

The Depository Trust Company

IMPORTANT

B#: 2839

DATE: January 25, 2002

TO: All Participants

CATEGORY: Dividends

FROM: Nilesh Desai, Supervisor, Dividend Department

ATTENTION: Dividend Managers, Cashiers & Reorganization Managers

SUBJECT: Rights: Fidelity Federal Bancorp
Common CUSIP#: 315921106 R/D: 12/19/01
Expires: 2/28/2002 (5:00 p.m. Central time)
Rate: one right for every 3,991 shs of common stock held

*****WARNING TIME CRITICAL*****

Fidelity Federal Bancorp (the "Company") is distributing non-transferable subscription rights (the "Basic Subscription Rights"), to shareholders of its common stock (the "Common Stock") as of the close of business on December 19, 2001 (the "Record Date"). Each shareholder is entitled to one Basic Subscription Right, rounded down to the nearest whole number, for every 3,991 Common Stock owned on the Record Date.

Each Basic Subscription Right will entitle the shareholder to purchase \$1,000.00 principal amount of the Company's 9.00% unsecured junior subordinated notes due 2/28/09. For each \$1,000.00 principal amount of notes purchased, the shareholder will also receive warrant subscription rights to purchase 333 1/3 warrants, rounded down to the nearest whole number, at the price of \$0.50 per warrant (the "Warrant Subscription Right Price"). Each warrant represents the right of the holder to purchase one share of Common Stock of the Company at \$3.00 per share, less the purchase price of the warrant. To the extent that the shareholder **does not** have a sufficient amount of shares (less than 3,991 shares) to otherwise receive a Basic Subscription Right, they will receive one Basic Subscription Right to subscribe for the purchase of a note in the minimum \$1,000.00 principal issuance amount. The Basic Subscription Right and the warrant subscription right also include the right to over-subscribe, subject to availability and proration, for additional notes or warrants if not all of the notes or the warrants offered are purchased pursuant to the basic and warrant subscription rights.

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The Depository Trust Company (“DTC”) WILL NOT BE ALLOCATING RIGHTS TO PARTICIPANTS’ ACCOUNTS. Due to the terms and conditions of the Subscription entitlement, DTC participants cannot exercise their Basic Subscription Rights through DTC’s Reorganization Department “PSOP” system. On January 2, 2002, the Company mailed to participants a Shareholder Rights Agreement with the instructions, Letter to Securities Dealers, Commercial Banks, Trust Companies and Other Nominees, Beneficial Owner Election Form, Nominee Holder Certification, Important Tax Information, Letter to Client of Beneficial Owners and a Prospectus . Participants who wish to exercise their Basic Subscription Rights on the behalf of beneficial owners must do so directly with the Company.

DTC has forwarded to the Company a record date listing of participants to ensure that participants are mailed the offering documents.

It is imperative that participants carefully read the offering documents sent to them by the Company, as they contain important information.

For Participants with beneficial owners with holdings of less than 3,991 Common Shares on Record Date, who wish to exercise their Basic Subscription Right they may do so by submitting to the Company their instructions authorized by appropriate personnel on their firm’s letterhead. A contact name and telephone number must be on the instructions and funds for the subscription must be included.

If participants have any questions regarding the Rights Offering or need materials, they must contact Ms. Deb Fritz of the Company at (812) 429-0550 (Ext. 2226).

THE DIVIDEND POSITION AND ALLOCATION HISTORY (DPAL) OPTION, ACCESSED VIA THE PTS DIVIDEND ANNOUNCEMENT INQUIRY (DIVA) FUNCTION, SHOULD BE USED TO CONFIRM YOUR RECORD DATE POSITION HISTORY.

If participants have any questions concerning this Important Notice, please contact Mr. John McCarthy or Ms. Susan Alvino of DTC’s Stock Divided Department at (212) 855-4521/4532.