

KANKAKEE BANCORP INC
Form S-4/A
July 30, 2003
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As filed with the Securities and Exchange Commission on July 30, 2003

Registration No. 333-106617

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

Under

The Securities Act of 1933

KANKAKEE BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6712
(Primary Standard Industrial
Classification Code Number)

36-3846489
(I.R.S. Employer
Identification No.)

310 South Schuyler Avenue, Kankakee, Illinois 60901 (815) 937-4440

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(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Carol S. Hoekstra, Executive Vice President

Kankakee Bancorp, Inc.

310 South Schuyler Avenue

Kankakee, Illinois 60901

(815) 937-4440

(name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

John E. Freechack, Esq.

Thomas A. Litz, Esq.

Karyn L. Doerfler, Esq.

Thomas E. Proost, Esq.

Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC

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333 West Wacker Drive, Suite 2700

One US Bank Plaza, Suite 3400

Chicago, Illinois 60606

St. Louis, Missouri 63101

Phone: (312) 984-3100

Phone: (314) 552-6000

Fax: (312) 984-3150

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Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. " _____ "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____ "

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed	Proposed	Amount of Registration Fee(3)
		Maximum Offering Price Per Share(2)	Maximum Aggregate Offering Price(2)	
Common stock, \$.01 par value	350,196 shares	\$ 21.63 value per share	\$ 7,574,739	\$ 613

- (1) Represents the estimated maximum number of shares to be issued pursuant to the agreement and plan of merger dated as of May 27, 2003, between Kankakee Bancorp, Inc., a Delaware corporation, and Aviston Financial Corporation, an Illinois corporation.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(c) and (f)(2) of Regulation C under the Securities Act of 1933, as amended, and calculated as the book value per share of Aviston Financial Corporation common stock as of May 31, 2003, for each of the 495,326 shares of Aviston Financial Corporation common stock, the maximum number of shares outstanding at the effective time of the merger, to be exchanged for the common stock of the registrant pursuant to the merger agreement.
- (3) The registration fee was previously paid to the Commission on June 27, 2003.

DELAYING AMENDMENT: The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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**Proxy Statement for the Special Meeting
of Stockholders of
Kankakee Bancorp, Inc.**

**Proxy Statement for the Special Meeting
of Stockholders of
Aviston Financial Corporation**

**Prospectus of Kankakee Bancorp, Inc.
In Connection With an Offering of Up
to 350,196 Shares of its Common Stock**

The boards of directors of Kankakee Bancorp, Inc. and Aviston Financial Corporation have approved a merger agreement that would result in Aviston Financial's tax-free merger with and into Kankakee Bancorp. As a result of the merger, each outstanding share of Aviston Financial common stock will be converted into the right to receive 0.707 shares of Kankakee Bancorp common stock. As soon after the completion of the merger as possible, we will also merge our respective subsidiary depository institutions into a single commercial bank.

Kankakee Bancorp common stock is traded on the American Stock Exchange under the symbol KNK. The closing price of Kankakee Bancorp common stock on July 28, 2003 was \$52.58.

To complete this merger, we must obtain the necessary government approvals and the approvals of the stockholders of both Kankakee Bancorp and Aviston Financial. Each of our companies will hold a special meeting of our respective stockholders to vote on the agreement and plan of merger and the transactions it contemplates. **Your vote is very important.** Whether or not you plan to attend your company's special meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. The dates, times and places of the meetings are as follows:

For Kankakee Bancorp stockholders:

September 15, 2003
10:00 a.m., local time
Barack Ferrazzano Kirschbaum
Perlman & Nagelberg LLC
333 W. Wacker Drive, Suite 2700
Chicago, Illinois 60606

For Aviston Financial stockholders:

September 11, 2003
6:00 p.m., local time
Sheraton Hotel Conference Center
319 Fountains Parkway
Fairview Heights, Illinois 62208

Kankakee Bancorp's board of directors unanimously recommends that Kankakee Bancorp stockholders vote

FOR approval of the merger agreement and the transactions it contemplates and adoption of the

Aviston Financial's board of directors unanimously

recommends that Aviston Financial stockholders vote **FOR** approval of the merger agreement and the transactions it contemplates.

amendments to the certificate of incorporation.

For a description of the significant considerations in connection with the merger and related matters described in this document, see Risk Factors beginning on page 28.

We encourage you to read this entire document carefully. This joint proxy statement-prospectus gives you detailed information about the merger and the amendments to Kankakee Bancorp's certificate of incorporation its board of directors is proposing, and it includes a copy of our merger agreement as Appendix A. In addition to the information contained in this joint proxy statement-prospectus about both of our companies, you also can obtain information about Kankakee Bancorp from publicly available documents it has filed with the Securities and Exchange Commission. See *Where You Can Find More Information* beginning on page 87.

Carol S. Hoekstra

Executive Vice President

Kankakee Bancorp, Inc.

Thomas A. Daiber

President

Aviston Financial Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement-prospectus or determined if this joint proxy statement-prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities we are offering through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency.

This joint proxy statement-prospectus is dated July 30, 2003 and is first being mailed on or about August 4, 2003.

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Kankakee Bancorp, Inc.

310 South Schuyler Avenue

Kankakee, Illinois 60901

Notice of Special Meeting of Stockholders

To Be Held On September 15, 2003

A special meeting of stockholders of Kankakee Bancorp, Inc., a Delaware corporation, will be held at the offices of Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC, 333 W. Wacker Drive, Suite 2700, Chicago, Illinois 60606, on September 15, 2003, 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of May 27, 2003, between Kankakee Bancorp, Inc. and Aviston Financial Corporation, an Illinois corporation, and the transactions contemplated by the Agreement and Plan of Merger, including the merger of Aviston Financial with and into Kankakee Bancorp.
2. To consider and vote upon three amendments to the certificate of incorporation of Kankakee Bancorp, as previously amended, that would:

Change the name of Kankakee Bancorp to Centru Financial Corporation;

Increase the number of authorized shares of Kankakee Bancorp common stock from 3.5 million to 5.5 million; and

Change the manner in which the certificate of incorporation may be amended in the future, as described more fully in the attached joint proxy statement-prospectus.

3. To transact such other business as may properly be brought before the special meeting, or any adjournments or postponements of the special meeting.

The close of business on July 28, 2003, has been fixed as the record date for determining those stockholders entitled to vote at the special meeting and any adjournments or postponements of the special meeting. Accordingly, only stockholders of record on such date are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

By Order of the Board of Directors,

CAROL S. HOEKSTRA
Executive Vice President

July 30, 2003

YOUR VOTE IS VERY IMPORTANT

Whether or not you plan to attend the special meeting in person, please take the time to vote by completing and mailing the enclosed proxy card in the enclosed postage-paid envelope, or by voting by telephone or internet as described on the enclosed proxy card. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card or voted by telephone or internet.

Your Board of Directors unanimously recommends that you vote FOR approval of the merger agreement and the transactions it contemplates, FOR adoption of the amendment to Kankakee Bancorp's certificate of incorporation changing its name to Centru Financial Corporation, FOR adoption of the amendment to Kankakee Bancorp's certificate of incorporation increasing the number of authorized shares and FOR adoption of the amendment to Kankakee Bancorp's certificate of incorporation changing the manner in which the certificate of incorporation may be amended in the future.

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Aviston Financial Corporation

101 South Page Street

Aviston, Illinois 62216

Notice of Special Meeting of Stockholders To Be Held On September 11, 2003

A special meeting of stockholders of Aviston Financial Corporation, an Illinois corporation, will be held at the Sheraton Hotel Conference Center, 319 Fountains Parkway, Fairview Heights, Illinois 62208, on September 11, 2003, 6:00 p.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of May 27, 2003, between Aviston Financial Corporation and Kankakee Bancorp, Inc., a Delaware corporation, and the transactions contemplated by the Agreement and Plan of Merger, including the merger of Aviston Financial with and into Kankakee Bancorp.
2. To transact such other business as may properly be brought before the special meeting, or any adjournments or postponements of the special meeting.

The close of business on July 28, 2003, has been fixed as the record date for determining those stockholders entitled to vote at the special meeting and any adjournments or postponements of the special meeting. Accordingly, only stockholders of record on such date are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

By Order of the Board of Directors,

THOMAS A. DAIBER
President

July 30, 2003

YOUR VOTE IS VERY IMPORTANT

Whether or not you plan to attend the special meeting in person, please take the time to vote by completing and mailing the enclosed proxy card in the enclosed postage-paid envelope. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card.

Your Board of Directors unanimously recommends that you vote FOR approval of the merger agreement and the transactions it contemplates.

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PLEASE NOTE

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

This joint proxy statement-prospectus has been prepared as of July 30, 2003. You should not assume that the information contained in this document is accurate as of any date other than such date, and neither the mailing to you of this document nor the issuance to you of shares of common stock of the combined company will create any implication to the contrary. However, if there is a material change to information requiring the filing of a post-effective amendment with the Securities and Exchange Commission, you will receive an updated document and your proxy will be resolicited.

The information contained in this joint proxy statement-prospectus pertaining to Kankakee Bancorp was supplied by Kankakee Bancorp, and the information pertaining to Aviston Financial was supplied by Aviston Financial.

HOW TO OBTAIN ADDITIONAL INFORMATION

This joint proxy statement-prospectus incorporates important business and financial information about us that is not included in or delivered with this document. This information is described on page 91 under Where You Can Find More Information. You can obtain free copies of this information by writing or calling:

For Kankakee Bancorp documents:

Lynn O Brien
Secretary
Kankakee Bancorp, Inc.
310 South Schuyler Avenue
Kankakee, Illinois 60901
(Telephone (815) 937-4440)

For Aviston Financial documents:

Bryan L. Marsh
Secretary
Aviston Financial Corporation
101 South Page Street
Aviston, Illinois 62216
(Telephone (618) 228-7215)

To obtain timely delivery of the documents, you must request the information by September 5, 2003.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: On what am I being asked to vote?

A: You are being asked to vote on an Agreement and Plan of Merger, which, if approved, will result in Aviston Financial being merged with and into Kankakee Bancorp.

In addition, Kankakee Bancorp stockholders are being asked to adopt three amendments to the certificate of incorporation of Kankakee Bancorp. One of these amendments would change Kankakee Bancorp's name to Centru Financial Corporation. Another of these amendments would increase the number of authorized shares of common stock from 3.5 million to 5.5 million. The third amendment would change the manner in which the certificate of incorporation may be amended in the future.

The adoption of these amendments is not a condition to the completion of the merger. Approval of the merger agreement and the transactions it contemplates is not a condition to the adoption of the amendments.

We also are soliciting proxies that would grant the authority to vote to adjourn the special meeting of your company, if necessary, to solicit additional proxies for approval of the matters to be voted on.

You may also be asked to consider other matters as may properly come before each of our respective special meetings. Neither Kankakee Bancorp nor Aviston Financial knows of any other matters that will be presented for consideration at its special meeting.

Q: Why do Kankakee Bancorp and Aviston Financial want to merge?

A: Kankakee Bancorp is acquiring Aviston Financial because we both believe that by combining our two companies we can create a stronger and more diversified company that provides significant long-term benefits to stockholders and customers alike. In addition, the merger will allow the combined company to expand its presence within the central Illinois and St. Louis metropolitan area.

Q: What will happen to my shares of Kankakee Bancorp?

A: All shares of Kankakee Bancorp will remain outstanding.

Q: What will I receive for my shares of Aviston Financial?

A: You will receive 0.707 shares of Kankakee Bancorp common stock for each share of Aviston Financial common stock that you own at the effective time of the merger. Each share of Kankakee Bancorp common stock that you receive will include all rights that are inherent in and attached to the outstanding shares of Kankakee Bancorp common stock as described in this joint proxy statement-prospectus. Kankakee Bancorp will not issue any fractional shares. Instead of fractional shares, Aviston Financial stockholders will receive cash in an amount determined as described in this joint proxy statement-prospectus.

Q: When do you expect the merger to be completed?

A: We hope to complete the merger late in the third quarter or during the fourth quarter of 2003, or as soon as possible upon the approval of bank regulatory authorities and the satisfaction of other closing conditions.

Q: When and where will the special meetings take place?

A: The Kankakee Bancorp special meeting will be held on September 15, 2003, at 10:00 a.m., local time, at the offices of Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC, 333 W. Wacker Drive, Suite 2700, Chicago, Illinois 60606.

The Aviston Financial special meeting will be held on September 11, 2003, at 6:00 p.m., local time, at the Sheraton Hotel Conference Center, 319 Fountains Parkway, Fairview Heights, Illinois 62208.

Q: Who must approve the proposals at the special meetings?

A: Holders of a majority of the outstanding shares of Kankakee Bancorp common stock as of the close of business on July 28, 2003, must approve the merger agreement and the transactions it contemplates and adopt the two amendments to Kankakee Bancorp's certificate of incorporation changing the corporate name and increasing the number of authorized shares of Kankakee Bancorp common stock. Holders of at least 80% of the

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outstanding shares of Kankakee Bancorp common stock as of the close of business on July 28, 2003, must adopt the amendment to Kankakee Bancorp's certificate of incorporation changing the manner in which the certificate of incorporation may be amended in the future.

Holders of at least two-thirds of the outstanding shares of Aviston Financial common stock as of the close of business on July 28, 2003, must approve the merger agreement and the transactions it contemplates.

Q: What are the recommendations of the Kankakee Bancorp Board of Directors and the Aviston Financial Board of Directors?

A: The board of directors of Kankakee Bancorp recommends and encourages its stockholders to vote **FOR** approval of the merger agreement and the transactions it contemplates and **FOR** the adoption of all three of the amendments to Kankakee Bancorp's certificate of incorporation.

The board of directors of Aviston Financial recommends and encourages its stockholders to vote **FOR** approval of the merger agreement and the transactions it contemplates.

Q: How do the directors and executive officers of Aviston Financial and the directors of Kankakee plan to vote?

A: All of Aviston Financial's directors and executive officers have agreed to vote their shares in favor of the merger agreement. These individuals collectively hold, as of the record date for the Aviston Financial special meeting, approximately 140,000 shares, or approximately 28.4% of Aviston Financial common stock eligible to vote. The directors of Kankakee Bancorp have indicated that they intend to vote their shares in favor of all of the proposals. For a description of the interests of certain directors and officers of Aviston Financial and Kankakee Bancorp, see "Description of Transaction - Interests of Certain Persons in the Merger" beginning on page 53.

Q: What do I need to do now?

A: After reviewing this document, submit your proxy by executing and returning the enclosed proxy card. If you are a stockholder of Kankakee Bancorp, you may also vote by telephone or internet, as described on the enclosed proxy card. By submitting your proxy, you authorize the individuals named in the proxy to represent you and vote your shares at your special meeting in accordance with your instructions. Your proxy vote is important. Whether or not you plan to attend your special meeting, please submit your proxy promptly in the enclosed envelope.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you instruct your broker on how to vote. Your broker will send you directions on how you can instruct your broker to vote. Your broker cannot vote your shares without instructions from you.

Q: How will my shares be voted if I return a blank proxy card?

A: If you sign, date and send in your proxy card and do not indicate how you want to vote, your proxies will be counted as a vote for the proposals identified in this document and in the discretion of the persons named as proxies in any other matters properly presented for a vote at your special meeting.

Q: What will be the effect if I do not vote?

A: If you abstain or do not return your proxy card or otherwise do not vote at your special meeting, your failure to vote will have the same effect as if you voted against approval of the merger agreement and, if applicable, adoption of the amendments to Kankakee Bancorp's certificate of incorporation.

Q: Can I vote my shares in person?

A: Yes, if your shares are registered in your own name, you may attend your special meeting and vote your shares in person rather than signing and mailing your proxy card, or, if applicable, voting by telephone or internet. However, to ensure that your vote is counted at your special meeting, we recommend that you sign, date and promptly mail the enclosed proxy card, or, if you are a stockholder of Kankakee Bancorp, vote by telephone or internet.

Q: Can I change my mind and revoke my proxy?

A: Yes, you may revoke your proxy and change your vote at any time before the polls close at your special meeting by:

signing another proxy with a later date,

giving written notice of the revocation of your proxy to the secretary of either Kankakee Bancorp or Aviston Financial (whichever is applicable) before your special meeting, or

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voting in person at your special meeting.

Your latest dated proxy or vote will be counted.

Q: What regulatory approvals are required to complete the merger?

A: To complete the merger, Kankakee Bancorp and Aviston Financial must obtain the approval of the Board of Governors of the Federal Reserve System, which we refer to as the Federal Reserve Board, and the approval of the Illinois Office of Banks and Real Estate. The merger of KFS Bank, F.S.B., a wholly owned subsidiary of Kankakee Bancorp, with and into the State Bank of Aviston, a wholly owned subsidiary of Aviston Financial, must be approved by the Federal Deposit Insurance Corporation, which we refer to as the FDIC, and the Illinois Office of Banks and Real Estate. Applications for all of the necessary regulatory approvals have been filed.

Q: What are the tax consequences of the merger to Aviston Financial stockholders?

A: In general, the exchange of your Aviston Financial common stock solely for Kankakee Bancorp common stock will not cause you to recognize any taxable gain or loss for federal income tax purposes. However, you will have to recognize taxable income or gain in connection with cash received in lieu of any fractional shares of common stock of the combined company.

Each of Kankakee Bancorp's and Aviston Financial's respective obligations to complete the merger is conditioned upon receipt of an opinion about the federal income tax treatment of the merger. The opinion will not bind the Internal Revenue Service, which could take a different view. To review in greater detail the tax consequences to Aviston Financial stockholders, see Description of Transaction Material Federal Income Tax Consequences of the Merger, beginning on page 36. You should consult your own tax advisor for a full understanding of the tax consequences to you of the merger.

Q: What risks should I consider before I vote on the merger?

A: We encourage you to read carefully the detailed information about the merger contained in this joint proxy statement-prospectus, including the section entitled Risk Factors beginning on page 28.

Q: What if I oppose the merger? Do I have dissenters' rights?

A: Aviston Financial stockholders who oppose the merger have dissenters' rights under the Illinois Business Corporation Act. A copy of the provisions of Illinois law relating to dissenters' rights is attached as Appendix B to this document. See Description of Transaction Dissenters Rights beginning on page 46.

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Kankakee Bancorp stockholders who oppose the merger do not have any dissenters' rights.

Q: Should I send in my Aviston Financial stock certificate now?

A: No. Once the merger is completed we will send you written instructions for exchanging your stock certificates.

Q: Who can answer my questions about the merger?

A: If you are a stockholder of Kankakee Bancorp, you may contact James M. Lindstrom at (815) 937-4440 to answer your questions about the merger.

If you are a stockholder of Aviston Financial, you may contact Thomas A. Daiber at (618) 228-7215 to answer your questions about the merger.

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Summary

*This brief summary highlights selected information from this joint proxy statement-prospectus and may not contain all of the information that is important to you. We urge you to carefully read this entire document and the other documents we refer to in this document. These will give you a more complete description of the transaction we are proposing. For more information about Kankakee Bancorp, see *Where You Can Find More Information*. We have included page references in this summary to direct you to other places in this joint proxy statement-prospectus where you can find a more complete description of the topics we have summarized.*

General

This joint proxy statement-prospectus relates to the proposed merger of Aviston Financial with and into Kankakee Bancorp and to three proposed amendments to Kankakee Bancorp's certificate of incorporation. Kankakee Bancorp and Aviston Financial believe that the merger will enhance stockholder value by allowing Aviston Financial stockholders to receive Kankakee Bancorp common stock in exchange for their shares of Aviston Financial common stock and by permitting Kankakee Bancorp to expand its presence with the addition of new markets in central Illinois and the St. Louis metropolitan area. In addition, Aviston Financial customers will have access to additional products and services, banking centers and ATMs. Kankakee Bancorp believes that the proposed amendments to its certificate of incorporation will increase Kankakee Bancorp's identification in the marketplace by changing the corporate name, and will create desirable flexibility by creating a reserve of additional authorized stock and by making it easier to make future amendments to its certificate of incorporation.

The Companies

(pages 69 and 72)

Kankakee Bancorp, Inc.

310 South Schuyler Avenue

Kankakee, Illinois 60901

(815) 937-4440

Kankakee Bancorp, a Delaware corporation, is a savings and loan holding company registered under the Home Owner's Loan Act, as amended. Through KFS Bank, F.S.B., Kankakee Bancorp's wholly owned subsidiary bank, Kankakee Bancorp conducts a range of commercial and personal banking activities and offers trust, insurance and investment services in Illinois. In addition to Kankakee Bancorp's main office in Kankakee, Kankakee Bancorp's subsidiary bank operates 13 branches in Illinois. At March 31, 2003, Kankakee Bancorp reported, on a consolidated basis, total assets of \$516.8 million, deposits of \$419.8 million and stockholders' equity of \$32.8 million. Kankakee Bancorp common stock is traded on the American Stock Exchange under the symbol KNK.

Aviston Financial Corporation

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101 South Page Street

Aviston, Illinois 62216

(618) 228-7215

Aviston Financial, an Illinois corporation, is a bank holding company registered under the Bank Holding Company Act, as amended. Aviston Financial was organized by an investor group led by Thomas A. Daiber, its Chairman, President and Chief Executive Officer, in October 2002 to acquire the outstanding shares of Aviston Bancorp, Inc., the holding company for the State Bank of Aviston. Through the State Bank of Aviston, Aviston Financial conducts a range of commercial and personal banking activities in central Illinois. In addition to Aviston Financial's main office in Aviston, the State Bank of Aviston operates two branches in Illinois. At March 31, 2003, Aviston Financial reported, on a consolidated basis, total assets of \$97.5 million, deposits of \$79.1 million and stockholders' equity of \$10.4 million. Aviston Financial common stock is not publicly traded.

Special Meetings

(pages 31 and 33)

Kankakee Bancorp stockholders. The Kankakee Bancorp meeting will be held on September 15, 2003, at 10:00 a.m., local time, at the offices of Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC, 333 W. Wacker Drive, Suite 2700, Chicago, Illinois 60606. At Kankakee Bancorp's meeting, you will be asked:

to approve the merger agreement and the transactions it contemplates;

to adopt an amendment to the certificate of incorporation of Kankakee Bancorp changing its corporate name to Centru Financial Corporation;

to adopt an amendment to the certificate of incorporation of Kankakee Bancorp increasing the number of authorized shares of common stock from 3.5 million to 5.5 million;

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to adopt an amendment to the certificate of incorporation of Kankakee Bancorp changing the manner in which the certificate of incorporation may be amended in the future; and

to act on other matters that may properly be submitted to a vote at the meeting.

The adoption of the amendments is not a condition to the completion of the merger. Approval of the merger agreement and the transactions it contemplates is not a condition to the adoption of the amendments.

Aviston Financial stockholders. The Aviston Financial meeting will be held on September 11, 2003, at 6:00 p.m., local time, at the Sheraton Hotel Conference Center, 319 Fountains Parkway, Fairview Heights, Illinois 62208. At Aviston Financial's meeting, you will be asked:

to approve the merger agreement and the transactions it contemplates; and

to act on other matters that may properly be submitted to a vote at the meeting.

Record Date; Vote Required

(pages 32 and 33)

Kankakee Bancorp stockholders. You may vote at the meeting of Kankakee Bancorp's stockholders if you owned Kankakee Bancorp common stock at the close of business on July 28, 2003. You can cast one vote for each share of Kankakee Bancorp common stock that you owned at that time. To approve the merger agreement and the transactions it contemplates and to adopt the amendments to the certificate of incorporation of Kankakee Bancorp changing its corporate name and increasing the number of authorized shares, the holders of a majority of the outstanding shares of Kankakee Bancorp common stock must vote in favor of doing so. To adopt the amendment to the certificate of incorporation of Kankakee Bancorp changing the manner in which the certificate of incorporation may be amended in the future, the holders of at least 80% of all outstanding shares of Kankakee Bancorp common stock must vote in favor of doing so.

You may vote your shares in person by attending the meeting or by mailing us your proxy if you are unable to or do not wish to attend. You may also vote by telephone or internet as described on the enclosed proxy card. You can revoke your proxy at any time before Kankakee Bancorp takes a vote at the meeting by submitting a written notice revoking the proxy or a later-dated proxy to the secretary of Kankakee Bancorp, or by attending the meeting and voting in person.

Although Kankakee Bancorp's directors have indicated that they intend to vote their shares in favor of the proposals, they hold only approximately 7.8% of the outstanding shares of Kankakee Bancorp common stock. Therefore, there is no assurance that any of the proposals will be approved.

Aviston Financial stockholders. You may vote at the meeting of Aviston Financial's stockholders if you owned Aviston Financial common stock at the close of business on July 28, 2003. You can cast one vote for each share of Aviston Financial common stock that you owned at that time. To approve the merger agreement and the transactions it contemplates, the holders of at least two-thirds of the outstanding shares of Aviston

Financial common stock must vote in favor of doing so.

You may vote your shares in person by attending the meeting or by mailing us your proxy if you are unable to or do not wish to attend. You can revoke your proxy at any time before Aviston Financial takes a vote at the meeting by submitting a written notice revoking the proxy or a later-dated proxy to the secretary of Aviston Financial, or by attending the meeting and voting in person.

Although Aviston Financial's directors and executive officers have agreed to vote their shares in favor of the proposal to approve the merger agreement and the transactions it contemplates, they hold only approximately 28.4% of the outstanding shares of Aviston Financial common stock. Therefore, there is no assurance that the proposal will be approved.

Recommendations to Stockholders

(pages 33 and 35)

Kankakee Bancorp stockholders. Kankakee Bancorp's board of directors believes that the merger is fair to you and in your best interests, and unanimously recommends that you vote **FOR** the proposal to approve the merger agreement and the transactions it contemplates. Kankakee Bancorp's board of directors unanimously recommends that you vote **FOR** each proposal to adopt the proposed amendments to the certificate of incorporation of Kankakee Bancorp.

Aviston Financial stockholders. Aviston Financial's board of directors believes that the merger is fair to you and in your best interests, and unanimously recommends that you vote **FOR** the proposal to approve the merger agreement and the transactions it contemplates.

Share Ownership of Management and Significant Stockholders

(pages 33 and 34)

Kankakee Bancorp. On Kankakee Bancorp's record date, its directors and executive officers, their immediate family members and the entities they control owned approximately 85,000 shares, or approximately 9.1% of the outstanding shares of Kankakee Bancorp common stock, including shares

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they may acquire through exercising stock options. All of Kankakee Bancorp's directors have indicated that they intend to vote their shares in favor of all proposals presented at the special meeting.

Aviston Financial. On Aviston Financial's record date, its directors and executive officers, their immediate family members and the entities they control owned approximately 140,000 shares, or approximately 28.4% of the outstanding shares of Aviston Financial common stock, including shares they may acquire through exercising stock options. All of Aviston Financial's directors and executive officers have agreed to vote their shares to approve the merger agreement and the transactions it contemplates.

The Merger

(page 35)

We have attached a copy of the merger agreement to this document as Appendix A. Please read the merger agreement. It is the legal document that governs the merger.

We propose a combination in which Aviston Financial will merge with and into Kankakee Bancorp. If the amendment to Kankakee Bancorp's certificate of incorporation is approved, the name of the combined company will be Centru Financial Corporation from the time the amendment is filed. The combined company's main office will continue to be located in Kankakee, Illinois. We expect to complete the merger late in the third quarter or early in the fourth quarter of 2003, although delays could occur.

At the same time as or shortly following the merger, we also intend to merge Kankakee Bancorp's subsidiary thrift, KFS Bank, into the State Bank of Aviston. The resulting institution will be an Illinois chartered commercial bank headquartered in Kankakee, Illinois. We are in the process of deciding on a new name for the resulting bank.

What You Will Receive in the Merger

(page 35)

Kankakee Bancorp stockholders. You will not need to surrender your stock certificates. Each of your shares of Kankakee Bancorp common stock will remain outstanding, and will represent shares of common stock of the combined company.

Aviston Financial stockholders. Each of your shares of Aviston Financial common stock will automatically become the right to receive 0.707 shares of Kankakee Bancorp common stock. The total number of shares you will have the right to receive will be equal to the number of shares of Aviston Financial common stock you own multiplied by 0.707. For example, if you hold 100 shares of Aviston Financial common stock, you will be entitled to receive 70.7 shares (100 x 0.707) of Kankakee Bancorp common stock. Based on the \$52.58 closing price of Kankakee Bancorp common stock on July 28, 2003, the value of 0.707 of a share of Kankakee Bancorp common stock was \$37.17, and the total value of the merger consideration was approximately \$13.0 million. However, because the exchange ratio is fixed, the market value of the shares of Kankakee Bancorp common stock you will receive in the merger will fluctuate from time to time, causing the total value of the merger consideration to fluctuate.

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Each share of Kankakee Bancorp common stock will include all rights that are attached to or inherent in the then-outstanding shares of Kankakee Bancorp common stock, including preferred stock purchase rights and, if applicable, common stock purchase rights. See Effect of the Merger on Rights of Stockholders Rights Plan, Common Stock Purchase Rights and Description of Kankakee Bancorp Capital Stock.

The number of shares of Kankakee Bancorp common stock Aviston Financial stockholders will receive in the merger is subject to adjustments for reorganizations, recapitalizations, stock dividends and similar events that occur before the merger is completed. None of those adjustments would alter the value of the exchange ratio.

You will need to surrender your Aviston Financial common stock certificates to receive new certificates representing common stock of the combined company. However, this will not be necessary until you receive written instructions, which will occur on or around the time of the merger.

Kankakee Bancorp will not issue any fractional shares. Instead, Aviston Financial stockholders will receive cash in lieu of any fractional shares of common stock of the combined company owed to them in exchange for their shares of Aviston Financial common stock. The amount of cash for any fractional shares will be based on the average closing prices of Kankakee Bancorp common stock for the five trading days immediately following the completion of the merger.

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Effect of the Merger on Options

(page 36)

The merger agreement requires all options to purchase Aviston Financial common stock to be exercised or extinguished prior to the merger. Therefore, there will be no Aviston Financial options outstanding at the time of the merger. All options to purchase Kankakee Bancorp common stock will remain outstanding and will represent options to purchase common stock of the combined company.

Ownership of the Combined Company After the Merger

(page 35)

Based on the exchange ratio contained in the merger agreement, upon completion of the merger, Kankakee Bancorp will issue 350,196 shares of its common stock to Aviston Financial stockholders. Based on these numbers, after the merger, assuming all outstanding Kankakee Bancorp options are exercised, existing Kankakee Bancorp stockholders would own approximately 72.7%, and former Aviston Financial stockholders would own approximately 27.3%, of the outstanding shares of common stock of the combined company.

Material Federal Income Tax Consequences

(page 36)

For federal income tax purposes, the exchange of shares of Aviston Financial common stock for shares of Kankakee Bancorp common stock will not cause the holders of Aviston Financial common stock to recognize any gain or loss. Holders of Aviston Financial common stock, however, will recognize income, gain or loss in connection with any cash received to redeem any fractional share interest.

These tax consequences, however, may not apply to each of Aviston Financial's stockholders. Determining the actual tax consequences of the merger to you may be complicated and will depend on your specific situation and on variables not within our control. You should consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you.

Our Reasons for the Merger

(pages 43 and 44)

Each of our boards of directors believes the merger will enhance stockholder value by permitting the combined company to expand its presence within the central Illinois and St. Louis metropolitan area.

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We expect the merger to strengthen our position as a competitor in the financial services business, which is rapidly changing and growing more competitive.

In addition, Kankakee Bancorp's board considered Thomas A. Daiber, the President of Aviston Financial, to be a strong candidate to fill the vacant position as Kankakee Bancorp's President and Chief Executive Officer, because of his experience with bank holding companies located in the Midwest.

Kankakee Bancorp's board also considered the benefits of converting KFS Bank from a thrift into a commercial bank.

We expect to incur merger-related costs of \$0.4 million, before tax, as a result of combining our companies.

You can find a more detailed discussion of the background of the merger and Aviston Financial's and Kankakee Bancorp's reasons for the merger in this document under "Description of Transaction Background of the Merger" beginning on page 38, "Recommendation of the Kankakee Bancorp Board and Kankakee Bancorp's Reasons for the Merger" beginning on page 43 and "Recommendation of the Aviston Financial Board and Aviston Financial's Reasons for the Merger" beginning on page 44.

The discussion of our reasons for the merger includes forward-looking statements about possible or assumed future results of our operations and the performance of the combined company after the merger. For a discussion of factors that could affect these future results, see "A Warning About Forward-Looking Statements" on page 30.

Dissenters' Appraisal Rights

(page 46)

Kankakee Bancorp stockholders. Delaware law governs the rights of Kankakee Bancorp stockholders. Under Delaware law, as stockholders of the company surviving the merger, Kankakee Bancorp stockholders do not have the right to dissent from the merger.

Aviston Financial stockholders. As more fully described beginning on page 46, under Illinois law, Aviston Financial stockholders have the right to dissent from the merger and receive the fair value of their shares of Aviston Financial common stock in cash.

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To dissent and receive the fair value of their shares, Aviston Financial stockholders must follow the procedures outlined in Appendix B, including:

making a proper demand for appraisal in accordance with Illinois law;

holding your shares of Aviston Financial common stock until the merger is completed; and

not voting in favor of the merger (including by appointing a proxy to vote your shares).

If you dissent from the merger and the conditions outlined in Appendix B are met, your shares of Aviston Financial common stock will not be converted into the right to receive Kankakee Bancorp common stock, and your only right will be to receive the fair value of your Aviston Financial shares as determined by mutual agreement between you and the combined company or by appraisal of a court if you are unable to agree. You should be aware that submitting a signed proxy card without indicating a vote with respect to the merger will be deemed a vote FOR the merger and a waiver of your dissenters' rights. A vote AGAINST the merger does not dispense with the requirements to request an appraisal under Illinois law.

The appraised value **may be more or less** than the consideration you would have received under the terms of the merger agreement. If you dissent from the merger and you complete the process of having a court determine the fair value of your shares in accordance with Illinois law, the amount you are awarded could be less than the value of the shares of Kankakee Bancorp common stock that you would have received in the merger.

Effective Time of the Merger

(page 45)

The merger will become final when a certificate of merger is filed with the Secretary of State of the State of Delaware and articles of merger are filed with the Secretary of State of the State of Illinois. If our stockholders approve the merger at their special meetings, and if Kankakee Bancorp obtains all required regulatory approvals, we anticipate that the merger will be completed late in the third quarter or early in the fourth quarter of 2003, although delays could occur.

We cannot assure you that we can obtain the necessary stockholder and regulatory approvals or that the other conditions to completion of the merger can or will be satisfied.

Exchange of Stock Certificates

(page 47)

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On or around the time of the merger, you will receive a letter and instructions on how to surrender your stock certificates representing Aviston Financial common stock in exchange for stock certificates of the combined company. You must carefully review and complete these materials and return them as instructed along with your stock certificates for Aviston Financial common stock. **Please do not send to Kankakee Bancorp or Aviston Financial any stock certificates until you receive these instructions.**

Conditions to Completion of the Merger

(page 48)

The completion of the merger depends on a number of conditions being met. These include:

accuracy of the respective representations and warranties of Kankakee Bancorp and Aviston Financial in the merger agreement, subject to exceptions that would not have a material adverse effect on Kankakee Bancorp or Aviston Financial;

compliance in all material respects by each of Kankakee Bancorp and Aviston Financial with their respective covenants and agreements in the merger agreement, subject to exceptions that would not have a material adverse effect on Kankakee Bancorp or Aviston Financial;

approval of regulatory authorities;

approval of the merger agreement by our stockholders;

receipt by each of us of an opinion that, for federal income tax purposes, Aviston Financial stockholders who exchange their shares for shares of common stock of the combined company will not recognize any gain or loss as a result of the merger, except in connection with the payment of cash instead of fractional shares or the payment of cash resulting from the exercise of appraisal rights (this opinion will be subject to various limitations and we recommend that you read the more detailed description of tax consequences provided in this document beginning on page 36); and

the absence of any injunction or legal restraint blocking the merger, or of any proceedings by a government body trying to block the merger.

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A party to the merger agreement could choose to complete the merger even though a condition has not been satisfied, as long as the law allows it to do so. We cannot be certain when or if the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Regulatory Approvals

(page 50)

We cannot complete the merger unless it is approved by the Federal Reserve Board and the Illinois Office of Banks and Real Estate. Once the Federal Reserve Board approves the merger, we have to wait anywhere from 15 to 30 days before we can complete the merger, during which time the U.S. Department of Justice can challenge the merger on antitrust grounds.

We have filed all of the required applications or notices with the Federal Reserve Board and the Illinois Office of Banks and Real Estate.

We have also filed applications with the Illinois Office of Banks and Real Estate and the FDIC for approval of the merger of KFS Bank and the State Bank of Aviston, resulting in a commercial bank. Notice of the proposed merger of the subsidiaries has also been given to the Office of Thrift Supervision, which we refer to as the OTS, as required by the regulations of that agency.

Waiver, Amendment and Termination

(page 51)

We may jointly amend the merger agreement and each of us may waive our right to require the other party to adhere to any term or condition of the merger agreement. However, we may not do so after our stockholders approve the merger, if the amendment or waiver would change the conversion ratio or materially and adversely affect the rights of Aviston Financial or Kankakee Bancorp stockholders.

We can mutually agree at any time to terminate the merger agreement without completing the merger. Also, either of us can decide, without the consent of the other, to terminate the merger agreement if the merger has not been completed by April 1, 2004, unless the failure to complete the merger by that time is due to a violation of the merger agreement by the party that wants to terminate the merger agreement.

In addition, either Kankakee Bancorp or Aviston Financial can terminate the merger agreement if the conditions to its respective obligation to consummate the merger have not been satisfied, and Aviston Financial can terminate the merger agreement if its board of directors has approved or recommended to its stockholders a competing takeover proposal from a third party.

Management and Operations After the Merger

(page 52)

The present management groups of both companies will share the responsibility of managing the combined company after the completion of the merger. The board of directors of the combined company will be comprised of seven members, two of whom will be chosen from among Aviston Financial's current directors, and five of whom are Kankakee Bancorp's current directors. The two new directors will be Thomas A. Daiber and likely one of either S. Kris Jakel or Michael J. Hejna.

Following the merger, Michael A. Griffith will be Chairman of the Board and Thomas A. Daiber will be President and Chief Executive Officer of the combined company.

