Blvd.,atham; country/rock pioneer Carter is heir to the Carter/Cash musical legacy; tickets \$25/person; call 973-4946 or visit www.sanctuaryconcerts.org.

Monday, March 8

Saultz Duo

at New Providence Memorial Library, 377 Elkwood Avenue, New Providence; traditional Irish songs, stories and dance music - jigs and reels; call 908-665-0311 for more information.

Tuesday, March 11

Assure Point Workshop

1-2 PM at the offices of Dr. Philip Delli Santi, PC, 447 Springfield Avenue, Summit (Strand Mall); presented by Michael Fogarty, DC; learn how to relieve neck and back pain without drugs; free; call 908-522-8989 to sign up; visit our website www.drpdellisanti.com for information.

Wednesday, March 12

Resume Writing Workshop

at Berkeley Heights Public Library, 290 Plainfield Avenue, BH; conducted by Elise Tonelli of Premier Resume Career Services; free; call 908-464-9333 to register.

Thursday, March 13

Kids Night Out



at Berkeley Heights Y, 550 Springfield Avenue, BH; grades 3-5; a fun evening of sports, games, pizza, snacks and a movie; call 908-464-8373 to register.

Neighborhood Networking Group Monthly Meeting

Neighborhood Networking Group, or NNG, will meet 7:30-9:00 AM at the Hilltop Community Bank in Berkeley Heights, 555 Springfield Avenue. Individuals from Berkeley Heights, New Providence, Summit and surrounding areas seek to expand their business and create supportive relationships are welcome. For more information about the usual format and fee structure, please visit NeighborhoodNetworkingGroup.com.

Open Concert Series Concert

at Central Presbyterian Church, 70 Maple Street, Summit; Essex Duo with Laura George on flute and Darren Hill on guitar; free and open to the public; call 973-0441 for information.

Highlander Auction

at Governor Livingston High School, 175 Watchung Avenue, Berkeley Heights; \$10/person includes block of tickets, complimentary beverage and dessert; proceeds benefit the winning GLHS Highlander Band; for information, visit www.highlanderband.org or call 908-322-1047.

(Continued on page 14)



No Credit Crunch here!

