

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

Written Agreement by and between

PEDCOR FINANCIAL, LLC,
Carmel, Indiana

PEDCOR FINANCIAL BANCORP,
Carmel, Indiana

FIDELITY FEDERAL BANCORP,
Evansville, Indiana

and

FEDERAL RESERVE BANK OF
CHICAGO
Chicago, Illinois

Docket No. 24-014-WA/RB-HC

WHEREAS, Pedcor Financial, LLC (“PFIN”), is a registered savings and loan holding company that owns and controls Pedcor Financial Bancorp (“PFB”), a registered savings and loan holding company that owns and controls Fidelity Federal Bancorp (“FFED,” and together with PFIN and PFB, the “Companies”), a registered savings and loan holding company that owns and controls United Fidelity Bank, FSB, Evansville, Indiana (the “Bank,” and including the Companies, the “Firm”), a federal savings bank;

WHEREAS, on October 31, 2023, the Office of the Comptroller of the Currency entered into a Consent Order (the “Consent Order”) with the Bank to address unsafe or unsound banking practices related to capital planning, risk management, contingency funding planning, and oversight by senior management and the Bank’s board of directors, among others;

WHEREAS, it is the common goal of the Companies, and the Federal Reserve Bank of Chicago (the “Reserve Bank”) to maintain the financial soundness of the Companies so that they may serve as a source of strength to the Bank;

WHEREAS, the Companies and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”);

WHEREAS, the boards of directors of the Companies have authorized the undersigned to enter into this Agreement on behalf of each of the Companies, and consent to compliance with each and every provision of this Agreement by the Companies.

NOW, THEREFORE, the Companies and the Reserve Bank agree as follows:

Source of Strength

1. The boards of directors of the Companies shall take appropriate steps to fully utilize the Companies’ financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1831o-1) and section 238.8(a)(1) of Regulation LL of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 238.8(a)(1)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order, and any other supervisory action taken by the Bank’s federal regulator.

Board Oversight

2. Within 60 days of the effective date of this Agreement, the boards of directors of the Companies, or applicable risk committee(s) thereof, shall jointly prepare and submit a written plan to the Reserve Bank to strengthen board oversight of the Firm (the “Oversight Plan”). The Oversight Plan shall include the following five items:

- a. actions that the Companies' boards of directors will take to ensure that senior management of the Companies develop and maintain effective risk management programs that adhere to the risk tolerance guidelines and limits established by the boards of directors;
- b. actions the Companies' boards of directors will take to ensure that risk management issues are appropriately identified, tracked, escalated, and reviewed by senior management, and regularly reported to the Companies' boards of directors;
- c. actions the Companies' boards of directors will take to monitor senior management's adherence to applicable laws and regulations, approved risk management policies and procedures, and to exceptions to approved risk management policies and procedures;
- d. actions the Companies' boards of directors will take to improve supervision and maintain effective control over the Firm's major operations and activities, including but not limited to, its risk management processes, the consolidated strategic plan, consolidated capital planning, and consolidated budgeting process; and
- e. actions the Companies' boards of directors will take to improve the comprehensiveness, quality, and granularity of information and reports reviewed by the boards of directors in its oversight of the operations and management of the Firm.

Strategic Plan and Budget

- 3. (a) Within 60 days of the effective date of this Agreement, the Companies shall submit to the Reserve Bank a written strategic business plan and a budget for the Firm for the remainder of 2024 to improve the Bank's earnings and overall condition. The plan shall include the following three items:
 - (i) short- and long-term goals and strategies and a description of how the Companies' boards of directors and senior management intend to achieve the stated goals;

(ii) an assessment of the Firm's current financial condition and a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components;

(iii) realistic and comprehensive budget for the remainder of 2024, including income statement and balance sheet projections; and

(iv) a budget review process that analyzes and reports budgeted versus actual income and expense performance.

(b) A business plan and budget for each calendar year subsequent to 2024 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

Cash Flow Projections

4. Within 60 days of the effective date of this Agreement, each of the Companies shall submit to the Reserve Bank a written statement of their planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for the remainder of 2024. Each of the Companies shall submit to the Reserve Bank Cash Flow Projections for each calendar year subsequent to 2024 at least one month prior to the beginning of that calendar year.

Capital Conservation

5. (a) Effective immediately, the Companies shall not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of

Governors. All requests for prior approval shall be received in writing at least 30 days prior to the earlier of the proposed declaration, payment, or distribution date, or required notice of deferral, and shall contain, at a minimum, current and projected information, as appropriate, on PFIN's, PFB's, and FFED's respective capital, earnings, and cash flow; the Bank's asset quality, earnings, and allowance for credit losses; and identification of the source(s) of funding for the proposed payment or distribution.

(b) Effective immediately, the Companies shall not, directly or indirectly, incur, increase, prepay, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior approval shall be received at least 30 days prior to the proposed transaction date and 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.

Compliance with Laws and Regulations

6. (a) 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, the Companies shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation LL of the Board of Governors (12 C.F.R. §§ 238.71 *et seq.*).

(b) The Companies 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).

Progress Reports

7. Within 30 days after the end of each calendar quarter following the date of this Agreement, the Companies' boards of directors shall each submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof.

Implementation of Plans and Statements

8. The Companies shall submit the written plans, statements, and requests for approval to the Reserve Bank as set forth in paragraphs 2, 3, 4, and 5 of this Agreement. Each plan and statement shall contain a timeline for implementation of the plan or statement with specific deadlines for completion of each component of the plan.

Communications

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

- (a) Mr. Stephen Wheatley
Assistant Vice President, Regional Director – Indiana
Federal Reserve Bank of Chicago
230 S. LaSalle Street
Chicago, IL 60604
- (b) Mr. Bruce Cordingley
President and Chief Executive Officer
Pedcor Financial, LLC
770 3rd Avenue, SW
Carmel, Indiana 46032
- (c) Mr. Bruce Cordingley
President and Chief Executive Officer
Pedcor Financial Bancorp
770 3rd Avenue SW
Carmel, Indiana 46032
- (d) Mr. Donald R. Neel
President and Chief Executive Officer
Fidelity Federal Bancorp
18 Northwest Fourth Street

Evansville, Indiana 47708

Miscellaneous

10. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Companies to comply with any provision of this Agreement.

11. The provisions of this Agreement shall be binding upon the Companies and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

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

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

14. 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 18th day of June, 2024.

PEDCOR FINANCIAL, LLC

FEDERAL RESERVE BANK
OF CHICAGO

By: /s/ Bruce Cordingley
Bruce Cordingley
President and Chief Executive Officer

By: /s/ Richard C. Brunskill
Richard C. Brunskill
Senior Vice President, Bank Holding
Company Supervision

PEDCOR FINANCIAL BANCORP

By: /s/ Bruce Cordingley
Bruce Cordingley
President and Chief Executive Officer

FIDELITY FEDERAL BANCORP

By: /s/ Donald R. Neel
Donald R. Neel
President and Chief Executive Officer