Interests of Certain Persons in the Merger that Differ From Your Interests

(page 53)

Some of our directors and officers have interests in the merger that differ from, or are in addition to, their interests as stockholders in our companies. These interests exist because of employment and severance agreements that certain officers of our companies have. These agreements could provide the officers with severance benefits as a result of the merger.

Additional interests of some of our directors and executive officers are described under "Description of Transaction - Interests of Certain Persons in the Merger" on page 53.

The members of our boards of directors knew about these additional interests and considered them when they approved the merger agreement and the transactions it contemplates.

Accounting Treatment

(page 55)

The merger will be accounted for as a purchase transaction in accordance with accounting principles generally accepted in the United States.

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Expenses and Termination Fees

(page 55)

If we mutually agree to terminate the merger agreement, or if either of us terminates the merger agreement because the merger has not been completed by April 1, 2004, then we will each pay our own fees and expenses.

If:

Kankakee Bancorp terminates the merger agreement because Aviston Financial breached its obligations under the merger agreement;

Kankakee Bancorp or Aviston Financial terminates the merger agreement because Aviston Financial's stockholders fail to approve the merger agreement; or

Aviston Financial terminates the merger agreement because its board of directors has approved or recommended to its stockholders a competing takeover proposal from a third party,

then, if Kankakee Bancorp is in material compliance with its obligations under the merger agreement, Aviston Financial must pay to Kankakee Bancorp an amount equal to the sum of Kankakee Bancorp's fees and expenses, up to \$500,000, plus an additional termination fee of \$300,000. In addition, if a termination described above occurs and within 12 months after the termination Aviston Financial enters into an agreement relating to a competing takeover proposal, Aviston Financial must pay Kankakee Bancorp an additional termination fee of \$500,000.

If:

Aviston Financial terminates the merger agreement because Kankakee Bancorp breached its obligations under the merger agreement; or

Kankakee Bancorp or Aviston Financial terminates the merger agreement because Kankakee Bancorp's stockholders fail to approve the merger agreement,

then, if Aviston Financial is in material compliance with its obligations under the merger agreement, Kankakee Bancorp must pay to Aviston Financial an amount equal to the sum of Aviston Financial's fees and expenses, up to \$200,000, plus an additional termination fee of \$300,000.

We have agreed to pay these special termination fees to each other to increase the likelihood that we would complete the merger. These fees could discourage other companies from attempting to combine with either of us before we complete the merger.

Material Differences in the Rights of Stockholders

(page 56)

The rights of Kankakee Bancorp stockholders are governed by Delaware law and Kankakee Bancorp's certificate of incorporation and by-laws. The rights of Aviston Financial stockholders are governed by Illinois law and Aviston Financial's articles of incorporation and by-laws. Upon our completion of the merger, Aviston Financial stockholders will become stockholders of the combined company and their rights will be governed by Delaware law and by the combined company's certificate of incorporation and by-laws, which are the currently effective certificate of incorporation and by-laws of Kankakee Bancorp. As discussed elsewhere in this joint proxy statement-prospectus, Kankakee Bancorp is proposing that its stockholders adopt three amendments to its certificate of incorporation, as currently in effect. There are differences between the rights of the stockholders of Kankakee Bancorp and Aviston Financial. Some of these differences include the requirements to amend the certificate of incorporation and the by-laws, the procedures surrounding potential business combinations and dissenters' rights of appraisal. These differences, among others, are discussed in detail beginning on page 56.

Common Stock Purchase Rights

(pages 60 and 86)

As described further in this joint proxy statement-prospectus, Kankakee Bancorp's board of directors has decided to issue common stock purchase rights to its stockholders, which will be conditionally exercisable on a short-term basis, as a future source of capital. If issued prior to the completion of the proposed merger with Aviston Financial, the rights also will be issued to Aviston Financial's stockholders. However, it is uncertain at this time whether these rights will be issued prior to completion of the merger. If they are not, no rights will be issued to the Aviston Financial stockholders in the merger. Because of the conditional nature of the rights, it is possible that the rights initially will have no monetary value. See Description of Kankakee Bancorp Capital Stock Common Stock Purchase Rights.

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Amendment of Kankakee Bancorp's Certificate of Incorporation

(page 67)

In addition to the merger agreement, the stockholders of Kankakee Bancorp are also being asked to vote on three amendments to the certificate of incorporation of Kankakee Bancorp. One amendment would change Kankakee Bancorp's name to Centru Financial Corporation. Another amendment would increase the number of authorized shares of Kankakee Bancorp common stock from 3.5 million to 5.5 million. The third amendment would change the manner in which the certificate of incorporation may be amended in the future. The adoption of these amendments is not a condition to, or required for, the completion of the merger. Moreover, the approval of the merger agreement is not a condition to, or required for, the adoption of any of these amendments.

Authority to Adjourn Special Meetings to Solicit Additional Proxies

(pages 33 and 35)

We are asking our stockholders to grant full authority for the special meetings to be adjourned, if necessary, to permit solicitation of additional proxies to approve the transactions proposed by this joint proxy statement-prospectus.

Comparative Market Prices of Common Stock

(page 14)

Shares of Kankakee Bancorp common stock are traded on the American Stock Exchange under the symbol KNK. On May 27, 2003, the last trading day before we announced the merger, the last reported trading price of Kankakee Bancorp common stock was \$38.50 per share. On July 28, 2003, the last reported trading price of Kankakee Bancorp common stock was \$52.58 per share. We can make no prediction or guarantee at what price Kankakee Bancorp common stock will trade after the completion of the merger. Shares of Aviston Financial common stock are not publicly traded.

Table of Contents**Comparative Per Share Data**

The following table presents certain historical per share data of Kankakee Bancorp and Aviston Financial and certain unaudited pro forma per share data that reflect the combination of Kankakee Bancorp using the purchase method of accounting.

The information listed as equivalent pro forma was obtained by multiplying the pro forma amounts by the exchange ratio of 0.707. We present this information to reflect the fact that Aviston Financial stockholders will receive 0.707 shares of Kankakee Bancorp common stock for each share of Aviston Financial common stock exchanged in the merger. We expect that we will incur merger and integration charges as a result of combining our companies. We also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect these expenses or benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have actually been had our companies been combined as of the dates or for the periods presented.

This data should be read in conjunction with Kankakee Bancorp's audited and unaudited consolidated financial statements and notes thereto, which are incorporated by reference in this joint proxy statement-prospectus and the audited and unaudited financial statements and related notes of Aviston Financial and its predecessor, Aviston Bancorp, Inc., which are included elsewhere in this joint proxy statement-prospectus, along with the unaudited pro forma combined consolidated financial information included elsewhere in this joint proxy statement-prospectus.

As of and for the Three Months Ended March 31, 2003

	Kankakee Bancorp	Aviston Financial	Pro Forma	
			Kankakee Bancorp and Aviston Financial	Aviston Financial Equivalent(1)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income per common share:				
Basic	\$ 1.28	\$ 0.78	\$ 1.21	\$ 0.86
Diluted	\$ 1.28	\$ 0.78	\$ 1.21	\$ 0.86
Dividends declared on common stock	\$ 0.15		\$ 0.15	\$ 0.11
Book value per common share	\$ 35.20	\$ 21.63	\$ 36.18	\$ 25.58

As of and for the Year Ended December 31, 2002

	Kankakee Bancorp	Aviston Bancorp, Inc.(2)	Aviston Financial	Pro Forma	
				Kankakee Bancorp and Aviston Financial	Aviston Financial Equivalent(1)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Net income per common share:					

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Basic	\$ 1.87	\$ 347	\$ 0.44	\$ 2.18	\$ 1.54
Diluted	\$ 1.86	\$ 347	\$ 0.44	\$ 2.18	\$ 1.54
Dividends declared on common stock	\$ 0.57	\$ 1,000(3)		\$ 0.57	\$ 0.40
Book value per common share	\$ 35.26	N/A	\$ 20.63	\$ 36.08	\$ 25.51

- (1) The Aviston Financial pro forma equivalent per share amounts are computed by multiplying the Kankakee Bancorp and Aviston Financial pro forma column amounts by 0.707 (the fraction of a share of Kankakee Bancorp common stock to be received by Aviston Financial stockholders in exchange for each share of Aviston Financial common stock).
- (2) Aviston Bancorp, Inc. was purchased by Aviston Financial on October 23, 2002.
- (3) Represents a special dividend for the settlement of estate taxes payable by a former shareholder.

Table of Contents**Market Price Information**

Kankakee Bancorp common stock is traded on the American Stock Exchange under the symbol KNK. Aviston Financial common stock is not publicly traded. On May 27, 2003, the business day immediately preceding the public announcement of the execution of the merger agreement, and July 28, 2003, the most recent practicable date prior to the mailing of this document, the market prices of Kankakee Bancorp common stock and per share book values of Aviston Financial common stock and the equivalent price per share of Kankakee Bancorp common stock giving effect to the merger were as follows:

	Closing Sales Price/Book Value		
	Equivalent Price		
	Per Share of		
	Kankakee Bancorp	Aviston Financial	Kankakee Bancorp Common Stock
Price per share			
May 27, 2003	\$ 38.50	\$ 21.63	\$ 27.22
July 28, 2003	\$ 52.58	\$ 22.22	\$ 37.17

The Equivalent Price Per Share of Kankakee Bancorp Common Stock at each specified date in the above table represents the product achieved when the closing sales price of a share of Kankakee Bancorp common stock on that date is multiplied by the exchange ratio of 0.707 which is the number of shares of Kankakee Bancorp common stock that an Aviston Financial stockholder would receive for each share of Aviston Financial common stock owned. Stockholders should obtain current market price quotations for shares of Kankakee Bancorp common stock prior to making any decisions with respect to the merger.

By voting to approve the merger agreement and the transactions it contemplates, Aviston Financial stockholders will be choosing to invest in the combined company because they will receive Kankakee Bancorp common stock in exchange for their shares of Aviston Financial common stock. An investment in the combined company's common stock involves significant risk. In addition to the other information included in this joint proxy statement-prospectus, including the matters addressed in *A Warning About Forwarding-Looking Statements* beginning on page 30, Aviston Financial stockholders should carefully consider the matters described below in *Risk Factors* beginning on page 28 when determining whether to approve the merger agreement and the transactions it contemplates.

The market price of Kankakee Bancorp common stock likely will fluctuate between the date of this document and the date on which the merger is completed and after the merger. Because the market price of Kankakee Bancorp common stock is subject to fluctuations, the value of the shares of Kankakee Bancorp common stock that Aviston Financial stockholders will receive in the merger may increase or decrease prior to and after the merger.

Table of Contents**Historical Market Prices and Dividend Information***Kankakee Bancorp*

The following table sets forth, for the calendar quarter indicated, the high and low closing market prices per share of Kankakee Bancorp common stock as reported on the American Stock Exchange and the dividends per share of Kankakee Bancorp common stock, adjusted to reflect previous stock splits:

Quarter Ended	High	Low	Dividends Declared
2003:			
Third quarter (through July 28, 2003)	\$ 58.00	\$ 46.20	
Second quarter	\$ 47.25	\$ 37.01	\$ 0.15
First quarter	\$ 40.80	\$ 36.70	\$ 0.15
2002:			
Fourth quarter	\$ 37.85	\$ 35.00	\$ 0.15
Third quarter	\$ 39.50	\$ 35.50	\$ 0.15
Second quarter	\$ 40.50	\$ 34.40	\$ 0.15
First quarter	\$ 39.40	\$ 28.27	\$ 0.12
2001:			
Fourth quarter	\$ 29.30	\$ 25.20	\$ 0.12
Third quarter	\$ 26.90	\$ 24.70	\$ 0.12
Second quarter	\$ 26.00	\$ 23.00	\$ 0.12
First quarter	\$ 24.00	\$ 22.00	\$ 0.12

The timing and amount of future dividends on shares of Kankakee Bancorp common stock will depend upon earnings, cash requirements, the financial condition of Kankakee Bancorp and its subsidiaries, applicable government regulations and other factors deemed relevant by Kankakee Bancorp's board of directors.

Aviston Financial

On October 23, 2002, Aviston Financial was capitalized by an investor group consisting of 115 shareholders with the issuance of 483,826 shares at a price of \$20.00 per share. There is no trading market for shares of Aviston Financial common stock and no trades of Aviston Financial common stock have been made subsequent to the initial capitalization of Aviston Financial. Aviston Financial has paid no dividends on its common stock.

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Unaudited Pro Forma Consolidated Financial Information

The following unaudited Pro Forma Financial Information and related footnotes are presented to show the impact of the merger on the historical financial position and results of operations of Kankakee Bancorp. As a result of the merger, each share of Aviston Financial common stock will be converted into the right to receive 0.707 shares of Kankakee Bancorp common stock.

The unaudited Pro Forma Consolidated Balance Sheet reflects the historical position of Kankakee Bancorp and Aviston Financial at March 31, 2003, with pro forma adjustments based on the assumption that the merger was consummated on March 31, 2003. The pro forma adjustments are based on the purchase method of accounting. Based on the exchange ratio noted above, upon completion of the merger, Kankakee Bancorp will issue 350,196 shares of its common stock to former Aviston Financial stockholders, assuming all outstanding Kankakee Bancorp options are exercised prior to the merger, the existing Kankakee Bancorp stockholders would own approximately 72.7%, and former Aviston Financial stockholders would own approximately 27.3%, of the outstanding shares of common stock of the combined company. As a result of the significantly higher ownership percentage of the combined company by the former holders of Kankakee Bancorp common stock following the merger, Kankakee Bancorp is treated as the acquiror for accounting purposes. Based on the \$38.50 closing price of Kankakee Bancorp stock on May 27, 2003, the 350,196 shares of Kankakee Bancorp stock to be issued to Aviston Financial stockholders are valued at approximately \$13.5 million. The unaudited Pro Forma Consolidated Income Statement assumes that the merger was completed on the first day of the earliest indicated period, i.e., January 1, 2002. The unaudited pro forma consolidated financial information reflects estimated nonrecurring charges consisting of management's estimates of legal, accounting and compensation expenses that will be incurred in connection with the merger.

The unaudited pro forma earnings amounts do not reflect any potential earnings enhancements or cost reductions that are expected to result from the consolidation of Kankakee Bancorp's and Aviston Financial's operations and are not necessarily indicative of the results expected of the future combined operations. We cannot give any assurances with respect to the ultimate level of earnings enhancements or cost reductions to be realized.

The following information should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and accompanying notes of Kankakee Bancorp and Aviston Financial included with or incorporated by reference in this joint proxy statement-prospectus. Results of Kankakee Bancorp and Aviston Financial and Aviston Bancorp, Inc., as applicable, for the interim period ended March 31, 2003 and for the year ended December 31, 2002, are not necessarily indicative of results of operations or the combined financial position that would have resulted had the merger actually been completed at the beginning of the periods indicated.

The unaudited Pro Forma Financial Information is intended for information purposes and is not necessarily indicative of the future financial position or future operating results of the combined company or of the financial position or operating results of the combined company that would have actually occurred had the merger been in effect as of the date or for the period presented.

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Unaudited Pro Forma Combined Condensed

Consolidated Balance Sheet

March 31, 2003

(dollars in thousands, except share and per share data)

	Kankakee		Aviston		Pro Forma Combined Company
	Bancorp, Inc.		Financial Corporation		
	Historical	Historical	Pro Forma	Adjustments	
	<u>Historical</u>	<u>Historical</u>	<u>Pro Forma</u>	<u>Adjustments</u>	
Cash and cash equivalents	\$ 44,891	\$ 4,507	(410)(3)	\$ 48,988	
Certificates of deposit	50			50	
Investment and mortgage backed securities:					
Available for sale	76,619	20,702		97,321	
Held to maturity	915			915	
	<u>77,534</u>	<u>20,702</u>		<u>98,236</u>	
Loans, gross	367,266	66,997		434,263	
Less allowance for loan losses	(6,577)	(1,397)		(7,974)	
	<u>360,689</u>	<u>65,600</u>		<u>426,289</u>	
Loans held for sale	894			894	
Goodwill	3,066	4,000	(4,000)(3)	9,907	
			6,841(3)		
Other intangible assets	956		901(3)	1,857	
Property & equipment	10,446	1,301		11,747	
Accrued interest and other assets	18,294	1,066		19,360	
	<u>516,820</u>	<u>97,176</u>	<u>3,332</u>	<u>617,328</u>	
Deposits	\$ 419,788	\$ 79,028		498,816	
Borrowings	49,000	7,013		56,013	
Trust preferred debentures	10,000			10,000	
Other liabilities	5,207	669	315(3)	6,083	
			(108)(3)		
Total Liabilities	<u>483,995</u>	<u>86,710</u>	<u>207</u>	<u>570,912</u>	
Common stock	17	4,838	(4,838)(3)		
			4(3)		
			115(3)		
			(115)	21	
Additional paid-in capital	15,040	4,838	(4,838)(3)		
			13,479(3)		
			108(3)		
			194(3)		
			(194)	28,627	

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Retained earnings	39,713	590	(590)(3)	
			(201)(3)	
			201	39,713
Accumulated other comprehensive income	1,462	200	(200)(3)	1,462
Treasury stock	(23,407)			(23,407)
	<u>32,825</u>	<u>10,466</u>	<u>3,125</u>	<u>46,416</u>
Total stockholders equity				
	<u>\$ 516,820</u>	<u>\$ 97,176</u>	<u>\$ 3,332</u>	<u>\$ 617,328</u>
Total liabilities & stockholders equity				
	<u>\$ 35.20</u>	<u>\$ 21.63</u>		<u>\$ 36.18</u>
Book value per common share				

See accompanying notes to unaudited pro forma combined condensed consolidated financial information.

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Unaudited Pro Forma Combined Condensed

Consolidated Income Statement

For the Three Months Ended March 31, 2003

(dollars in thousands, except per share and weighted average share data)

	Kankakee	Aviston		Pro Forma
	Bancorp, Inc.	Financial	Pro Forma	Combined
	Historical	Historical	Adjustments	Company
Interest Income:				
Loans	\$ 6,211	\$ 1,084		\$ 7,295
Investment and mortgage backed securities	1,122	313		1,435
Other		3		3
Total interest income	7,333	1,400		8,733
Interest expense:				
Deposits	2,614	534		3,148
Borrowings	728	37		765
Total interest expense	3,342	571		3,913
Net interest income	3,991	829		4,820
Provision for losses on loans	66	142		208
Net interest income after provision for losses on loans	3,925	687		4,612
Other income:				
Fee income	633	31		664
Gain on sale of real estate held for sale	26			26
Gain on sale of loans	382	43		425
Gain on sale of securities		134		134
Gain on sale of branch	478			478
Insurance commissions	5			5
Other	217	6		223
Total other income	1,741	214		1,955
Other expenses:				
Compensation and benefits	1,908	202		2,110
Occupancy	339	22		361
Furniture and equipment	176	12		188
Advertising	106			106
Data processing	132	25		157
Telephone and postage	138	12		150

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Amortization of intangible assets	38		45(4)	83
Other	832	73		905
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other expense	3,669	346	45	4,060
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before income taxes	1,997	555	(45)	2,507
Income taxes	626	176	(16)(4)	786
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 1,371	\$ 379	\$ (29)(4)	\$ 1,721
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings per share:				
Basic	\$ 1.28	\$ 0.78		\$ 1.21
	<u> </u>	<u> </u>		<u> </u>
Diluted	\$ 1.28	\$ 0.78		\$ 1.21
	<u> </u>	<u> </u>		<u> </u>
Weighted average shares outstanding				
Basic	1,067,164	483,826		1,417,360
Diluted	1,068,267	487,217		1,418,463

See accompanying notes to unaudited pro forma combined condensed consolidated financial information.

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Unaudited Pro Forma Combined Condensed

Consolidated Income Statement

For the Year Ended December 31, 2002

(dollars in thousands, except per share and weighted average share data)

	Kankakee Bancorp, Inc. Historical	1/1/02 thru 10/23/2002 Aviston Bancorp, Inc. Historical	10/24/02 thru 12/31/2002 Aviston Financial Corporation Historical	Pro Forma Adjustments	Pro Forma Kankakee Bancorp, Inc.
Interest Income:					
Loans	\$ 27,615	\$ 3,534	\$ 840		\$ 31,989
Investment and mortgage backed securities	2,556	1,303	249		4,108
Other	1,944	30	9		1,983
Total interest income	32,115	4,867	1,098		38,080
Interest expense:					
Deposits	13,294	2,384	446		16,124
Borrowings	2,793	16	10		2,819
Total interest expense	16,087	2,400	456		18,943
Net interest income	16,028	2,467	642		19,137
Provision for losses on loans	3,990	220	52		4,262
Net interest income after provision losses on loans	12,038	2,247	590		14,875
Other income:					
Fee income	2,535	100	53		2,688
Gain on sale of real estate held for sale	52				52
Gain on sale of loans and securities	1,116	57	9		1,182
Other	849	130	4		983
Total other income	4,552	287	66		4,905
Other expenses:					
Compensation and benefits	7,151	459	171		7,781
Occupancy	1,249	129	30		1,408
Furniture and equipment	613	39	11		663
Advertising	325	4	3		332
Data processing	417	78	17		512
Telephone and postage	452	37	9		498
Amortization of intangible assets	184			180(4)	364
Other	3,082	266	51		3,399

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Total other expense	13,473	1,012	292	180	14,957
Income before income taxes	3,117	1,522	364	(180)	4,823
Income taxes	883	481	153	(63)(4)	1,454
Net income	\$ 2,234	\$ 1,041	\$ 211	\$ (117)(4)	\$ 3,369
Earnings per share:					
Basic	\$ 1.87	\$ 347.00	\$ 0.44		\$ 2.18
Diluted	\$ 1.86	\$ 347.00	\$ 0.44		\$ 2.18
Weighted Average Shares Outstanding					
Basic	1,193,555	3,000	483,826		1,543,751
Diluted	1,197,925	3,000	484,315		1,548,121

See accompanying notes to unaudited pro forma combined condensed consolidated financial information.

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Notes to Unaudited Pro Forma Combined Condensed

Consolidated Financial Information

Note 1. Basis of Presentation of Acquisition of Aviston Financial

The unaudited pro forma combined condensed consolidated financial information has been prepared assuming the acquisition will be accounted for under the purchase method of accounting. The unaudited pro forma combined condensed consolidated income statement for the three months ended March 31, 2003, and for the year ended December 31, 2002, are presented as if the Aviston Financial acquisition occurred at the beginning of the respective periods; the December 31, 2002, year-end information presented for Aviston Financial includes the Aviston Bancorp, Inc. pre-acquisition information combined with the Aviston Financial post-acquisition information. The unaudited pro forma combined condensed consolidated balance sheet as of March 31, 2003, is presented as if the Aviston Financial acquisition occurred as of that date. This information is not intended to reflect the actual results that would have been achieved had the Aviston Financial acquisition actually occurred on that day.

Certain historical data of Aviston Financial have been reclassified on a pro forma basis to conform to Kankakee Bancorp's classifications and period ends.

Note 2. Purchase Price of Aviston Financial

Pursuant to the merger agreement between Kankakee Bancorp and Aviston Financial, each Aviston Financial stockholder will have the right to receive for each share of Aviston Financial common stock issued and outstanding immediately prior to the merger 0.707 shares of Kankakee Bancorp common stock. These shares are expected to be newly issued.

Based upon a share price of \$38.50 for Kankakee Bancorp's common stock on May 27, 2003, the estimated total consideration to be paid in connection with the Aviston acquisition is \$13.5 million substantially all of which will be in the form of Kankakee Bancorp common stock. In addition, approximately \$0.4 million of transaction expenses are estimated to be incurred in connection with the acquisition.

Note 3. Allocation of Purchase Price of Aviston Financial Corporation

Under purchase accounting, Aviston Financial's assets and liabilities and any identifiable intangible assets are required to be adjusted to their estimated fair values. The estimated fair values have been determined by Kankakee Bancorp based upon available information. Kankakee Bancorp cannot be sure that such estimated values represent the fair value that would ultimately be determined as of the acquisition date. The following are the pro forma adjustments made to record the transaction and to adjust Aviston Financial's assets and liabilities to their estimated fair values at March 31, 2003:

Purchase price of Aviston Financial (in thousands):

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Market value of Kankakee Bancorp stock (as of close on May 27, 2003) to be issued	\$ 13,483
Cost of acquisition incurred by Kankakee Bancorp in cash	410
	<u>13,893</u>
	<u>\$ 13,893</u>
Historical net assets of Aviston Financial	\$ 10,466
Less previously recognized goodwill, eliminated in acquisition	(4,000)
Fair market value adjustments as of March 31, 2003:	
Goodwill	6,841
Other intangibles	901
Deferred taxes on purchase accounting adjustments	(315)
	<u>13,893</u>
	<u>\$ 13,893</u>

Management determined that no significant market value adjustments were necessary for loans, deposits, property and equipment or borrowings due to the adjustments reflected in the historical amounts resulting from the purchase by Aviston Financial of Aviston Bancorp, Inc. in October 2002.

The purchase price adjustments are subject to further refinement, including the determination of a core deposit intangible and the other intangibles and their lives for amortization purposes. For pro forma presentation purposes only, Kankakee Bancorp has included an estimate of core deposit intangibles calculated as 3% of transaction deposit accounts. In accordance with Statement of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets, goodwill and intangible assets with indefinite lives are not amortized; therefore, no goodwill amortization is presented in the pro forma financial statements. However, the other intangibles will be amortized over their estimated lives and recorded as charges to operations.

Prior to consummation of the merger, Aviston Financial will issue 11,500 shares of \$10 par value common stock in exchange for cancellation of the 45,000 stock options outstanding. Compensation expense of \$309,000, net of tax benefit of \$108,000, is included in the pro forma balance sheet as a reduction in retained earnings. The pro forma balance sheet also reflects the issuance of common shares with an increase of \$115,000 in common stock and \$194,000 in additional paid-in capital. The tax benefit of \$108,000 resulting from the transaction has been included in the pro forma balance sheet as a reduction of other liabilities.

The issuance of additional shares of Aviston Financial in exchange for stock options requires recognition of compensation expense net of tax benefit and is recognized on the pro forma balance sheet as follows (in thousands):

Issuance of 11,500 shares of \$10.00 par value common stock	\$ 115
Additional paid in capital based on fair value of shares issued	194
	<u>309</u>
Compensation expense	309
Tax benefit/tax receivable as result of additional compensation expense	(108)
	<u>201</u>
Net impact on retained earnings	<u>\$ 201</u>

In conjunction with the merger of Aviston Financial into Kankakee Bancorp and in accordance with current accounting pronouncements, the total amount of Aviston Financial's stockholder's equity will be eliminated as follows (in thousands):

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Common stock	\$ 4,953
Additional paid in capital	5,032
Retained earnings	389
Accumulated other comprehensive income	200
	<hr/>
	\$ 10,574
	<hr/>

The purchase price paid by Kankakee Bancorp, in stock, will be recorded as an increase in Common Stock at \$0.01 per share of stock issued with the remainder recorded as additional paid in capital (in thousands) as follows:

Issuance of 350,196 shares of \$.01 par value common stock	\$ 4
Additional paid in capital	13,479
	<hr/>
Total purchase price	\$ 13,483
	<hr/>

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Note 4. Pro Forma Condensed Combined Consolidated Income Statement Adjustments

For purposes of determining the pro forma effect of the Aviston Financial acquisition on the statement of income, the following pro forma adjustments (in thousands) have been made as if the acquisition occurred as of January 1 with respect to each period:

	Three Months Ended March 31, 2003	Year Ended December 31, 2002
	<u> </u>	<u> </u>
Amortization of other intangibles	\$ (45)	\$ (180)
Tax benefit of pro forma adjustments	16	63
	<u> </u>	<u> </u>
	<u>\$ (29)</u>	<u>\$ (117)</u>

For purposes of determining the pro forma effect of the Aviston Financial merger, the other intangible assets were assumed to have an average life of five years and to be amortized on a straight-line method. Goodwill will not be amortized, but will be reviewed for impairment at least annually.

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Selected Financial Data

The following tables present selected consolidated financial data as of March 31, 2002 and 2003 and for the three-month periods then ended, and as of December 31, 1998, 1999, 2000, 2001 and 2002 for each of the five years then ended, for Kankakee Bancorp and selected consolidated financial data as of March 31, 2003 and for the three-month period then ended, and as of December 31, 2002, and for the 69-day period then ended, for Aviston Financial. The information for Kankakee Bancorp is based on the historical financial information that is contained in reports Kankakee Bancorp has previously filed with the Securities and Exchange Commission. Historical financial statements of Kankakee Bancorp can be found in its Form 10-Q for the quarter ended March 31, 2003, and its Annual Report on Form 10-K for the year ended December 31, 2002. These documents are incorporated by reference in this joint proxy statement-prospectus. The information for Aviston Financial is based on the historical consolidated financial statements as of the dates and for the periods indicated. These financial statements are included in this joint proxy statement-prospectus beginning on page F-1. See *Where You Can Find More Information* on page 87.

You should read the following tables in conjunction with our consolidated financial statements described above and with the related notes.

Historical results do not necessarily indicate the results that you can expect for any future period. We believe that we have included all adjustments (which include only normal recurring adjustments) necessary to arrive at a fair presentation of our interim results of operations. Results for the interim period ended March 31, 2003, do not necessarily indicate the results that you can expect for the year as a whole.

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Selected Historical Financial and Other Data

Kankakee Bancorp, Inc.

(dollars in thousands, except per share data)

	At or for the Three Months Ended March 31,		At or for the Years Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
Selected Financial Condition Data:							
Total assets	\$ 516,820	\$ 531,554	\$ 546,404	\$ 490,280	\$ 459,894	\$ 404,718	\$ 411,779
Loans, net, including loans held for sale	361,583	396,292	384,367	394,618	338,956	270,360	247,144
Mortgage-backed securities held-to-maturity	23	32	26	38	67	109	168
Mortgage-backed securities available-for-sale	33,252	40,899	38,179	11,636	16,051	17,491	18,578
Investment securities held-to-maturity (1)	942	1,515	1,117	1,516	1,999	857	893
Investment securities available-for-sale	43,367	36,319	44,459	34,755	57,170	65,132	75,943
Deposits	419,788	422,486	432,032	415,467	388,050	354,977	346,803
Total borrowings	59,000	62,600	69,700	30,000	29,000	11,200	22,900
Stockholders' equity	32,825	41,316	41,107	41,191	39,289	36,248	39,677
Shares outstanding	932,611	1,223,757	1,165,881	1,216,358	1,263,108	1,243,383	1,367,358
Stockholders' equity per share	\$ 35.20	\$ 33.76	\$ 35.26	\$ 33.86	\$ 31.11	\$ 29.15	\$ 29.02
Stockholders' tangible equity per share (2)	30.88	30.18	31.62	30.22	27.30	24.97	24.93
Selected Operations Data:							
Total interest income	\$ 7,333	\$ 7,780	\$ 32,115	\$ 32,759	\$ 30,339	\$ 26,900	\$ 27,522
Total interest expense	3,342	3,933	16,087	18,729	17,437	15,343	16,126
Net interest income	3,991	3,847	16,028	14,030	12,902	11,557	11,396
Provision for losses on loans	66	148	3,990	502	50		
Net interest income after provision for losses on loans	3,925	3,699	12,038	13,528	12,852	11,557	11,396
Fee income	633	590	2,535	2,353	1,942	1,925	1,532
Gain on sales of loans and securities	409	248	1,168	730		365	179
Gain on sale of branch office	478						
Other non-interest income	221	121	849	521	572	674	765
Total non-interest income	1,741	959	4,552	3,604	2,514	2,964	2,476
Other expenses	3,669	3,380	13,474	12,231	11,472	11,900	10,432
Income tax expense	626	385	883	1,640	1,310	862	1,151
Total non-interest expense	4,295	3,765	14,357	13,871	12,782	12,762	11,583

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Net income	\$ 1,371	\$ 893	\$ 2,233	\$ 3,261	\$ 2,584	\$ 1,759	\$ 2,289
Earnings per share (basic)	\$ 1.28	\$ 0.73	\$ 1.87	\$ 2.68	\$ 2.05	\$ 1.35	\$ 1.66
Earnings per share (diluted)	\$ 1.28	\$ 0.72	\$ 1.86	\$ 2.62	\$ 1.99	\$ 1.28	\$ 1.56
Dividends	\$ 0.15	\$ 0.12	\$ 0.57	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48

(1) Includes certificates of deposit.

(2) Calculated by subtracting goodwill and other intangible assets from stockholders' equity.

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Selected Historical Financial and Other Data

Kankakee Bancorp, Inc. (continued)

	At or for the		At or for the Years Ended December 31,				
	Three Months Ended						
	March 31,						
	2003	2002	2002	2001	2000	1999	1998
Selected Financial Ratios and Other Data:							
Performance Ratios:							
Return on assets (ratio of net income to average total assets)	1.04%	0.72%	0.42%	0.69%	0.60%	0.43%	0.57%
Interest rate spread information:							
Average during the year/quarter	3.28%	3.21%	3.16%	3.02%	3.13%	2.99%	2.92%
End of year/quarter	3.26%	3.16%	3.13%	3.01%	2.85%	2.96%	2.68%
Net interest margin (1)	3.28%	3.32%	3.22%	3.16%	3.25%	3.08%	3.07%
Ratio of operating expense to average total assets	2.75%	2.69%	2.52%	2.58%	2.68%	2.92%	2.60%
Return on equity (ratio of net income to average equity)	14.88%	8.72%	5.42%	8.20%	6.95%	4.61%	5.86%
Ratio of average interest-earning assets to average interest-bearing liabilities	99.98%	103.20%	101.67%	103.25%	102.66%	102.39%	103.47%
Quality Ratios:							
Non-performing assets to total assets at end of period	2.42%	1.07%	2.03%	0.45%	0.76%	0.69%	0.82%
Allowance for loan losses to non-performing loans	54.79%	59.69%	63.51%	230.33%	83.89%	124.20%	160.43%
Classified assets to total assets at end of period (2)	2.83%	1.91%	2.93%	1.80%	1.29%	1.20%	1.70%
Allowance for loan losses to classified assets	44.96%	26.91%	40.76%	29.32%	36.34%	44.84%	33.95%
Capital Ratios:							
Equity to total assets at end of period	6.35%	7.77%	7.52%	8.40%	8.54%	8.96%	9.64%
Average equity to average assets	6.99%	8.28%	7.70%	8.41%	8.70%	9.38%	9.75%
Dividend payout ratio	12.76%	16.50%	30.65%	18.32%	24.12%	37.50%	30.77%
Other Data:							
Number of full service branch offices (including main branch)	14	15	15	15	15	15	15

(1) Net interest income divided by average interest earning assets.

(2) Includes items classified as special mention.

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Selected Historical Financial and Other Data

Aviston Financial Corporation

(dollars in thousands, except share and per share data)

	As of or for the Three Months Ended March 31, 2003	As of or for the 69 Days Ended December 31, 2002(2)
Selected Financial Condition Data:		
Total assets	\$ 97,176	\$ 96,434
Loans, net, including loans held for sale	65,600	60,877
Mortgage-backed securities held-to-maturity		
Mortgage-backed securities available-for-sale	99	334
Investment securities held-to-maturity		
Investment securities available-for-sale	20,603	27,285
Deposits	79,028	82,834
Total borrowings	7,013	3,025
Stockholders' equity	10,466	9,979
Shares outstanding	483,826	483,826
Stockholders' equity per share	\$ 21.63	\$ 20.63
Stockholders' tangible equity per share (1)	13.36	12.36
Selected Operations Data:		
Total interest income	1,400	1,098
Total interest expense	571	456
Net interest income	829	642
Provision for losses on loans	142	52
Net interest income after provision for losses on loans	687	590
Fee income	31	53
Gain on sales of loans and securities	177	9
Other non-interest income	6	4
Total non-interest income	214	66
Other expenses	346	292
Income tax expense	176	153
Total non-interest expense	522	445
Net income	379	211
Earnings per share (basic)	\$ 0.78	\$ 0.44
Earnings per share (diluted)	\$ 0.78	\$ 0.44
Dividends		

(1) Calculated by subtracting goodwill and other intangible assets from stockholders' equity.

- (2) Aviston Bancorp, Inc. was purchased by Aviston Financial on October 23, 2002.

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Selected Historical Financial and Other Data

Aviston Financial Corporation (continued)

	As of and for the Three Months Ended March 31, 2003	As of and for the 69 Days Ended December 31, 2002(5)
Selected Financial Ratios and Other Data:		
Performance Ratios:		
Return on assets (ratio of net income to average total assets)	1.59%	1.18%
Interest rate spread information:		
Average during the year/quarter	3.27%	3.24%
End of year/quarter	3.25%	3.24%
Net interest margin (1)	3.70%	3.71%
Ratio of operating expense to average total assets (2)	1.43%	1.63%
Return on equity (ratio of net income to average equity)	14.45%	11.36%
Ratio of average interest-earning assets to average interest-bearing liabilities	116.02%	117.78%
Quality Ratios:		
Non-performing assets to total assets at end of period	0.14%	0.04%
Allowance for loan losses to non-performing loans	1011.59%	2808.89%
Classified assets to total assets at end of period (3)	0.14%	0.04%
Allowance for loan losses to classified assets	1042.54%	3717.65%
Capital Ratios:		
Equity to total assets at end of period	10.77%	10.35%
Average equity to average assets	10.83%	10.38%
Dividend payout ratio	0.00%	0.00%
Other Data:		
Number of full-service branch offices (including main branch)(4)	2	2

- (1) Net interest income divided by average interest earning assets.
(2) Operating expense is non-interest expense.
(3) Includes items classified as special mention.
(4) Excludes the Fairview Heights facility that is under construction.
(5) Aviston Bancorp, Inc. was purchased by Aviston Financial on October 23, 2002.

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RISK FACTORS

By voting in favor of the merger, Aviston Financial stockholders will be choosing to invest in the combined company's common stock to the extent they receive Kankakee Bancorp common stock in exchange for their shares of Aviston Financial common stock. In addition to the information contained elsewhere in this joint proxy statement-prospectus or incorporated in this joint proxy statement-prospectus by reference, as a stockholder of Kankakee Bancorp or Aviston Financial, you should carefully consider the following factors in making your decision as to how to vote on the merger.