- Commercial Loans
- Home Equity Loans
- Bridge Loans
- Residential Mortgages

Call
908-918-2411

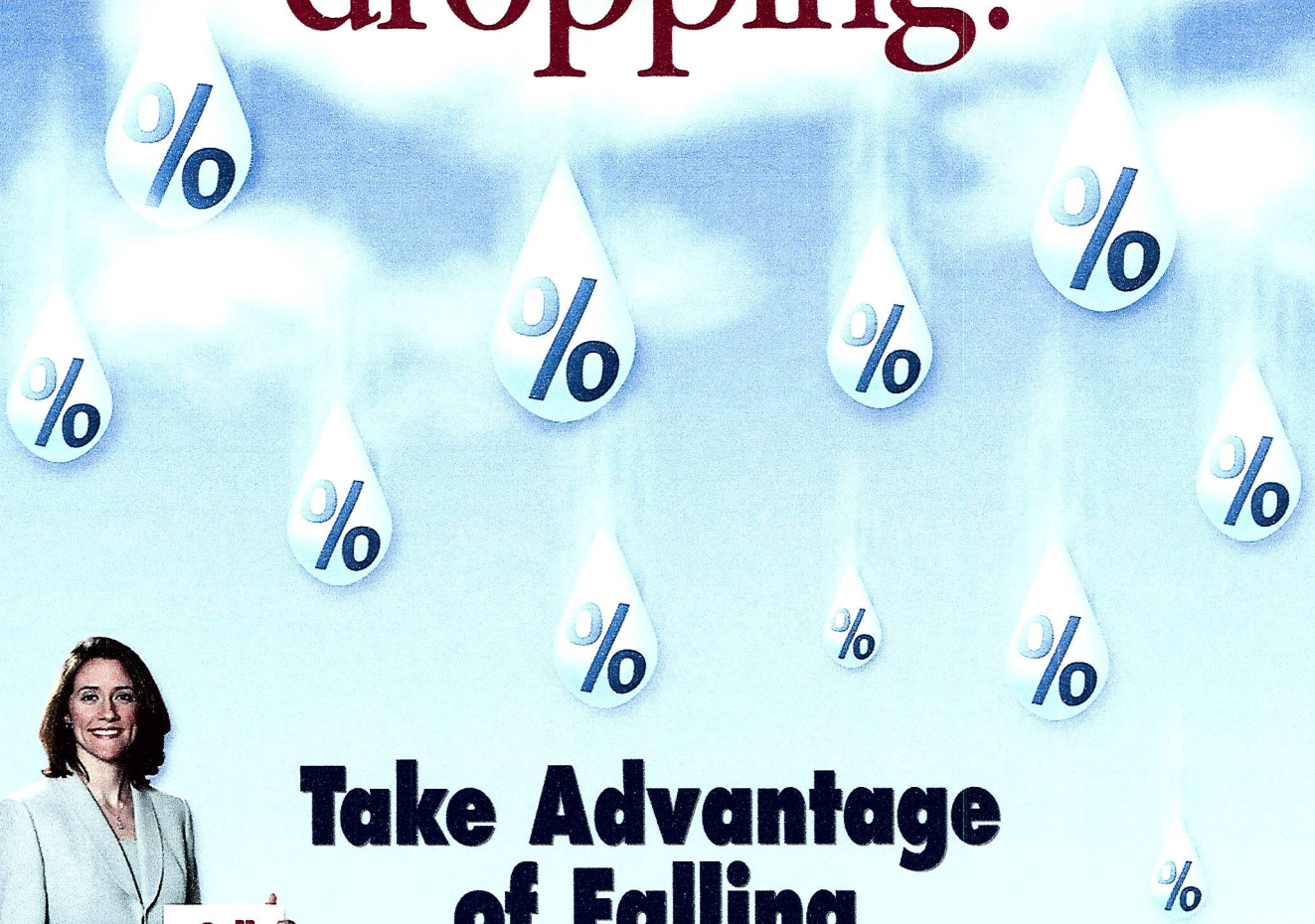
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DEAR SHAREHOLDER:

After strong earnings reports for the first nine months of 2008, we were very disappointed to announce a net loss of \$421,000 (\$0.16 per share, basic and diluted) for the fourth quarter of 2008. Despite the fourth quarter loss, Hilltop was profitable for the full year with net income of \$239,000 (\$0.09 per share, basic and diluted). Per share amounts have been adjusted to retroactively reflect the 5% stock dividend issued in December 2008.

Our fourth quarter problem was caused by an OTTI charge (other than temporary impairment) of \$985,000 on one of the bonds in the Bank's investment portfolio. Without this impairment charge, the Bancorp's net income would have been \$828,000 for 2008, our best year ever. Unfortunately, the bond in question is a private label collateralized mortgage obligation that is in a subordinate position. Although we continue to receive interest on this bond, we are required to write it down to fair value if we believe the possibility of a loss exists. Accordingly, we have taken the write down because foreclosures and losses on the underlying mortgages make it unlikely that all of the principal will be repaid. There are other bonds in our portfolio that have experienced market price declines and rating agency downgrades, but those bonds are in senior positions and full repayment of principal and interest is expected. The bank has the ability and intent to hold these bonds until maturity and is not forced to sell them in a depressed market.

We regard the fourth quarter loss as an aberration and we believe that Hilltop has an opportunity to add quality new relationships to our roster of clients at a time when many of the larger institutions may be curtailing their new business initiatives. Hilltop recently reached a record high of \$195.3 million in total assets and we have been talking to a number of prospective commercial borrowers who are concerned about the financial industry's credit freeze. Our message to them is that Hilltop has money to lend to qualified borrowers and that our ability to lend will be enhanced by the funds we will receive from the U.S. Treasury under the Capital Purchase Program. Hilltop will issue preferred stock to the Treasury and will receive \$4 million as new capital, further strengthening our already solid balance sheet. As cited in a recent press release, the Capital Purchase Program is intended for healthy financial institutions at the community bank level.

