UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF FINANCIAL INSTITUTIONS
FRANKFORT, KENTUCKY

Written Agreement by and among

MADISON FINANCIAL CORPORATION
Richmond, Kentucky

MADISON BANK
Richmond, Kentucky

FEDERAL RESERVE BANK OF CLEVELAND
Cleveland, Ohio

and

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF FINANCIAL
INSTITUTIONS
Frankfort, Kentucky

Docket Nos. 10-150 -WA/RB-HC
10-150 -WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Madison Financial Corporation, Richmond, Kentucky ("Madison"), a registered bank holding company, and its sole subsidiary bank, Madison Bank, Richmond, Kentucky (the "Bank"), a state-chartered bank that is a member of the Federal Reserve System, Madison, the Bank, the Federal Reserve Bank of Cleveland (the "Reserve Bank"), and the Commonwealth of Kentucky Department of Financial Institutions, Frankfort, Kentucky ("KDFI") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on August 4, 2010, the boards of directors of Madison and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Debra G. Neal to enter into this Agreement on behalf of Madison and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by Madison and the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act")(12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Madison, Bank, Reserve Bank, and the KDFI agree as follows:

Source of Strength

1. The board of directors of Madison shall take appropriate steps to fully utilize Madison's financial and managerial resources, pursuant to section 225.4 (a) of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with this Agreement.

Board Oversight

2. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the KDFI a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, asset improvement, the allowance for loan and lease losses ("ALLL"), capital, earnings and liquidity; and

(b) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's adversely classified assets, ALLL, capital, earnings, and liquidity.

Management Review

3. Within 60 days of this Agreement, the board of directors of the Bank shall complete an assessment of the Bank's management and staffing needs and the qualifications and performance of each senior officer (the "Management Review"). The primary purpose of the review shall be to aid in the development of a suitable management structure commensurate with the size and complexity of the Bank that is adequately staffed by qualified personnel. The Management Review shall, at a minimum, address, consider, and include:

(a) The identification of the type and number of officers needed to manage and supervise properly the affairs of the Bank;

(b) an evaluation of each senior officer to determine whether the individual possesses the ability, experience, and other qualifications necessary to perform competently present and anticipated duties, including the ability to comply with applicable laws and regulations, adhere to the Bank's established policies and procedures, restore and maintain the Bank to a safe and sound condition, and comply with the requirements of this Agreement; and

(c) the identification of present and future management and staffing needs for each area of the Bank, particularly in the area of credit administration.

4. Within 30 days of completion of the Management Review, the board of directors shall submit a written management plan to the Reserve Bank and the KDFI that includes the findings and conclusions of the Management Review and describes the specific

actions that the board of directors will take to strengthen the Bank's management and to hire, as necessary, additional or replacement personnel.

Credit Risk Management

5. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the KDFI an acceptable written plan to strengthen credit risk management and credit administration practices. The plan shall, at a minimum, address, consider, and include:

(a) Periodic review and revision of risk exposure limits to address changes in market conditions;

(b) strategies to minimize credit losses and reduce the level of problem assets: and

(c) timely and accurate identification and quantification of credit risk within the loan portfolio.

Credit Administration

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the KDFI an acceptable written credit administration program that shall, at a minimum, address, consider, and include:

(a) Enhanced policies and procedures for the disposition of other real estate owned ("OREO");

(b) the designation of appropriate personnel authorized to dispose of OREO; and

(c) measures to ensure that appropriate evaluations are obtained on real estate, in compliance with section 225.63 (b) of Regulation Y of the Board of Governors (12 C.F.R. § 225.63 (b)).

7. Within 60 days of this Agreement, the Bank shall take all steps necessary to correct the documentation and credit information deficiencies in the Bank's loan files listed in the report of the examination that commenced January 25, 2010 that was conducted jointly by the Reserve Bank and the KDFI ("Report of Examination"). In all cases where the Bank is unable to obtain needed documentation or credit information, the Bank shall document the actions taken to secure the information and the reasons the information could not be obtained. The Bank shall maintain this documentation in the related credit file for supervisory review.

Asset Improvement

8. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the Report of Examination or in any subsequent report of examination without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank's risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and protect the Bank's interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank's interest in obtaining repayment of

the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

9. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the KDFI an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on OREO, and on each loan, relationship, or other asset in excess of $250,000 that are past due as to principal or interest more than 90 days as of the date of this Agreement, are on the Bank's problem loan list, or were adversely classified in the Report of Examination.