Risks Relating to the Merger

The exchange ratio is fixed and will not be adjusted to reflect any changes in the market value of Kankakee Bancorp or Aviston Financial common stock prior to the effective time of the merger.

The precise value of the merger consideration to be paid to Aviston Financial's stockholders will not be known at the time of the Aviston Financial special meeting. The merger agreement provides that each share of Aviston Financial common stock outstanding at the effective time will be converted into the right to receive 0.707 of a share of Kankakee Bancorp common stock. The exchange ratio is fixed and will not be adjusted to reflect any changes in the value of either Aviston Financial or Kankakee Bancorp common stock between the date of the merger agreement and the effective time of the merger. The value of Kankakee Bancorp common stock, however, will fluctuate prior to the effective time of the merger and may be higher or lower than on the date of the merger agreement or the date of the Aviston Financial special meeting. Stock price changes may result from a variety of factors, including completion of the merger, general market and economic conditions, changes in our respective businesses, operations and prospects and regulatory considerations. Many of these factors are beyond Kankakee Bancorp's control. Aviston Financial stockholders are urged to obtain current market price quotations for Kankakee Bancorp common stock.

Your interests will be diluted by the merger.

After the merger, Aviston Financial's stockholders will own less than a majority of the outstanding voting stock of the combined company and could therefore be outvoted by the existing and continuing Kankakee Bancorp stockholders if they all voted together as a group on any issue that is presented to the combined company's stockholders. Kankakee Bancorp's stockholders will own approximately 72.7% of the combined company's outstanding voting stock, but the President and Chief Executive Officer of the combined company and two of the combined company's seven-member board of directors will be individuals who formerly served as officers or directors of Aviston Financial. There is no single individual stockholder of Kankakee Bancorp or Aviston Financial who controls in excess of 12% of either company's common stock. Neither group of stockholders will have the same control over the combined company as they currently have over their respective companies.

In addition, if common stock purchase rights are issued to Kankakee Bancorp and Aviston Financial stockholders, any future issuance of shares upon exercise of these rights may dilute your proportional ownership interest in the combined company.

Some directors and executive officers of Aviston Financial will receive benefits in the merger in addition to the merger consideration received by all other stockholders of Aviston Financial.

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The President of Aviston Financial, Thomas A. Daiber, has entered into an employment agreement in connection with the merger, and two officers of Aviston Financial, Bryan L. Marsh and Brad Rench, have entered into change of control agreements in connection with the merger. In addition, all of the members of Kankakee Bancorp's current board of directors and two of the members of Aviston Financial's board of directors will together serve as the entire board of directors of the combined company after the completion of the merger. Following the merger, they will also serve on the board of the combined bank subsidiary, and receive payments for their service. Accordingly, our directors and some of our executive officers may have interests in the merger that are different from, or in addition to, yours. See Description of Transaction Interests of Certain Persons in the Merger.

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Post-Merger Risks

Difficulties in combining the operations of Aviston Financial and Kankakee Bancorp may prevent the combined company from achieving the expected benefits from its acquisition.

The combined company may not be able to achieve fully the strategic objectives and operating efficiencies it hopes to achieve in the merger. The success of the merger will depend on a number of factors, including (but not limited to), the combined company's ability to:

integrate the operations of Aviston Financial and Kankakee Bancorp;

maintain existing relationships with depositors so as to minimize withdrawals of deposits after the merger;

maintain and enhance existing relationships with borrowers so as to limit unanticipated losses from loans of Aviston Financial and Kankakee Bancorp;

control the incremental non-interest expense so as to maintain overall operating efficiencies;

retain and attract qualified personnel; and

compete effectively in the communities served by Aviston Financial and Kankakee Bancorp and in nearby communities.

These factors could contribute to the combined company not achieving the expected benefits from the merger within the desired time frames, if at all.

In addition, Kankakee Bancorp's market is primarily located in central Illinois, while Aviston Financial draws on the St. Louis metropolitan area. Although the acquisition is intended to help Kankakee Bancorp to begin to realize its goal of expanding its market area to cover the region between Chicago and St. Louis, the initial distance between markets may hinder the combined company's ability to integrate the respective operations. Similarly, although we anticipate that Mr. Daiber's experience in the St. Louis metropolitan area will help the combined company to expand its market area, his relative inexperience with Kankakee Bancorp's existing market area may make it more difficult to manage existing relationships and operations.

The combined company may experience difficulties in managing its growth.

As part of its overall growth strategy following the merger, the combined company expects to acquire banks and related businesses that its board of directors believes provide a strategic fit with its business or to establish de novo branches. To the extent that the combined company does grow, it may not be able to adequately and profitably manage its growth. In addition, the combined company may not obtain regulatory approvals for acquisitions or the establishment of de novo branches that it may undertake in the future. The combined company will account for

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the proposed merger and possible future acquisitions under the purchase method of accounting, which could adversely affect future results of operations.

The combined company and its stockholders will be subjected to special risks if it effects future acquisitions.

Acquiring other banks and businesses will involve risks commonly associated with acquisition, including:

potential exposure to liabilities of any banks or other businesses acquired by the combined company;

difficulty and expense of integrating the operations and personnel of any banks or other businesses acquired by the combined company;

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possible increases in leverage resulting from borrowings needed to finance an acquisition or augment regulatory capital;

potential disruption to the combined company's business;

potential diversion of the combined company's management's time and attention; and

impairment of relationships with and the possible loss of key employees and customers of any banks or other businesses acquired by the combined company.

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

We have each made forward-looking statements in this document (and in documents to which we refer you in this document) that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our operations or the performance of the combined company after the merger is completed. When we use any of the words believes, expects, anticipates, estimates or similar expressions, we are making forward-looking statements. Many possible events or factors could affect the future financial results and performance of each of our companies and the combined company after the merger and could cause those results or performance to differ materially from those expressed in our forward-looking statements.

Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, the following:

The strength of the U.S. economy in general and the strength of the local economies in which we conduct our operations which may be less favorable than expected and may result in, among other things, a deterioration in the credit quality and value of our assets.

The economic impact of any future terrorist attacks, acts of war or threats thereof and the response of the United States to any such threats and attacks.

The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, insurance and monetary and financial matters.

The effects of changes in interest rates and the policies of the Federal Reserve Board.

Our ability to compete with other financial institutions as effectively as we currently intend due to increases in competitive pressures in the financial services sector.

Our inability to obtain new customers and to retain existing customers.

The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the internet.

Technological changes implemented by us and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to us and its customers.

Our ability to develop and maintain secure and reliable electronic delivery systems.

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Our ability to retain key executives and employees and the difficulty that we may experience in replacing in an effective manner key executives and employees.

Consumer spending and saving habits that may change in a manner that adversely affects our business.

Business combinations and the integration of acquired businesses that may be more difficult or expensive than expected.

The costs, effects and outcomes of existing or future litigation.

Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board.

Other factors discussed in the Risk Factors section of this joint proxy statement-prospectus.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

The forward-looking earnings estimates included in the joint proxy statement-prospectus have not been examined or compiled by our independent public accountants, nor have our independent accountants applied any procedures to our estimates. Accordingly, our accountants do not express an opinion or any other form of assurance on them. The forward-looking statements included in this joint proxy statement-prospectus are made only as of the date of this joint proxy statement-prospectus. Further information concerning Kankakee Bancorp and its business, including additional factors that could materially affect Kankakee Bancorp's financial results, is included in Kankakee Bancorp's filings with the Securities and Exchange Commission.

INTRODUCTION

Kankakee Bancorp is furnishing this joint proxy statement-prospectus to holders of Kankakee Bancorp common stock, \$0.01 par value per share, in connection with the proxy solicitation by Kankakee Bancorp's board of directors. Kankakee Bancorp's board of directors will use the proxies at the special meeting of stockholders of Kankakee Bancorp to be held on September 15, 2003, and at any adjournments or postponements of the meeting.

Aviston Financial is furnishing this joint proxy statement-prospectus to holders of Aviston Financial common stock, \$10.00 par value per share, in connection with the proxy solicitation by Aviston Financial's board of directors. Aviston Financial's board of directors will use the proxies at the special meeting of stockholders of Aviston Financial to be held on September 11, 2003, and at any adjournments or postponements of the meeting.

Our stockholders will be asked at their respective special meetings to vote to approve the Agreement and Plan of Merger, dated as of May 27, 2003, between Aviston Financial and Kankakee Bancorp and the transactions it contemplates. Under the merger agreement, Aviston Financial will merge into Kankakee Bancorp, and each of the outstanding shares of Aviston Financial common stock will be converted into the right to

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receive 0.707 shares of Kankakee Bancorp common stock. Each share of Kankakee Bancorp common stock issued to the Aviston Financial stockholders in the merger will include all rights that are inherent in or attached to the then-outstanding shares of Kankakee Bancorp common stock, including preferred stock purchase rights and, if issued prior to completion of the merger, common stock purchase rights. See Effect of the Merger on Rights of Stockholders Rights Plan, Common Stock Purchase Rights and Description of Kankakee Bancorp Capital Stock. At the Kankakee Bancorp special meeting, stockholders will also be asked to vote to adopt three amendments to Kankakee Bancorp s certificate of incorporation.

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KANKAKEE BANCORP SPECIAL MEETING

Date, Place, Time and Purpose

The special meeting of Kankakee Bancorp's stockholders will be held at the offices of Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC, 333 W. Wacker Drive, Suite 2700, Chicago, Illinois 60606, at 10:00 a.m. local time, on September 15, 2003. At the special meeting, holders of Kankakee Bancorp common stock will be asked to:

vote upon a proposal to approve the merger agreement and the transactions it contemplates;

vote upon a proposal to amend the article of incorporation of Kankakee Bancorp to change its name to Centru Financial Corporation;

vote upon a proposal to amend the certificate of incorporation of Kankakee Bancorp to increase the number of authorized shares of Kankakee Bancorp common stock; and

vote upon a proposal to amend the certificate of incorporation of Kankakee Bancorp to change the manner in which the certificate of incorporation may be amended in the future.

The adoption of the amendments is not a condition to the completion of the merger. Approval of the merger agreement and the transactions it contemplates is not a condition to the adoption of the amendments.

Record Date, Voting Rights, Required Vote and Revocability of Proxies

The Kankakee Bancorp board fixed the close of business on July 28, 2003, as the record date for determining those Kankakee Bancorp stockholders who are entitled to notice of and to vote at the special meeting. Only holders of Kankakee Bancorp common stock of record on the books of Kankakee Bancorp at the close of business on the record date have the right to receive notice of and to vote at the special meeting. On the record date, there were 932,611 shares of Kankakee Bancorp common stock issued and outstanding held by approximately 595 holders of record.

At the special meeting, Kankakee Bancorp stockholders will have one vote for each share of Kankakee Bancorp common stock owned on the record date. The holders of a majority of the outstanding shares of Kankakee Bancorp common stock entitled to vote at the special meeting must be present in order for a quorum to exist at the special meeting.

To determine if a quorum is present, Kankakee Bancorp intends to count the following:

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shares of Kankakee Bancorp common stock present at the special meeting either in person or by proxy; and

shares of Kankakee Bancorp common stock for which it has received proxies, but with respect to which holders of shares have abstained on any matter.

Approval of the merger agreement and adoption of the two amendments to the certificate of incorporation to change the corporate name and to increase the authorized shares of Kankakee Bancorp common stock all require the affirmative vote of holders of a majority of the outstanding shares of Kankakee Bancorp common stock.

Adoption of the amendment to the certificate of incorporation to change the manner in which the articles of incorporation may be amended in the future requires the affirmative vote of holders of at least 80% of the outstanding shares of Kankakee Bancorp common stock.

Brokers who hold shares in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those shares without specific instructions from their customers. Any abstention, non-voting

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share or broker non-vote will have the same effect as a vote against the approval of the merger agreement and adoption of each of the proposed amendments to the certificate of incorporation.

Properly executed proxies that Kankakee Bancorp receives before the vote at the special meeting that are not revoked will be voted in accordance with the instructions indicated on the proxies. If no instructions are indicated, these proxies will be voted **FOR** the proposal to approve the merger agreement and the transactions it contemplates, **FOR** the proposal to amend the certificate of incorporation to change Kankakee Bancorp's name, **FOR** the proposal to amend the certificate of incorporation increasing the number of authorized shares, **FOR** the proposal to amend the certificate of incorporation changing the manner in which the certification of incorporation may be amended in the future and **FOR** any resolution to adjourn the special meeting, if necessary, to solicit additional proxies, and the proxy holder may vote the proxy in its discretion as to any other matter that may properly come before the special meeting.

A Kankakee Bancorp stockholder who has given a proxy solicited by the Kankakee Bancorp board may revoke it at any time prior to its exercise at the special meeting by (1) giving written notice of revocation to the secretary of Kankakee Bancorp, (2) properly submitting to Kankakee Bancorp a duly executed proxy bearing a later date or (3) attending the special meeting and voting in person. All written notices of revocation and other communications with respect to revocation of proxies should be sent to: Kankakee Bancorp, Inc., 310 South Schuyler Avenue, Kankakee, Illinois 60901, Attention: Lynn O'Brien, Secretary.

On the record date, Kankakee Bancorp's directors and executive officers, including their immediate family members and affiliated entities, owned approximately 85,000 shares or approximately 9.1% of the outstanding shares of Kankakee Bancorp common stock. All of Kankakee Bancorp's directors have indicated that they intend to vote in favor of all proposals presented at the special meeting.

Additional information with respect to beneficial ownership of Kankakee Bancorp common stock by persons and entities owning more than 5% of such stock and more detailed information with respect to beneficial ownership of Kankakee Bancorp common stock by directors and executive officers of Kankakee Bancorp is incorporated by reference to Kankakee Bancorp's Annual Report on Form 10-K for the year ended December 31, 2002. See [Where You Can Find More Information](#).

Solicitation of Proxies

Directors, officers and employees of Kankakee Bancorp may solicit proxies by mail, in person or by telephone or facsimile. They will receive no additional compensation for such services. Kankakee Bancorp may make arrangements with brokerage firms and other custodians, nominees and fiduciaries, if any, for the forwarding of solicitation materials to the beneficial owners of Kankakee Bancorp common stock held of record by such persons. Kankakee Bancorp will reimburse any such brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses incurred by them for such services. Kankakee Bancorp has retained Morrow & Co., Inc. for a fee of \$5,000, plus transaction expenses, to assist in the solicitation of proxies from stockholders. Morrow & Co. may solicit proxies by mail, telephone, facsimile or other means. Kankakee Bancorp and Aviston Financial will share all expenses related to the printing and mailing of this joint proxy statement-prospectus, as provided in the merger agreement. See [Description of Transaction Expenses and Termination Fees](#).

Authority to Adjourn Special Meetings to Solicit Additional Proxies

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We are asking our stockholders to grant full authority for the special meetings to be adjourned, if necessary, to permit solicitation of additional proxies to approve the transactions proposed by this joint proxy statement-prospectus.

Recommendation of Kankakee Bancorp Board

*The Kankakee Bancorp board has unanimously approved the merger agreement and the transactions it contemplates and believes that the proposal to approve the merger agreement and the transactions it contemplates are in the best interests of Kankakee Bancorp and its stockholders. The Kankakee Bancorp board unanimously recommends that the Kankakee Bancorp stockholders vote **FOR** approval of the merger agreement and the*

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*transactions it contemplates, **FOR** adoption of all of the amendments to the certificate of incorporation and **FOR** any resolution to adjourn the special meeting, if necessary, to solicit additional proxies. See Description of Transaction Recommendation of the Kankakee Bancorp Board and Kankakee Bancorp's Reasons for the Merger and Amendment of Kankakee Bancorp's Certificate of Incorporation.*

AVISTON FINANCIAL SPECIAL MEETING

Date, Place, Time and Purpose

The special meeting of Aviston Financial's stockholders will be held at the Sheraton Hotel Conference Center, 319 Fountains Parkway, Fairview Heights, Illinois 62208, at 6:00 p.m. local time, on September 11, 2003. At the special meeting, holders of Aviston Financial common stock will be asked to vote upon a proposal to approve the merger agreement and the transactions it contemplates.

Record Date, Voting Rights, Required Vote and Revocability of Proxies

The Aviston Financial board fixed the close of business on July 28, 2003, as the record date for determining those Aviston Financial stockholders who are entitled to notice of and to vote at the special meeting. Only holders of Aviston Financial common stock of record on the books of Aviston Financial at the close of business on the record date have the right to receive notice of and to vote at the special meeting. On the record date, there were 483,826 shares of Aviston Financial common stock issued and outstanding held by approximately 115 holders of record.

At the special meeting, Aviston Financial stockholders will have one vote for each share of Aviston Financial common stock owned on the record date. The holders of a majority of the outstanding shares of Aviston Financial common stock entitled to vote at the special meeting must be present in order for a quorum to exist at the special meeting.

To determine if a quorum is present, Aviston Financial intends to count the following:

shares of Aviston Financial common stock present at the special meeting either in person or by proxy; and

shares of Aviston Financial common stock for which it has received proxies, but with respect to which holders of shares have abstained on any matter.

Approval of the merger agreement requires the affirmative vote of holders of at least two-thirds of the outstanding shares of Aviston Financial common stock.

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Brokers who hold shares in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those shares without specific instructions from their customers. Any abstention, non-voting share or broker non-vote will have the same effect as a vote against the approval of the merger agreement.

Properly executed proxies that Aviston Financial receives before the vote at the special meeting that are not revoked will be voted in accordance with the instructions indicated on the proxies. If no instructions are indicated, these proxies will be voted **FOR** the proposal to approve the merger agreement and the transactions it contemplates, and **FOR** any resolution to adjourn the special meeting, if necessary, to solicit additional proxies, and the proxy holder may vote the proxy in its discretion as to any other matter that may properly come before the special meeting.

An Aviston Financial stockholder who has given a proxy solicited by the Aviston Financial board may revoke it at any time prior to its exercise at the special meeting by (1) giving written notice of revocation to the secretary of Aviston Financial, (2) properly submitting to Aviston Financial a duly executed proxy bearing a later date or (3) attending the special meeting and voting in person. All written notices of revocation and other communications with respect to revocation of proxies should be sent to: Aviston Financial Corporation, 101 South Page Street, Aviston, Illinois 62216, Attention: Bryan L. Marsh, Secretary.

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On the record date, Aviston Financial's directors and executive officers, including their immediate family members and affiliated entities, owned approximately 140,000 shares, or approximately 28.4%, of the outstanding shares of Aviston Financial common stock, including shares subject to options to purchase Aviston Financial common stock. These individuals have agreed to vote their shares in favor of approving the merger agreement and the transactions it contemplates.

Solicitation of Proxies

Directors, officers and employees of Aviston Financial may solicit proxies by mail, in person or by telephone or facsimile. They will receive no additional compensation for such services. Aviston Financial may make arrangements with brokerage firms and other custodians, nominees and fiduciaries, if any, for the forwarding of solicitation materials to the beneficial owners of Aviston Financial common stock held of record by such persons. Aviston Financial will reimburse any such brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses incurred by them for such services. Kankakee Bancorp and Aviston Financial will share all expenses associated with the printing and mailing of this joint proxy statement-prospectus, as provided in the merger agreement. See Description of Transaction Expenses and Termination Fees.

Authority to Adjourn Special Meetings to Solicit Additional Proxies

We are asking our stockholders to grant full authority for the special meetings to be adjourned, if necessary, to permit solicitation of additional proxies to approve the transactions proposed by this joint proxy statement-prospectus.

Recommendation of Aviston Financial Board

*The Aviston Financial board has unanimously approved the merger agreement and the transactions it contemplates and believes that the proposal to approve the merger agreement and the transactions it contemplates are in the best interests of Aviston Financial and its stockholders. The Aviston Financial board unanimously recommends that the Aviston Financial stockholders vote **FOR** approval of the merger agreement and the transactions it contemplates and **FOR** any resolution to adjourn the special meeting, if necessary, to solicit additional proxies. See Description of Transaction Recommendation of the Aviston Financial Board and Aviston Financial's Reasons for the Merger.*

DESCRIPTION OF TRANSACTION

The following information describes material aspects of the merger and related transactions. This description does not provide a complete description of all the terms and conditions of the merger agreement. It is qualified in its entirety by the Appendices to this document, including the merger agreement, which is attached as Appendix A to this joint proxy statement-prospectus. The merger agreement is incorporated into this joint proxy statement-prospectus by reference. We urge you to read the Appendices in their entirety.

General

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The merger agreement provides for the merger of Aviston Financial with and into Kankakee Bancorp. At the time the merger becomes effective, each share of Aviston Financial common stock then issued and outstanding will be converted into and exchanged for the right to receive 0.707 shares of Kankakee Bancorp common stock.

No fractional shares of Kankakee Bancorp common stock will be issued to Aviston Financial's stockholders. Rather, Kankakee Bancorp will redeem any of these fractional interests for cash (without interest) in an amount equal to the average of the closing sale prices of Kankakee Bancorp common stock for the five trading days immediately following the completion of the merger.

On their respective record dates, Kankakee Bancorp had 932,611 shares of common stock issued and outstanding and Aviston Financial had 483,826 shares of common stock issued and outstanding and options to purchase 45,000 shares. As described below, all of the outstanding options to purchase Aviston Financial common stock will be canceled, and new shares will be issued in connection with the cancellation, such

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that Aviston Financial will have a total of 495,326 shares of common stock outstanding at the time of the merger. Based on the exchange ratio contained in the merger agreement, on completion of the merger, Kankakee Bancorp will issue 350,196 shares of its common stock to former Aviston Financial stockholders. After the merger, former Aviston Financial stockholders would own approximately 27.3% of the outstanding shares of common stock of the combined company.

As described further in this joint proxy statement-prospectus, Kankakee Bancorp's board of directors has decided to issue common stock purchase rights to its stockholders, which will be conditionally exercisable on a short-term basis, as a future source of capital. If rights are issued to holders of Kankakee Bancorp common stock prior to the completion of the proposed merger with Aviston Financial, then rights will be issued to Aviston Financial's stockholders as a right attached to the Kankakee Bancorp common stock issued to them in the merger. However, it is uncertain at this time whether any rights will be issued prior to completion of the merger. If they are not, no rights will be included with the common stock issued to the Aviston Financial stockholders in the merger. Because of the conditional nature of the rights, it is possible that the rights will initially have no monetary value. See Description of Kankakee Bancorp Capital Stock Common Stock Purchase Rights.

Effect of the Merger on Options

Under the merger agreement, any outstanding options to purchase shares of Aviston Financial common stock must be exercised or extinguished prior to the effective time of the merger. Aviston Financial has agreed that, prior to the effective time of the merger, it will cancel all of the outstanding options, which, when vested, may be exercised for an aggregate of 45,000 shares of Aviston Financial common stock at an exercise price of \$20.00 per share, and will issue new shares of Aviston Financial common stock in an amount based on the difference between the \$20.00 exercise price of the outstanding options and the as-converted value of the Kankakee Bancorp common stock to be issued to the Aviston Financial stockholders in the merger, based on a value of Kankakee Bancorp common stock of \$38.00 per share. Based on this calculation, Aviston Financial will issue 11,500 new shares of Aviston Financial common stock to its option holders, and there will be a total of 495,326 shares of Aviston Financial common stock, and no options to purchase common stock, outstanding at the time of the merger.

Any outstanding options to purchase shares of Kankakee Bancorp common stock will remain outstanding.

Material Federal Income Tax Consequences of the Merger

We have not requested nor do we intend to request a ruling from the Internal Revenue Service as to the federal income tax consequences of the merger. Instead, we have obtained the opinion of RSM McGladrey, Inc., as to the expected material federal income tax consequences of the merger, a copy of which is attached as an exhibit to the registration statement.

The tax opinion does not address, among other matters:

state, local, foreign or other federal tax consequences of the merger under circumstances not specifically addressed in the opinion;

federal income tax consequences to Aviston Financial stockholders who are subject to special rules under the Internal Revenue Code, such as foreign persons, tax-exempt organizations, insurance companies, financial institutions, dealers in stocks and securities and

other persons who do not own the stock as a capital asset;

federal income tax consequences affecting shares of Kankakee Bancorp common stock or Aviston Financial common stock acquired upon the exercise of stock options, stock purchase plan rights or otherwise as compensation;

tax consequences to holders of warrants, options or other rights to acquire shares of the stock; or

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tax consequences of Kankakee Bancorp and Aviston Financial of any income and deferred gain recognized pursuant to Treasury Regulations issued under Section 1502 of the Internal Revenue Code.

Subject to the conditions, qualifications, representations and assumptions contained in this document and in the tax opinion, RSM McGladrey, Inc.'s opinion provides the following conclusions:

The acquisition by Kankakee Bancorp of substantially all of the assets of Aviston Financial in exchange for shares of Kankakee Bancorp common stock and the assumption of liabilities of Kankakee Bancorp and of Aviston Financial pursuant to the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Kankakee Bancorp and Aviston Financial will each be a party to a reorganization within the meaning of Section 368(b) of the Internal Revenue Code.

No gain or loss will be recognized by either Kankakee Bancorp or Aviston Financial as a result of the merger.

No gain or loss will be recognized by the stockholders of Aviston Financial as a result of the exchange of Aviston Financial common stock for Kankakee Bancorp common stock pursuant to the merger. Assuming that the Kankakee Bancorp common stock is a capital asset in the hands of the respective Aviston Financial stockholders, any gain or loss recognized as a result of the receipt of cash in lieu of a fractional share will be a capital gain or loss equal to the difference between the cash received and that portion of the holder's tax basis in the Aviston Financial common stock allocable to the fractional share.

The tax basis of Kankakee Bancorp common stock to be received by the stockholders of Aviston Financial will be the same as the tax basis of the Aviston Financial common stock surrendered in exchange therefor (reduced by any amount allocable to a fractional share interest for which cash is received).

The holding period of the Kankakee Bancorp common stock to be received by stockholders of Aviston Financial will include the holding period of the Aviston Financial common stock surrendered in exchange therefore on the date of the exchange.

The tax opinion is based on the Internal Revenue Code, Treasury Regulations issued under the Internal Revenue Code by the Internal Revenue Service, judicial decisions and administrative pronouncements of the Internal Revenue Service, all existing and in effect on the date of this joint proxy statement-prospectus and all of which are subject to change at any time, possibly retroactively. Any such change could have a material impact on the conclusions reached in the tax opinion. The tax opinion represents only the tax advisor's best judgment as to the expected federal income tax consequences of the merger and is not binding on the Internal Revenue Service or the courts. The Internal Revenue Service may challenge the conclusions stated in the tax opinion or positions taken by stockholders on their income tax returns. Stockholders of Aviston Financial may incur the cost and expense of defending positions taken by them with respect to the merger. A successful challenge by the Internal Revenue Service could have material adverse consequences to the parties to the merger, including stockholders of Aviston Financial.

In rendering the tax opinion, RSM McGladrey, Inc. has relied as to factual matters solely on the continuing accuracy of the following:

the description of the facts relating to the merger contained in the merger agreement and this joint proxy statement-prospectus;

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the factual representations and warranties contained in the merger agreement and this joint proxy statement-prospectus and related documents and agreements; and

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factual matters addressed by representations made by executive officers of Kankakee Bancorp and Aviston Financial, as further described in the tax opinion.

Events occurring after the date of the tax opinion could alter the facts upon which the opinion is based. In such case, the conclusions reached in the tax opinion and in this summary could be materially impacted.

Accordingly, stockholders of Aviston Financial are urged to consult their own tax advisors as to the specific tax consequences to them of the merger, including the applicability and effect of federal, state, local and other tax laws.

The conditions relating to the receipt of the tax opinion may be waived by both of us, although neither of us currently intends to do so. If the condition relating to the receipt of the tax opinion were waived and the material federal income tax consequences of the merger were substantially different from those described in this joint proxy statement-prospectus, we would each resolicit the approval of our respective stockholders prior to completing the merger.

Background of the Merger

The boards of directors of each of Kankakee Bancorp and Aviston Financial have regularly reviewed the business strategies of their respective companies in light of general conditions in the banking industry, local competitive and economic conditions, the results of operations and future prospects, legislative changes and other developments affecting the banking industry generally and each of their respective companies specifically.

During the third quarter of 2002, Kankakee Bancorp's board of directors reviewed its best practice policies in connection with the Sarbanes-Oxley Act, and began considering the advisability of adding an additional independent director to the board. Following a process conducted by the Nominating Committee of the board, which included discussions with several stockholders who owned more than 5% of the common stock of Kankakee Bancorp, the Nominating Committee recommended to the board in early December 2002 that Michael A. Griffith, who was formerly employed as an investment banker, be appointed as a director. Mr. Griffith joined the Kankakee Bancorp and KFS Bank boards in December 2002. In January 2003, our then Chairman, William Cheffer, resigned as Chairman of the Board, and Mr. Griffith was unanimously selected by the full board of directors to serve as Chairman. At this same time, Larry Huffman, the President and Chief Executive Officer of Kankakee Bancorp and KFS Bank, tendered his resignation for personal reasons from these positions in which he had served since April 2001. Accordingly, Kankakee Bancorp began to search for an experienced and qualified candidate to fill the role of Chief Executive Officer. A Search Committee of the board, consisting of four independent directors, was formed and Spencer Stuart, a nationally recognized executive search firm, was retained to assist in the process.

The Kankakee Bancorp board of directors also has considered from time to time the possible benefits of strategic business combinations with other financial institutions, including other bank holding companies, as a part of its ongoing evaluation of available methods to increase stockholder value, to expand its existing service area and to solidify its market position in existing markets. Following a series of strategic planning meetings in early 2003, the focus of the institution became to seek to transform Kankakee Bancorp into the premier financial institution in the central Illinois markets between Chicago and St. Louis and, to this end, the senior management of Kankakee Bancorp has from time to time had informal discussions with senior management of other financial institutions regarding potential business combination transactions. It was also noted by the board of directors that the possibility of recruiting a new Chief Executive Officer in the context of a strategic transaction such as a merger or acquisition should also be explored.

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In early February 2003, acting on informal referrals, Mr. Griffith contacted Thomas A. Daiber, the President and Chief Executive Officer of Aviston Financial, and invited him to visit Kankakee Bancorp's offices, so that the Kankakee Bancorp directors and Mr. Daiber could discuss the possibility of Mr. Daiber's joining the company as its new Chief Executive Officer. In addition, the parties began informally to discuss the respective interests of the parties in a merger transaction between Kankakee Bancorp and Aviston Financial. During this time, the Search Committee also contacted other potential candidates for the position of Chief Executive Officer, who, together with Mr. Daiber, formed the pool of candidates being evaluated by Spencer Stuart together with the Search Committee.

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Mr. Daiber visited Kankakee Bancorp on February 11, during which time he met with the full Search Committee, as well as each director individually. The following day, Mr. Daiber contacted Mr. Griffith to confirm his interest in the Chief Executive Officer position, and to express his interest in exploring a merger. Mr. Daiber advised Kankakee Bancorp's board that, because he had organized and led the investor group that acquired control of Aviston Financial in October 2002, he felt an obligation to those investors not to leave his position with Aviston Financial without providing for their interests, which would be addressed by a merger. During the next several weeks, the parties continued to communicate regarding the Chief Executive Officer position and a possible transaction.

On March 13, Mr. Griffith and Mark Smith, a director and the chairman of the Audit Committee of Kankakee Bancorp, visited the offices of Aviston Financial to meet with its management and conduct preliminary business and financial due diligence.

On April 8 and April 9, the Search Committee met with seven candidates, including Mr. Daiber, for the Chief Executive Officer position at the Chicago offices of Spencer Stuart. On April 22 and April 23, Kankakee Bancorp's directors met in Kankakee with the two leading candidates identified by the Search Committee. On April 24, at a meeting of the board of directors, the board decided to offer the Chief Executive Officer position to Mr. Daiber. In making its determination, the board elected to make Mr. Daiber the offer whether or not a merger transaction with Aviston Financial was pursued or completed. Following this meeting, Mr. Griffith contacted Mr. Daiber by telephone and offered him the Chief Executive Officer position, at which time the parties more firmly began to discuss the specifics of a merger transaction. Mr. Daiber confirmed that he would likely be interested in associating with Kankakee Bancorp only in the event that a merger could be agreed to. These discussions continued throughout the following week, at which time it was decided that the acquisition of Aviston Financial would likely be conducted through a stock-for-stock merger.

On May 2, Mr. Daiber and members of Thompson Coburn, LLP, counsel to Aviston Financial, and members of Barack Ferrazzano, counsel to Kankakee Bancorp, met via teleconference to discuss preliminary matters, including the anticipated timing of the proposed transaction.

On May 5 and May 6, Mr. Griffith and Mr. Daiber continued to discuss the proposed transaction, at which time they outlined many of the general business terms of the stock-for-stock merger that would be submitted to their respective boards of directors.

On May 6, Kankakee Bancorp's senior management met with attorneys from Barack Ferrazzano to discuss the business and legal implications of engaging in an acquisition of Aviston Financial. In addition, Kankakee Bancorp retained James M. Lindstrom, who had formerly worked as a senior associate for a private equity firm, to act as a consultant to Kankakee Bancorp and provide assistance with respect to the proposed transaction, including evaluating the financial impact of a merger. Also on May 6, following the execution of a mutual confidentiality agreement between Aviston Financial and Kankakee Bancorp, an independent Kankakee Bancorp director met informally in Kankakee with Mr. Daiber to discuss the respective business philosophies of the two organizations. At the conclusion of the discussion, both parties decided to remain open to further discussion, and to begin business and legal due diligence.

Accordingly, on May 7 and May 8, Mr. Daiber and members of Aviston Financial's senior management visited Kankakee Bancorp and met with members of Kankakee Bancorp's senior management to conduct a review of Kankakee Bancorp's business operations. Also on May 7, Mr. Griffith met with S. Kris Jakiel, the lead director and a principal stockholder of Aviston Financial, to discuss business strategy, how the two organizations could best combine and how the transition and the combined company should be structured. At that time, members of Kankakee Bancorp's senior management visited the offices of Aviston Financial to perform additional due diligence, and, during the week of May 12, the parties each continued to conduct their respective legal and business due diligence reviews of one another.

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While the discussions between Kankakee Bancorp and Aviston Financial were taking place, Kankakee Bancorp also considered some additional matters that had been discussed by the board of directors for some time. In particular, Kankakee Bancorp, after evaluating the stock price and trading volume of its common stock, determined to pursue a stock split, to be effected in the form of a dividend, following the merger, to enhance the liquidity of the

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trading market for the stock. Because the proposed stock split would require an increase in the number of authorized shares of Kankakee Bancorp common stock, requiring an amendment to its certificate of incorporation that would need to be approved by Kankakee Bancorp's stockholders, Kankakee Bancorp further reviewed its certificate of incorporation to determine if additional changes should be considered at this time. Ultimately, Kankakee Bancorp determined that the amendment procedure, which requires at least an 80% stockholder vote to amend certain provisions, is unduly restrictive. Therefore, Kankakee Bancorp proposed an amendment to this section as well. See Amendments to Kankakee Bancorp's Certificate of Incorporation. Also at this time, the board began to consider changing Kankakee Bancorp's corporate name to one that would not be as geographically limited as Kankakee Bancorp, Inc., a change that the board felt would be consistent with its operational objectives and its goal of expanding its market area. Accordingly, the board formed an ad hoc committee to select a new name.

In addition, Kankakee Bancorp began considering alternatives for raising capital in the future. Drawing on his prior investment banking experience, Mr. Griffith proposed to Kankakee Bancorp's board of directors that it consider the issuance to all current stockholders of Kankakee Bancorp of rights to purchase common stock. If issued prior to the completion of the merger, identical rights would be issued to the Aviston Financial stockholders when they became stockholders of Kankakee Bancorp upon completion of the merger. The rights, which would be conditionally exercisable upon a declaration by Kankakee Bancorp's board, could be used to raise capital for additional expansion opportunities both before and following the Aviston Financial acquisition. The rights would also reward stockholders by giving them the opportunity to capture value created by the Aviston Financial acquisition and may reduce the need for future underwritten public offerings. The proposed terms of the rights are described below under Description of Kankakee Bancorp Capital Stock Common Stock Purchase Rights.

On May 17, 2003, Barack Ferrazzano distributed a draft definitive merger agreement to Aviston Financial and Thompson Coburn LLP for their review. This draft of the merger agreement was also distributed by Kankakee Bancorp to its board of directors.

On May 21, 2003, Mr. Griffith, Mr. Lindstrom and representatives of Barack Ferrazzano met with Mr. Daiber and a representative of Thompson Coburn to discuss the key business issues and to negotiate the terms of the definitive merger agreement and the related documents, including the proposed voting agreement to be executed by the directors of Aviston Financial and the State Bank of Aviston and Mr. Daiber's employment agreement with Kankakee Bancorp. Attorneys from Barack Ferrazzano and Thompson Coburn continued to negotiate the terms of the merger agreement and legal due diligence review following the May 21 meeting.

Aviston Financial's board of directors was briefed on the status of the preliminary negotiations at its meeting on April 17, 2003. As discussions with Kankakee Bancorp became more serious, Mr. Daiber kept the members of Aviston Financial's board apprised on an informal basis. On May 21, 2003, Mr. Daiber sent the board members a written update on the negotiations and notified them of the scheduling of a special board meeting to consider the proposed merger. On May 23, 2003, a draft of the definitive merger agreement was circulated to the Aviston Financial directors.

On May 27, 2003, Kankakee Bancorp and KFS Bank held a joint meeting of their boards of directors to review the proposed merger agreement and related transactions, including the proposed merger of KFS Bank with the State Bank of Aviston, the proposed amendments to Kankakee Bancorp's certificate of incorporation and the proposed issuance by Kankakee Bancorp of rights to purchase Kankakee Bancorp common stock. This meeting was attended by representatives of Barack Ferrazzano as well as members of Kankakee Bancorp's senior management. Mr. Griffith reviewed the process leading up to the proposed transaction, Kankakee Bancorp's senior management presented reports outlining the results of their due diligence of Aviston Financial and Mr. Lindstrom provided a detailed financial analysis of the proposed transaction. The following is a summary of the material analyses employed by Mr. Lindstrom and the directors of Kankakee Bancorp to evaluate the merger.

Projected Transaction Value. Each share of Aviston Financial would be exchanged for 0.707 shares of Kankakee Bancorp common stock. At the closing price of \$38.50 for Kankakee Bancorp stock, this would result in a purchase price of approximately \$13.5 million.