Our partnership with Investment Professionals, Inc. is working well. Our financial consultant in residence, Ivana Lotoshynski, is off to a great start selling annuities and other investment products. Our residential mortgage officer, Diane Muldoon, is currently busy handling applications from individuals with good credit and equity in their homes who are looking to refinance their loans at historically low rates.

As always, we welcome your comments and questions at 908/918-2400. We particularly appreciate hearing from shareholders with new business referrals. These are difficult days, but we think community banks will continue to thrive at the other end of this economic cycle.

Sincerely,



Richard D. Wellbrock
Chairman of the Board



Mortimer J. O'Shea
President & CEO

HILLTOP COMMUNITY BANCORP, INC.

CONDENSED BALANCE SHEETS

| | <u>December 31, 2008</u> | <u>December 31, 2007</u> |
|---|--------------------------|--------------------------|
| | <i>(unaudited)</i> | |
| ASSETS | | |
| Cash and due from banks | \$ 2,805,500 | \$ 2,764,700 |
| Federal funds sold | 20,100,000 | 250,000 |
| Short-term investments | 8,144,000 | 9,723,000 |
| Investment securities | 29,131,600 | 32,726,000 |
| Net loans | 115,107,100 | 109,566,900 |
| Premises and equipment, net | 2,287,900 | 2,444,400 |
| Other assets | 3,146,200 | 1,740,000 |
| Total assets | <u>\$180,722,300</u> | <u>\$159,215,000</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits | \$160,401,400 | \$138,542,200 |
| Securities sold under agreements to repurchase | 2,067,600 | 1,301,600 |
| Other liabilities | 1,560,200 | 1,746,200 |
| Total liabilities | <u>164,029,200</u> | <u>141,590,000</u> |
| SHAREHOLDERS' EQUITY | | |
| Common stock | 23,492,100 | 22,732,800 |
| Accumulated deficit | (5,122,700) | (4,590,700) |
| Accumulated other comprehensive (loss) income | (1,110,000) | 82,000 |
| Treasury stock | (566,300) | (599,100) |
| Total shareholders' equity | <u>16,693,100</u> | <u>17,625,000</u> |
| Total liabilities and shareholders' equity . . | <u>\$180,722,300</u> | <u>\$159,215,000</u> |

CONDENSED STATEMENTS OF INCOME

| | <u>Years Ended December 31,</u> | |
|--|---------------------------------|-------------------|
| | <u>2008</u> | <u>2007</u> |
| | <i>(unaudited)</i> | |
| Interest income | \$ 9,344,000 | \$ 9,242,500 |
| Interest expense | 3,450,700 | 4,015,400 |
| Net interest income | 5,893,300 | 5,227,100 |
| Provision for loan losses | 120,000 | 150,000 |
| Net interest income after provision for loan losses | 5,773,300 | 5,077,100 |
| Noninterest income (loss) | (676,800) | 280,500 |
| Noninterest expense | 4,804,300 | 4,419,300 |
| Net income before income taxes | 292,200 | 938,300 |
| Income taxes | 53,000 | 372,900 |
| Net income | <u>\$ 239,200</u> | <u>\$ 565,400</u> |
| Earnings per share – basic | <u>\$ 0.09</u> | <u>\$ 0.21</u> |
| Earnings per share – diluted | <u>\$ 0.09</u> | <u>\$ 0.21</u> |

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Judith T. Page

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Thomas D. Ucko

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Benjamin Block, CPA

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Margaret McHugh Hagen

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Richard Lorenson

Louis Miele, CPA

STOCK LISTING

OTC Bulletin Board

Symbol: *HTBC*

BRANCH LOCATIONS

385 Springfield Avenue
Summit

555 Springfield Avenue
Berkeley Heights

177 Main Street
Madison

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Community Bancorp, Inc.

(908) 522-0090

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FOURTH QUARTER
DECEMBER 31, 2008