

PUBLIC DISCLOSURE

July 1, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Parish Bank & Trust Company
RSSD # 897545

29 North Dixie Highway
Momence, IL 60954

Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

| | |
|---|---|
| Institution’s CRA (Community Reinvestment Act) Rating | 1 |
| Description of Institution | 1 |
| Description of Assessment Area | 2 |
| Conclusions with Respect to Performance Criteria | 4 |
| Loan-to-Deposit (LTD) Ratio | 4 |
| Lending in the Assessment Area | 5 |
| Lending to Borrowers of Different Incomes and to Businesses of Different Sizes..... | 6 |
| Geographic Distribution of Loans | 7 |
| Complaints | 8 |
| Fair Lending | 8 |

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The bank has provided its community with credit consistent with the bank's size, financial capacity, location, economic conditions, and the competitive factors within its assessment area. The bank's loan-to-deposit ratio is slightly below its peer group, but meets the standards for satisfactory performance due to compensating factors. While the bank's level of lending within its assessment meets the standards for satisfactory performance, the bank has a strong level of lending to borrowers of different incomes and to small businesses. In addition, the geographic distribution of the bank's loans demonstrates the bank's willingness to extend credit throughout a majority of its assessment area. The examination revealed no patterns or practices intended to discriminate or discourage loan applications from any member of a protected class. No CRA-related complaints have been received by the bank or this Reserve Bank since the previous examination.

The bank's CRA performance was previously evaluated July 28, 1997 by the Federal Reserve Bank of Chicago at which time it was rated **outstanding**.

DESCRIPTION OF INSTITUTION

Parish Bank & Trust Company is a \$22.4 million dollar institution located in Momence, Illinois, in the eastern portion of Kankakee County. The bank offers one full-service facility and one drive-up facility that performs only deposit and check cashing functions within Momence. At this time, the bank does not offer automated teller machine (ATM) services to customers, but has plans to do so within the year.

The bank offers traditional products and services. Loan products include consumer and commercial real estate, consumer installment, single payment, agricultural, and commercial loans. The bank does not offer any type of open-end credit.

According to the bank, its competitive environment has not significantly changed since the previous examination. Major local competitors include Kankakee Federal Savings Bank and Municipal Trust and Savings Bank. The bank also has many non-local competitors for home mortgage loans.

The Offices and Deposits of all FDIC-Insured Institutions Market Share Report, data as of June 30, 2001, lists 16 institutions with total deposits of \$1.3 billion within Kankakee County. Of the 16 institutions listed, Parish Bank & Trust Company ranked 13 with 1.33% market share with \$17.7 million in deposits.

Exhibit 1 shows the composition of the loan portfolio based on information provided in the March 31, 2002 Uniform Bank Performance Report (UBPR). Approximately 42% of the bank's loan portfolio is composed of 1-4 family residential mortgages.

Exhibit 1 – Composition of Loan Portfolio

| Product | % of Net Loans and Leases* |
|-----------------------------------|-----------------------------------|
| Farm Land | 8.3% |
| 1-4 Family Residential Mortgage | 41.53% |
| Nonfarm/Nonresidential Properties | 11.45% |
| Agricultural | 14.11% |
| Commercial and Industrial | 15.31% |
| Consumer (Installment/Single Pay) | 8.89% |
| All other | 0.41% |

*Information in this section was derived from the bank's March 31, 2002 Uniform Bank Performance Report.

There are no apparent factors relating to the bank's financial conditions, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting its community's credit needs.

DESCRIPTION OF ASSESSMENT AREA

An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan areas. 1990 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.

The bank's assessment area consists of five census tracts in the Kankakee, Illinois Metropolitan Statistical Area (MSA). One census tract (110) is defined as a low-income census tract and the remaining four census tracts (101, 108, 109, and 111) are defined as middle income. All of the tracts are located in the eastern portion of Kankakee County. According to the 1990 U.S. Bureau of Census, the population of the assessment area is 15,615 and the population of the MSA is 96,255.

Income Characteristics

Exhibit 2 shows the median family income and the distribution of families by income level for the assessment area, in comparison to the entire Kankakee MSA and to the State of Illinois, based on U.S. Bureau of Census data.

Exhibit 2 – Median Family Income and Distribution of Families by Income Level

| Location | Median Family Income (\$) | Percent of Families | | | | |
|-------------------|---------------------------|---------------------|----------|--------|-------|---------------------|
| | | Low | Moderate | Middle | Upper | Below Poverty Level |
| Assessment Area | 30,169 | 27.9 | 19.6 | 21.4 | 31.0 | 15.0 |
| MSA #3740 | 33,560 | 20.4 | 17.1 | 23.8 | 38.7 | 10.6 |
| State of Illinois | 38,664 | 20.0 | 17.9 | 24.2 | 38.0 | 9.0 |

Low-income is defined as less than 50% of median family income, moderate-income as 50% to less than 80% of median family income, middle-income as 80% to less than 120% of median family income, and upper-income as 120% or more of median family income.

In contrast to the 1990 income shown in Exhibit 2, estimates provided by the Department of Housing and Urban Development (HUD) indicate that the 2001 median family income for Kankakee County is approximately \$55,400.