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Multiple of Historical Earnings for Aviston Financial. The merger consideration represents a multiple of 10.8 times Aviston Financial's reported combined net income for the 12 months ended December 31, 2002. The multiple of historical earnings was examined for comparable transactions with the following characteristics:

bank acquisitions announced since January 1, 2001;

geographic emphasis on selling companies operating in Midwestern markets; and

total assets of sellers generally between \$50 million and \$250 million.

The median multiple of historical earnings for these transactions was 24.0 times.

Multiple of Stated Book Value of Aviston Financial. The consideration represents a multiple of 1.3 times Aviston Financial's book value as of March 31, 2003. The multiple of book value was examined for comparable transactions with the following characteristics:

bank acquisitions announced since January 1, 2001;

geographic emphasis on selling companies operating in Midwestern markets; and

and total assets of sellers generally between \$50 million and \$250 million.

The average multiple of stated book value for these transactions was 1.3 times.

Discounted Cash Flow Analysis. Mr. Lindstrom reviewed for the board a discounted cash flow model that was prepared based on financial information provided by the management of Aviston Financial, which was also reviewed by management of Kankakee Bancorp. The model employed a projection of estimated earnings for Aviston Financial on an independent, stand-alone basis through the year 2005. A range of possible future market price/earnings ratios was employed ranging from a minimum of 10 times earnings to a maximum of 15 times earnings to project possible future values for Aviston Financial. Given the model time horizon and a discount rate range of 10% to 16%, these assumptions resulted in a range of present discounted values for Aviston Financial with a minimum value of \$15.3 million.

The purpose of a discounted cash flow analysis is not to make a precise estimate of the price at which Aviston Financial might be sold at a precise point in the future. Any future sales price would be based on a number of variables involved, including many which are beyond the control of management and, therefore, it is not possible to make any predictions with precision.

Mr. Lindstrom told the board that the discount factors employed both the concept of a time value of money and risk factors that reflect judgments regarding the uncertainty of the forecasted cash flows and terminal price/earnings multiples. Use of higher discount rates would result

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in lower discounted present values. Conversely, use of lower discount rates would result in higher discounted present values. Mr. Lindstrom advised the board that although discounted cash flow analysis is a frequently used valuation methodology, it relies on numerous assumptions, including discount rates, terminal values, future earnings performance and asset growth rates. The accurate specification of such assumptions for time periods more than one year in the future entails significant uncertainties and could contain errors despite attempts to be both accurate and conservative. Consequently, any or all of these assumptions may and likely will vary from actual future performance and results and such variations may be material. Any errors made in the selection of assumptions for such an exercise can interact with one another and can lead to conclusions that may demonstrate little resemblance to actual events.

Pro Forma Impact on Kankakee Bancorp Earnings per Share. The board was presented with a pro forma acquisition analysis illustrating the estimated effects on selected projected financial data for Kankakee Bancorp. The projections were based on management assumptions. The model was also reviewed by management of both companies. For the 12 months ended December 31, 2002, the diluted earnings per share of Kankakee Bancorp would have resulted in 17.2% accretion to Kankakee Bancorp's stockholders. For the projected 12 months ending

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December 31, 2003, the projections indicated dilution of 3.8%. For the projected 12 months ending December 31, 2004, the projections indicated accretion of 10.3%. It was noted that the financial information used for Aviston Financial appeared to be conservative, in that Aviston Financial's 2003 results had been more favorable than the financial information utilized in Mr. Lindstrom's analysis. It was also noted that Aviston Financial had obtained more sophisticated and experienced management during the fourth quarter of 2002.

The financial evaluation of a merger is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the process used to complete the evaluation. In assessing the financial viability of the merger, Mr. Lindstrom and the directors considered the results of all of the analyses. No company or transaction in the analyses used for comparison is identical to Aviston Financial or the merger. The analyses were prepared for the board solely to assist its evaluation of the merger.

Following the financial presentation, the board members discussed the financial implications of the proposed transaction. The board noted that the fixed exchange ratio of 0.707 shares of Kankakee Bancorp common stock for each share of Aviston Financial common stock meant that the transaction value could rise and fall with the trading price of Kankakee Bancorp common stock, and also noted that the announcement of the merger could have an effect on Kankakee Bancorp's stock price.

This meeting also included a detailed review of the draft merger agreement, including a presentation by Barack Ferrazzano attorneys on the legal aspects of the transaction.

At the conclusion of this meeting, Kankakee Bancorp's board of directors determined that the proposed transaction with Aviston Financial was in the best interests of its stockholders and unanimously approved the merger agreement and related transactions, including the merger of the subsidiary banks, the entry into an employment agreement with Mr. Daiber pursuant to which he would become the President and Chief Executive Officer of Kankakee Bancorp upon completion of the merger and the entry into change of control agreements with certain senior executives of Aviston Financial. Kankakee Bancorp's board of directors also unanimously approved the amendments to the certificate of incorporation of Kankakee Bancorp changing the manner in which it may be amended and increasing the number of authorized shares of common stock from 3.5 million to 5.5 million, and the issuance of rights to Kankakee Bancorp's stockholders to purchase shares of Kankakee Bancorp common stock. KFS Bank's board of directors also unanimously approved the merger agreement between KFS Bank and the State Bank of Aviston. The board determined to recommend to Kankakee Bancorp's stockholders that they vote to approve the merger agreement and to adopt the amendments to its certificate of incorporation.

On May 27, 2003, the boards of Aviston Financial and the State Bank of Aviston held a joint special meeting to consider the merger agreement and the related transactions. A representative of Thompson Coburn also attended the meeting. Mr. Daiber updated the board members on recent developments regarding the proposed merger, including the financial and business due diligence review that Aviston Financial personnel had undertaken with respect to Kankakee Bancorp and the course of negotiations between the parties and their respective counsel. The results of the due diligence and discussions with Kankakee's senior personnel regarding the forecasted financial performance and business strategies to be undertaken by the combined company were discussed. Counsel also reviewed the terms of the proposed merger agreement and related transactions, as well as various legal considerations relative to the process of considering and passing upon the proposed transaction.

The Aviston Financial board members discussed the perceived merits and risks for its stockholders from the merger agreement and the related transactions. The proposed arrangements to be entered into between the combined company and Messrs. Daiber, Marsh and Rench were noted. The board also noted the risks associated with the fixed exchange ratio to determine the consideration payable to Aviston Financial stockholders, including the fact that there was no collar or floor which would assure Aviston Financial stockholders a minimum value of the merger consideration to be received by them. At the conclusion of the discussion, the board members in attendance unanimously concluded that the proposed merger was fair to, and in the best interests of Aviston Financial's stockholders and voted to approve the merger agreement and the

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transactions it contemplates, including the merger of the State Bank of Aviston and KFS Bank, and to recommend to Aviston Financial's stockholders that they vote to approve the merger agreement and related transactions at a special meeting.

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The merger agreement was signed by both Kankakee Bancorp and Aviston Financial after the closing of the stock markets on May 27, 2003, and was publicly announced by a joint press release on May 28, 2003.

On June 18, 2003, at a meeting of Kankakee Bancorp's board of directors, the board of directors unanimously approved a resolution that Kankakee Bancorp change its name to a name acceptable to the ad hoc committee that was formed to select a new name, and to submit the amendment changing the certificate of incorporation to the stockholders. On July 24, 2003, the board of directors approved Centru Financial Corporation as the new corporate name.

Recommendation of the Kankakee Bancorp Board and Kankakee Bancorp's Reasons for the Merger

*The Kankakee Bancorp board believes that the merger is fair to, and in the best interests of, Kankakee Bancorp and its stockholders. Accordingly, the Kankakee Bancorp board has unanimously approved the merger agreement and unanimously recommends that its stockholders vote **FOR** the approval of the merger agreement and the transactions it contemplates.*

The Kankakee Bancorp board believes that the completion of the merger presents a unique opportunity to take steps toward the organization's goal of becoming the premier community financial institution serving the central Illinois markets between Chicago and St. Louis. The board believes the combined organization will have the capability to offer a full range of financial products and services through an extensive distribution network over the areas currently served by the two organizations.

In addition, Kankakee Bancorp's board considers Thomas A. Daiber, the President of Aviston Financial, to be a strong candidate to fill the vacant position as Kankakee Bancorp's President and Chief Executive Officer, given his experience with Midwest bank holding companies.

In reaching its decision to approve the merger agreement, the Kankakee Bancorp board consulted with Kankakee Bancorp's management, as well as with its financial and legal advisors, and considered a variety of factors, including the following:

information concerning the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of Kankakee Bancorp and Aviston Financial, both individually and as combined; in particular, the Kankakee Bancorp board focused on the strategic fit of the business lines and the operating philosophies of the two institutions;

the consistency of the merger with Kankakee Bancorp's long-term business strategy to leverage the commercial banking systems infrastructure that it has developed;

the advantages of a combination with an institution, such as Aviston Financial, that has already taken steps to develop market share in the central Illinois and St. Louis markets and the opportunities for increased efficiencies and significant cost savings from a combination with Kankakee Bancorp's current organization, resulting in increased profitability of the combined entity over time as opposed to a possible combination with an institution without a similar market presence;

the opportunity to attract experienced senior management leadership by adding Thomas A. Daiber as Chief Executive Officer of the combined company;

the current and prospective economic and competitive environments facing Kankakee Bancorp and other financial institutions characterized by intensifying competition from both banks and nonbank financial services organizations, the increasing necessity for strong fee-based income producing components within a bank holding company and the growing costs associated with regulatory compliance in the banking industry;

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the high costs of technology and new facilities required to grow deposits in light of the fact that deposit growth for Kankakee Bancorp and the banking industry in general has been difficult and these funding limitations would hamper Kankakee Bancorp's long-term asset and earnings growth;

the belief that, following the merger, the combined company would be well positioned to continue to grow through possible future acquisitions or expansion while at the same time increase its attractiveness as a possible acquisition candidate;

the belief that the merger would result in stockholders of Kankakee Bancorp holding stock in a high quality combined company that should benefit stockholders through enhanced operating efficiencies and better penetration of commercial and consumer banking markets in central Illinois;

the business, operations, financial condition, earnings and prospects of Aviston Financial;

the scale, scope, strength and diversity of operations, product lines and delivery systems that could be achieved by combining Kankakee Bancorp and Aviston Financial;

the complementary nature of the businesses of Kankakee Bancorp and Aviston Financial and the anticipated improved stability of the combined company's business and earnings in varying economic and market climates relative to Kankakee Bancorp on a stand-alone basis made possible by the merger, as a result of greater geographic, asset and line-of-business diversification;

the belief of Kankakee Bancorp's senior management and the Kankakee Bancorp board that Kankakee Bancorp and Aviston Financial share a common vision with respect to delivering financial performance and stockholder value and that their executive officers and employees possess complementary skills and expertise;

the Kankakee Bancorp board's belief that, while no assurances could be given, the business and financial advantages contemplated in connection with the merger were likely to be achieved within a reasonable time frame;

the benefits of converting KFS Bank, Kankakee Bancorp's thrift subsidiary, into a commercial bank, through its merger with the State Bank of Aviston; and

the likelihood that the merger will be approved by the appropriate regulatory authorities (see Regulatory Approvals).

The foregoing discussion of the information and factors considered by the Kankakee Bancorp board is not intended to be exhaustive, but includes all material factors considered by the Kankakee Bancorp board. In reaching its determination to approve and recommend the merger, the Kankakee Bancorp board did not assign any relative or specific weights to the foregoing factors, and individual directors may have given differing weights to different factors. The Kankakee Bancorp board is unanimous in its recommendation that its stockholders vote for approval of the merger agreement.

Recommendation of the Aviston Financial Board and Aviston Financial's Reasons for the Merger

*The Aviston Financial board believes that the merger is fair to, and in the best interests of, Aviston Financial and its stockholders. Accordingly, the Aviston Financial board has unanimously approved the merger agreement and unanimously recommends that its stockholders vote **FOR** the*

approval of the merger agreement and the transactions it contemplates.

Aviston Financial's board has concluded that the proposed merger offers the Aviston Financial stockholders an extremely attractive opportunity to achieve the board's strategic business objectives on a timeframe that is greatly accelerated from that originally contemplated at the time that Aviston Financial acquired Aviston Bancorp, Inc. in October 2002. These objectives include growing the size of the business and enhancing liquidity

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for Aviston Financial's stockholders, who will gain the benefit of a public trading market for their shares. In addition, the board noted that Mr. Daiber, who enjoys the confidence of the board, would be Chief Executive Officer of the combined company and lead its post-merger activities.

In deciding to approve the merger agreement and the transactions it contemplates, Aviston Financial's board consulted with Aviston Financial's management, as well as its legal counsel, and considered numerous factors, including the following:

information with respect to the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of Aviston Financial and Kankakee Bancorp, both individually and as a combined company;

the market value of the Kankakee Bancorp shares to be received by Aviston Financial stockholders, based upon the trading price of Kankakee Bancorp's common stock before the execution of the merger agreement, that reflected a premium of more than 30% over the \$20.00 per share price paid by Aviston Financial's stockholders in October 2002 in connection with the organization of Aviston Financial and the acquisition of Aviston Bancorp, Inc.;

the perceived risks and uncertainties attendant to Aviston Financial's execution of its strategic growth plans as an independent banking organization, including the need to access additional capital and enhance its technology platform on a cost-effective basis to support future growth;

the belief that the market value of Kankakee Bancorp's common stock prior to the execution of the merger agreement was very attractive and offered favorable prospects for future appreciation as a result of the proposed merger, due to, among other factors, the engagement of Mr. Daiber to serve as Chief Executive Officer of the combined company and the conversion of Kankakee Bancorp's banking operations to a commercial bank charter;

Kankakee Bancorp's substantial levels of cost-effective deposits that would be available to fund commercial loan growth which will be an emphasis of the combined company's management;

the strategic vision of the respective managements of Aviston Financial and Kankakee Bancorp to seek profitable future expansion in the central Illinois market in order to grow stockholder value;

the fact that Kankakee Bancorp is publicly held and the merger would provide access to a public trading market for Aviston Financial stockholders whose investments currently are in a privately held company, as well as enhanced access to capital markets to finance the combined company's capital requirements; and

the likelihood that the merger will be approved by the relevant bank regulatory authorities.

The above discussion of the information and factors considered by the Aviston Financial board is not intended to be exhaustive, but includes all material factors considered by the Aviston Financial board. In arriving at its determination to approve the merger agreement and the transactions it contemplates, and recommend that the Aviston Financial stockholders vote to approve them, the Aviston Financial board did not assign any relative or specific weights to the above factors, and individual directors may have given differing weights to different factors. The Aviston Financial board unanimously recommends that its stockholders vote to approve the merger agreement and the related transactions.

Effective Time of the Merger

Subject to the conditions to our respective obligations to complete the merger, the merger will become effective when a certificate of merger reflecting the merger becomes effective with the Secretary of State of the State of Delaware and articles of merger are filed with the Secretary of State of the State of Illinois, respectively.

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Unless we agree otherwise, we will each use reasonable efforts to cause the merger to become effective 10 business days after the end of the calendar month in which all of the following conditions are satisfied:

the receipt of all required regulatory approvals or consents for the merger;

the expiration of all statutory waiting periods relating to any required regulatory approvals; and

the receipt of the approvals of the stockholders of each of Aviston Financial and Kankakee Bancorp.

We anticipate that the merger will become effective late in the third quarter or during the fourth quarter of 2003, however, delays could occur.

We cannot assure you that the necessary stockholder and regulatory approvals of the merger will be obtained or that other conditions precedent to the merger can or will be satisfied. Either of our boards of directors may terminate the merger agreement if the merger is not completed by April 1, 2004, unless it is not completed because of the failure by the party seeking termination to comply fully with its obligations under the merger agreement. See Conditions to Completion of the Merger and Waiver, Amendment and Termination.

Dissenters' Rights

All of Aviston Financial's stockholders have the right under Illinois law to dissent from the merger and to demand and obtain cash payment of the appraised fair value of their shares of Aviston Financial common stock under the circumstances described below. Kankakee Bancorp's stockholders, whose rights are governed by Delaware law, do not have the right to dissent from the merger and receive cash for the value of their shares.

The appraised value that Aviston Financial's stockholders obtain for their shares by dissenting may be less than, equal to or greater than the value of the Kankakee Bancorp common stock they would receive under the merger agreement. If Aviston Financial's stockholders fail to comply with the procedural requirements of Section 11.65 and Section 11.70 of the Illinois Business Corporation Act, they will lose their right to dissent and seek payment of the appraised value of their shares.

The following is a summary of Section 11.65 and Section 11.70 of the Illinois Business Corporation Act, which specify the procedures applicable to dissenting stockholders. This summary is not a complete statement of the law regarding the right of Aviston Financial's stockholders to dissent under Illinois law, and if you are considering dissenting, we urge you to review the provisions of Section 11.65 and Section 11.70 carefully. The text of Section 11.65 and Section 11.70 is attached to this joint proxy statement-prospectus as Appendix B, and we incorporate that text into this joint proxy statement-prospectus by reference. Among other matters, Aviston Financial's stockholders should be aware of the following:

to be entitled to dissent and seek appraisal, you must hold shares of Aviston Financial common stock on the date you make the demand required under Illinois law, you must continually hold those shares until the merger has been completed, you must not vote in favor of the merger and you must otherwise comply with the requirements of Section 11.65 and Section 11.70;

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before the special meeting of Aviston Financial's stockholders at which you will be asked to vote on the merger, you must deliver a written demand to Aviston Financial for payment for your shares if the merger is completed;

Aviston Financial stockholders must send this written demand to Bryan L. Marsh, Secretary, Aviston Financial Corporation, 101 South Page Street, P.O. Box 115, Aviston, Illinois 62216;

simply voting against the merger is not a demand for appraisal rights;

within 10 days after the effective time of the merger or 30 days after you deliver your written demand for approval, whichever is later, the combined company will send to all of the dissenting Aviston

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Financial stockholders who have complied with Section 11.65 and Section 11.70 and who have not voted in favor of the merger a statement setting forth (1) the combined company's opinion as to the estimated fair value of the shares, (2) Kankakee Bancorp's balance sheet as of December 31, 2002, together with the statement of income for that year and the latest available interim financial statements, and (3) a commitment to pay for the dissenting stockholder's shares at the estimated fair value upon transmittal to the combined company of the share certificates;

upon completion of the merger, the combined company will pay to each dissenting stockholder who transmits the certificate or other evidence of ownership of the shares the estimated fair value of the shares, plus accrued interest, together with a written explanation of how the interest was calculated;

if the dissenting stockholder does not agree with the combined company's determination as to the estimated fair value of the shares or the amount of interest due, the stockholder must within 30 days notify the combined company in writing of the stockholder's estimated fair value and amount of interest due and demand payment for the difference between the stockholder's estimate of fair value and interest due and the amount of the payment by the combined company;

if, within 60 days from delivery to the combined company of the stockholder notification of estimate of fair value of the shares and interest due, the combined company and the dissenting stockholder have not agreed in writing upon the fair value of the shares and interest due, the combined company must either pay the difference in value demanded by the stockholder, with interest, or file a petition in the Circuit Court for Kankakee County, requesting the court to determine the fair value of the shares and interest due;

each dissenter made a party to the proceeding is entitled to judgment for the amount, if any, by which the court finds that the fair value of his or her shares, plus interest, exceeds the amount paid by the combined company to the stockholder; and

the court will determine all costs of the proceeding, and if the fair value of the shares as determined by the court materially exceeds the amount that the combined company estimated to be the fair value of the shares, then all or any part of the costs may be assessed against the combined company. If the amount which any dissenter estimated to be the fair value of the shares materially exceeds the fair value of the shares as determined by the court, then all or any part of the costs may be assessed against that dissenter. The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable.

Distribution of Kankakee Bancorp Stock Certificates

At or around the time of the merger, stockholders of Aviston Financial will be mailed a letter of transmittal and instructions for the exchange of the certificates representing their shares of Aviston Financial common stock for certificates representing shares of common stock of the combined company. KFS Bank will serve as the exchange agent.

You should not send in your certificates until you receive a letter of transmittal and instructions.

After you surrender to the exchange agent your certificates for shares of Aviston Financial common stock with a properly completed letter of transmittal, the exchange agent will mail you a certificate or certificates representing the number of shares of common stock of the combined company to which you are entitled and a check for the amount to be paid in lieu of any fractional share (without interest), if any, together with all undelivered dividends or distributions in respect of the shares of common stock of the combined company (without interest thereon), if any. The combined company will not be obligated to deliver the consideration to you as a former Aviston Financial stockholder until you have surrendered your Aviston Financial common stock certificates. If any Aviston Financial stockholder's common stock certificate has been lost, stolen or destroyed, the exchange agent will issue the shares of common stock of the combined company and any cash in lieu of fractional shares upon the stockholder's submission of an affidavit claiming the certificate to be lost, stolen or destroyed by the stockholder of

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record and the posting of a bond in such amount as the combined company may reasonably direct as indemnity against any claim that may be made against the combined company with respect to the certificate.

Whenever a dividend or other distribution is declared by Kankakee Bancorp on Kankakee Bancorp common stock with a record date after the date on which the merger became effective, the declaration will include dividends or other distributions on all shares of Kankakee Bancorp common stock that may be issued in the merger. However, Kankakee Bancorp will not pay any dividend or other distribution that is payable after the effective date of the merger to any former Aviston Financial stockholder who has not surrendered his or her common stock certificate until the holder surrenders the certificate.

At the time the merger becomes effective, the stock transfer books of Aviston Financial will be closed to their stockholders and no transfer of shares of common stock by any stockholder will thereafter be made or recognized. If certificates for shares of Aviston Financial common stock are presented for transfer after the merger becomes effective, they will be canceled and exchanged for shares of common stock of the combined company, a check for the amount due in lieu of fractional shares, if any, and any undelivered dividends on the common stock of the combined company.

Representations and Warranties

In the merger agreement, Kankakee Bancorp and Aviston Financial made numerous representations and warranties to each other relating to, among other things, the following:

incorporation, good standing, corporate power and similar corporate matters;

authorization, execution, delivery and performance and the enforceability of the merger agreement and the absence of violations;

conflicts under charter documents, required consents or approvals and violations of agreements or laws;

capitalization;

financial statements;

ownership of property and sufficiency of assets;

allowance for loan losses;

absence of certain material adverse events, changes, effects, defaults or undisclosed liabilities;

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employee benefit plans and compliance with federal employee benefit laws;

compliance with laws, including environmental laws;

litigation;

the absence of material changes since December 31, 2002 with respect to Aviston Financial and since the date of its latest financial statements with respect to Kankakee Bancorp; and

the accuracy of documents filed with regulatory agencies.

The foregoing is an outline of the types of representations and warranties made by Kankakee Bancorp and Aviston Financial contained in the merger agreement a copy of which is included at [Appendix A](#). You should carefully review the entire agreement and in particular Sections 4 and 5, containing the detailed representations and warranties of the parties.

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Conditions to Completion of the Merger

Each of us is required to complete the merger only after the satisfaction of various conditions. Kankakee Bancorp is only required to complete the merger if the following conditions are satisfied:

Aviston Financial's representations and warranties in the merger agreement must be accurate as of the date of the merger agreement and as of the date the merger becomes effective, except for any untrue or incorrect representations and warranties that do not have a material adverse effect on Aviston Financial on a consolidated basis or on Kankakee Bancorp's rights under the merger agreement;

Aviston Financial must have performed and complied with all of its covenants and obligations under the merger agreement, except where any non-performance or non-compliance would not have a material adverse effect on Aviston Financial on a consolidated basis or on Kankakee Bancorp's rights under the merger agreement;

the merger agreement and the transactions it contemplates must have been approved by Aviston Financial's and Kankakee Bancorp's respective stockholders;

there must not be pending any proceeding involving any challenge to, or seeking damages or other relief in connection with, the merger, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with the merger, in either case that would reasonably be expected to have a material adverse effect on Aviston Financial on a consolidated basis or on Kankakee Bancorp's rights under the merger agreement;

there must not have been since the date of the merger agreement any event or occurrence that would be reasonably likely to have a material adverse effect on Aviston Financial on a consolidated basis or on Kankakee Bancorp's rights under the merger agreement;

all consents and approvals required in connection with the merger must have been obtained;

the completion of the merger must not conflict with or result in a violation of any applicable laws or legal requirements;

the Securities and Exchange Commission must have declared the registration statement registering the shares of Kankakee Bancorp common stock to be issued to Aviston Financial's stockholders in the merger, of which this joint proxy statement-prospectus is a part, effective under the Securities Act of 1933, as amended;

the total number of shares held by Aviston Financial stockholders exercising their dissenters' rights must be no greater than 5% of the issued and outstanding shares of Aviston Financial common stock immediately prior to the effective time;

the employment agreement with Thomas A. Daiber, and the change of control agreements with each of Bryan L. Marsh and Brad Rench must be in full force and effect, and each of Messrs. Daiber, Marsh and Rench must be an employee of Aviston Financial;

Kankakee Bancorp and Aviston Financial must have received the tax opinion from RSM McGladrey, Inc.;

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Aviston Financial must have an adjusted stockholders' equity, as calculated as of the end of the month immediately prior to the effective time, no less than its adjusted stockholders' equity as of March 31, 2003; and

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there must not be any outstanding options to acquire capital stock of Aviston Financial, and the outstanding capital stock of Aviston Financial must consist exclusively of no more than 528,826 shares of common stock.

Aviston Financial is only required to complete the merger if the following conditions are satisfied:

Kankakee Bancorp's representations and warranties in the merger agreement must be accurate as of the date of the merger agreement and as of the date the merger becomes effective, except for any untrue or incorrect representations and warranties that do not have a material adverse effect on Kankakee Bancorp on a consolidated basis or on Aviston Financial's rights under the merger agreement;

Kankakee Bancorp must have performed and complied with all of its covenants and obligations under the merger agreement, except where any non-performance or non-compliance would not have a material adverse effect on Kankakee Bancorp on a consolidated basis or on Aviston Financial's rights under the merger agreement;

the merger agreement and the transactions it contemplates must have been approved by Aviston Financial's and Kankakee Bancorp's respective stockholders;

there must not be pending any proceeding involving any challenge to, or seeking damages or other relief in connection with, the merger, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with the merger, in either case that would reasonably be expected to have a material adverse effect on Kankakee Bancorp on a consolidated basis or on Aviston Financial's rights under the merger agreement;

there must not have been since the date of the merger agreement any event or occurrence that would be reasonably likely to have a material adverse effect on Kankakee Bancorp on a consolidated basis or on Aviston Financial's rights under the merger agreement;

all consents and approvals required in connection with the merger must have been obtained;

the completion of the merger must not conflict with or result in a violation of any applicable laws or legal requirements;

the Securities and Exchange Commission must have declared the registration statement registering the shares of Kankakee Bancorp common stock to be issued to Aviston Financial's stockholders in the merger effective under the Securities Act; and

Kankakee Bancorp and Aviston Financial must have received the tax opinion from RSM McGladrey, Inc.

Neither of us can assure our stockholders as to when or if all of the conditions to the merger can or will be satisfied or waived by the party permitted to do so. If the merger is not completed by April 1, 2004, either of our boards of directors may terminate the merger agreement and abandon the merger; provided, however, that the party responsible for a condition to be met prior to April 1, 2004, may not terminate the merger agreement if the merger is not completed by April 1, 2004. See Waiver, Amendment and Termination.

Regulatory Approvals

It is a condition to the completion of the merger that we receive all necessary regulatory approvals to the merger.

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Neither of us is aware of any material governmental approvals or actions that are required to complete the merger, except as described below. If any other approval or action is required, both of us have agreed that we will also seek this approval or action.

The merger is subject to the prior approval of the Federal Reserve Board, under Section 3 of the Bank Holding Company Act and Sections 225.11 and 225.15 of Regulation Y of the Federal Reserve Board. Factors considered by the Federal Reserve Board in evaluating the merger are discussed under the heading Regulatory Considerations General. The merger may not be completed until 30 days following the date of the Federal Reserve Board approval, although the Federal Reserve Board may reduce that period to 15 days. During this period, the U.S. Department of Justice is given the opportunity to challenge the transaction on antitrust grounds. The commencement of any antitrust action would stay the effectiveness of the approval of the agencies, unless a court of competent jurisdiction specifically ordered otherwise. Upon completion of the merger, the combined company will cease to be regulated by the OTS as a savings and loan holding company and will file with the OTS a request for deregistration as a savings and loan holding company.

Although we intend to merge our bank and thrift subsidiaries, we may not be able to do so immediately. Accordingly, in addition to obtaining Federal Reserve Board approval of the merger, we must obtain Federal Reserve Board approval for the combined company to retain control following the merger of Kankakee Bancorp's three existing subsidiaries following the merger. Because Kankakee Bancorp's wholly-owned thrift subsidiary, KFS Bank, and KFS Bank's subsidiaries, KFS Service Corp and KFS Insurance Agency, Inc., are non-banking companies under the Bank Holding Company Act, the combined company will be required to file notices with the Federal Reserve Board under Section 4 of the Bank Holding Company Act and Sections 225.21, 225.24 and 225.87 of Regulation Y for approval to retain its investment in these three subsidiaries.

Kankakee Bancorp must also file an application with the Illinois Office of Banks and Real Estate under Section 18 of the Illinois Banking Act for approval to acquire control of the State Bank of Aviston in the merger.

The merger of our two subsidiary banks is subject to the approval of the FDIC under Section 18(c) and Section 5(d)(3) of the Federal Deposit Insurance Act, and we must also file an application with the Office of Banks and Real Estate under Section 22 of the Illinois Banking Act. The State Bank of Aviston must file a notice with the Office of Banks and Real Estate under Section 5(12) of the Illinois Banking Act in connection with its acquisition of KFS Bank's subsidiaries, KFS Service Corp and KFS Insurance Agency, as a result of the merger with KFS Bank. KFS Bank must file a notice of its merger with the State Bank of Aviston with the OTS under Section 563.22(h)(1) of the OTS's regulations.

Waiver, Amendment and Termination

To the extent permitted by law, our boards of directors may agree in writing to amend the merger agreement, whether before or after our respective stockholders have approved the merger agreement. However, no amendment agreed to after the merger agreement has been approved by the respective stockholders of Kankakee Bancorp and Aviston Financial may materially and adversely affect our stockholders. In addition, before or at the time the merger becomes effective, either of us, or both, may waive any default in the performance of any term of the merger agreement by the other or may waive or extend the time for the compliance or fulfillment by the other of any of its obligations under the merger agreement. Either of us may also waive any of the conditions precedent to our obligations under the merger agreement, unless a violation of any law or governmental regulation would result. To be effective, a waiver must be in writing and signed by one of our duly authorized officers.

At any time before the merger becomes effective, our boards of directors may mutually agree to terminate the merger agreement. In addition, the merger agreement may be terminated as follows:

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by Kankakee Bancorp, if any of the conditions to its obligation to consummate the merger, as described above, has not been satisfied or has become impossible, and Kankakee Bancorp has not waived the condition;

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by Aviston Financial, if any of the conditions to its obligation to consummate the merger, as described above, has not been satisfied or has become impossible, and Aviston Financial has not waived the condition;

by Aviston Financial, if its board of directors has approved or recommended to its stockholders any competing acquisition transaction, or has resolved to do so; and

by either Kankakee Bancorp or Aviston Financial if the closing of the merger has not occurred, other than through the failure of the party seeking to terminate the merger agreement, by April 1, 2004.

If the merger is terminated, the merger agreement will become void and have no effect, except that certain provisions of the merger agreement, including those relating to the obligation to share some expenses and maintain the confidentiality of certain information obtained, will survive. A termination may trigger the obligation of a party to pay certain expenses and termination fees to the other party. See Expenses and Termination Fees.

Conduct of Business Pending the Merger

The merger agreement obligates each of us to conduct our business diligently before the merger becomes effective only in the usual, regular and ordinary course. It also imposes limitations on the operations, expenditures and other actions of each of us and our respective bank subsidiaries. These items are listed in Articles 6, 7 and 8 of the merger agreement, a copy of which is attached as [Appendix A](#) to this joint proxy statement-prospectus.

Aviston Financial has also agreed that neither it nor any of its representatives will directly or indirectly solicit, negotiate or enter into an alternative transaction with an outside third party, or furnish any non-public information concerning Aviston Financial that it is not legally obligated to furnish, except in each case to the extent necessary to comply with the fiduciary duties of its board of directors and as advised by its counsel.

Each of us has also agreed not to take any action that would materially and adversely affect our ability to obtain any consents required for the merger or prevent the merger from qualifying as a tax-free reorganization under the Internal Revenue Code (see Material Federal Income Tax Consequences of the Merger) or materially and adversely affect our ability to perform our respective obligations under the merger agreement.

Management and Operations After the Merger

The merger agreement provides that the board of directors of Kankakee Bancorp immediately prior to the effective time and following the closing will be expanded to seven members. To fill the two vacancies created by this expansion, Kankakee Bancorp agreed to take any action necessary to appoint Thomas A. Daiber and an individual nominated by Aviston Financial and acceptable to Kankakee Bancorp as directors. In addition to the Aviston Financial nominee, who will serve a term expiring in 2005, the combined company's expanded board would have the following members:

Kankakee Bancorp Directors

<u>Directors</u>	<u>Term Expires</u>
Brenda L. Baird	2004
William Cheffer	2005
Thomas A. Daiber	2006
Michael A. Griffith*	2004
Mark L. Smith	2006
Wesley E. Walker	2006

* Also serves as Chairman of the Board

Following the completion of the merger, the combined company will have the following executive officers:

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Kankakee Bancorp Executive Officers

Thomas A. Daiber	President and Chief Executive Officer
Carol S. Hoekstra	Executive Vice President and Interim Chief Operating Officer
James M. Lindstrom	Chief Financial Officer
Bryan L. Marsh	Regional Vice President
Keith Roseland	Vice President, Commercial Lending

The seventh director will likely be either S. Kris Jakel or Michael J. Hejna.

Thomas A. Daiber, 44, is the Chairman, President and Chief Executive Officer of Aviston Financial, and Chief Executive Officer of the State Bank of Aviston. Prior to joining Aviston Financial in 2003, Mr. Daiber served as one of Allegiant Bancorp, Inc.'s Executive Vice Presidents from May 1999 until 2003, and as its Chief Financial Officer from May 1999 until February 2003. Mr. Daiber was employed by Allegiant Bancorp in St. Louis beginning in March 1997 and served as its Director of Internal Auditing prior to becoming Chief Financial Officer.

S. Kris Jakel, 45, is a principal stockholder of Aviston Financial. Mr. Jakel has served as a director of Aviston Financial and the State Bank of Aviston since October 2002. Mr. Jakel has also been a director of Pioneer Bank in St. Louis since 1992, a director of Forbes First Financial Bank Holding Corp. in St. Louis since 1988, and a director of Shades Unlimited in Contati, California since 1994. From 1979 through March 1999, Mr. Jakel was Vice President of Jakel Inc., a manufacturing company located in Highland, Illinois.

Michael J. Hejna, 49, is a director of Aviston Financial. Mr. Hejna has served as the President of Gundaker Commercial Group, Inc., a commercial real estate firm, since 1988.

Bryan L. Marsh, 54, is the Secretary and Treasurer of Aviston Financial. Mr. Marsh has served as the President and a Director of the State Bank of Aviston since 1985 and as a Director of Aviston Financial since October 2002.

James M. Lindstrom, 30, is the Chief Financial Officer of Kankakee Bancorp, and joined Kankakee Bancorp as a consultant in May 2003. Mr. Lindstrom was a principal with Stolberg Equity Partners, LLC, a private equity firm located in Denver, Colorado, from 2001 to 2003. Prior to joining Stolberg Equity Partners, Mr. Lindstrom was employed in various management capacities by ChiRex, Inc., a pharmaceutical services company, since 1996. Mr. Lindstrom began his career as an investment banker at Credit Suisse First Boston in 1994. Mr. Lindstrom received his MBA from the Tuck School of Business at Dartmouth and his BA from Colby College.

Effective at the close of business on May 30, 2003, Ronald J. Walters ended his employment as Chief Financial Officer of Kankakee Bancorp and KFS Bank. James M. Lindstrom, who had been serving as an advisor to the board of directors in connection with the merger, was subsequently appointed to be the new Chief Financial Officer.

Information concerning the management of Kankakee Bancorp is included in the documents incorporated by reference in this joint proxy statement-prospectus. See [Where You Can Find More Information](#). For additional information regarding the interests of certain persons in the merger, see [Interests of Certain Persons in the Merger](#).

Interests of Certain Persons in the Merger

General. Certain members of our respective management and boards of directors may be deemed to have certain interests in the merger that are in addition to their interests as stockholders of Kankakee Bancorp and stockholders of Aviston Financial generally. Each of our boards of directors was aware of these interests and considered them, among other matters, in approving the merger agreement on behalf of its respective company. See Management and Operations After the Merger.

Share Ownership. The directors and executive officers of Aviston Financial and the State Bank of Aviston collectively own approximately 140,000 shares of Aviston Financial common stock and will, therefore, be entitled to receive approximately 99,000 shares of Kankakee Bancorp common stock in the merger. Assuming 350,196 shares are issued to Aviston Financial stockholders in the merger, this will represent approximately 7.7% of the outstanding common stock of the combined company following completion of the merger.

Agreements with Aviston Financial Executive Officers. Aviston Financial has entered into retention agreements with Thomas A. Daiber, who serves as its Chairman of the Board and Chief Executive Officer, Bryan A. Marsh, who serves as its President, and Brad Rench, who serves as its Senior Vice President and Senior Lending Officer. The retention agreements provide that each of Messrs. Daiber, Marsh and Rench will receive a severance

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payment if terminated after a change of control of Aviston Financial. Our pending merger would constitute a change of control triggering the payment of this severance amount. However, Mr. Daiber has entered into an employment agreement with Kankakee Bancorp, and Messrs. Marsh and Rench have entered into change of control agreements with Kankakee Bancorp, which will become effective immediately following the completion of the merger. Each of these agreements contains a provision stating that the retention agreement of its respective signatory will terminate immediately prior to the effective time of the merger.