(b) Within 30 days of the date that the Bank acquires OREO or any additional loan, relationship, or other asset in excess of $250,000 becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the KDFI an acceptable written plan to improve the Bank's position on such loan, relationship, or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the KDFI to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the

Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report.

Allowance for Loan and Lease Losses

10. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the KDFI.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank and the KDFI. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the KDFI an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the Bank's revised

ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the KDFI, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of the ALLL for that quarter.

Capital Plan

11. Within 60 days of this Agreement, Madison and the Bank shall jointly submit to the Reserve Bank and the KDFI an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:

(a) The Bank's current and future capital needs, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements; and

(d) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that Madison serve as a source of strength to the Bank.

12. Madison and the Bank shall notify the Reserve Bank and the KDFI, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, or leverage) fall below the approved plan's minimum ratios. Together with the notification, Madison and the Bank shall submit an acceptable capital plan that details the steps they will take to increase the Bank's capital ratios to or above the approved plan's minimums.

Liquidity

13. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the KDFI an acceptable revised written contingency funding plan that, at a minimum, includes adverse scenario planning and identifies and quantifies available sources of liquidity for each scenario.

Earnings Plan and Budget

14. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the KDFI a written business plan for the remainder of 2010 to improve the Bank's earnings and overall condition. The plan, at a minimum, shall provide for or describe:

(i) a realistic and comprehensive budget for the remainder of calendar year 2010, including income statement and balance sheet projections; and

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) During the term of this Agreement, a business plan and budget for each calendar year subsequent to 2010 shall be submitted to the Reserve Bank and the KDFI at least 30 days prior to the beginning of that calendar year.

Dividends and Distributions

15. (a) Madison and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director"), and as to the Bank, the KDFI.

(b) Madison shall not directly or indirectly take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) All requests for prior written approval shall be received at least 30 days prior to the proposed dividend declaration date. All requests shall contain, at a minimum, current and projected information, as appropriate, on Madison's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Madison and the Bank, as appropriate, must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

16. (a) Madison shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the

terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Madison shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Compliance with Laws and Regulations

17. In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Madison and the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors.

18. Madison and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Compliance with the Agreement

19. (a) Within 10 days of this Agreement, Madison's and the Bank's boards of directors shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate Madison's and the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall consist of a majority of outside directors who are not executive officers of Madison or the Bank as defined in sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)). The Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to Madison's and the Bank's boards of directors.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, Madison and the Bank shall submit to the Reserve Bank and the KDFI joint written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans and Programs

20. (a) The Bank and, as applicable, Madison, shall submit written plans and a program that are acceptable to the Reserve Bank and the KDFI within the applicable time periods set forth in paragraphs 5, 6, 9(a), 9(b), 10(c), 11, and 13 of this Agreement.

(b) Within 10 days of written approval by the Reserve Bank and the KDFI, the Bank and, as applicable, Madison, shall adopt the approved plans and programs. Upon adoption, the Bank and, as applicable, Madison, shall promptly implement the approved plans and program, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the KDFI.

Communications

21. All communications regarding this Agreement shall be sent to:

(a) Bryan S. Huddleston
Assistant Vice President
Federal Reserve Bank of Cleveland
1455 East 6th Street
Cleveland, Ohio 44114-2566

(b) Charles A. Vice
Commissioner
Department of Financial Institutions
1025 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

(c) Debra G. Neal
Interim President
Madison Financial Corporation
Madison Bank
1001 Gibson Bay Drive, Suite 101
Richmond, Kentucky 40475

Miscellaneous

22. Notwithstanding any provision of this Agreement, the Reserve Bank and the KDFI may, in their sole discretion, grant written extensions of time to Madison and the Bank to comply with any provision of this Agreement.

23. The provisions of this Agreement shall be binding upon Madison and the Bank and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

24. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the KDFI.

25. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the KDFI or any other federal or state agency from taking any other action affecting Madison and the Bank or any of their current or former institution-affiliated parties and their successors and assigns.

26. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 9th of August, 2010.

MADISON FINANCIAL CORPORATION

By: /s/ Debra G. Neal
Debra G. Neal
Interim President

FEDERAL RESERVE BANK OF CLEVELAND

By: /s/ Stephen H. Jenkins
Stephen H. Jenkins
Senior Vice President

MADISON BANK

By: /s/ Debra G. Neal
Debra G. Neal
Interim President

COMMONWEALTH OF KENTUCKY DEPARTMENT OF FINANCIAL INSTITUTIONS

By: /s/ Charles A. Vice
Charles A. Vice
Commissioner