Housing Characteristics and Affordability

Based on 1990 U.S. Bureau of Census data, housing in the assessment area consists of 6,221 units. Approximately 63.3% of the units are owner-occupied and 24.1% are rental units. In contrast, the percentages for the Kankakee MSA are 62.5% and 31.1%, respectively. The median age of housing stock in the assessment area is 43 years, in comparison to 46 years for the MSA and 38 years for the State of Illinois. The median housing values for the assessment area, the MSA, and the State of Illinois are \$54,869, \$54,347, and \$80,114, respectively.

Affordability ratios, developed by dividing the median household income by the median household value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a higher ratio generally has more affordable housing than an area with a lower ratio. The affordability ratios for the assessment area, Kankakee MSA, and the State of Illinois are 44.9%, 52.0% and 40.3%, respectively, indicating that housing is more affordable in the MSA but slightly less affordable in the State of Illinois.

Labor and Employment

The assessment area experienced a slight increase in unemployment between 2001 and 2002. According to the Illinois Department of Employment Security, unemployment rates for the Kankakee MSA and the State of Illinois in April 2002 were 6.3% and 6.1%, respectively as compared to 5.6% and 5.0%, respectively in April 2001. Major employers

in the assessment area are shown in Exhibit 3.

Exhibit 3 – Primary Employers in the Assessment Area*

| Employer | Product/Service | Location | Employees |
|--------------------------------|---------------------|----------|-----------|
| Baker and Taylor | Book Dealer | Momence | 825 |
| Momence Meadows Nursing Center | Adult Care Facility | Momence | 100 |
| Momence Meat Packing Co. | Food Processing | Momence | 300 |
| Allen Lumber Company | Lumber Wholesale | Momence | 58 |
| Precisionaire Industries | Manufacturing | Momence | 190 |

*Sources: Kankakee County Economic Development Council and Momence Chamber of Commerce

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following as applicable: The bank's loan-to-deposit ratio, the percentage of loans and other lending-related activities located in the bank's assessment area(s), the record of lending to borrowers of different income levels and businesses and farms of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the standards are analyzed and evaluated within the assessment area(s) context, which includes, but is not limited to, comparative analyses of the assessment area(s) and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area(s).

Loan-to-Deposit (LTD) Ratio

The bank's average loan-to-deposit ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to the bank's capacity to lend, competitor and peer's loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.

The bank's LTD ratio is below that of its peer group and a sample of local competitors as shown in Exhibit 4. According to the March 31, 2002 Uniform Bank Performance Report (UBPR) the bank's LTD ratio was 47.4%. This represents a decline of 4.92% from the LTD ratio of 52.26% noted in the previous public evaluation. However, the bank has not experienced a significant change in the amount of deposits or loans outstanding since the previous examination.

Exhibit 4 – LTD Ratios for Parish Bank & Trust Company, Peer Group, and a Sample of Local Competitors

| Bank Name, City, 3/02 Assets \$(Millions) | 6/00 (%) | 9/00 (%) | 12/00 (%) | 3/01 (%) | 6/01 (%) | 9/01 (%) | 12/01 (%) | 3/02 (%) | Avg. |
|---|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|--------|
| Parish Bank & Trust Company Momence, IL \$22.4 million | 50.7 | 49.4 | 46.8 | 46.9 | 47.4 | 46.5 | 46.9 | 47.4 | 47.75% |
| Peer Group | 58.2 | 59.2 | 58.2 | 56.3 | 57.4 | 57.3 | 52.2 | 54.7 | 56.69% |
| Kankakee Federal Savings Bank, Kankakee, IL \$529.8 million | 83.7 | 85.9 | 87.3 | 88.7 | 92.9 | 94.7 | 94.9 | 93.6 | 90.21% |
| Capstone Bank National Association Watseka, IL \$174.7 million | 52.4 | 58.5 | 54.5 | 53.9 | 50.7 | 52.2 | 50.2 | 43.1 | 51.94% |
| Municipal Trust and Savings Bank, Bourbonnais, IL \$236.8 million | 62.4 | 61.2 | 61.4 | 61.1 | 62.8 | 64.5 | 64.0 | 63.3 | 62.59% |

The bank's eight-quarter LTD average (47.75%) is below that of its peer group (56.69%) and competitors in its market. However, the difference between the bank's LTD and that of its peer group has remained relatively stable since the previous examination.

While the bank's eight-quarter LTD ratio is lower than that of its local competitors and its peer group, there are compensating factors that support a satisfactory rating in this performance category. The bank's ratio is influenced by the limited number and type of loan products the bank offers and the competition from larger institutions that operate branches in Momence. Kankakee Federal Saving Bank and Municipal Trust and Savings Bank, the bank's major competitors, are significantly larger and operate multiple offices within the market area. Based upon this review, the bank meets the standards for satisfactory performance in this category.

Lending in the Assessment Area

To assess the extent of lending within the assessment area, the following were reviewed: consumer installment loans and small business loans. The sample period consisted of loans originated between October 31, 2001 and April 30, 2002. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter.