Mr. Daiber's employment agreement with Kankakee Bancorp provides for his employment as Kankakee Bancorp's President and Chief Executive Officer, effective on completion of the merger. The agreement initially provides for a base salary of \$250,000, which may be maintained or increased during its term in accordance with Kankakee Bancorp's established management compensation policies and plans, and an evergreen term of three years commencing on the effective date of the merger, unless terminated by either party on 30 days prior written notice. The employment agreement also provides for a performance bonus of up to 50% of Mr. Daiber's base salary, and benefits including the grant of an option to purchase 10,000 shares of common stock of Kankakee Bancorp pursuant to the terms of the Kankakee Bancorp, Inc. 2003 Stock Incentive Plan, which option will have a term of 10 years from the date of the merger and an exercise price equal to the fair market value of Kankakee Bancorp's stock on the date of the merger. The option vests 20% per year over five years beginning on the first anniversary of the date of the merger.

If Mr. Daiber's employment is terminated without cause, as defined in the employment agreement, we will be obligated to pay to him an amount equal to three times 125% of his base salary, and to provide health insurance during the continuation period under federal employee benefit laws. We will have no continuing obligation to Mr. Daiber if he voluntarily terminates his employment or if we terminate him for cause, except that we will be obligated to pay him his accrued salary and benefits through the effective date of his termination of employment.

If Mr. Daiber voluntarily terminates his employment, or his employment is involuntarily terminated, within one year after a change of control of Kankakee Bancorp, then Mr. Daiber will be entitled to the same cash payment and benefits he would have been entitled to if terminated by Kankakee Bancorp without cause. In addition, Mr. Daiber will have the right to terminate his employment and receive the same severance as if Kankakee Bancorp had terminated him without cause if he is constructively discharged as described in the agreement. In general, he will have been constructively discharged if he is not re-elected to the board of directors or is removed from his position as our President and Chief Executive Officer, if he is relocated by more than 50 miles or if we commit a material breach of our obligations under the agreement.

If Mr. Daiber becomes subject to the 20% excise tax on excess parachute payments under the Internal Revenue Code, then any payments to Mr. Daiber will automatically be reduced to one dollar less than an amount that would subject Mr. Daiber to the excise tax.

Mr. Daiber's employment agreement includes a covenant limiting his ability to compete with Kankakee Bancorp or its affiliates in an area encompassing a 25-mile radius of the counties in which they operate for a period of one year following a termination of his employment. The geographic area covered by this provision constitutes a portion of Kankakee Bancorp's primary market area.

The change of control agreements with Messrs. Marsh and Rench are each for a one-year term and they both automatically renew for successive one-year periods unless earlier terminated. The agreements provide that, upon a termination of employment by Kankakee Bancorp or its successor within six months prior, or 12 months following, a change of control, or upon a termination by Mr. Marsh or Mr. Rench, as applicable, following a change in duties within 12 months following a change of control, Mr. Marsh or Mr. Rench, as applicable, will be entitled to a severance payment equal to three times the sum of (1) his base salary; (2) the average of his two prior performance bonuses; and (3) his average retirement plan contributions for the past two years. In the event of such a termination, Mr. Marsh or Mr. Rench, as applicable, would also be entitled to medical benefits for three years. If the payments to Mr. Marsh or Mr. Rench are subject to the 20% excise tax under the Internal Revenue Code as excess parachute payments, then Mr. Marsh or Mr. Rench, if and as applicable, will be entitled to receive a tax gross-up so that he will be in the same after-tax position as if there were no excise tax.

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Aviston Financial Noncompetition Agreements. Aviston Financial has entered into noncompetition agreements with each of Cindy Knebel and Chris Maschhoff. Each of these agreements provides that the employee will be entitled to a severance benefit equal to her or his annual salary if Aviston Financial enforces the non-competition provision of the agreement. The non-competition provisions each provide that the employee may not, for the one-year period following termination, compete with Aviston Financial or its subsidiaries in Aviston Financial's market area, defined as the greater Aviston, Illinois area including an area encompassing a 25-mile radius of any office, branch or location from which Aviston Financial conducts business.

Indemnification for Directors and Officers. Kankakee Bancorp has agreed to honor any of Aviston Financial's obligations in respect of indemnification currently provided by Aviston Financial in its articles of incorporation in favor of the current and former officers and directors and directors of Aviston Financial and the State Bank of Aviston for at least three years from the effective time of the merger with respect to matters occurring prior to the merger. In addition, Aviston Financial is permitted to purchase an extension of its current insurance policy providing coverage for any claims against its directors and officers that are made prior to the third anniversary of the effective time of the merger.

Accounting Treatment

The merger will be accounted for using the purchase method of accounting under generally accepted accounting principles as applied in the United States. Based on the exchange ratio contained in the merger agreement, after the merger, existing and continuing Kankakee Bancorp stockholders would own approximately 72.7%, and former Aviston Financial stockholders would own approximately 27.3%, of the outstanding shares of common stock of the combined company. Based on these projected ownership percentages, Kankakee Bancorp is treated as the acquiror for financial reporting purposes. Under this method of accounting, we will record the assets and liabilities of Aviston Financial at their fair market values. Any difference between the purchase price and the fair market value of the tangible and identifiable intangible assets and liabilities is recorded as goodwill, which, in accordance with Statement of Financial Accounting Standard No. 142, will not be amortized for financial accounting purposes, but will be evaluated annually for impairment.

Expenses and Termination Fees

Subject to the special circumstances described below, we will each pay our own expenses in connection with the merger, including filing, registration and application fees, printing fees and fees and expenses of our own financial or other consultants, accountants and counsel. The same agreement with respect to the payment of expenses will be in effect if we mutually agree to terminate the merger agreement or if either of us terminates the merger agreement through no fault of the other because the merger has not been completed by April 1, 2004.

If, however, the merger agreement is terminated under the special circumstances described below, either of us will be obligated to pay all or part of the other's fees and expenses in connection with the merger and also perhaps a special termination fee depending upon the reason for the termination of the merger agreement and subsequent occurrences.

Aviston Financial is obligated to pay Kankakee Bancorp's fees and expenses in connection with the merger, up to a maximum of \$500,000, plus an additional termination fee of \$300,000, if:

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Kankakee Bancorp terminates the merger agreement because of Aviston Financial's breach of the agreement, unless the breach is the result of a failure by Kankakee Bancorp to perform and comply in all material respects with its material obligations under the agreement;

Kankakee Bancorp or Aviston Financial terminate the merger agreement because Aviston Financial's stockholders fail to approve the merger agreement prior to April 1, 2004; or

Aviston Financial terminates the merger agreement because its board of directors has approved or recommended to its stockholders any competing acquisition transaction, or has resolved to do so.

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In addition to those payments, if any such termination occurs and, within 12 months after the termination Aviston Financial enters into a contract providing for a competing acquisition transaction, then Aviston Financial will also be obligated to pay to Kankakee Bancorp an additional \$500,000.

Kankakee Bancorp is obligated to pay Aviston Financial's fees and expenses in connection with the merger, up to a maximum of \$200,000, plus an additional termination fee of \$300,000, if:

Aviston Financial terminates the merger agreement because of Kankakee Bancorp's breach of the agreement, unless the breach is the result of a failure by Aviston Financial to perform and comply in all material respects with its material obligations under the agreement; or

Kankakee Bancorp or Aviston Financial terminate the merger agreement because Kankakee Bancorp's stockholders fail to approve the merger agreement prior to April 1, 2004.

Resales of Kankakee Bancorp Common Stock

Kankakee Bancorp common stock to be issued to Aviston Financial stockholders in the merger will be registered under the Securities Act of 1933. All shares of Kankakee Bancorp common stock received by Aviston Financial stockholders in the merger will be freely transferable after the merger by persons who are not considered to be affiliates of either of us. Affiliates generally are defined as persons or entities who control, are controlled by or are under common control with either of us at the time of our respective special meetings (generally, executive officers, directors and 10%-or-greater stockholders).

Rule 145 promulgated under the Securities Act restricts the sale of Kankakee Bancorp common stock received in the merger by affiliates of Kankakee Bancorp or Aviston Financial and certain of their family members and related entities. Under the rule, during the first calendar year after the merger becomes effective, affiliates of Kankakee Bancorp or Aviston Financial may publicly resell the Kankakee Bancorp common stock they receive in the merger but only within certain limitations as to the amount of Kankakee Bancorp common stock they can sell in any three-month period and as to the manner of sale. After the one-year period, affiliates of Kankakee Bancorp or Aviston Financial who are not affiliates of the combined company may resell their shares without restriction. The combined company must continue to satisfy its reporting requirements under the Securities Exchange Act of 1934, as amended, in order for affiliates to resell, under Rule 145, shares of common stock of the combined company received in the merger. Affiliates would also be permitted to resell common stock of the combined company received in the merger pursuant to an effective registration statement under the Securities Act of 1933, or an available exemption from the registration requirements. This joint proxy statement-prospectus does not cover any resales of Kankakee Bancorp common stock received by persons who may be deemed to be affiliates of Kankakee Bancorp or Aviston Financial.

EFFECT OF THE MERGER ON RIGHTS OF STOCKHOLDERS

General

In the merger, each share of Aviston Financial common stock will be converted into the right to receive 0.707 shares of Kankakee Bancorp common stock. These shares will include all rights attaching to then existing shares of Kankakee Bancorp common stock, which are generally

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described below under Description of Kankakee Bancorp Capital Stock. Aviston Financial is an Illinois corporation governed by Illinois law and Aviston Financial's articles of incorporation and by-laws. Kankakee Bancorp is a Delaware corporation governed by Delaware law and Kankakee Bancorp's certificate of incorporation and by-laws. There are significant differences between the rights of Aviston Financial's stockholders and the rights of Kankakee Bancorp's stockholders. The following is a summary of the principal differences between the current rights of Aviston Financial's stockholders and those of Kankakee Bancorp's stockholders. It should be noted that, if Kankakee Bancorp's stockholders approve the amendments proposed at the special meeting, Kankakee Bancorp's certificate of incorporation will be amended in certain respects. These amendments are referenced in this summary, and are described further under Amendment of Kankakee Bancorp's Certificate of Incorporation.

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The following summary is not intended to be complete and is qualified in its entirety by reference to the Delaware General Corporation Law and the Illinois Business Corporation Act, as well as our respective certificate and articles of incorporation and by-laws.

Anti-Takeover Provisions Generally

Kankakee Bancorp's certificate of incorporation, by-laws and rights plan contain certain provisions designed to assist the Kankakee Bancorp board of directors in playing a meaningful role if any group or person attempts to acquire control of Kankakee Bancorp so that the Kankakee Bancorp board of directors can further protect the interests of Kankakee Bancorp and its stockholders under the circumstances. These provisions may help the Kankakee Bancorp board of directors determine that a sale of control is in the best interests of Kankakee Bancorp's stockholders or enhance the Kankakee Bancorp board of directors' ability to maximize the value to be received by the stockholders upon a sale of control of Kankakee Bancorp. The rights plan is described below under "Rights Plan."

Although Kankakee Bancorp's management believes that these provisions are beneficial to Kankakee Bancorp's stockholders, they may also tend to discourage some takeover bids. As a result, Kankakee Bancorp's stockholders may be deprived of opportunities to sell some or all of their shares at prices that represent a premium over prevailing market prices. On the other hand, defeating undesirable acquisition offers can be a very expensive and time-consuming process. To the extent that these provisions discourage undesirable proposals, Kankakee Bancorp may be able to avoid these expenditures of time and money.

These provisions may also discourage open market purchases by a company that may desire to acquire Kankakee Bancorp. Those purchases may increase the market price of Kankakee Bancorp's common stock temporarily, and may enable stockholders to sell their shares at a price higher than they might otherwise obtain. In addition, these provisions may decrease the market price of Kankakee Bancorp common stock by making the stock less attractive to persons who invest in securities in anticipation of price increases from potential acquisition attempts. The provisions may also make it more difficult and time-consuming for a potential acquirer to obtain control of Kankakee Bancorp by replacing its board of directors and management. Furthermore, the provisions may make it more difficult for Kankakee Bancorp to replace its own board of directors or management, even if a majority of the stockholders believe that replacing the board of directors or management is in the best interests of Kankakee Bancorp. Because of these factors, these provisions may tend to perpetuate the incumbent board of directors and management.

Kankakee Bancorp's certificate of incorporation and by-laws also contain certain anti-takeover provisions that are described below. These provisions may discourage or prevent tender or exchange offers by a corporation or other group that intends to use the acquisition of a substantial number of shares of Kankakee Bancorp to initiate a takeover culminating in a merger or other business combination. These provisions may also have the effect of making the removal of current management more difficult.

Authorized Capital Stock

Kankakee Bancorp. Kankakee Bancorp is authorized to issue 3.5 million shares of common stock, \$0.01 par value, and 500,000 shares of preferred stock, \$0.01 par value. As of July 28, 2003, 932,611 shares of Kankakee Bancorp common stock and no shares of Kankakee Bancorp preferred stock were outstanding. If the amendment to Kankakee Bancorp's certificate of incorporation is adopted by the stockholders of Kankakee Bancorp, Kankakee Bancorp will increase the number of shares of its authorized common stock to 5.5 million shares.

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Under Kankakee Bancorp's certificate of incorporation, Kankakee Bancorp's board of directors is authorized to issue preferred stock from time to time in one or more series, subject to applicable provisions of law. The board of directors is authorized to fix the designations, powers, preferences and relative participating, optional and other special rights of such shares, including voting rights and conversion rights. In the event of a proposed merger, tender offer or other attempt to gain control of Kankakee Bancorp that the board of directors does not approve, it may be possible for the board of directors to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of such a transaction. If Kankakee Bancorp issued any

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preferred stock that disparately reduced the voting rights of the common stock, the common stock could be required to be delisted from the American Stock Exchange. An effect of the issuance of preferred stock, therefore, may be to deter a future takeover attempt. Under a certificate of designation, 3,500 shares of Kankakee Bancorp preferred stock have been designated as Series A Junior Participating preferred stock. These shares are reserved for issuance under the Kankakee Bancorp rights plan. See Rights Plan, below.

Aviston Financial. Aviston Financial is authorized to issue 750,000 shares of common stock, \$10.00 par value. As of July 28, 2003, 483,826 shares of Aviston Financial common stock were outstanding. Also, options to purchase 45,000 shares were outstanding at that date. As discussed in the Effect of the Merger on Options section on page 36, the options will be cancelled prior to consummation of the merger in exchange for issuance of 11,500 shares of Aviston Financial common stock.

Voting Rights

Kankakee Bancorp. Generally, holders of Kankakee Bancorp common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. However, Kankakee Bancorp's certificate of incorporation provides that in no event will any record owner of any outstanding Kankakee Bancorp common stock that is beneficially owned, directly or indirectly, by any person who beneficially owns more than 10% of the then-outstanding shares of common stock, be entitled or permitted to any vote in respect of the shares held in excess of 10%. This limit does not inhibit any person from soliciting or voting proxies from other beneficial owners for more than 10% of the common stock. This provision may be enforced by Kankakee Bancorp's board of directors to limit the voting rights of persons owning more than 10% of Kankakee Bancorp's common stock, and thus could be used in a proxy contest or other solicitation to defeat a proposal that is desired by a majority of the stockholders.

As stated above, Kankakee Bancorp's board of directors is authorized to issue up to 500,000 shares of preferred stock, and may designate various characteristics and rights of Kankakee Bancorp preferred stock, including voting and conversion rights. Kankakee Bancorp's board of directors may also authorize the conversion of shares of other classes of Kankakee Bancorp preferred stock into any number of shares of Kankakee Bancorp common stock, and thus dilute the outstanding shares of Kankakee Bancorp common stock. Subject to the board's fiduciary duties, Kankakee Bancorp could issue convertible preferred stock with the purpose or effect of deterring or preventing a takeover of Kankakee Bancorp.

Kankakee Bancorp's certificate of incorporation does not provide for cumulative voting rights in the election of directors.

Aviston Financial. Generally, holders of Aviston Financial common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. However, Aviston Financial's articles of incorporation provide for cumulative voting in the election of directors; therefore, each stockholder in electing directors has the right to cast as many votes in the aggregate as are equal to the number of votes held by such stockholder, multiplied by the number of directors to be elected.

Rights Plan

Kankakee Bancorp. The board of directors of Kankakee Bancorp adopted a Rights Plan in 1999 under which each share of Kankakee Bancorp common stock is accompanied by one preferred share purchase right. Each right entitles the holder, under certain limited circumstances, to purchase from Kankakee Bancorp one one-thousandth of a share of Series A Junior Participating preferred stock of Kankakee Bancorp at a price of \$95.00.

Until the earlier to occur of (a) 10 days following a public announcement that a person or group of affiliated persons (with certain exceptions, an acquiring person) has acquired beneficial ownership of 15% or more of the outstanding shares of common stock, or (b) 10 business days (or such later date as may be determined by action of the board of directors prior to such time as any person or group of affiliated persons becomes an acquiring person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the completion of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding shares of common stock (the earlier of such dates being called the distribution date), the

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rights will be evidenced, with respect to any common stock certificate outstanding as of the record date, by that common stock certificate together with a summary of rights.

The rights are not exercisable until the distribution date. The rights will expire on May 11, 2009, unless the expiration date is advanced or extended or unless the rights are earlier redeemed or exchanged by Kankakee Bancorp.

Because of the nature of the preferred stock's dividend, liquidation and voting rights, the value of the one one-thousandth interest in a share of preferred stock purchasable upon exercise of each right should approximate the value of one share of common stock.

In the event that any person or group of affiliated or associated persons becomes an acquiring person, each holder of a right, other than rights beneficially owned by the acquiring person (which will thereupon become void), will thereafter have the right to receive upon exercise of a right and the payment of \$95.00 per right, that number of shares of common stock having a market value of \$190.00.

In the event that, after a person or group has become an acquiring person, Kankakee Bancorp is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provisions will be made so that each holder of a right (other than rights beneficially owned by an acquiring person which will become void) will thereafter have the right to receive upon the exercise of a right and the payment of \$95.00 per right, that number of shares of common stock of the person with whom Kankakee Bancorp has engaged in the foregoing transaction (or its parent) that at the time of such transaction having a market value of \$190.00.

At any time after any person or group becomes an acquiring person and prior to the earlier of one of the events described in the previous paragraph or the acquisition by such acquiring person of 50% or more of the outstanding shares of common stock, the board of directors of Kankakee Bancorp may exchange the rights (other than rights owned by such acquiring person which will have become void), in whole or in part, for shares of common stock or preferred stock (or a series of Kankakee Bancorp's preferred stock having equivalent rights, preferences and privileges), at an exchange ratio of one share of common stock, or a fractional share of preferred stock (or other preferred stock) equivalent in value thereto, per right.

With certain exceptions, no adjustment in the purchase price will be required until cumulative adjustments require an adjustment of at least 1% in such purchase price. No fractional shares of preferred stock or common stock will be issued (other than fractions of preferred stock which are integral multiples of one one-thousandth of a share of preferred stock, which may, at the election of Kankakee Bancorp, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the current market price of the preferred stock or the common stock.

At any time prior to the time an acquiring person becomes such, the board of directors of Kankakee Bancorp may redeem the rights in whole, but not in part, at a price of \$0.01 per right (the redemption price). Immediately upon any redemption of the rights, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the redemption price.

For so long as the rights are then redeemable, Kankakee Bancorp may, except with respect to the redemption price, amend the rights agreement in any manner. After the rights are no longer redeemable, Kankakee Bancorp may, except with respect to the redemption price, amend the rights agreement in any manner that does not adversely affect the interests of holders of the rights.

Until a right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of Kankakee Bancorp, including, without limitation, the right to vote or to receive dividends.

Aviston Financial. Aviston Financial does not have a similar preferred stock purchase plan.

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Common Stock Purchase Rights

Kankakee Bancorp. On May 28, 2003, Kankakee Bancorp announced its intent to file a registration statement with the Securities and Exchange Commission to register rights to purchase common stock that it would distribute as a dividend to all of its stockholders. In the distribution, all holders of Kankakee Bancorp common stock as of the record date set by the board will receive one common stock purchase right per common share that they own. The rights will accompany each share of Kankakee Bancorp common stock, and will not be detachable from or trade separately from the common stock. If the rights are issued to the Kankakee Bancorp stockholders prior to completion of the merger, then rights will be issued to Aviston Financial stockholders together with the common stock issued to them in the merger as a right attached to the shares of Kankakee Bancorp common stock.

The rights are described further in this joint proxy statement-prospectus below under Description of Kankakee Bancorp Capital Stock Common Stock Purchase Rights.

Aviston Financial. Aviston Financial does not have any similar common stock purchase rights.

Classification of Board of Directors

Kankakee Bancorp. Kankakee Bancorp's certificate of incorporation provides for the division of its board of directors into three classes of approximately equal size. Kankakee Bancorp directors are elected for three-year terms, and the terms of office of approximately one-third of the members of the classified board of directors expire each year. This classification of the board of Kankakee Bancorp may make it more difficult for a stockholder to acquire immediate control of Kankakee Bancorp and remove management by means of a hostile takeover. Because the terms of approximately one-third of the incumbent directors expire each year, at least two annual elections are necessary for the stockholders to replace a majority of directors, whereas a majority of directors of a non-classified board may be replaced in one annual meeting.

Aviston Financial. The Aviston Financial board of directors is classified in the same manner as Kankakee Bancorp's board of directors and with the same effect.

Size of the Board of Directors; Vacancies; Removal

Kankakee Bancorp. Kankakee Bancorp's charter documents contain provisions that may impede changes in majority control of the board of directors. Kankakee Bancorp's by-laws provide that the size of the board of directors may be increased or decreased only by a majority vote of the whole board or by a vote of holders of at least 80% of the shares eligible to be voted at a duly constituted meeting of stockholders called for such purpose. The by-laws also provide that any vacancy occurring in the number of directors will be filled for the remainder of the unexpired term by a majority vote of the directors then in office.

Under the Delaware General Corporation Law, members of a classified board of directors may only be removed for cause, unless the certificate of incorporation provides otherwise. Kankakee Bancorp's certificate of incorporation provides that a director may only be removed for cause by

the affirmative vote of holders of at least 80% of the shares eligible to vote.

Aviston Financial. Aviston Financial's by-laws provide that the size of the board of directors may be changed from time to time and at any time by amendment of the by-laws. The by-laws also provide that any vacancy occurring in the number of directors will be filled for the remainder of the unexpired term by a majority of the directors then in office.

Under the Illinois Business Corporation Act, if a board is classified, the articles of incorporation may provide that a director may be removed only for cause. Aviston Financial's articles of incorporation do not contain such a provision. Under the by-laws of Aviston Financial, stockholders may, by the vote of holders of a majority of the shares then entitled to vote, remove any directors from office with or without cause. However, if less than the entire board is to be removed, no director may be removed if the votes cast against removal would be sufficient to elect such director if then cumulatively voted at an election of the entire board. Aviston Financial's by-laws also

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provide that any director may be removed for cause by action of a majority of the board of directors if such director, at the time of removal, fails to meet the qualifications for election as a director or is in breach of any agreement with Aviston Financial relating to such director's services as a director or employee.

Stockholder Nominations and Proposals

Kankakee Bancorp. Under Kankakee Bancorp's by-laws, the only business that may be conducted at an annual meeting of stockholders is the business brought before the meeting by the board of directors or by any stockholder who is entitled to vote and who complied with the notice procedures set forth in Kankakee Bancorp's by-laws. For business to be brought before an annual meeting by a stockholder, the stockholder must have given timely notice in writing to the secretary of Kankakee Bancorp. To be timely, a stockholder's notice must be delivered or mailed and received at the principal executive offices of Kankakee Bancorp not less than 30 days prior to the date of the meeting; provided, however, that in the event that less than 40 days' notice or prior public disclosure of the meeting date is given or made to stockholders, such notice by the stockholder to be timely must be delivered no later than 10 days after the earlier of the date of the notice of the meeting or public disclosure of the date of the meeting.

A stockholder's notice to the secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting:

a brief description of the matter the stockholder desires to present;

the name and record address of the stockholder who proposed the matter;

the class and number of shares of Kankakee Bancorp's capital stock that are beneficially owned by the stockholder; and

any material interest of the stockholder in the matter.

Kankakee Bancorp's by-laws provide that nominations for election to the Kankakee Bancorp board of directors may be made only by the board of directors or by any stockholder entitled to vote for the election of directors who complies with the notice procedures set forth in the by-laws and described above. The stockholder's notice must set forth, as to each person the stockholder proposes to nominate for election or re-election as a director, such person's name and qualifications and, as to the stockholder giving the notice, his or her name and address, and the class and number of shares of Kankakee Bancorp's capital stock owned by that stockholder.

Aviston Financial. Aviston Financial's by-laws provide that at the annual meeting of stockholders the stockholders will elect directors and transact such other business as may be desired, whether or not such business was specified in the notice of the meeting.

Special Meetings

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Kankakee Bancorp. Kankakee Bancorp's certificate of incorporation provides that a special meeting of stockholders may be called only by a resolution of the board of directors. Stockholders are not authorized to call special meetings.

Aviston Financial. Aviston Financial's by-laws provide that special meetings may be called by the board of directors, the chairman of the board, the president, the secretary or by holders of at least 20% of the outstanding shares of stock of Aviston Financial.

Action by Written Consent

Kankakee Bancorp. Kankakee Bancorp's certificate of incorporation prohibits the stockholders from taking action by written consent.

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Aviston Financial. Aviston Financial's by-laws provide that, unless otherwise provided in the articles, any action required to be taken, or any action that may be taken at a meeting of stockholders, may be taken without a meeting if consents in writing setting forth the action so taken are signed by all stockholders entitled to vote with respect to such matter. The articles of incorporation do not limit the taking of action by written consent.

Dividends

Kankakee Bancorp. Kankakee Bancorp's ability to pay dividends is governed by Delaware corporate law. Under Delaware corporate law, unless there are restrictions in the corporation's certificate of incorporation, dividends may be declared from the corporation's surplus, or, if there is no surplus, from its net profits for the fiscal year in which the dividend is declared and the preceding years. Dividends may not be declared, however, if the corporation's capital is less than the amount of all capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets.

Kankakee Bancorp stockholders are entitled to dividends as and when declared by the board of directors. The declaration of dividends by the Kankakee Bancorp board of directors is discretionary, and depends on Kankakee Bancorp's earnings and financial condition, regulatory limitations, tax considerations and other factors, including limitations imposed by the terms of Kankakee Bancorp's outstanding junior subordinated debentures.

Kankakee Bancorp issued approximately \$10.3 million of these debentures in April of 2002 to Kankakee Capital Trust I, which contemporaneously issued \$10.0 million of preferred securities to MM Community Funding III, Ltd. in a private placement. All of the common stock of Kankakee Capital Trust I is owned by Kankakee Bancorp and the debentures are the only assets of the trust. The debentures mature April 22, 2032, at which time the preferred securities must be redeemed. The debentures and preferred securities pay interest and dividends, respectively, quarterly. Under the terms of the debentures, Kankakee Bancorp may be prohibited, under certain circumstances, from paying dividends on shares of its common stock. None of these circumstances currently exist.

Most of the revenues of Kankakee Bancorp available for the payment of dividends derive from amounts paid to it by its subsidiaries. There are various statutory limitations that limit the ability of Kankakee Bancorp's thrift subsidiary to pay dividends to Kankakee Bancorp.

Aviston Financial. Aviston Financial's ability to pay dividends on its common stock is governed by Illinois corporate law. Under Illinois corporate law, dividends may be paid so long as after giving effect to their payment, the corporation would not be insolvent and the corporation's net assets would not be less than zero or less than the maximum amount necessary at the time of payment of the dividends to satisfy the preferential rights upon dissolution to stockholders whose preferential rights are superior to those receiving the dividends. Subject to Illinois law, Aviston Financial's board of directors may declare and pay dividends at any meeting.

Most of the revenues of Aviston Financial available for the payment of dividends derive from amounts paid to it by its banking subsidiary. There are various statutory limitations that limit the ability of this subsidiary to pay dividends to Aviston Financial.

Evaluation of Proposals

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Kankakee Bancorp. Kankakee Bancorp's certificate of incorporation provides that the board, when evaluating any offer by another person to (1) make a tender or exchange offer for any equity security, (2) merge or consolidate Kankakee Bancorp with another corporation or entity or (3) purchase or otherwise acquire all or substantially all of the properties and assets of the corporation, may, in connection with the exercise of its judgment in determining what is in the best interests of the corporation and its stockholders, give consideration to all relevant factors, including the social and economic effect of acceptance of the offer on Kankakee Bancorp's present and future employees and those of its subsidiaries, on the communities in which Kankakee Bancorp and its subsidiaries operate or are located, on the ability of Kankakee Bancorp to fulfill its corporate objectives and on the ability of its subsidiary financial institution to fulfill its objectives under applicable rules and regulations.

Aviston Financial. The articles of incorporation of Aviston Financial do not contain a similar provision.

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Amendment of Charter Documents

Kankakee Bancorp. The Delaware General Corporation Law provides that amendments to a corporation's certificate must be approved by holders of a majority of the issued and outstanding shares of a corporation's voting stock. However, Kankakee Bancorp's certificate of incorporation provides that any amendments to the certificate of incorporation must be approved by at least two-thirds of the members of the board of directors and also by a majority of the outstanding shares of Kankakee Bancorp's voting stock. In addition, approval by holders of at least 80% of the then-outstanding shares is required for certain provisions, including provisions relating to the following:

limits on voting by holders of more than 10% of the then-outstanding common shares to 10% of the vote;

the prohibition on action by written consent and limits on the manner in which special meetings of stockholders may be called;

operation of the board of directors;

amendment of Kankakee Bancorp's by-laws;

interested stockholder transactions;

restrictions on the purchase of shares by Kankakee Bancorp from interested stockholders;

indemnification of officers and directors; and

the manner in which the certificate of incorporation may be amended.

If the amendment to Kankakee Bancorp's certificate of incorporation relating to the manner in which the certificate of incorporation may be amended in the future is adopted by Kankakee Bancorp's stockholders at the special meeting, then the certificate of incorporation may be amended in the future in the manner prescribed by the Delaware General Corporation Law unless a proposed amendment is approved by a resolution of less than two-thirds of the number of directors, in which case the amendment still must be approved by holders of at least 80% of the then-outstanding shares. See Amendment of Kankakee Bancorp's Certificate of Incorporation Amendment Procedure.

Kankakee Bancorp's by-laws may be amended by a majority vote of the board of directors or the affirmative vote of holders of at least 80% of the then-outstanding shares.

Aviston Financial. Aviston Financial may amend its articles in the manner permitted by Illinois law. The Illinois Business Corporation Act provides that a corporation's articles may be amended by holders of two-thirds or more of the shares entitled to be voted on an amendment, unless the corporation's articles provide otherwise.

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Aviston Financial's by-laws provide that they may be amended only in the manner provided for in the articles of incorporation. The articles provide that the by-laws may be amended in either of the following ways:

by holders of a majority of the outstanding shares of stock of Aviston Financial; or

by a majority of the board of directors.

Limitations on Director Liability

Kankakee Bancorp. Kankakee Bancorp's certificate of incorporation provides that a director will not be personally liable to Kankakee Bancorp or its stockholders for any breach of fiduciary duty as a director, except for liability:

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for any breach of the director's duty of loyalty;

for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;

under Section 174 of the Delaware General Corporation Law, which relates to unlawful payment of dividends or unlawful stock purchase or redemption and expressly sets forth a negligence standard with respect to such liability; and

for any transaction from which the director derived an improper personal benefit.

If the Delaware General Corporation Law is amended to further limit or eliminate the personal liability of directors, then the liability of directors of Kankakee Bancorp will be limited or eliminated to the fullest extent permitted by the Delaware General Corporation Law as so amended.

Aviston Financial. The by-laws of Aviston Financial provide that no person will be liable to Aviston Financial or its stockholders for any loss or damage suffered by Aviston Financial on account of any action taken or omitted to be taken by that person as a director or officer of Aviston Financial, so long as that person:

exercised the same degree of care and skill as a prudent person would have exercised under the circumstances in the conduct of his or her own affairs; or

took or omitted to take the action in reliance upon the advice of counsel for Aviston Financial, or upon statements made or information furnished by directors, officers, employees or agents of Aviston Financial, which the person had no reasonable grounds to disbelieve.

Indemnification

Kankakee Bancorp. Under Delaware law, a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The certificate of incorporation of Kankakee Bancorp provides that Kankakee Bancorp must indemnify, to the fullest extent permitted by the Delaware General Corporation Law, any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer of Kankakee Bancorp or is or was serving at Kankakee Bancorp's request as a director, officer, employee or agent of another corporation or other enterprise, against liabilities and expenses reasonably incurred or paid by such person in connection with any such action, suit or proceeding.

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Kankakee Bancorp may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of Kankakee Bancorp or another corporation or enterprise against any expense or loss, whether or not Kankakee Bancorp would have the power to indemnify such person under the Delaware General Corporation Law.

Aviston Financial. Under Illinois law, directors, officers, employees and agents of a corporation may be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement under certain circumstances. Illinois law is substantially the same as Delaware law in this area, and the articles of

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incorporation of Aviston Financial contain substantially the same provisions governing indemnification as does Kankakee Bancorp's certificate of incorporation.

Dissenters' Rights

Kankakee Bancorp. Under Section 262 of the Delaware General Corporation Law, stockholders of a Delaware corporation generally are entitled to dissent from a merger or consolidation and receive payment of the fair value of their stock, as determined by the Delaware Court of Chancery. However, dissenters' rights are not granted under Delaware law with respect to any transaction involving the sale, lease or exchange of substantially all of the assets of a corporation. In addition, no dissenters' rights are available with respect to shares of stock that are listed on a national securities exchange, such as the shares of Kankakee Bancorp common stock. Kankakee Bancorp's certificate of incorporation and by-laws do not provide for any additional dissenters' rights.

Aviston Financial. Under the Illinois Business Corporation Act, a stockholder is generally entitled to dissent from a corporate action and obtain fair value of his or her shares in certain events. These events generally include:

mergers, share exchanges and sales or leases of substantially all of the corporation's assets if the stockholder is entitled to vote on the transaction;

certain types of amendments of the corporation's articles that materially and adversely affect a stockholder's rights; or

other corporate actions taken pursuant to a stockholder vote, to the extent that the articles, by-laws or a resolution of the board provide for dissenters' rights.

Aviston Financial's articles and by-laws do not provide for any additional dissenters' rights. See **Dissenters' Rights** for additional information.

Restrictions on Purchases of Equity Securities

Kankakee Bancorp. The certificate of incorporation of Kankakee Bancorp provides that, in certain circumstances, in addition to any vote of stockholders required by law or the certificate of incorporation, any direct or indirect purchase of equity securities, as defined by the certificate of incorporation, from any interested person must be approved by holders of at least 80% of the voting stock of Kankakee Bancorp that is not beneficially owned by the interested person. An interested person is defined in the certificate of incorporation and generally is a person who beneficially owns, directly or indirectly, 5% or more of the voting stock of Kankakee Bancorp. This provision does not apply to:

purchases or other acquisitions made as a part of a tender or exchange offer by Kankakee Bancorp or a subsidiary made on the same terms to all stockholders and complying with applicable securities laws;

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purchases made in connection with an open market purchase program approved by a majority of the board of directors, including a majority of disinterested directors; and

any purchase approved by a majority of the board of directors, including a majority of disinterested directors, which is made at no more than the market price on the date that the understanding between Kankakee Bancorp and the interested person is reached with respect to the purchase.

Aviston Financial. The articles of incorporation of Aviston Financial do not contain a similar provision.

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Business Combinations

Kankakee Bancorp. Kankakee Bancorp's certificate of incorporation requires that certain business combinations, including transactions initiated by management, between Kankakee Bancorp (or any majority-owned subsidiary) and a 10% or more stockholder either:

be approved by holders of at least 80% of the total number of outstanding voting shares, voting as a single class, of Kankakee Bancorp;

be approved by at least two-thirds of the continuing board of directors, meaning persons serving prior to the 10% stockholder becoming a 10% stockholder; or

involve consideration per share generally equal to or greater than that paid by the 10% stockholder when it acquired its block of stock.

In addition, Section 203(d) of the Delaware General Corporation Law prohibits Kankakee Bancorp from engaging in a business combination, as defined by the Delaware General Corporation Law, with an interested stockholder, defined as a person who owns, directly or indirectly, 15% or more of the Kankakee Bancorp voting stock, for a three year period from the date the person became an interested stockholder, referred to as the acquisition date, unless:

prior to the acquisition date the Kankakee Bancorp board approved the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon completion of the transaction in which the stockholder became an interested stockholder, the stockholder owns at least 85% of Kankakee Bancorp's voting stock, excluding stock held by officers and directors and employee stock plans in which the participants do not have the right to determine confidentially whether shares held by the plan will be tendered in an exchange offer or a tender offer; or

on or after the acquisition date, the business combination is approved by the Kankakee Bancorp board and by the Kankakee Bancorp stockholders, at a meeting duly called, provided that stockholders owning at least two-thirds of Kankakee Bancorp voting stock approve the business combination. When determining whether this two-thirds vote requirement has been satisfied, voting stock held by the interested stockholder is not included.

Aviston Financial. Subject to contrary provisions in a corporation's articles of incorporation, the Illinois Business Corporation Act provides that a corporation may engage in any merger, consolidation or a sale or lease of all or substantially all of its assets if such transaction is approved by the corporation's board of directors and ratified by the vote of holders of at least two-thirds of the corporation's issued and outstanding shares of voting stock. Aviston Financial's articles do not contain any contrary provisions.

AMENDMENT OF KANKAKEE BANCORP'S CERTIFICATE OF INCORPORATION

General

The Kankakee Bancorp board of directors has unanimously approved the following amendments to Kankakee Bancorp's certificate of incorporation, as previously amended, and recommends that the Kankakee Bancorp stockholders approve them:

a change in Kankakee Bancorp's corporate name from Kankakee Bancorp, Inc. to Centru Financial Corporation;

an increase in the number of authorized shares of Kankakee Bancorp common stock from 3.5 million to 5.5 million; and

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an amendment changing the manner in which the certificate of incorporation may be amended in the future.

The adoption of these amendments by the requisite vote of Kankakee Bancorp stockholders is not a condition to the completion of the merger. Approval of the merger agreement and the transactions it contemplates by the Kankakee Bancorp stockholders is not a condition to the adoption of the amendments.

Change in Corporate Name

Kankakee Bancorp's board of directors has approved a proposal to change Kankakee Bancorp's corporate name to Centrue Financial Corporation. In the event the stockholders adopt the proposed change of name, Kankakee Bancorp expects to introduce its new name following the merger of KFS Bank and the State Bank of Aviston.

The board of directors and management of Kankakee Bancorp believe that changing Kankakee Bancorp's name to Centrue Financial Corporation will increase its identification in its marketplace, which already extends to a number of areas outside of Kankakee. Specifically, it is intended that the name will lead to heightened recognition of the full scope of Kankakee Bancorp's expanded market area by customers, investors and the general public, by eliminating the limited geographic connotation that is inherent in the name Kankakee Bancorp. Following the merger with Aviston Financial, the combined company will work on promoting an image more consistent with its operational philosophy, which is to transform Kankakee Bancorp into the premier financial institution in the central Illinois markets between Chicago and St. Louis. In addition, whether or not the merger with Aviston Financial is completed, Kankakee Bancorp intends to pursue additional expansion opportunities throughout this market area.

If the proposed amendment is approved and the name is changed, management also intends to change the name of KFS Bank to Centrue Bank to further promote its operational philosophy.

Increase in Authorized Stock

Kankakee Bancorp is currently authorized to issue 3.5 million shares of Kankakee Bancorp common stock. As of July 28, 2003, the record date for the special meeting:

932,611 shares of Kankakee Bancorp common stock were issued and outstanding;

121,250 shares of Kankakee common stock were reserved for issuance under Kankakee Bancorp's stock incentive plans;

350,196 shares of Kankakee Bancorp common stock were reserved for issuance to Aviston Financial's stockholders upon completion of the merger; and

817,389 shares were held in the treasury of Kankakee Bancorp.

Following the completion of the merger, 1,282,807 shares will be issued and outstanding, 121,250 shares will be reserved for issuance pursuant to Kankakee Bancorp's stock incentive plans, and 817,389 shares will be held in treasury. Kankakee Bancorp intends to cancel its treasury shares in the future. In addition, if Kankakee Bancorp issues rights to purchase common stock to Kankakee Bancorp and Aviston Financial stockholders, Kankakee Bancorp will reserve a sufficient number of shares for issuance upon exercise of the rights. An increase in the number of authorized shares of Kankakee Bancorp common stock is therefore not necessary so that Kankakee Bancorp will have a sufficient number of shares available for issuance upon completion of the merger.

The Kankakee Bancorp board believes that the authorization of additional shares of Kankakee Bancorp common stock is advisable to provide Kankakee Bancorp with the flexibility to issue additional shares of Kankakee Bancorp common stock through stock splits and stock dividends in appropriate circumstances, and to take advantage of opportunities to issue stock to raise additional capital to fund possible acquisitions or for other purposes. Although no formal action has been taken, the board of directors of Kankakee Bancorp, after evaluating the stock price and trading volume of the common stock, is considering issuing shares as a dividend in connection with a two-

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for-one stock split following the completion of the merger to enhance the liquidity of the trading market for the stock. Except as described herein, including with respect to the common stock purchase rights, there are, at present, no plans, understandings, agreements or arrangement concerning the issuance of additional shares of Kankakee Bancorp common stock, except for the shares to be issued (1) as a result of the merger and (2) upon the exercise of currently outstanding stock options.

Uncommitted authorized but unissued shares of Kankakee Bancorp common stock may be issued from time to time to those persons and for consideration as the Kankakee Bancorp board of directors may determine, and holders of then-outstanding shares of Kankakee Bancorp common stock may or may not be given the opportunity to vote with respect to the issuance, depending upon the nature of any transaction, applicable law, the rules and regulations of the American Stock Exchange and the judgment of the Kankakee Bancorp board regarding the submission of the issuance to a vote of the Kankakee Bancorp stockholders. Kankakee Bancorp stockholders have no preemptive rights to subscribe for newly issued shares.

Amendment Procedure

Currently, Kankakee Bancorp's certificate of incorporation contains limitations on the manner in which it may be amended. In particular, in addition to any vote of the holders of any class of securities required by law or otherwise in the certificate of incorporation, the affirmative vote of holders of at least 80% of the then-outstanding shares of Kankakee Bancorp is required to amend or repeal the provisions of the certificate of incorporation relating to:

limits on voting by holders of more than 10% of the then-outstanding common shares to 10% of the vote;

the prohibition on action by written consent and limits on the manner in which special meetings of stockholders may be called;

operation of the board of directors;

amendment of Kankakee Bancorp's by-laws;

interested stockholder transactions;

restrictions on the purchase of shares by Kankakee Bancorp from interested stockholders;

indemnification of officers and directors; and

the manner in which the certificate of incorporation may be amended.

The Kankakee Bancorp board of directors believes that the 80% voting requirement is unduly restrictive, and does not allow either the board or the stockholders sufficient flexibility to change the certificate of incorporation as necessary to adapt to changing legal and business environments. Accordingly, Kankakee Bancorp's board of directors believes that it would be in the best interests of Kankakee Bancorp and its

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stockholders to amend its certificate of incorporation to provide that it may be amended in the manner prescribed by the Delaware General Corporation Law, unless a proposed amendment is approved by a resolution of less than two-thirds of the number of directors, in which case the proposed amendment must also be approved by holders of at least 80% of the then-outstanding shares.

Kankakee Bancorp's board of directors believes that this proposed amendment will provide Kankakee Bancorp with greater flexibility to amend its certificate of incorporation in the future, while at the same time maintaining its stockholders' rights as granted under Delaware law. In addition, the heightened approval requirement for actions approved by less than two-thirds of the board of directors will help to protect the interests of the stockholders.

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Recommendation of Kankakee Bancorp Board of Directors

*The Kankakee Bancorp board has unanimously approved each of the amendments to the certificate of incorporation of Kankakee Bancorp and believes that the proposals to amend the certificate of incorporation are in the best interests of Kankakee Bancorp and its stockholders. The Kankakee Bancorp board of directors unanimously recommends that its stockholders vote **FOR** the adoption of the amendment to the certificate of incorporation changing the corporate name from Kankakee Bancorp, Inc. to Centru Financial Corporation, **FOR** the adoption of the amendment to the certificate of incorporation increasing the authorized shares of Kankakee Bancorp common stock from 3.5 million to 5.5 million and **FOR** the adoption of the amendment to the certificate of incorporation changing the manner in which the certificate of incorporation may be amended in the future.*

BUSINESS OF KANKAKEE BANCORP

Kankakee Bancorp is a savings and loan holding company registered under the Home Owners Loan Act, as amended and is engaged in the banking business through its wholly-owned subsidiary, KFS Bank, F.S.B. The home office for the bank is Kankakee, Illinois, with additional branch locations in the Illinois cities of Ashkum, Bourbonnais, Bradley, Braidwood, Diamond, Champaign, Coal City, Dwight, Herscher, Manteno, Momence and Urbana. KFS Bank has two subsidiaries, KFS Service Corp. and its wholly-owned subsidiary, KFS Insurance Agency, Inc., which engage in the business of providing securities brokerage services and annuity products to its customers and appraisal services to KFS Bank and other lenders in the Kankakee area.

As of March 31, 2003, Kankakee Bancorp reported total consolidated assets of \$516.8 million, total consolidated loans, including loans held for sale, of \$361.6 million, total consolidated deposits of \$419.8 million and total consolidated stockholders' equity of \$32.8 million.

The principal executive offices of Kankakee Bancorp are located at 310 Schuyler Avenue, Kankakee, Illinois 60901, and its telephone number at such address is (815) 937-4440. Additional information with respect to Kankakee Bancorp and its subsidiaries is included elsewhere in this joint proxy statement-prospectus and in documents incorporated by reference in this joint proxy statement-prospectus. See "Where You Can Find More Information."

Certain information relating to executive compensation, various benefit plans (including stock option plans), voting securities and the principal holders thereof, certain relationships and related transactions and other related matters as to Kankakee Bancorp is incorporated by reference or set forth in Kankakee Bancorp's Annual Report on Form 10-K for the year ended December 31, 2002, incorporated in this joint proxy statement-prospectus by reference. Stockholders who wish to receive copies of such documents may contact Kankakee Bancorp at its address or telephone number indicated under "Where You Can Find More Information."

Lending Activities

General. The current principal lending activity of Kankakee Bancorp is originating first mortgage loans secured by owner occupied one-to-four-family residential properties located in its primary market area. In addition, to increase the yield and interest rate sensitivity of its portfolio and to provide more comprehensive financial services to families and community businesses in Kankakee Bancorp's market area, Kankakee Bancorp also originates commercial real estate, consumer, commercial business, multi-family and construction loans. From time to time, Kankakee Bancorp has also utilized loan purchases to supplement loan originations.

Real Estate Lending. The focus of Kankakee Bancorp's lending program is the origination of loans secured by mortgages on owner-occupied one- to-four-family residences. At March 31, 2003, \$246.1 million, or 61.3% of Kankakee Bancorp's loan and mortgage-backed securities portfolio, consisted of loans secured by one- to-four-family residences. At that date, the average outstanding residential loan balance was approximately \$65,000 and the largest outstanding residential loan had a book value of \$869,000. Substantially all of the residential loans originated by Kankakee Bancorp are secured by properties located in Kankakee Bancorp's primary market area. To reduce its exposure to changes in interest rates, Kankakee Bancorp originates adjustable rate mortgages, referred to

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as ARMs, subject to market conditions and consumer preference. Kankakee Bancorp also originates long-term fixed-rate residential loans.

Most of Kankakee Bancorp's fixed-rate loans are originated with terms that conform to secondary market standards (e.g., Freddie Mac standards). Most of Kankakee Bancorp's fixed-rate residential loans have contractual terms to maturity of 15 to 30 years. The origination of fixed-rate loans with terms that conform to secondary market standards allows Kankakee Bancorp the option of either retaining fixed-rate loans for its portfolio or selling them in the secondary market. The option to sell fixed-rate loans has been a part of asset/liability management and interest rate risk management for Kankakee Bancorp since its formation, and was one of KFS Bank's strategies prior to the formation of Kankakee Bancorp. Kankakee Bancorp continuously reviews its current policy on fixed-rate loan retention, in light of changing local, regional and national economic conditions, and with regard to Kankakee Bancorp's current interest rate risk and assets/liability positions. Loans originated with certain terms and certain interest rates are designated for sale based on a future date, either the closing date or the application date. All loans either applied for or closed on or after the pre-determined date, which meet the criteria, are designated for sale.

Kankakee Bancorp also makes multi-family and commercial real estate loans in its primary market area. At March 31, 2003, Kankakee Bancorp reported \$71.7 million of multi-family and commercial real estate loans, representing 17.8% of Kankakee Bancorp's total loan and mortgage-backed securities portfolio at that date. Kankakee Bancorp's multi-family portfolio includes loans secured by residential buildings (including university student housing) located primarily in Kankakee Bancorp's primary market area. Kankakee Bancorp's commercial real estate portfolio consists of loans on a variety of non-residential properties including nursing homes, churches and other commercial buildings.

Kankakee Bancorp has originated both adjustable and fixed-rate multi-family and commercial real estate loans. Rates on Kankakee Bancorp's adjustable-rate multi-family and commercial real estate loans generally adjust in a manner consistent with Kankakee Bancorp's ARMs. Multi-family and commercial real estate loans are generally underwritten in amounts of up to 75% of the appraised value of the underlying property.

Commercial Business Lending. Federally chartered savings institutions such as KFS Bank are authorized to make secured or unsecured loans and issue letters of credit for commercial, corporate, business and agricultural purposes and to engage in commercial leasing activities, up to a maximum of 20% of total assets. However, any amount exceeding 10% of total assets must represent small business loans as defined by the OTS.

To increase the proportion of interest rate sensitive and relatively high yielding loans in its portfolio, and as a part of its effort to provide more comprehensive financial services in the communities served by its offices, Kankakee Bancorp originates secured and unsecured commercial loans to local businesses. Currently, Kankakee Bancorp's commercial business lending activities encompass loans with a broad variety of purposes including working capital, accounts receivable, inventory, equipment and agriculture. Kankakee Bancorp does not have any energy or foreign loans.

At March 31, 2003, Kankakee Bancorp reported \$32.7 million of commercial business loans outstanding (representing 8.1% of Kankakee Bancorp's total loan and mortgage-backed securities portfolio) with additional commercial business loan commitments totaling \$28.8 million, most of which were undrawn lines of credit. In addition, at March 31, 2003, Kankakee Bancorp had 26 letters of credit outstanding, in an aggregate amount of \$1.2 million. Most of Kankakee Bancorp's commercial business loans have terms to maturity of five years or less and adjustable or floating interest rates. At March 31, 2003, Kankakee Bancorp reported 30 commercial business loans with balances of \$250,000 or more, in an aggregate amount of \$16.8 million.

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Consumer Lending. Kankakee Bancorp's management believes that offering consumer loan products helps to expand Kankakee Bancorp's customer base and to create stronger ties to its existing customers. In addition, because consumer loans generally have shorter terms to maturity and/or adjustable-rates and carry higher rates of interest than do residential mortgage loans, they can be valuable asset/liability management tools. Kankakee Bancorp currently originates substantially all of its consumer loans in its market area. At March 31, 2003, Kankakee Bancorp's consumer loans totaled \$36.1 million or 9.0% of Kankakee Bancorp's loan and mortgage-backed securities portfolio.

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Kankakee Bancorp offers a variety of secured consumer loans, including home equity and home improvement loans, loans secured by savings deposits, mobile home and automobile loans. Although Kankakee Bancorp primarily originates consumer loans secured by real estate, deposits or other collateral, Kankakee Bancorp also makes unsecured personal loans. In addition, Kankakee Bancorp offers unsecured consumer loans through its Visa and MasterCard credit card programs.

Construction Lending. Historically, construction lending was a relatively minor part of Kankakee Bancorp's business activities. However, in light of the economic climate in its principal market area and to increase the yield on, and the proportion of, interest rate sensitive loans in its portfolio and to provide more comprehensive financial services to families and community businesses within its market area, Kankakee Bancorp expanded its construction lending. At March 31, 2003, Kankakee Bancorp reported \$12.5 million of residential construction loans and \$2.8 million of lot loans to borrowers intending to live in the properties upon completion of construction.

On occasion, Kankakee Bancorp also originates construction loans to builders and developers for the construction of one- to-four-family residences, multi-family residences and commercial real estate and the acquisition and development of one- to-four-family lots in Kankakee Bancorp's primary market area. Construction loans to builders of one- to-four-family residences generally carry terms of up to one year and may provide for the payment of interest and loan fees from loan proceeds. At March 31, 2003, KFS Bank had approximately \$4.5 million in loans to builders of residences, and \$3.3 million in loans on commercial construction. In addition, on the same date, Kankakee Bancorp had \$4.8 million of subdivision loans to developers for the development of one- to-four-family lots.

Loan Origination and Processing

Kankakee Bancorp originates real estate and other loans through employees located at each of Kankakee Bancorp's offices. Walk-in customers and referrals from real estate brokers and builders are also important sources of loan originations. Kankakee Bancorp does not generally utilize the services of mortgage brokers.

From time to time, to supplement its loan production, particularly during periods of low loan demand, Kankakee Bancorp purchases residential and other loans from third parties. Under its loan purchase policies, prior to purchase, Kankakee Bancorp reviews each loan to assure that it complies with Kankakee Bancorp's normal underwriting standards. While Kankakee Bancorp will continue to evaluate loan purchase opportunities as they arise, Kankakee Bancorp currently anticipates limiting its future purchases of out-of-area non-residential loans.

As part of its asset/liability management and interest rate risk management, Kankakee Bancorp continuously evaluates its policy on the sale versus retention of its fixed-rate loan production. General economic factors and current strategic objectives are among the factors considered in decisions to retain or sell loans. During the three-year period from 2000 through 2002, there were periods of time during which Kankakee Bancorp retained all fixed-rate loans, no fixed-rate loans and a portion of fixed-rate loans, determined by rate and term. Kankakee Bancorp's sales during recent years have been made through sales contracts entered into after Kankakee Bancorp committed to fund the loan. When loans are designated for sale, Kankakee Bancorp attempts to limit interest rate risk created by forward commitments by limiting the number of days between the commitment and closing, charging fees for commitments and limiting the amounts of its uncovered commitments outstanding at any one time.

When loans have been sold, Kankakee Bancorp usually retains the responsibility for servicing such loans. At March 31, 2003, excluding mortgage-backed securities, \$69,000 of Kankakee Bancorp's loan portfolio consisting of purchased loans and purchased participations serviced by others and Kankakee Bancorp serviced \$108.7 million of loans for others.

BUSINESS OF AVISTON FINANCIAL

Business of Aviston Financial

Aviston Financial is the bank holding company for the State Bank of Aviston, which is headquartered in Aviston, Illinois. Aviston Financial was organized by an investor group led by Thomas A. Daiber, its Chairman, President and Chief Executive Officer, in October 2002 to acquire the outstanding shares of capital stock of Aviston Bancorp, Inc., the holding company for the State Bank of

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Aviston, on October 23, 2002. Aviston Bancorp was a wholly-owned subsidiary of Aviston Financial after the acquisition, and was dissolved on June 3, 2003. The main office of the bank is located at 101 South Page Street, Aviston, Illinois 62216, and its telephone number at that address is (618) 228-7215. The bank has additional branches located in St. Rose, Illinois and Fairview Heights, Illinois. As of March 31, 2003, Aviston Financial reported, on a consolidated basis, total assets of \$97.1 million, deposits of \$79.0 million, stockholders' equity of \$10.5 million, and together with the bank, employed 20 full-time equivalent employees.

The State Bank of Aviston was chartered as an Illinois state bank on June 14, 1920. The bank offers a full range of banking services to individuals and businesses in the area immediately surrounding Aviston, Illinois, as well as to customers on the Illinois side of the greater St. Louis, Missouri metropolitan area. These services include checking, savings and time deposit accounts; commercial, real estate and personal loans; and other customer services, such as safe deposit facilities.

The largest portion of the bank's business is serving the needs of small to medium size businesses and local community residents. The bank is subject to vigorous competition with respect to these customers from other banks and financial institutions in its principal service areas, which include Aviston, Illinois and the Illinois side of the greater St. Louis, Missouri metropolitan area.

The State Bank of Aviston is subject to supervision, regulation and examination by the State of Illinois. Deposits of the bank are insured by the FDIC. As a bank holding company, Aviston Financial is regulated by the Federal Reserve Board.

The common stock of Aviston Financial is privately held by 115 stockholders of record. There is no established public trading market for the common stock. As discussed in "Description of Transaction Interests of Certain Persons in the Merger," directors and executive officers of Aviston Financial own in the aggregate approximately 28.4% of Aviston Financial's outstanding capital stock and shares issuable upon exercise of outstanding stock options and upon the completion of the merger will own in the aggregate 7.7% of the outstanding capital stock of the combined company.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the audited and unaudited financial statements and related notes of Aviston Financial and its predecessor, Aviston Bancorp, Inc., which are included elsewhere in this joint proxy statement-prospectus, and the unaudited pro forma combined consolidated financial information included elsewhere in this joint proxy statement-prospectus.

Overview

Aviston Financial was organized in October 2002 to acquire the outstanding shares of Aviston Bancorp, Inc., the sole shareholder of the State Bank of Aviston. As of March 31, 2003, Aviston Financial reported, on a consolidated basis, total assets of \$97 million, loans of \$67 million, and stockholders' equity of \$10 million. In this section, references to "combined 2002" are to the results of Aviston Bancorp, Inc. for the 269-day period ended October 23, 2002 and of Aviston Financial for the 69-day period October 23, 2002, to December 31, 2002, on a combined basis.

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Aviston Financial's primary goal after the October 2002 acquisition was to re-evaluate its position in its market area concerning deposit rate and mix and loan type and customer base. Management believes that one of Aviston Financial's core strengths is its relationship with the communities it serves. This relationship is critical for Aviston Financial to shift its lending emphasis toward its under-served commercial loan customers and will allow it to concentrate on relationships and loans, which are higher yielding and more loyal to the State Bank of Aviston. Management has begun implementing that strategy. The accompanying rate/volume analysis shows the importance of a strong mix of commercial loans. In a decreasing environment, because they are higher yielding and their rates tend to decline slower than the underlying prime rates, they create an increasing interest rate spread.

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Aviston Financial also realized through this analysis that its deposit rates were overly aggressive for the market area and have begun re-pricing its accounts accordingly. These re-pricing efforts have, in the short term, contributed the most to enforcing its growing interest rate spread.

The primary goal for the management of Aviston Financial during the current year is continued improvement in serving customers, implementing its branch expansion strategy and broadening the customer base. This three-pronged approach will enable Aviston Financial to take advantage of its long-term strength in the quality and attentiveness of employees and the business acumen of the management team.

In the interim period, Aviston Financial will continue to focus its strengths toward establishing a Fairview Heights branch and increasing its market presence in the Fairview Heights/Belleville area. In addition, management will continue to focus on loan growth by continuing to focus on higher yielding commercial loans. This change in direction strengthens Aviston Financial's net income relative to earning assets and its relationships within the community.

Aviston Financial is also broadening its relationships within the financial community through new loan participation arrangements. By allowing financial institutions in areas outside of its competitive marketplace to participate with Aviston Financial in larger loans, it is delivering community banking service and large bank coverage to the capital needs of its growing business customers.

Critical Accounting Policies

Aviston Financial has established various accounting policies which govern the application of accounting principles generally accepted in the United States in the preparation of its financial statements. Significant accounting policies of Aviston Financial are described in the notes to the consolidated financial statements included with this joint proxy statement-prospectus. Certain accounting policies involve significant judgments and assumptions by management which have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates which could have a material impact on the carrying values of assets and liabilities and the results of operations of Aviston Financial.

Results of Operations

Aviston Financial's net income for the three months ended March 31, 2003 was \$0.38 million. For the three months ended March 31, 2003, basic and diluted earnings per share were \$0.78. For the three months ended March 31, 2003, the annualized return on average assets of \$96.80 million was 1.59%. The annualized return on average equity of \$10.5 million was 14.45% for the first quarter of 2003. Net income for the 69-day period ended December 31, 2002 was \$0.21 million. Basic and diluted earnings per share were \$0.44. The annualized return on average assets of \$94.66 million was 1.18%. The annualized return on average equity of \$9.83 million was 11.36%.

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Total assets at March 31, 2003 were \$97.2 million compared to \$96.43 million as of December 31, 2002. This \$0.74 million increase in total assets was due largely to an increase in total loans of \$4.7 million, which were funded by sales and maturities of investment securities available for sale. This new loan growth was representative of Aviston Financial's efforts to increase its market share in the commercial loan market.

Net interest income for the three months ended March 31, 2003, was \$0.83 million. This represented annualized growth of 6.7% over the combined 2002 amount of \$3.11 million. Net interest income growth in the lower market rate environment was the result of continued declines in interest paid on deposits and borrowed funds in excess of the decline in interest received on loans and investments. Net interest income for the 69-day period ended December 31, 2002, was \$0.64 million. Net interest income as a percentage of gross interest income increased eight percentage points from 50% for the 296-day period ended October 23, 2002 to 59% for the 69-day period ended December 31, 2002. The growth in net interest income was the result of an improvement in Aviston Financial's net interest spread to 3.24% for the 69-day period ended December 31, 2002, from 2.72% for the 296-day period ended October 23, 2002.

Annualized interest expense of \$2.2 million for the period ended March 31, 2003, represented a decrease of 20% from the 2002 combined expense of \$2.86 million. Interest expense for the 69-day period ended December 31, 2002 was \$0.46 million. Net interest expense as a percentage of average deposits declined 0.7 percentage points to 3.1% for the 69-day period ended December 31, 2002 as compared to 3.8% for the 296-day period end October 23, 2002.

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The following table sets forth the condensed average balance sheet for the quarter ended March 31, 2003. Also shown is the average yield on each category of interest earning assets and the average rate paid on interest bearing liabilities for each of the periods reported.

	Average	Interest	
	Balance	Paid	Rate (1)
(Dollars in thousands)			
Assets:			
Interest earning assets:			
Loans (2)	\$ 64,723	\$ 1,086	6.71%
Taxable investment securities	18,365	258	5.62%
Non-taxable investment securities (3)	6,207	45	2.90%
Federal funds sold and other investments	1,464	9	2.46%
Interest bearing due from banks	67	3	17.91%
	<u>90,826</u>	<u>1,401</u>	<u>6.26%</u>
Non-interest earning assets:			
Cash and due from banks	1,425		
Premises and equipment	1,297		
Other assets	4,539		
Allowance for loan losses	(1,285)		
	<u>96,802</u>		
Total assets	\$ 96,802		
Liabilities and shareholders equity:			
Interest bearing liabilities:			
Money market and NOW accounts	\$ 15,763	38	0.96%
Savings deposits	8,655	30	1.39%
Certificates of deposit	39,524	372	3.76%
Certificates of deposit over \$100,000	6,338	59	3.72%
IRA accounts	3,691	36	3.90%
	<u>73,971</u>	<u>535</u>	<u>2.93%</u>
Total interest bearing deposits	73,971	535	2.93%
FHLB borrowings	3,435	30	3.49%
Federal funds purchased	253	1	1.58%
Line of credit	625	6	3.84%
	<u>78,284</u>	<u>572</u>	<u>2.99%</u>
Total interest bearing liabilities	78,284	572	2.99%
Non-interest bearing liabilities and equity:			
Demand deposits	5,964		
Other liabilities	2,061		
Shareholders equity	10,493		
	<u>96,802</u>		
Total liabilities and shareholders equity	\$ 96,802		
Net interest income		\$ 829	
Net interest spread			3.27%

-
- (1) Yields have been annualized.
 - (2) Average balances include non-accrual loans.
 - (3) Actual yield not tax equivalent yield.

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The following table sets forth the condensed average balance sheet for the 69-day period ended December 31, 2002. Also shown is the average yield on each category of interest earning assets and the average rate paid on interest bearing liabilities for period reported.

	Average Balance	Interest Paid	Rate (1)
(Dollars in thousands)			
Assets:			
Interest earning assets:			
Loans (2)	\$ 58,654	\$ 840	7.58%
Taxable investment securities	26,040	225	4.57%
Non-taxable investment securities (3)	4,355	24	2.92%
Federal funds sold and other investments	2,361	9	2.02%
Interest bearing due from banks			0.00%
	<u>91,410</u>	<u>1,098</u>	<u>6.35%</u>
Non-interest earning assets:			
Cash and due from banks	1,145		
Premises and equipment	631		
Other assets	2,092		
Allowance for loan losses	(615)		
	<u>\$ 94,663</u>		
Liabilities and shareholders equity:			
Interest bearing liabilities:			
Money market and NOW accounts	12,129	35	1.53%
Savings deposits	8,454	21	1.31%
Certificates of deposit	45,311	318	3.71%
Certificates of deposit over \$100,000	6,973	48	3.64%
IRA accounts	3,692	26	3.73%
	<u>76,559</u>	<u>448</u>	<u>3.10%</u>
FHLB borrowings	400	3	3.97%
Federal funds purchased	26		0.00%
Line of credit	625	5	4.23%
	<u>77,610</u>	<u>456</u>	<u>3.11%</u>
Non-interest bearing liabilities and equity:			
Demand deposits	6,602		
Other liabilities	623		
Shareholders equity	9,828		
	<u>\$ 94,663</u>		
Net interest income		<u>\$ 642</u>	
Net interest spread			3.24%

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- (1) Yields have been annualized.
 - (2) Average balances include non-accrual loans.
 - (3) Actual yield not tax equivalent yield.

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The following table sets forth for the period indicated, the bank only changes in interest income and interest expense, which were attributable to change in average volume, and changes in average rates. Volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the changes in rate multiplied by the previous year's volume.

	Three Months Ended		
	March 31, 2003		
	Compared to the		
	69 Days Ended		
	December 31, 2002		
<hr/>			
Rate/Volume Analysis			
	Volume	Rate	Net Change
	_____	_____	_____
	(In thousands)		
Interest earned on:			
Loans	\$ 111	\$ (96)	\$ 15
Taxable investment securities	(96)	25	(72)
Non-taxable investment securities	20	(24)	(4)
Federal funds sold and other investments	(6)	(0)	(6)
Interest bearing due from banks		3	3
	_____	_____	_____
Total interest income	30	(95)	(64)
	_____	_____	_____
Interest paid on:			
Money market and NOW accounts	14	(23)	(9)
Savings deposits	1	(3)	(2)
Certificates of deposit	(63)	(61)	(125)
Certificates of deposit over \$100,000	(7)	(9)	(16)
IRA accounts		(7)	(7)
FHLB borrowings	30	(4)	26
Federal funds purchased	9	(9)	
	_____	_____	_____
	(16)	(115)	(132)
	_____	_____	_____
	\$ 46	\$ 20	\$ 67
	_____	_____	_____

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The following table sets forth for the period indicated, the bank only changes in interest income and interest expense, which were attributable to change in average volume, and changes in average rates. Volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the changes in rate multiplied by the previous year's volume. The periods compared have been annualized to better represent its results in re-examining competitive deposit rates and shift to higher earning commercial loans.

	Annualized 69 Days Ended December 31, 2002 Compared to the Annualized 296 Days Ended October 23, 2002		
Rate/Volume Analysis	Volume	Rate	Net Change
	(In thousands)		
Interest earned on:			
Loans	\$ 39	\$ 46	\$ 85
Taxable investment securities	(27)	(149)	(176)
Non-taxable investment securities	(4)	(110)	(114)
Federal funds sold and other investments		11	11
Interest bearing due from banks			
Total interest income	8	(202)	(194)
Interest paid on:			
Money market and NOW accounts	17	(19)	(2)
Savings deposits		(20)	(20)
Certificates of deposit	(40)	(401)	(441)
Certificates of deposit over \$100,000	(8)	(57)	(65)
IRA accounts		(41)	(41)
FHLB borrowings		(4)	(4)
Federal funds purchased		(1)	(1)
	(31)	(543)	(574)
	\$ 39	\$ 341	\$ 380

Consolidated Financial Statements

On October 23, 2002, Aviston Financial purchased the State Bank of Aviston from the stockholders of Aviston Bancorp, Inc. In connection with the acquisition, Aviston Financial paid cash of \$10.0 million, issued a \$2.0 million non-interest bearing note to a former stockholder of Aviston Bancorp, Inc. and recorded goodwill of \$4.0 million. At the time of the acquisition, Aviston Financial paid \$8.7 million in cash, with the remaining \$1.3 million paid into a non-interest bearing escrow account. Aviston Financial funded its cash payment by issuing common stock of approximately \$9.7 million and borrowing approximately \$323,000 from Union Planters Bank. The Union Planters loan is a \$2.0 million

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revolving line of credit with interest due quarterly at a floating rate equal to prime less 0.25%. As of March 31, 2003, the outstanding balance of the Union Planters loan was \$625,000. Under the terms of this loan, Aviston Financial and its subsidiaries are required to maintain certain financial ratios and are limited with respect to cash dividends, capital expenditures and the incurrence of additional indebtedness without the prior approval of Union Planters.

For the 69 days ended December 31, 2002, on a consolidated basis, Aviston Financial's net interest income was \$642,000, net income was \$211,000 and diluted earnings per share were \$0.44. As of December 31, 2002, Aviston Financial's ratio of non-performing assets to total assets was 0.05%. Net charge-offs for the 69 days ended December 31, 2002, were 0.04% of average loans outstanding. For the three months ended March 31, 2003, on a consolidated basis, Aviston Financial's net interest income was \$829,000, net income was \$379,000 and diluted earnings per share were \$0.78. As of March 31, 2003, Aviston Financial's ratio of non-performing assets to total assets was 0.14%. Net charge-offs for the three months ended March 31, 2003, were 0.9% of average loans

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outstanding. Aviston Financial's audited consolidated financial statements and notes thereto for the 69-day period ended December 31, 2002, are included in this joint proxy statement-prospectus.

Legal Proceedings

Neither Aviston Financial nor the State Bank of Aviston is involved in any material legal proceedings, other than routine proceedings incidental to the operation of the bank. Such proceedings are not expected to result in any materially adverse effect on the operations or earnings of the bank.

Properties

The main office of the State Bank of Aviston is located at 101 South Page Street, Aviston, Illinois 62216, with additional branches located in St. Rose, Illinois and Fairview Heights, Illinois. Aviston Financial owns its main office and the branch office located in St. Rose, Illinois and leases its branch office in Fairview Heights, Illinois. It does not have any outstanding mortgages on these properties.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Quantitative and Qualitative Disclosures About Market Risk

Management of Aviston Financial believes that it is not subject to market risk exposures arising from derivative financial instruments, as well as all other financial instruments, and derivative commodity instruments as defined by Item 305 of Regulation S-K.

REGULATORY CONSIDERATIONS

General

Financial institutions, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, the growth and earnings performance of Kankakee Bancorp, Aviston Financial and their subsidiaries may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory authorities, including the OTS, Federal Reserve Board, the FDIC and the Illinois Commissioner of Banks and Real Estate, which is referred to in this discussion as the Commissioner. Furthermore, taxation laws administered by the Internal Revenue Service and state taxing

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authorities and securities laws administered by the Securities and Exchange Commission and state securities authorities have an impact on Kankakee Bancorp, Aviston Financial and their subsidiaries. The effect of these statutes, regulations and regulatory policies may be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions regulate, among other things, the scope of business, the kinds and amounts of investments, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers and consolidations and the payment of dividends. This system of supervision and regulation establishes a comprehensive framework for the respective operations of Kankakee Bancorp, Aviston Financial and their subsidiaries and is intended primarily for the protection of the FDIC insured deposits and the depositors, rather than stockholders.

The following is a summary of the material elements of the regulatory framework that applies to Kankakee Bancorp and Aviston Financial and their financial institution subsidiaries. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. As such, the following is qualified in its entirety by reference to applicable law.

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Holding Company Regulation

General. Kankakee Bancorp, as the sole stockholder of KFS Bank, is a savings and loan holding company. As a savings and loan holding company, Kankakee Bancorp is registered with, and is subject to regulation by, the OTS under the Home Owners' Loan Act, as amended, which is referred to in this discussion as the HOLA. Under the HOLA, Kankakee Bancorp is subject to periodic examination by the OTS. Kankakee Bancorp is also required to file with the OTS periodic reports of Kankakee Bancorp's operations and such additional information regarding Kankakee Bancorp and KFS Bank as the OTS may require. Kankakee Bancorp has filed an application with the Federal Reserve Board for approval to become a bank holding company as a result of the merger of Aviston Financial with and into Kankakee Bancorp. Assuming Kankakee Bancorp receives Federal Reserve Board approval to become a bank holding company, and the merger of Aviston Financial into Kankakee Bancorp is completed, Kankakee Bancorp will be regulated as a bank holding company rather than a savings and loan holding company following completion of the merger. Accordingly, all of the information set forth below with respect to the supervision and regulation of Aviston Financial will apply to Kankakee Bancorp following completion of the merger.

Aviston Financial, as the sole stockholder of the State Bank of Aviston, is a bank holding company. As a bank holding company, Aviston Financial is registered with, and is subject to regulation by, the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended, which is referred to in this discussion as the BHCA. In accordance with Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to its bank subsidiaries and to commit resources to support its bank subsidiaries in circumstances where the holding company might not otherwise do so. Under the BHCA, bank holding companies are subject to periodic examination by the Federal Reserve Board. Bank holding companies are also required to file with the Federal Reserve Board periodic reports of their operations and such additional information as the Federal Reserve Board may require.

Acquisitions, Activities and Change in Control. The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve Board for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company acquisition. Subject to certain conditions (including certain deposit concentration limits established by the BHCA), the Federal Reserve Board may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve Board is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company.

Because Kankakee Bancorp controls only one savings association subsidiary and because Kankakee Bancorp acquired control of KFS Bank, and thus became a savings and loan holding company, before May 4, 1999, Kankakee Bancorp is generally not subject to any restrictions on the types of non-financial activities that Kankakee Bancorp may conduct either directly or through a non-banking subsidiary, so long as KFS Bank, meets the qualified thrift lender requirements of the HOLA. Following the completion of the merger of Aviston Financial into Kankakee Bancorp, however, Kankakee Bancorp will become subject to the activities restrictions of the BHCA. The BHCA generally prohibits bank holding companies from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. One of these exceptions allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve Board to be so closely related to banking as to be a proper incident thereto. This authority would permit a bank holding company to engage in a variety of banking-related businesses, including the operation of a thrift, consumer finance, equipment leasing, the operation of a computer service bureau (including software development) and mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

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Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and agency activities, merchant banking and any other activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines to be financial in nature or incidental to a financial activity. Aviston Financial has neither applied for nor received approval to operate as a financial holding company. However, Kankakee Bancorp has submitted a request to the Federal Reserve Board to become a financial holding company upon completion of the merger of Aviston Financial with and into Kankakee Bancorp.

Federal law also prohibits any person or company from acquiring control of a bank, savings association or its holding company without prior notice to the target company's primary federal regulator (the OTS, in the case of Kankakee Bancorp and KFS Bank, and the Federal Reserve Board, in the case of Aviston Financial and the State Bank of Aviston). Control is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting stock of the target company, but may arise under certain circumstances at 5% ownership.

Capital Requirements. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve Board capital adequacy guidelines. If capital levels fall below the minimum required levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve Board's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: (1) a risk-based requirement expressed as a percentage of total assets weighted according to risk; and (2) a leverage requirement expressed as a percentage of total assets. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8%, and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. The leverage requirement consists of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly rated companies, with a minimum requirement of 4% for all others. For purposes of these capital standards, Tier 1 capital consists primarily of permanent stockholders' equity less goodwill and other intangible assets (other than certain loan servicing rights and purchased credit card relationships). Total capital consists primarily of Tier 1 capital plus certain other debt and equity instruments that do not qualify as Tier 1 capital and a portion of the company's allowance for loan and lease losses.

The risk-based and leverage standards described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve Board's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 capital less all intangible assets), well above the minimum levels.