Overall, commercial and consumer installment lending within the bank's assessment area meets the standards for satisfactory performance under this criterion. The majority of Parish Bank & Trust Company's loans are originated within the assessment area. The distribution of the bank's lending is illustrated in Exhibit 5.

Exhibit 5 – Distribution of Loans in/out of Assessment Area (AA)

| Loan Type | Number of Loans | | |
|----------------------|-----------------|---------|---------|
| | # in Sample | # in AA | % in AA |
| Consumer Installment | 82* | 65 | 79.3% |
| Commercial | 66* | 48 | 72.7% |
| Totals | 148 | 113 | 76.4% |

*Street addresses could not be obtained for four consumer installment loans and two commercial loans

Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes

The distribution of loans among borrowers of different income levels and businesses of different sizes was determined by reviewing consumer installment loans and commercial loans. The sample period for these products consisted of loans originated between October 31, 2001 and April 30, 2002. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.

Given the demographics of the bank's assessment area, the loan distribution across borrowers of different income levels and businesses of different sizes exceeds the standards for satisfactory performance under this criterion as supported by a review of consumer installment and commercial loans.

Consumer Installment Loans

Exhibit 6 shows the distribution of the sample of consumer installment loans within the assessment area originated during the period between October 31, 2001 and April 30, 2002 by income level. The percent of loans to low- and moderate-income borrowers is 87.3%, which substantially exceeds the percent of low- and moderate-income families (47.5%) in the assessment area.

Exhibit 6 – Loan Distribution of Consumer Installment Loans by Income Level

| Income Level | Total Number of Loans | Percent of Total Loans* | Percent of Families in Assessment Area |
|--------------|-----------------------|-------------------------|--|
| Low | 34 | 61.8 | 27.9 |
| Moderate | 14 | 25.5 | 19.6 |

| | | | |
|--------|------|-------|-------|
| Middle | 7 | 12.7 | 21.4 |
| Upper | 0 | 0 | 31 |
| Totals | ◆ 55 | 100.0 | 100.0 |

* HUD's estimated 2002 median family income was used to determine the income level of the applicants.

◆ Borrower income not available for ten loans.

Commercial Loans

The distribution of commercial loans reflects a reasonable penetration among small businesses. Of the 48 commercial loans made within the assessment, all were made to small businesses with annual revenues less than \$1 million. All loans originated during the sample period were in amounts of less than \$100 thousand. The review showed that the bank originated 48 small business loans totaling \$1,202,526.

Overall, the distribution of the bank's loans to borrowers of different income levels and to businesses/farms of different revenue sizes exceeds the standards for satisfactory performance.

Geographic Distribution of Loans

The distribution of lending activities among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance, the following were reviewed: consumer installment loans and commercial loans. The sample period for these products consisted of loans originated between October 31, 2001 and April 30, 2002. Those loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.

Given the demographics of the bank's assessment area, the geographic distribution of loans meets the standards for satisfactory performance under this criterion.

As noted previously in this evaluation, Parish Bank & Trust Company's assessment area consists of four middle-income census tracts and one low-income tract in Kankakee County. Exhibit 7 shows the bank's lending among these census tracts. Exhibit 7 also shows that 85.0% of the bank's loans were originated in middle-income geographies or census tracts and 15.0% of its loans were originated in the low-income geography. Small business loans are concentrated in middle-income geographies (96%), with 4% concentrated in the low-income geography. According to 2001 Dun and Bradstreet reports, 5.8% of the small businesses within the assessment area are located in low-income geographies and 94.2% are located in middle-income geographies. Due to the low percentage of small businesses located in low-income geographies, the bank's geographic

loan distribution appears proportionate to the percentages of businesses located within each tract.

Seventy-seven percent of consumer loans are made to borrowers in middle-income geographies, with 23% to borrowers in the low-income geography. According to 1990 census data, 21.2% of the population of the bank's assessment area resides in the low-income geography while 78.8% lives in middle-income geographies. The bank's geographic loan distribution is reasonable as it is proportionate to the percentages of the population residing in low- and middle-income geographies.

Exhibit 7 – Geographic Loan Distribution of Residential Real Estate Loans and Small Business Loans by Income Level

| LOAN DISTRIBUTION BY CENSUS TRACT CLASSIFICATION AND LOAN TYPE | | | | | |
|---|--|--|---|--|--------------------|
| Loan Type | Loans in Low- Income Tracts #/% | Loans in Moderate – Income Tracts #/% | Loans in Middle- Income Tracts #/% | Loans in Upper- Income Tracts #/% | Total Loans |
| Consumer Installment | 15/23.0% | 0/0% | 50/77.0% | 0/0% | 65/57.5% |
| Commercial | 2/4% | 0/0% | 46/96% | 0/0% | 48/42.5% |
| Total: | 17/15.0% | 0/0% | 96/85.0% | 0/0% | 113/100.0% |

Complaints

Neither Parish Bank & Trust Company nor this Reserve Bank has received any CRA-related complaints since the previous examination.

Fair Lending

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the banks' lending activities was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations and were implemented on an equitable basis. No evidence of prohibited discriminatory credit practices was detected.