As of March 31, 2003, Aviston Financial reported regulatory capital in excess of the Federal Reserve Board's minimum requirements. Kankakee Bancorp is not presently subject to these capital requirements, but will become subject to them upon completion of the merger. Kankakee Bancorp's consolidated capital ratios, calculated in accordance with Federal Reserve Board requirements, on a pro forma basis at March 31, 2003, would likewise have exceeded the Federal Reserve Board's minimum requirements, with a ratio of total capital to total risk-weighted assets of 15.23%, a ratio of Tier 1 capital to total risk-weighted assets of 13.97%, and a ratio of Tier 1 capital to average assets of 9.63%.

Dividend Payments. Kankakee Bancorp's ability to pay dividends to its stockholders may be affected by both general corporate law considerations and, following completion of the merger of Aviston Financial into Kankakee Bancorp, the policies of the Federal Reserve Board applicable to bank holding companies. As a Delaware corporation, Kankakee Bancorp is subject to the limitations of the Delaware General Corporation Law, which allows Kankakee Bancorp to pay dividends only out of its surplus (as defined and computed in accordance with the provisions of the Delaware General Corporation Law) or if Kankakee Bancorp has no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Additionally, policies of the Federal Reserve Board caution that a bank holding

company should not pay cash dividends that exceed its net income or that can only be funded in ways that weaken the bank holding company's financial health, such as by

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borrowing. The Federal Reserve Board also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

Federal Securities Regulation. Kankakee Bancorp's common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act. Consequently, Kankakee Bancorp is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the Securities and Exchange Commission under the Securities Exchange Act.

Financial Institution Regulation

General. KFS Bank is a federally chartered savings association, the deposits of which are insured by the FDIC's Savings Association Insurance Fund, referred to as SAIF. As a federally chartered savings association, KFS Bank is primarily subject to the examination, supervision, reporting and enforcement requirements of the OTS, the chartering authority for federal savings associations. The FDIC, as administrator of the SAIF, also has regulatory authority over KFS Bank. KFS Bank is a member of the Federal Home Loan Bank System, which provides a central credit facility primarily for member institutions.

The State Bank of Aviston is an Illinois-chartered bank, the deposit accounts of which are insured by the Bank Insurance Fund, which is referred to as BIF. As an Illinois-chartered bank, the State Bank of Aviston is primarily subject to the examination, supervision, reporting and enforcement requirements of the Commissioner, the chartering authority for Illinois banks, and the FDIC, designated by federal law as the primary federal regulator of state-chartered, FDIC-insured banks that, like the State Bank of Aviston, are not members of the Federal Reserve Board.

Deposit Insurance. As FDIC-insured institutions, KFS Bank and the State Bank of Aviston are required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their respective levels of capital and results of supervisory evaluations. Institutions classified as well-capitalized (as defined by the FDIC) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (as defined by the FDIC) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period.

During the year ended December 31, 2002, SAIF assessments ranged from 0% of deposits to 0.27% of deposits. For the semi-annual assessment period which began January 1, 2003, SAIF assessment rates continue to range from 0% of deposits to 0.27% of deposits.

FICO Assessments. Since 1987, a portion of the deposit insurance assessments paid by SAIF members has been used to cover interest payments due on the outstanding obligations of the Financing Corporation, referred to as FICO. FICO was created in 1987 to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the SAIF's predecessor insurance fund. As a result of federal legislation enacted in 1996, beginning as of January 1, 1997, both SAIF members and BIF members became subject to assessments to cover the interest payments on outstanding FICO obligations. These FICO assessments are in addition to amounts assessed by the FDIC for deposit insurance. The FICO assessment rate for BIF and SAIF members is currently approximately 0.02% of deposits.

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Supervisory Assessments. All Federal savings associations are required to pay supervisory assessments to the OTS to fund the operations of the OTS. The amount of the assessment is calculated using a formula that takes into account the institution's size, its supervisory condition (as determined by the composite rating assigned to the institution as a result of its most recent OTS examination) and the complexity of its operations. All Illinois-chartered banks are likewise required to pay supervisory assessments to the Commissioner to fund the operations of the Commissioner, the amount of which is calculated on the basis of an institution's total assets, including consolidated subsidiaries, as reported to the Commissioner.

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Capital Requirements. Financial institutions such as the State Bank of Aviston and KFS Bank are generally required to maintain capital levels in excess of other businesses. The FDIC has established the following minimum capital standards for state-chartered insured non-member banks, such as the State Bank of Aviston: (1) a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others; and (2) a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. For purposes of these capital standards, the components of Tier 1 capital and total capital are the same as those for bank holding companies discussed above. Similar capital requirements apply to KFS Bank under the HOLA and OTS regulations.

The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, the regulations of the FDIC and the OTS provide that additional capital may be required to take adequate account of, among other things, interest rate risk or the risks posed by concentrations of credit or nontraditional activities.

Further, federal law and regulations provide various incentives for financial institutions to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a financial institution that is well-capitalized may qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities and may qualify for expedited processing of other required notices or applications. Under the regulations of the FDIC and the OTS, to be well-capitalized a financial institution must maintain a ratio of total capital to total risk-weighted assets of 10% or greater, a ratio of Tier 1 capital to total risk-weighted assets of 6% or greater and a ratio of Tier 1 capital to total assets of 5% or greater.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized, in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: (1) requiring the institution to submit a capital restoration plan; (2) limiting the institution's asset growth and restricting its activities; (3) requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; (4) restricting transactions between the institution and its affiliates; (5) restricting the interest rate the institution may pay on deposits; (6) ordering a new election of directors of the institution; (7) requiring that senior executive officers or directors be dismissed; (8) prohibiting the institution from accepting deposits from correspondent banks; (9) requiring the institution to divest certain subsidiaries; (10) prohibiting the payment of principal or interest on subordinated debt; and (11) ultimately, appointing a receiver for the institution.

As of March 31, 2003: (1) neither the State Bank of Aviston nor KFS Bank was subject to a directive from its primary federal regulator to increase its capital to an amount in excess of the minimum regulatory capital requirements; (2) each of the State Bank of Aviston and KFS Bank exceeded its minimum regulatory capital requirements under applicable capital adequacy guidelines; and (3) both the State Bank of Aviston and KFS Bank were well-capitalized, as defined by applicable regulations.

Dividend Payments. Dividends from KFS Bank and the State Bank of Aviston constitute the primary source of funds for Kankakee Bancorp and Aviston Financial, respectively. OTS regulations require prior OTS approval for any dividend or other capital distribution by a savings association that is not eligible for expedited processing under the OTS's application processing regulations. To qualify for expedited processing, a savings association must: (1) have a composite examination rating of 1 or 2; (2) have a Community Reinvestment Act rating of satisfactory or better; (3) have a compliance rating of 1 or 2; (4) meet all applicable regulatory capital requirements; and (5) not have been notified by the OTS that it is a problem association or an association in troubled condition. Savings associations that qualify for expedited processing are not required to obtain OTS approval prior to making a capital distribution unless: (a) the amount of the proposed capital distribution, when aggregated with all other capital distributions during the same calendar year, will exceed an amount equal to the association's year-to-date net income plus its retained net income for the preceding two years; (b) after giving effect to the distribution, the association will not be at least adequately capitalized (as defined by OTS regulation); or (c) the distribution would violate a prohibition contained in an applicable statute, regulation or agreement with the OTS or the FDIC or violate a condition imposed in connection with an OTS-approved application or notice. The OTS must

be given

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prior notice of certain types of capital distributions, including any capital distribution by a savings association that, like KFS Bank, is a subsidiary of a savings and loan holding company, or by a savings association that, after giving effect to the distribution, would not be well-capitalized (as defined by OTS regulation).

Under the Illinois Banking Act, Illinois-chartered banks, such as the State Bank of Aviston, generally may not pay dividends in excess of their net profits.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, each of KFS Bank and the State Bank of Aviston exceeded its minimum capital requirements under applicable guidelines as of March 31, 2003. Further, under applicable regulations of the OTS, KFS Bank may not pay dividends in an amount that would reduce its capital below the amount required for the liquidation account established in connection with its conversion from the mutual to the stock form of ownership in 1992. As of March 31, 2003, \$6.8 million was available to be paid as dividends to Kankakee Bancorp by KFS Bank, and \$984,000 was available to be paid as dividends to Aviston Financial by the State Bank of Aviston. Notwithstanding the availability of funds for dividends, however, the OTS and the FDIC may prohibit the payment of any dividends by KFS Bank or the State Bank of Aviston, respectively, if the agency determines such payment would constitute an unsafe or unsound practice.

Affiliate and Insider Transactions. Federally-insured financial institutions, such as KFS Bank and the State Bank of Aviston, are subject to certain restrictions imposed by federal law on extensions of credit to affiliates, on investments in the stock or other securities of affiliates and the acceptance of the stock or other securities of affiliates as collateral for loans made by the Bank. For purposes of these restrictions, an institution's affiliates include its parent holding company. Certain limitations and reporting requirements are also placed on extensions of credit by a federally-insured financial institution to its directors and officers, to directors and officers of its parent holding company, to its principal stockholders and/or the principal stockholders of its parent holding company, and to related interests of such directors, officers and principal stockholders. In addition, federal law and regulations generally affects the terms upon which any person becoming an insider of a federally-insured financial institution may obtain credit from the institution's correspondent banks.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the institution's rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Federal Reserve Board. Federal Reserve Board regulations, as presently in effect, require depository institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts) generally, as follows: for transaction accounts

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aggregating \$42.1 million or less, the reserve requirement is 3% of total transaction accounts; and for transaction accounts aggregating in excess of \$42.1 million, the reserve requirement is \$1.083 million plus 10% of the aggregate amount of total transaction accounts in excess of \$42.1 million. Notwithstanding the foregoing, the first \$6.0 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the

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Federal Reserve Board. Each of KFS Bank and the State Bank of Aviston is in compliance with the foregoing requirements.

DESCRIPTION OF KANKAKEE BANCORP CAPITAL STOCK

Kankakee Bancorp's certificate of incorporation currently authorizes the issuance of 3.5 million shares of Kankakee Bancorp common stock and 500,000 shares of Kankakee Bancorp preferred stock. On the date of this joint proxy statement-prospectus, 932,611 shares of Kankakee Bancorp common stock were outstanding and no shares of preferred stock, were outstanding. Kankakee Bancorp expects to issue up to 350,196 shares of Kankakee Bancorp common stock in connection with the merger. If Kankakee Bancorp issues common stock purchase rights to its stockholders and the stockholders of Aviston Financial in the merger, Kankakee Bancorp will reserve a sufficient number of shares of Kankakee Bancorp common stock for the exercise of the rights.

The capital stock of Kankakee Bancorp does not represent or constitute a deposit account and is not insured by the FDIC, BIF, SAIF or any governmental agency.

General

Shares of Kankakee Bancorp common stock may be issued at such time or times and for such consideration (not less than the par value thereof) as the Kankakee Bancorp board of directors may deem advisable, subject to such limitations as may be set forth in the laws of the State of Delaware or Kankakee Bancorp's certificate of incorporation or by-laws. LaSalle Bank N.A., is the Registrar, Transfer Agent and Dividend Disbursing Agent for shares of Kankakee Bancorp's common stock. Its address is 135 S. LaSalle Street, Suite 1960, Chicago, Illinois 60603.

Dividends

Subject to the preferential rights of any outstanding shares of Kankakee Bancorp preferred stock, the holders of Kankakee Bancorp common stock are entitled to receive, to the extent permitted by law, only such dividends as may be declared from time to time by Kankakee Bancorp's board of directors. Currently, it is anticipated that Kankakee Bancorp will pay dividends to its stockholders, however, there can be no guarantee that dividends will be paid, or, if so, how much will be paid.

Kankakee Bancorp has the right to, and may from time to time, enter into borrowing arrangements or issue other debt instruments, the provisions of which may contain restrictions on payment of dividends and other distributions on Kankakee Bancorp common stock and Kankakee Bancorp preferred stock. Kankakee Bancorp issued approximately \$10.3 million in junior subordinated debentures in April 2002 to Kankakee Capital Trust I, which contemporaneously issued \$10.0 million of preferred securities to MM Community Funding III, Ltd. in a private placement. All of the common stock of Kankakee Capital Trust I is owned by Kankakee Bancorp and the debentures are the only assets of the trust. The debentures mature April 22, 2032, at which time the preferred securities must be redeemed. The debentures and preferred securities pay interest and dividends, respectively, quarterly. Under the terms of the debentures, Kankakee Bancorp may be prohibited, under certain circumstances, from paying dividends on shares of its common stock. None of these circumstances currently exist. As of the date hereof, Kankakee Bancorp has not entered into any other arrangements that contain restrictions on the payment of dividends.

Liquidation Rights

In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of Kankakee Bancorp, after distribution in full of the preferential amounts required to be distributed to holders of any Kankakee Bancorp preferred stock, holders of Kankakee Bancorp common stock will be entitled to receive all of the remaining assets of Kankakee Bancorp, of whatever kind, available for distribution to stockholders ratably in proportion to the number of shares of Kankakee Bancorp common stock held. The Kankakee Bancorp board of directors may distribute in kind to the holders of Kankakee Bancorp common stock such remaining assets of Kankakee Bancorp or may sell, transfer or otherwise dispose of all or any part of such remaining assets to any other

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person or entity and receive payment therefor in cash, stock or obligations of such other person or entity, and may sell all or any part of the consideration so received and distribute any balance thereof in kind to holders of Kankakee Bancorp common stock.

Because Kankakee Bancorp is a holding company, its right and the rights of its creditors and stockholders, including the holders of Kankakee Bancorp preferred stock, if any, and of Kankakee Bancorp common stock, to participate in the distribution of assets of a subsidiary on its liquidation or recapitalization may be subject to prior claims of such subsidiary's creditors except to the extent that Kankakee Bancorp itself may be a creditor having recognized claims against such subsidiary.

Common Stock Purchase Rights

On May 28, 2003, Kankakee Bancorp announced its intent to file a registration statement with the Securities and Exchange Commission to register rights to purchase common stock that it would distribute as a dividend to all of its stockholders. Kankakee Bancorp's board of directors view this potential issuance of common stock purchase rights as a possible source of future financing. In the distribution, all holders of Kankakee Bancorp common stock as of the record date set by the board will receive one right per common share that they own. If rights are issued to holders of Kankakee Bancorp common stock prior to completion of the merger, then rights will be granted to Aviston Financial's stockholders as a right attached to the common stock issued to them in the merger. However, it is uncertain at this time whether any rights will be issued prior to completion of the merger. If they have not been issued, no rights will be included with the common stock issued to the Aviston Financial stockholders in the merger.

General. Kankakee Bancorp expects to issue one right per share of Kankakee Bancorp common stock. The rights will be issued as a dividend to all holders of Kankakee Bancorp common stock as of the record date, and, from the time of issuance will represent a right attached to the common stock. The rights will not be detachable from, or trade separately from, the common stock.

Until they are exercised, the rights will be evidenced, with respect to each then-outstanding common stock certificate, by such common stock certificate.

Exercise of Rights. Every four rights will entitle the holder to purchase one share of Kankakee Bancorp common stock at the exercise price, but only following a declaration by Kankakee Bancorp's board that the rights are exercisable. Rights may not be used to purchase any fractional shares.

The initial exercise price of the rights will be \$42.35 per share, subject to adjustment for changes in Kankakee Bancorp's capital structure such as stock splits, and/or Kankakee Bancorp board action increasing the exercise price. The board may not decrease the exercise price.

Expiration. The rights will expire on December 31, 2004, unless the expiration date is advanced or extended by Kankakee Bancorp for any reason. Rights not exercised by the expiration date will be null and void.

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Treatment of Right Holders. Until a right is exercised, the holder of a right will not have any separate rights as a stockholder of Kankakee Bancorp. However, the right holder's rights with respect to Kankakee Bancorp common stock also owned by such holder will remain unchanged. Rights do not include any voting, dividend, liquidation or similar rights.

For a further description of Kankakee Bancorp common stock, see [Effect of the Merger on Rights of Stockholders](#).

OTHER MATTERS

As of the date of this joint proxy statement-prospectus, each of our boards of directors knows of no matters that will be presented for consideration at the special meeting of our respective stockholders other than as described

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in this joint proxy statement-prospectus. However, if any other matters properly come before the Kankakee Bancorp or Aviston Financial special meeting or any adjournment or postponement of the special meeting and are voted upon, the enclosed proxy will be deemed to confer authority to vote for adjournment to solicit additional votes and discretionary authority on the individuals named as proxies to vote the shares represented by such proxy as to any such matters.

STOCKHOLDER PROPOSALS

Kankakee Bancorp expects to hold its next annual meeting of stockholders in April, 2004, after the merger. Under the rules of the Securities and Exchange Commission, proposals of Kankakee Bancorp stockholders intended to be presented at that meeting and included in Kankakee Bancorp's proxy statement must be received by Kankakee Bancorp at its principal executive offices at 310 South Schuyler Avenue, Kankakee, Illinois 60901, no later than November 14, 2003. It is not currently anticipated that Aviston Financial will hold its annual meeting in 2004, unless the merger has not been completed or the merger agreement has been terminated.

EXPERTS

The consolidated financial statements of Kankakee Bancorp and its subsidiaries incorporated by reference in this joint proxy statement-prospectus, have been audited by McGladrey & Pullen, LLP, independent auditors, to the extent and for the periods indicated in their report, which is also incorporated herein by reference and have been so incorporated in reliance upon the report of such firm given upon its authority as an expert in accounting and auditing.

The consolidated financial statements of Aviston Financial and its subsidiary and of Aviston Bancorp, Inc. and its subsidiary included with this joint proxy statement-prospectus, have been audited by Hauk, Fasani, Ramsey, Kruse & Co. P.C., independent auditors, to the extent and for the periods indicated in their report, which is also included herein and have been included in reliance upon the report of such firm given upon its authority as an expert in accounting and auditing.

CERTAIN OPINIONS

The legality of the Kankakee Bancorp common stock to be issued as a result of the merger will be passed upon for Kankakee Bancorp by Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC, 333 West Wacker Drive, Suite 2700, Chicago, Illinois 60606.

RSM McGladrey, Inc. has delivered an opinion to us concerning material federal income tax consequences of the Merger. See Description of Transaction Material Federal Income Tax Consequences of the Merger.

WHERE YOU CAN FIND MORE INFORMATION

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Kankakee Bancorp files annual, quarterly and current reports and other information with the Securities and Exchange Commission under the Securities Exchange Act. You may read and copy this information at the Public Reference Section at the Securities and Exchange Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an internet site that contains reports, proxy and information statements and other information about issuers that file electronically with the Securities and Exchange Commission. The address of that site is <http://www.sec.gov>. In addition, you can read and copy this information at the regional offices of the Securities and Exchange Commission at The Woolworth Building, 233 Broadway, New York, New York 10027, and at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

Kankakee Bancorp filed a registration statement with the Securities and Exchange Commission under the Securities Act relating to the Kankakee Bancorp common stock offered to our stockholders. The registration

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statement contains additional information about Kankakee Bancorp and the Kankakee Bancorp common stock. The Securities and Exchange Commission allows Kankakee Bancorp to omit certain information included in the registration statement from this joint proxy statement-prospectus. The registration statement may be inspected and copied at the Securities and Exchange Commission's public reference facilities described above. The registration statement is also available on the Securities and Exchange Commission's internet site.

INFORMATION INCORPORATED BY REFERENCE

This joint proxy statement-prospectus incorporates important business and financial information about us that is not included in or delivered with this joint proxy statement-prospectus. The following documents filed with the Securities and Exchange Commission by Kankakee Bancorp are incorporated by reference in this joint proxy statement-prospectus (Securities and Exchange Commission File No. 1-13676):

- (1) Kankakee Bancorp's Annual Report on Form 10-K (file no. 001-15025) for the fiscal year ended December 31, 2002;
- (2) Kankakee Bancorp's Proxy Statement to Stockholders on Schedule 14(a) (file no. 001-15025) for the 2003 Annual Meeting;
- (3) Kankakee Bancorp's Quarterly Report on Form 10-Q (file no. 001-15025) for the three months ended March 31, 2003;
- (4) Kankakee Bancorp's Current Report on Form 8-K (file no. 001-15025) dated April 24, 2003;
- (5) Kankakee Bancorp's Current Report on Form 8-K (file no. 001-15025) dated April 30, 2003;
- (6) Kankakee Bancorp's Current Report on Form 8-K (file no. 001-15025) dated May 28, 2003; and
- (7) Kankakee Bancorp's Current Report on Form 8-K (file no. 001-15025) dated July 18, 2003.

Kankakee Bancorp also incorporates by reference additional documents that it may file with the Securities and Exchange Commission between the date of this document and the date of special meeting. These documents may include Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

You may obtain copies of the information incorporated by reference in this joint proxy statement-prospectus upon written or oral request. The inside front cover of this joint proxy statement-prospectus contains information about how such requests should be made.

All information contained in this joint proxy statement-prospectus or incorporated herein by reference with respect to Kankakee Bancorp was supplied by Kankakee Bancorp, and all information contained in this joint proxy statement-prospectus or incorporated herein by reference with respect to Aviston Financial was supplied by Aviston Financial.

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REPORT OF INDEPENDENT ACCOUNTANTS

Shareholders and Board of Directors

Aviston Financial Corporation

We have audited the accompanying consolidated balance sheet of Aviston Bancorp, Inc. (the Company) and Subsidiary as of December 31, 2001 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aviston Bancorp, Inc. at December 31, 2001, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Hauk, Fasani, Ramsey, Kruse & Co. P.C.

St. Louis, Missouri

May 30, 2003

Table of Contents**CONSOLIDATED BALANCE SHEET****DECEMBER 31, 2001**

	2001
	(Dollars in thousands)
Assets:	
Cash and due from banks	\$ 935
Federal funds sold	3,850
Investment securities:	
Held to maturity (at cost)	32,735
Available-for-sale (at estimated market value)	123
Loans, net of allowance for loan losses of \$426	56,832
Premises and equipment	489
Accrued interest and other assets	1,443
Total assets	\$ 96,407
Liabilities and shareholders' equity:	
Deposits:	
Non interest-bearing	\$ 6,156
Interest-bearing	70,081
Certificates of deposit over \$100,000	8,836
Total deposits	85,073
Federal Home Loan Bank advances	400
Accrued expenses and other liabilities	625
Total liabilities	86,098
Shareholders' equity:	
Common stock, \$1000 par value authorized 3,000 shares; issued and outstanding 3,000 shares	300
Capital surplus	2,373
Retained earnings	7,652
Accumulated other comprehensive income	(16)
Total shareholders' equity	10,309
Total liabilities and shareholders' equity	\$ 96,407

See accompanying notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENT OF INCOME****FOR THE YEAR ENDED DECEMBER 31, 2001**

	2001
	(In thousands)
Interest income:	
Interest and fees on loans	\$ 4,600
Investment securities	1,909
Federal funds sold	298
Total interest income	6,807
Interest expense:	
Deposits	4,428
Borrowings	28
Total interest expense	4,456
Net interest income	2,351
Provision for loan losses	252
Net interest income after provision for loan losses	2,099
Non-interest income:	
Service charges on deposits	87
Net gain on sale of loans	33
Other income	27
Total non-interest income	147
Non-interest expense:	
Salaries and employee benefits	478
Occupancy	163
Furniture and equipment	80
Data processing expense	87
Other expenses	473
Total non-interest expense	1,281
Income before income taxes	965
Provision for income taxes	260
Net income	\$ 705

See accompanying notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY****FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Common Stock</u>		<u>Capital Surplus</u>	<u>Retained Earnings</u>	<u>Comprehensive Income(Loss)</u>	<u>Accumulated Other Shareholders Equity</u>
	<u>Shares</u>	<u>Par</u>				
	(Dollars in thousands)					
Balance December 31, 2000	3,000	\$ 300	\$ 2,373	\$ 6,947	\$ (17)	\$ 9,603
Net income				705		705
Change in net unrealized gain on available-for-sale securities, net of tax					1	1
Prior period adjustment						
Cash dividends declared						
Balance December 31, 2001	<u>3,000</u>	<u>\$ 300</u>	<u>\$ 2,373</u>	<u>\$ 7,652</u>	<u>\$ (16)</u>	<u>\$ 10,309</u>

See accompanying notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2001**

	2001
	(In thousands)
Operating Activities:	
Net income	\$ 705
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	80
Provision for loan losses	252
Other changes in assets and liabilities:	
Accrued interest receivable and other assets	108
Accrued expenses and other liabilities	14
	<hr/>
Cash provided by operating activities	1,159
	<hr/>
Investing Activities:	
Proceeds from maturities of securities available-for-sale	3,819
Loans made to customers, net of repayments	(3,348)
Loans made to Federal Reserve, net of repayments	(500)
Additions to premises and equipment, net	(13)
	<hr/>
Cash (used) in investing activities	(42)
	<hr/>
Financing Activities:	
Net (decrease) in deposits	(2,646)
Net (decrease) in short-term borrowings	(200)
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Cash (used) by financing activities	(2,846)
	<hr/>
Net (decrease) in cash and cash equivalents	(1,729)
Cash and cash equivalents, beginning of period	6,514
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Cash and cash equivalents, end of year	\$ 4,785
	<hr/>

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies:

Basis of Presentation. The accompanying Consolidated Financial Statements include the accounts of Aviston Bancorp, Inc. and its subsidiary, State Bank of Aviston. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. All significant intercompany transactions and balances have been eliminated. The significant accounting policies are summarized below.

Business. Our bank subsidiary, State Bank of Aviston, operates within one segment, the banking industry, and provides a full range of banking services to individual and corporate customers primarily in the immediate area surrounding Aviston, Illinois as well as to customers in the greater St. Louis, Missouri metropolitan area. Our bank is subject to intense competition from other financial institutions. Our bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Accounting Estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Investment Securities. Securities may be classified as held-to-maturity or available-for-sale. Only those securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and are reported at amortized cost. Securities that are purchased with the intent to hold for an indefinite period of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold to meet liquidity needs, are classified as available-for-sale securities. Available-for-sale securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, reported in other comprehensive income. Interest and dividends on securities, including amortization of premium and accretion of discounts, are reported in interest income using the interest method. Realized securities gains or losses are reported in the Consolidated Statements of Income. Gains and losses on securities are determined based on the specific identification method. As of December 31, 2001, all of our investment securities that are being used in our asset/liability strategy were classified as held-to-maturity. Only our mutual fund investment was classified as available-for-sale.

Loans. Interest income on loans is generally accrued on a simple interest basis. Loan fees and direct costs of loan originations represent the actual recoupment of costs incurred with the loan origination process and were recorded as the income was received or the expense was incurred.

When, in management's opinion, interest on a loan will not be collected in the normal course of business or when either principal or interest is past due over 90 days, that loan is generally placed on non-accrual status. When a loan is placed on non-accrual status, accrued interest for the current year is reversed and charged against current earnings, and accrued interest from prior years is charged against the allowance for loan losses. Interest payments received on

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non-accrual loans are applied to principal if there is doubt as to the collectibility of such principal; otherwise, these receipts are recorded as interest income. A loan remains on non-accrual status until the loan is current as to payment of both principal and interest and/or the borrower demonstrates the ability to pay and remain current.

Allowance for Loan Losses. We maintain an allowance to absorb losses inherent in the loan portfolio. Credit losses are charged and recoveries are credited to the allowance. Provisions for credit losses are credited to the allowance in an amount that we consider necessary to maintain an appropriate allowance given the risk identified in the portfolio. The allowance is based on ongoing monthly assessments of the estimated losses inherent in the loan portfolio. Our monthly evaluation of the adequacy of the allowance is comprised of the following elements.

Larger commercial loans and any additional loans that exhibit potential or observed credit weaknesses are subject to individual review. Where appropriate, specific allowances are made for individual loans based on our estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and collection options available to us.

Included in the review of individual loans are those that are impaired and we consider all non-accrual and renegotiated loans to be impaired. Any reserves for impaired loans are measured based on the present value of expected future cash flows discounted at the loans' effective interest rate or fair value of the underlying collateral, if the loan is collateral dependent. We evaluate the collectibility of both principal and interest when assessing the need for loss accrual.

Loans are graded on a risk-rating system that encompasses seven categories. Collateral protection and the borrower's ability to repay loan obligations define each category. Historic loss rates and observed industry standards are utilized to determine the appropriate allocation percentage for each loan grade.

Homogenous loans, such as consumer installment or home equity credit, are given a standard risk rating that is adjusted on a delinquency basis. Residential mortgage loans are not individually risk-rated, but are identified as a pool of loans. Delinquent mortgage loans are segregated and allowance allocations are determined based on the same factors utilized for risk-rated loans.

An unallocated allowance is maintained to recognize the imprecision in estimating and measuring loss when evaluating reserves for individual loans or pool of loans and to provide for the Company's exposure to inherent but undetected losses within the overall loan portfolio.

Historical loss rates for commercial and consumer loans may be adjusted for significant factors that, in our judgment, reflect the impact of any current conditions on loss recognition. Factors that we consider in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs, non-accrual and problem loans), changes in the internal lending policies and credit standards, collection practices and examination results from bank regulatory agencies and our internal loan reviews.

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Allowances for individual loans are reviewed monthly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

Premises and Equipment. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets for book purposes and accelerated methods for tax purposes. Ordinary maintenance and repairs are charged to expense as incurred.

Real Estate Owned. Real estate acquired in foreclosure or other settlement of loans is initially recorded at the lower of fair market value of the assets received (less estimated selling costs) or the recorded investment in the loan at the date of transfer. Any adjustment to fair market value at the date of transfer is charged against the allowance for loan losses. Subsequent write-downs are charged to operating expense including charges relating to operating, holding or disposing of the property.

Income Taxes. Income taxes are accounted for under the liability method, in which deferred income taxes are recognized as a result of temporary differences between the financial reporting basis and the tax basis of our assets and liabilities.

Cash and Cash Equivalents. For purposes of the Consolidated Statements of Cash Flows, we consider cash and due from banks, federal funds sold and other overnight investments to be cash equivalents. Cash balances in excess of Federal Depositors Insurance Corporation limits at December 31, 2001 were \$537,312.

Critical Accounting Policies. We have established various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in these footnotes to the Consolidated Financial Statements. Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates that could have a material impact on the carrying values of assets and liabilities and the results of operations of our company.

We believe the allowance for loan losses is our critical accounting policy that requires the most significant judgments and estimates used in the preparation of our Consolidated Financial Statements. The information included above in this footnote details our estimation processes and methodology related to the allowance for loan losses.

Table of Contents**Note 2. Investment Securities:**

All of the Company's investment securities have been classified in the Consolidated Balance Sheet as held-to-maturity with the exception of their mutual fund investment which is classified as available-for-sale. The following chart summarizes the company's investment securities at December 31, 2001 had they been classified as available-for-sale:

	December 31, 2001			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Securities Held-to-Maturity				
U.S. government and agency securities	\$ 24,446	\$ 258	\$	\$ 24,704
State and municipal securities	5,050	69		5,119
Mortgage-backed securities	114			114
Federal Home Loan Bank stock	299			299
Other securities and mutual funds	2,976	7		2,956
Subtotal	\$ 32,735	\$ 334	\$	\$ 33,069
Securities Available-For-Sale				
Mutual funds	150		27	123
Total	\$ 32,885	\$ 334	\$ 27	\$ 33,192

The Bank, as a member of the Federal Home Loan Bank of Chicago (the FHLB), is required to maintain an investment in capital stock of the FHLB in an amount equal to 1% of its outstanding home loans. No ready market exists for the FHLB stock, and it has no quoted market value. For disclosure purposes, such stock is assumed to have a market value that is equal to cost.

Investment securities with a carrying value of \$4.0 million at December 31, 2001 were pledged to secure public deposits and short-term borrowings.

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The contractual maturities of securities at December 31, 2001 were as follows:

	December 31, 2001	
	Amortized	Fair
	Cost	Value
	(In thousands)	
Due in one year or less	\$ 4,256	\$ 4,334
Due from one year to five years	15,676	15,752
Due from five years to ten years	12,090	12,268
Due after ten years	300	302
Subtotal	32,322	32,656
Federal Home Loan stock	299	299
Mutual Funds	150	123
Mortgage-backed securities	114	114
Total	\$ 32,885	\$ 33,192

Note 3. Loans:

The components of loans in the Consolidated Balance Sheets were as follows:

	December 31,	
	2001	
	(In thousands)	
Commercial	\$ 5,014	
Real estate-construction		3,179
Real estate-mortgage:		
One-to four-family residential		24,608
Multi-family and commercial		8,204
Agricultural		8,930
Consumer and other		7,323
Total loans		57,258
Allowance for loan losses		(426)
Net loans	\$	56,832

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An analysis of the change in the allowance for loan losses follows:

	December 31,
	2001
	(In thousands)
Balance, December 31, 2000	\$ 391
Loans charged off	(287)
Recoveries	70
Net loans charged off	(217)
Provision for loan losses	252
Balance, end of year	\$ 426

We feel that the allowance for loan losses is adequate relative to the inherent risk in the loan portfolio. In reviewing the adequacy of allowance for loan losses, we considered the factors described in Note 1 to these consolidated financial statements as well as our loan growth and our strategic intention to increase the amount of larger commercial real estate loans.

The recorded investment in loans that were considered to be impaired was \$218,000 at December 31, 2001, all of which have had the accrual of interest discontinued. The related allowance for these impaired loans was \$32,700. Interest income that would have been recognized for non-accrual loans and cash basis income on non-accrual loans was not significant in 2001.

Aviston Bancorp, Inc. and State Bank of Aviston have entered into transactions with our directors, significant shareholders and affiliates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans outstanding to such related parties at December 31, 2001, totaled \$671,000. In addition, there were unfunded loan commitments to related parties of \$1,117,000. Related party loans increased \$458,000, net of repayments, in 2001. As of December 31, 2001, no related party loans were past due 30 days or more.

Table of Contents**Note 4. Premises and Equipment:**

Components of premises and equipment as of December 31, 2001 were as follows:

	December 31,
	2001
	(In thousands)
Land	\$ 17
Bank premises	523
Furniture and equipment	303
Total cost	843
Less accumulated depreciation	(354)
Net book value	\$ 489

At December 31, 2001, there were no material leases on any premises or equipment.

Note 5. Deposits:

Deposits consisted of the following:

	December 31,
	2001
	(In thousands)
Non interest-bearing	\$ 6,156
Interest-bearing demand	5,775
Money market accounts	2,014
Savings	8,441
Time and IRA certificates under \$100,000	53,851
Total core deposits	76,237
Time and IRA certificates over \$100,000	8,836
Total deposits	\$ 85,073

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Amounts and Maturities of Certificates of Deposit:

	December 31, 2001
	(In thousands)
Due in one year or less	\$ 46,711
Due from one year to three years	9,010
Over three years	6,966
Total	\$ 62,687

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Note 6. Income Taxes:

Our results include income tax expense (benefit) as follows:

	Period Ended December 31, 2001
	(In thousands)
Current:	
Federal	\$ 242
State and local	
Deferred	18
Total	\$ 260

The tax effects of temporary differences that gave rise to the net deferred tax liability of \$94,000 at December 31, 2001 was primarily related to the depreciation expensed in computing tax basis net income but not currently deducted for book purposes.

Income tax expense as reported differs from the amounts computed by applying the statutory federal income tax rate to pre-tax income as follows:

	Period Ended December 31, 2001
	(In thousands)
Computed expected tax expense	\$ 332
Tax-exempt income	(72)
Total income tax expense	\$ 260

Note 7. Federal Home Loan Bank Advances:

Federal Home Loan Bank (FHLB) advances consisted of the following at year-end:

	December 31, 2001
	(In thousands)
	\$ 400

Notes payable to FHLB, interest payable monthly at rates of 5.85% and 5.97%, principal balance due at maturity of April 1, 2003 and April 1, 2005, secured by stock in FHLB and certain loans

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A summary of projected annual principal reductions of Federal Home Loan Bank advances as of December 31, 2001 is as follows:

<u>Year</u>	<u>Annual Principal Reductions</u>
	(In thousands)
2003	\$ 200
2004	
2005	200
Total	\$ 400

As collateral for the Federal Home Loan Bank advances, State Bank of Aviston has entered into a blanket agreement that pledges first mortgage loans, commercial real estate loans and specific investment securities with advance rates of 135%, 175% and 105%, respectively, of the collateral.

Note 8. Employee Benefits:

The Bank has a profit sharing plan in effect for virtually all full-time employees. Salaries and employee benefits expense included \$30,195 for the period ended December 31, 2001 for such plan. Contributions under the profit sharing plan are made at the discretion of management and the Board of Directors and therefore will never become an unfunded liability.

Note 9. Officers Bonus:

The Bank has an officer bonus plan in effect for executive management. Salaries and employee benefits expense included \$110,328 for the period ended December 31, 2001 for the plan. Payments under the bonus plan are made at the discretion of management and the Board of Directors and will therefore never become an unfunded liability.

Note 10. Concentrations of Credit:

Substantially all of our loans, commitments and commercial and standby letters of credit have been granted to customers that are customers of our subsidiary bank in our market area and we are thereby subject to this significant concentration of credit risk. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. Investments in state and municipal securities also involve governmental entities within our market area.

Table of Contents**Note 11. Regulatory Matters:**

Aviston Bancorp, Inc. and State Bank of Aviston are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can result in mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct, material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we and our subsidiary bank must meet specific capital guidelines that involve quantitative measures of our and the bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. We and our subsidiary bank's capital amounts and classifications also are subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulators to ensure capital adequacy require our subsidiary bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of December 31, 2001, our subsidiary bank met all applicable capital adequacy requirements. Because consolidated assets are less than \$150 million, regulators monitor the capital adequacy of the subsidiary bank and do not measure the holding company's capital adequacy.

The FDIC completed their examination of the Bank. Although we have not received their written report from their exam as of September 30, 2001, we believe that our subsidiary bank was categorized as well capitalized under the regulatory framework.

The actual and required capital amounts and ratios as of December 31, 2001, for the State Bank of Aviston are listed in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2001:						
Total Capital (to Risk-Weighted Assets)	\$ 10,700	18.59%	\$ 4,605	8.00%	\$ 5,756	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	10,274	17.85	2,302	4.00	3,454	6.00
Tier 1 Capital (to Average Assets)	10,274	10.59	3,881	4.00	4,851	5.00

Table of Contents**Note 12. Parent Company Condensed Financial Information:**

Following are our condensed financial statements (parent company only) for the period indicated:

Balance Sheet

	December 31, 2001
	(In thousands)
Assets:	
Cash and cash equivalents	\$ 11
Investment in subsidiary	10,277
Other assets	21
Total assets	\$ 10,309
Liabilities and shareholders equity:	
Total shareholders equity	\$ 10,308
Total liabilities and shareholders equity	\$ 10,308

Table of Contents**Statement of Income**

	Period Ended December 31, 2001
	(In thousands)
Income:	
Total income	\$
Expenses:	
Other operating expenses	42
Total expenses	42
Loss before income tax benefit and equity in undistributed income of subsidiary	(42)
Income tax benefit	15
Loss before equity in undistributed income of subsidiary	(27)
Equity in undistributed income of subsidiary	731
Net income	\$ 705

Statement of Cash Flows

	Period Ended December 31, 2001
	(In thousands)
Operating Activities:	
Net income	\$ 705
Adjustment to reconcile net income to net cash used in operating activities:	
Net income of subsidiary	(731)
Other, net	(16)
Cash used in operating activities	(42)
Net decrease in cash and cash equivalents	(42)
Cash and cash equivalents, beginning of period	53
Cash and cash equivalents, end of year	\$ 11

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REPORT OF INDEPENDENT ACCOUNTANTS

Shareholders and Board of Directors

Aviston Financial Corporation

We have audited the consolidated statements of income and cash flows for the 296-day period ended October 23, 2002 of Aviston Bancorp, Inc. (the Company) and its Subsidiary. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of the operations and cash flows of Aviston Bancorp, Inc. for the 296-day period ended October 23, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ Hauk, Fasani, Ramsey, Kruse & Co. P.C.

St. Louis, Missouri

June 6, 2003

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	296 Day Period
	Ended October 23, 2002
	(In thousands)
Interest income:	
Interest and fees on loans	\$ 3,534
Investment securities	1,303
Federal funds sold	30
Total interest income	4,867
Interest expense:	
Deposits	2,384
Borrowings	16
Total interest expense	2,400
Net interest income	2,467
Provision for loan losses	220
Net interest income after provision for loan losses	2,247
Non-interest income:	
Service charges on deposits	100
Net gain on sale of loans and securities	57
Other income	130
Total non-interest income	287
Non-interest expense:	
Salaries and employee benefits	459
Occupancy	129
Telephone and postage	37
Advertising	4
Furniture and equipment	39
Data processing expense	78
Other expense	266
Total non-interest expense	1,012
Income before income taxes	1,522
Provision for income taxes	481
Net income	\$ 1,041

See accompanying notes to consolidated financial statements.

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	296 Day Period
	Ended October 23, 2002
	(In thousands)
Operating Activities	
Net income	\$ 1,041
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	39
Provision for loan loss	220
Other changes in assets and liabilities:	
Accrued interest receivable	10
Other assets	338
Accrued interest payable	(184)
Other accrued liabilities	(49)
Other assets	(5)
Cash provided by operating activities	1,409
Investing Activities:	
Proceeds from sales and maturities of securities held-to-maturity	4,837
Loans made to customers, net of repayments	(6,131)
Loans made to Federal Reserve, net of repayments	(810)
Additions to premises and equipment, net	(91)
Cash (used) by investing activities	(2,195)
Financing Activities:	
Net (decrease) increase in deposits	339
Cash provided by financing activities	339
Net (decrease) increase in cash and cash equivalents	(447)
Cash and cash equivalents, beginning of year	4,785
Cash and cash equivalents, end of year	\$ 4,338
Supplemental information:	
Cash paid for interest expense	\$ 2,585
Cash paid for income taxes	\$ 455

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies:

Basis of Presentation. The accompanying Consolidated Financial Statements include the accounts of Aviston Bancorp, Inc. and its subsidiary State Bank of Aviston. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. All significant intercompany transactions and balances have been eliminated. The significant accounting policies are summarized.

All amounts disclosed in schedules and not within the footnote itself are in thousands. Balances referenced within the footnote are rounded to whole dollars unless otherwise noted.

Business. The bank subsidiary, State Bank of Aviston, operates within one segment, the banking industry, and provides a full range of banking services to individual and corporate customers primarily in the immediate area surrounding Aviston, Illinois as well as to customers in the greater St. Louis, Missouri metropolitan area. The bank is subject to intense competition from other financial institutions. The bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Accounting Estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Investment Securities. Securities may be classified as held-to-maturity or available-for-sale. Only those securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and are reported at amortized cost. Securities that are purchased with the intent to hold for an indefinite period of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold to meet liquidity needs, are classified as available-for-sale securities. Available-for-sale securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, reported in other comprehensive income. Interest and dividends on securities, including amortization of premium and accretion of discounts, are reported in interest income using the interest method. Realized securities gains or losses are reported in the Consolidated Statements of Income. Gains and losses on securities are determined based on the specific identification method.

Loans. Interest income on loans is generally accrued on a simple interest basis. Loan fees charged by the bank represent an estimate of direct out-of-pocket costs associated with the loan and therefore have not been capitalized by the Bank. Loan fees and direct costs of loan originations during the 296 day period ended October 23, 2002 were immaterial and recorded as the income was received or the expense was incurred.

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When, in management's opinion, interest on a loan will not be collected in the normal course of business or when either principal or interest is past due over 90 days, that loan is generally placed on non-accrual status. When a loan is placed on non-accrual status, accrued interest for the current year is reversed and charged against current earnings, and accrued interest from prior years is charged against the allowance for loan losses. Interest payments received on non-accrual loans are applied to principal if there is doubt as to the collectibility of such principal; otherwise, these receipts are recorded as interest income. A loan remains on non-accrual status until the loan is current as to payment of both principal and interest and/or the borrower demonstrates the ability to pay and remain current.

Allowance for Loan Losses. We maintain an allowance to absorb losses inherent in the loan portfolio. Credit losses are charged and recoveries are credited to the allowance. Provisions for credit losses are credited to the allowance in an amount that we consider necessary to maintain an appropriate allowance given the risk identified in the portfolio. The allowance is based on ongoing monthly assessments of the estimated losses inherent in the loan portfolio. Our monthly evaluation of the adequacy of the allowance is comprised of the following elements.

Larger commercial loans and any additional loans that exhibit potential or observed credit weaknesses are subject to individual review. Where appropriate, specific allowances are made for individual loans based on our estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and collection options available to us.

Included in the review of individual loans are those that are impaired and we consider all non-accrual and renegotiated loans to be impaired. Any reserves for impaired loans are measured based on the present value of expected future cash flows discounted at the loans' effective interest rate or fair value of the underlying collateral, if the loan is collateral dependent. We evaluate the collectibility of both principal and interest when assessing the need for loss accrual.

Loans are graded on a risk-rating system that encompasses seven categories. Collateral protection and the borrower's ability to repay loan obligations define each category. Historic loss rates and observed industry standards are utilized to determine the appropriate allocation percentage for each loan grade.

Homogenous loans, such as consumer installment or home equity credit, are given a standard risk rating that is adjusted on a delinquency basis. Residential mortgage loans are not individually risk-rated, but are identified as a "pool" of loans. Delinquent mortgage loans are segregated and allowance allocations are determined based on the same factors utilized for risk-rated loans.

An unallocated allowance is maintained to recognize the imprecision in estimating and measuring loss when evaluating reserves for individual loans or pool of loans and to provide for the Company's exposure to inherent but undetected losses within the overall loan portfolio.

Historical loss rates for commercial and consumer loans may be adjusted for significant factors that, in our judgment, reflect the impact of any current conditions on loss recognition. Factors that we consider in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs, non-accrual and problem

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loans), changes in the internal lending policies and credit standards, collection practices and examination results from bank regulatory agencies and our internal loan reviews.

Allowances for individual loans are reviewed monthly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

Premises and Equipment. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets for book purposes and accelerated methods for tax purposes. Ordinary maintenance and repairs are charged to expense as incurred.

Income Taxes. Income taxes are accounted for under the liability method, in which deferred income taxes are recognized as a result of temporary differences between the financial reporting basis and the tax basis of our assets and liabilities.

Cash and Cash Equivalents. For purposes of the Consolidated Statements of Cash Flows, we consider cash and due from banks, federal funds sold and other overnight investments to be cash equivalents.

Critical Accounting Policies. We have established various accounting policies, which govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in these footnotes to the Consolidated Financial Statements. Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of operations of our company.

We believe the allowance for loan losses is our critical accounting policy that requires the most significant judgments and estimates used in the preparation of our Consolidated Financial Statements. The information included above in this footnote details our estimation processes and methodology related to the allowance for loan losses.

Recently Issued Accounting Pronouncements. In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, *Guarantor's Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45)*. FIN 45 requires certain guarantees to be recorded at fair value and applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying account related to an asset, liability or equity security of the guaranteed party. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified subsequent to December 31, 2002. FIN 45 also expands the disclosures to be made by guarantors, effective as of December 15, 2002, to include the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligation under the guarantee. Guarantees for standby letters of credit entered into

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by the Company are disclosed in Footnote 14. The Company does not expect the requirements of FIN 45 to have a material impact on its results of operations, financial position or liquidity.

Note 2. Acquisition:

On October 23, 2002, we were acquired by Aviston Financial Corporation. Aviston Bancorp, Inc. ceased operations on the date of the acquisition and was dissolved on June 3, 2003. The operations of the Bank are included in our consolidated Statements of Income for the 296 days ended October 23, 2002 and in acquirers' consolidated Statements of Income for the 69 day period ended December 31, 2002.

The following table summarizes the estimated fair market values of the Bank's unaudited assets and liabilities at the date of the acquisition.

	October 23, 2002
	(In thousands)
Cash and cash equivalents	\$ 4,338
Investment securities	29,782
Net loans	58,848
Premises and equipment	1,295
Intangible assets	4,000
Other assets	680
Total assets acquired	\$ 98,943
Deposits	\$ 85,920
FHLB advances	400
Other liabilities	42
Total liabilities assumed	86,362
Net assets acquired or (liabilities) assumed	\$ 12,581

The purchase price of Aviston Bancorp, Inc. was \$12 million. The payment of the purchase was for \$8.7 million in cash at close, a non-interest bearing note to our shareholders of \$2.0 million payable in equal semi-annual installments of \$100,000 beginning in April of 2003, and a non-interest bearing escrow account of \$1.3 million for repayment to the Bank in the event certain specific loans are charged-off.

The \$1.3 million of the original purchase price was placed in escrow as a part of the acquisition of the Bank. The escrow was deemed necessary to cover potential losses on specific loans identified during our pre-acquisition due diligence. The escrow funds are to be held until specific loans have been paid off or restructured. If in the event that these loans result in a charge-off or are restructured to the detriment to the Bank, then the escrowed funds will be returned to us. The funds can then be used to increase the capital of the Bank by offsetting the loan loss provision expense that would be necessary if a loss were to be recognized on these loans.

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The Bank was founded in 1909. The Bank's longevity, community service and goodwill within the community and outlying areas created goodwill in excess of the fair market value of the Bank's underlying assets.

Note 3. Subsequent Event:

On May 27, 2003, Aviston Financial Corporation and Kankakee Bancorp (KNK) announced a proposed merger of Aviston Financial Corporation with and into Kankakee Bancorp. After the completion of the merger, the name of the company will be Kankakee Bancorp, Inc.

At the same time as or shortly following the merger of Aviston Financial Corporation into KNK, it is proposed that the KNK subsidiary thrift, KFS Bank, F.S.B. be merged into the State Bank of Aviston.

The proposed merger would exchange one share of Aviston Financial Corporation stock for .707 shares of KNK.

The Board of Directors of Aviston Financial Corporation has agreed to allow those employees with options outstanding the chance to exercise their options, as all options outstanding at the time of the merger will be extinguished. The approximate net value to the employee after exercise price of \$20 per share is \$7 per share.

Note 4. Income Taxes:

The results include income tax expense (benefit) as follows:

	296-Day Period Ended	
	October 23,2002	
	(In thousands)	
Current		
Federal	\$	489
State and local		8
Deferred		(16)
Total	\$	481

Income tax expense as reported differs from the amounts computed by applying the statutory federal income tax rate to pre-tax income as follows:

296-Day Period Ended

October 23, 2002

(In thousands)

Computed expected tax expense	\$	534
Tax-exempt income		(53)
Total income tax expense	\$	481

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Note 5. Employee Benefits:

We have a profit sharing plan in effect for substantially all full-time employees. Salaries and employee benefits expense included \$20,319 for the 296 day period ended October 23, 2002 for such plan. Contributions under the profit sharing plan are made at the discretion of our management and Board of Directors and therefore will never become an un-funded liability.

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REPORT OF INDEPENDENT ACCOUNTANTS

Shareholders and Board of Directors

Aviston Financial Corporation

We have audited the accompanying consolidated balance sheet of Aviston Financial Corporation (the Company) and its Subsidiaries as of December 31, 2002 and the related consolidated statements of income, shareholders' equity and cash flows for the 69 day period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aviston Financial Corporation at December 31, 2002, and the consolidated results of its operations and its cash flows for the 69 day period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ Hauk, Fasani, Ramsey, Kruse & Co. P.C.

St. Louis, Missouri

February 21, 2003

Except for Note 2 as for which the date is June 6, 2003

Table of Contents**CONSOLIDATED BALANCE SHEET****DECEMBER 31, 2002**

	2002
	(In thousands)
Assets:	
Cash and due from banks	\$ 1,399
Federal funds sold	660
Investment securities:	
Available-for-sale (at estimated market value)	27,619
Loans, net of allowance for loan losses of \$1,264	60,877
Premises and equipment	1,284
Accrued interest and other assets	595
Goodwill	4,000
Total assets	\$ 96,434
Liabilities and shareholders equity:	
Deposits:	
Non interest-bearing	\$ 7,852
Interest-bearing	68,483
Certificates of deposit over \$100,000	6,499
Total deposits	82,834
Federal Home Loan Bank advances	400
Notes payable	2,625
Accrued expenses and other liabilities	596
Total liabilities	86,455
Shareholders equity:	
Common stock, \$10 par value authorized 750,000 shares; issued and outstanding 483,826 shares	4,838
Capital surplus	4,838
Retained earnings	211
Accumulated other comprehensive income	92
Total shareholders equity	9,979
Total liabilities and shareholders equity	\$ 96,434

See accompanying notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENT OF INCOME****FOR THE 69-DAY PERIOD ENDED DECEMBER 31, 2002**

	(In thousands)
Interest income:	
Interest and fees on loans	\$ 840
Investment securities	249
Federal funds sold	9
	<hr/>
Total interest income	1,098
	<hr/>
Interest expense:	
Deposits	446
Borrowings	10
	<hr/>
Total interest expense	456
	<hr/>
Net interest income	642
Provision for loan losses	52
	<hr/>
Net interest income after provision for loan losses	590
	<hr/>
Non-interest income:	
Service charges on deposits	20
Mortgage banking revenue	33
Net gain on sale of securities	9
Other income	4
	<hr/>
Total non-interest income	66
	<hr/>
Non-interest expense:	
Salaries and employee benefits	171
Occupancy	30
Advertising	3
Telephone and postage	9
Furniture and equipment	11
Data processing expense	17
Other expenses	51
	<hr/>
Total non-interest expense	292
	<hr/>
Income before income taxes	364
Provision for income taxes	153
	<hr/>
Net income	\$ 211
	<hr/>

See accompanying notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE 69-DAY PERIOD ENDED DECEMBER 31, 2002**

	(In thousands)
Operating Activities:	
Net income	\$ 211
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	14
Provision for loan losses	52
Gain on sales of stock held-available-for-sale	(9)
Other changes in assets and liabilities:	
Accrued interest receivable and other assets	85
Accrued expenses and other liabilities	819
	<hr/>
Cash provided by operating activities	1,172
	<hr/>
Investing Activities:	
Purchase of Subsidiary common stock	(8,700)
Proceeds from maturities of securities held-to-maturity	3,000
Proceeds from sales of securities held available-for-sale	11
Loans made to customers, net of repayments	(4,430)
Loans made to Federal Reserve, net of repayments	4,000
Additions to premises and equipment, net	(3)
	<hr/>
Cash (used) in investing activities	(6,122)
	<hr/>
Financing Activities:	
Net (decrease) in deposits	(3,292)
Net increase in short-term borrowings	625
Sale of common stock to shareholders	9,676
	<hr/>
Cash provided by financing activities	7,009
	<hr/>
Net increase in cash and cash equivalents	2,059
Cash and cash equivalents, beginning of period	0
	<hr/>
Cash and cash equivalents, end of year	\$ 2,059
	<hr/>
Supplemental information:	
Cash paid for interest expense	\$ 492
	<hr/>
Cash paid for income taxes	\$ 140
	<hr/>
Non-cash investing and financing activities:	
Issuance of note payable in connection with purchase of subsidiary	\$ 2,000
	<hr/>

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies:

Basis of Presentation. The accompanying Consolidated Financial Statements include the accounts of Aviston Financial Corporation and its subsidiaries, Aviston Bancorp, Inc. and State Bank of Aviston. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. All significant intercompany transactions and balances have been eliminated. The significant accounting policies are summarized.

All amounts disclosed in schedules and not within the footnote itself are in thousands. Balances referenced within the footnote are rounded to whole dollars unless otherwise noted.

Business. Our bank subsidiary, State Bank of Aviston, operates within one segment, the banking industry, and provides a full range of banking services to individual and corporate customers primarily in the immediate area surrounding Aviston, Illinois as well as to customers in the greater St. Louis, Missouri metropolitan area. Our bank is subject to intense competition from other financial institutions. Our bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Aviston Bancorp, Inc. is the original holding company owner of State Bank of Aviston. This holding company was created in 1972 to allow greater flexibility in raising capital for the Bank. Aviston Bancorp, Inc. has been dormant since the acquisition.

Accounting Estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Transfers of financial assets. Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities was issued in September 2000 and provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities after March 31, 2001. Also, it is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The effect of this new standard on the 2002 consolidated financial statements was immaterial.

Comprehensive Income. Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

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Investment Securities. Securities may be classified as held-to-maturity or available-for-sale. Only those securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and are reported at amortized cost. Securities that are purchased with the intent to hold for an indefinite period of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold to meet liquidity needs, are classified as available-for-sale securities. Available-for-sale securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, reported in other comprehensive income. Interest and dividends on securities, including amortization of premium and accretion of discounts, are reported in interest income using the interest method. Realized securities gains or losses are reported in the Consolidated Statements of Income. Gains and losses on securities are determined based on the specific identification method. As of December 31, 2002, all of our investment securities that are being used in our asset/liability strategy were classified as available-for-sale.

Loans. Interest income on loans is generally accrued on a simple interest basis. Loan fees charged by the bank represent an estimate of direct out-of-pocket costs associated with the loan and therefore have not been capitalized by the Bank. Loan fees and direct costs of loan originations during the 69-day period ended December 31, 2002 were immaterial and recorded as the income was received or the expense was incurred.

When, in management's opinion, interest on a loan will not be collected in the normal course of business or when either principal or interest is past due over 90 days, that loan is generally placed on non-accrual status. When a loan is placed on non-accrual status, accrued interest for the current year is reversed and charged against current earnings, and accrued interest from prior years is charged against the allowance for loan losses. Interest payments received on non-accrual loans are applied to principal if there is doubt as to the collectibility of such principal; otherwise, these receipts are recorded as interest income. A loan remains on non-accrual status until the loan is current as to payment of both principal and interest and/or the borrower demonstrates the ability to pay and remain current.

Allowance for Loan Losses. We maintain an allowance to absorb losses inherent in the loan portfolio. Credit losses are charged and recoveries are credited to the allowance. Provisions for credit losses are credited to the allowance in an amount that we consider necessary to maintain an appropriate allowance given the risk identified in the portfolio. The allowance is based on ongoing monthly assessments of the estimated losses inherent in the loan portfolio. Our monthly evaluation of the adequacy of the allowance is comprised of the following elements.

Larger commercial loans and any additional loans that exhibit potential or observed credit weaknesses are subject to individual review. Where appropriate, specific allowances are made for individual loans based on our estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and collection options available to us.

Included in the review of individual loans are those that are impaired and we consider all non-accrual and renegotiated loans to be impaired. Any reserves for impaired loans are measured based on the present value of expected future cash flows discounted at the loans' effective interest rate or fair value of the underlying collateral, if the loan is collateral dependent. We evaluate the collectibility of both principal and interest when assessing the need for loss accrual.

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Loans are graded on a risk-rating system that encompasses seven categories. Collateral protection and the borrower's ability to repay loan obligations define each category. Historic loss rates and observed industry standards are utilized to determine the appropriate allocation percentage for each loan grade.

Homogenous loans, such as consumer installment or home equity credit, are given a standard risk rating that is adjusted on a delinquency basis. Residential mortgage loans are not individually risk-rated, but are identified as a pool of loans. Delinquent mortgage loans are segregated and allowance allocations are determined based on the same factors utilized for risk-rated loans.

An unallocated allowance is maintained to recognize the imprecision in estimating and measuring loss when evaluating reserves for individual loans or pool of loans and to provide for the Company's exposure to inherent but undetected losses within the overall loan portfolio.

Historical loss rates for commercial and consumer loans may be adjusted for significant factors that, in our judgment, reflect the impact of any current conditions on loss recognition. Factors that we consider in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs, non-accrual and problem loans), changes in the internal lending policies and credit standards, collection practices and examination results from bank regulatory agencies and our internal loan reviews.

Allowances for individual loans are reviewed monthly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

Premises and Equipment. Premises and equipment are stated at cost less accumulated depreciation. The book value of our premises and equipment was adjusted to the fair market value at the closing of the bank acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets for book purposes and accelerated methods for tax purposes. Ordinary maintenance and repairs are charged to expense as incurred.

Real Estate Owned. Real estate acquired in foreclosure or other settlement of loans is initially recorded at the lower of fair market value of the assets received (less estimated selling costs) or the recorded investment in the loan at the date of transfer. Any adjustment to fair market value at the date of transfer is charged against the allowance for loan losses. Subsequent write-downs are charged to operating expense including charges relating to operating, holding or disposing of the property.

Goodwill. In 2001, the Financial Accounting Standards Board (FASB) issued two new Statements of Financial Accounting Standards (SFAS), SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. The Company adopted these statements in 2001, however, there was no Goodwill on the balance sheet at that time. In 2002, the Company has implemented these statements in conjunction with the purchase of the Bank. In accordance with SFAS No. 142, goodwill deemed to have an indefinite life will no longer be amortized but will be subject to impairment tests in accordance with this statement. In 2003, the Company will perform the required impairment tests of goodwill and will determine if any impairment exists as of the valuation date relative to the fair value of the Company's net assets compared to the cost basis. If for any future period we determine that there has been impairment

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in the carrying value of our goodwill balances, we will record a charge to our earnings, which could have a material adverse effect on our net income.

The October 2002 acquisition of the Bank resulted in \$4.0 million in goodwill that will not be amortized. There were no core deposit intangible assets to be recorded on the acquisition due to the historically low interest rate environment and since the rates being paid on the bank's deposits plus the related costs associated with servicing the deposits exceeded the cost of alternative funding sources. There were no deferred tax assets recorded as a result of the acquisition. In the unlikely event that there is a future impairment and subsequent write-down in our goodwill, we will not be able to recognize any tax benefit from the impairment recognition.

Income Taxes. Income taxes are accounted for under the liability method, in which deferred income taxes are recognized as a result of temporary differences between the financial reporting basis and the tax basis of our assets and liabilities.

Cash and Cash Equivalents. For purposes of the Combined Statements of Cash Flows, we consider cash and due from banks, federal funds sold and other overnight investments to be cash equivalents. Cash balances in excess of Federal Depositors Insurance Corporation limits at December 31, 2002 were \$962,451.

Critical Accounting Policies. We have established various accounting policies, which govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in these footnotes to the Consolidated Financial Statements. Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of operations of our company.

We believe the allowance for loan losses is our critical accounting policy that requires the most significant judgments and estimates used in the preparation of our Consolidated Financial Statements. The information included above in this footnote details our estimation processes and methodology related to the allowance for loan losses.

Recently Issued Accounting Pronouncements. In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, Guarantors' Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 requires certain guarantees to be recorded at fair value and applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying account related to an asset, liability or equity security of the guaranteed party. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified subsequent to December 31, 2002. FIN 45 also expands the disclosures to be made by guarantors, effective as of December 15, 2002, to include the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for

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the guarantor's obligation under the guarantee. Guarantees for standby letters of credit entered into by the Company are disclosed in Footnote 15. The Company does not expect the requirements of FIN 45 to have a material impact on its results of operations, financial position or liquidity.

Accounting for Stock-Based Compensation. In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, which provides transition guidance from accounting under APB Opinion No. 25, Accounting for Stock Issued to Employees, to SFAS No. 123's, Accounting for Stock-Based Compensation, which provides for a fair value method of accounting, if a company elects. We have elected to continue to account for stock-based employee compensation under APB Opinion No. 25.

At December 31, 2002, the Company had a stock-based employee compensation plan, which is described more in Note 13. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25 and related interpretations. No stock option based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following table illustrates the effect on net income and earnings per share if the company has applied the fair value recognition provisions of SFAS No. 123 to stock option based employee compensation. As discussed in Footnote 2, the fair value of the stock options issued as of December 31, 2002 will reflect the tentative offer by KNK.

	(Dollars in thousands, except per share data)
Net income as reported	\$ 211
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax expense benefit	(7)
Pro forma net income	\$ 204
Shares outstanding:	
Issued	483,826
Dilutive effect of options outstanding	489
Fully diluted shares	484,315
Earnings per share:	
Basic-as reported	\$ 0.44
Basic-pro forma	\$ 0.42
Diluted-as reported	\$ 0.44
Diluted-pro forma	\$ 0.42

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Note 2: Subsequent Event:

On May 27, 2003, Aviston Financial Corporation and Kankakee Bancorp (KNK) announced a proposed merger of Aviston Financial Corporation with and into Kankakee Bancorp. After the completion of the merger, the name of the company will be Kankakee Bancorp, Inc.

At the same time as or shortly following the merger of Aviston Financial Corporation into KNK, it is proposed that the KNK subsidiary thrift, KFS Bank, F.S.B. be merged into the State Bank of Aviston.

The proposed merger would exchange one share of Aviston Financial Corporation stock for 0.707 shares of KNK.

The Board of Directors of Aviston Financial Corporation has agreed to allow those employees with options outstanding the chance to exercise their options, as all options outstanding at the time of the merger will be extinguished. The approximate net value after exercise price of \$20 per share, to the employee is \$7 per share.

Note 3. Acquisition:

On October 23, 2002, we completed the 100% acquisition of Aviston Bancorp, Inc., the 100% parent of the State Bank of Aviston (the Bank). Aviston Bancorp, Inc. ceased operations on the date of the acquisition and was dissolved June 3, 2003. The operations of the Bank are included in our consolidated Statements of Income from the date of acquisition. The acquisition of the Bank will allow our shareholders the opportunity to participate in the unique experience of running a successful community bank and participating in the growth of its operations.

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The following table summarizes the estimated fair market values of the Bank's unaudited assets and liabilities at the date of the acquisition:

	October 23, 2002
	(In thousands)
Cash and cash equivalents	\$ 4,338
Investment securities	29,782
Net loans	58,848
Premises and equipment	1,295
Intangible assets	4,000
Other assets	680
Total assets acquired	\$ 98,943
Deposits	\$ 85,920
FHLB advances	400
Other liabilities	42
Total liabilities assumed	86,362
Net assets acquired or (liabilities) assumed	\$ 12,581

The purchase price of the Bank was \$12 million. The payment of the purchase was for \$8.7 million in cash at close, a non-interest bearing note to the seller of \$2.0 million non-interest bearing payable in equal semi-annual installments of \$100,000 beginning in April of 2003, and a non-interest bearing escrow account of \$1.3 million for repayment to the Bank in the event certain specific loans are charged-off.

The \$1.3 million of the original purchase price was placed in escrow as a part of the acquisition of the Bank. The escrow was deemed necessary to cover potential losses on specific loans identified during our pre-acquisition due diligence. The escrow funds are to be held until specific loans have been paid off or restructured. If in the event that these loans result in a charge-off or are restructured to the detriment to the Bank, then the escrowed funds will be returned to us. The funds can then be used to increase the capital of the Bank by offsetting the loan loss provision expense that would be necessary if a loss were to be recognized on these loans.

The Bank was founded in 1909. The Bank's longevity, community service, and goodwill within the community and outlying areas created goodwill in excess of the fair market value of the Bank's underlying assets.

Table of Contents**Note 4. Investment Securities:**

All of the Company's investment securities have been classified in the Consolidated Balance Sheet as available for sale with the exception of the Federal Home Loan Bank stock. The following chart summarizes the company's investment securities at December 31, 2002:

	December 31, 2002			Fair Value
	Gross		Gross Unrealized Losses	
	Amortized	Unrealized		
	Cost	Gains	Losses	
(In thousands)				
U.S. government and agency securities	\$ 19,412	\$ 137	\$	\$ 19,549
State and municipal securities	4,121	16		4,137
Mortgage-backed securities	334			334
Federal Home Loan Bank stock	315			315
Other securities	3,284			3,284
Total	\$ 27,466	\$ 153	\$	\$ 27,619

The Bank, as a member of the Federal Home Loan Bank of Chicago (the FHLB), is required to maintain an investment in capital stock of the FHLB in an amount equal to 1% of its outstanding home loans. No ready market exists for the FHLB stock, and it has no quoted market value. For disclosure purposes, such stock is assumed to have a market value that is equal to cost.

During the 69-day period ending December 31, 2002, the Company sold only one security holding. The Bank's investments in FarmerMac securities were sold for \$11,000. The Company realized gains on the security sale of \$9,000.

Investment securities with a carrying value of \$6.9 million at December 31, 2002 were pledged to secure public deposits and short-term borrowings as required or permitted by law.

The contractual maturities of securities at December 31, 2002 were as follows:

December 31, 2002

Amortized Fair

Cost Value

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	(In thousands)	
Due in one year or less	\$ 3,360	\$ 3,360
Due from one year to five years	13,394	13,481
Due from five years to ten years	10,053	10,119
Due after ten years		
	-----	-----
Subtotal	26,807	26,960
Federal Home Loan stock	315	315
Mortgage-backed securities	344	344
	-----	-----
Total	\$ 27,466	\$ 27,619
	-----	-----

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Table of Contents**Note 5. Loans:**

The components of loans in the Consolidated Balance Sheet were as follows:

	December 31, 2002
	(In thousands)
Commercial	\$ 7,599
Real estate-construction	2,013
Real estate-mortgage:	
One-to four-family residential	20,664
Multi-family and commercial	13,945
Agricultural	9,841
Consumer and other	8,079
Total loans	62,141
Allowance for loan losses	(1,264)
Net loans	\$ 60,877

An analysis of the change in the allowance for loan losses follows:

	(In thousands)
Beginning balance October 24, 2002	\$
Purchase of Bank	1,263
Loan value activity	
Loans charged off	(89)
Recoveries	38
Net loans charged off	(51)
Provision for loan loss	52
Ending balance December 31, 2002	\$ 1,264

We believe that our allowance for loan losses is adequate relative to the inherent risk in our loan portfolio and in conjunction with the loan escrow held by the Parent Company. In reviewing the adequacy of allowance of loan losses, we considered the factors described in Note 1 to these consolidated financial statements as well as our loan growth and our strategic intention to increase the amount of larger commercial real estate loans.

The recorded investment in loans that were considered to be impaired was \$38,000 at December 31, 2002, all of which have had the accrual of interest discontinued. The related allowance for these impaired loans was \$25,000. Interest income that would have been recognized for

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non-accrual loans and cash basis income on non-accrual loans was not significant in 2002. Other real estate owned and foreclosed assets were \$22,700 at December 31, 2002.

Our subsidiary bank and we have entered into transactions with our directors, significant shareholders and affiliates (related parties). Such transactions were made in the ordinary course of

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business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans outstanding to such related parties at December 31, 2002, totaled \$387,000. In addition, there were unfunded loan commitments to related parties of \$900,000 at December 31, 2002. During 2002, \$197,000 of new loans and \$118,000 of repayments were made on related party loans. As of December 31, 2002, no related party loans were past due 30 days or more.

Note 6. Premises and Equipment:

Components of premises and equipment as of December 31, 2002 were as follows:

	December 31, 2002
	(In thousands)
Land	\$ 90
Bank premises	1,146
Furniture and equipment	62
Total cost	1,298
Less accumulated depreciation	(14)
Net book value	\$ 1,284

At December 31, 2002, we do not have any material leases on any premises or equipment.

Note 7. Goodwill:

Our goodwill of \$4 million from the acquisition on October 23, 2002 of our subsidiary bank, and in accordance with guidance of SFAS 142, this goodwill will not be amortized but will be subject to annual impairment tests. There was no deferred tax assets recorded as a result of the recognition of goodwill. In the unlikely event that there is a future impairment and subsequent write-down in our goodwill, we will not be able to recognize any tax benefit from the impairment recognition.

Table of Contents**Note 8. Deposits:**

Deposits consisted of the following:

	December 31, 2002
	(In thousands)
Non interest-bearing	\$ 7,852
Interest-bearing demand	7,135
Money market accounts	8,712
Savings	8,456
Time and IRA certificates under \$100,000	44,180
Total core deposits	76,335
Time and IRA certificates over \$100,000	6,499
Total deposits	\$ 82,834

Amounts and Maturities of Certificates of Deposit

	December 31, 2002
	(In thousands)
Due in one year or less	\$ 30,129
Due from one year to three years	17,142
Due from three years to five years	3,408
Due after five years	
Total	\$ 50,679

Note 9. Income Taxes:

Our results include income tax expense (benefit) as follows:

	Period Ended
	December 31, 2002
	(In thousands)
Current	

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Federal	\$	151
State and local		2
Deferred		
Total	\$	153

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The tax effects of temporary differences that gave rise to the net deferred tax liability of \$481,552 at December 31, 2002 is presented below:

	(In thousands)
Deferred tax assets:	
Allowance for loan losses	\$ 161
Purchase accounting adjustment related to deposit liabilities purchased	300
	<hr/>
Total deferred tax assets	461
	<hr/>
Deferred tax liabilities:	
Depreciation (Includes purchase price accounting)	(380)
Purchase accounting adjustment related to security valuations	(330)
Investments in debt and equity securities	(64)
Section 481(a) adjustment on accrual conversion	(13)
Other	(117)
	<hr/>
Total deferred tax liabilities	(904)
	<hr/>
Net deferred tax liability	\$ (443)
	<hr/>

A valuation allowance would be provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. We had not established a valuation allowance as of December 31, 2002, due to management's belief that all criteria for recognition had been met, including the existence of a history of taxes paid sufficient to support the realization of the deferred tax assets.

Income tax expense as reported differs from the amounts computed by applying the statutory federal income tax rate to pre-tax income as follows:

	Period Ended
	December 31, 2002
	<hr/>
	(In thousands)
Computed expected tax expense	\$ 165
Tax-exempt income	(12)
	<hr/>
Total income tax expense	\$ 153
	<hr/>

Table of Contents**Note 10. Notes payable:**

Notes payable were as follows at year-end:

	December 31, 2002
	(In thousands)
Bank loan	\$ 625
Note payable	2,000
Total notes payable	\$ 2,625

The Bank loan with Union Planters Bank is a \$2 million revolving line of credit with interest due quarterly at a floating rate equal to prime less 0.25%. Under the terms of the current notes payable to bank, we and/or our subsidiaries are required to maintain certain financial ratios and are limited with respect to cash dividends, capital expenditures and the incurrence of additional indebtedness without prior approval.

The \$2 million note payable is due to the shareholders of Aviston Bancorp, from whom we bought the Bank. The note is for a ten-year term with no separately stated or payable interest. The note is payable in twenty semi-annual installments of \$100,000 each, the first such payment being due on April 23, 2003. This note is backed by a letter of credit issued by an unaffiliated bank for the benefit of Aviston Bancorp's shareholders.

Note 11. Federal Home Loan Bank Advances:

Federal Home Loan Bank (FHLB) advances consisted of the following at year-end:

	December 31, 2002
	(In thousands)
Notes payable to FHLB, interest payable monthly at rates of 5.85% and 5.97%, principal balance due at maturity of April 1, 2003 and April 1, 2005, secured by stock in FHLB and certain loans	\$ 400

A summary of projected annual principal reductions of Federal Home Loan Bank advances as of December 31, 2002 is as follows:

Year	Annual
—	Principal

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	Reductions
	(In thousands)
2003	\$ 200
2004	
2005	200
Total	\$ 400

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As collateral for the Federal Home Loan Bank advances, State Bank of Aviston has entered into a blanket agreement that pledges first mortgage loans, commercial real estate loans and specific investment securities with advance rates of 135%, 175% and 105%, respectively, of the collateral. As of December 31, 2002, the Bank had pledged \$400,000 of securities to fully collateralize its borrowings.

Note 12. Employee Benefits:

We have a profit sharing plan in effect for substantially all full-time employees. Salaries and employee benefits expense included \$20,319 and \$4,000 for the period ended October 23, 2002 and December 31, 2002 respectively for such plan. Contributions under the profit sharing plan are made at the discretion of our management and Board of Directors and therefore will never become an un-funded liability.

Note 13. Stock Option Plan:

Subsequent to the acquisition we began offering a stock option plan to our directors and certain of our key employees. Our shareholders approved the plan for the issuance of options to purchase 75,000 shares of our common stock as a part of our private placement offering completed in 2002 to acquire the Bank. Options are granted, by action of our Board of Directors, to acquire stock at no less than 100% of fair market value at the date of the grant, for a term of up to ten years.

At December 31, 2002, 59,000 shares remained available for option grants under this program. The following table summarizes option activity to date and the current options outstanding and exercisable:

	Period Ended	
	December 31, 2002	
	Weighted-	
	Average	
	Shares	Option Price
	_____	_____
Outstanding, beginning of period		
Granted	16,000	\$ 20.00
Exercised		
Canceled		

Outstanding, end of year	16,000	\$ 20.00

Since the options were issued at the same time and price as the closing of the offering, weighted-average fair value of options granted during the year were not significantly more than the issuance price. The Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited.

Table of Contents**Note 14. Concentrations of Credit:**

Substantially all of our loans, commitments and commercial and standby letters of credit have been granted to customers that are customers of our subsidiary bank in our market area and we are thereby subject to this significant concentration of credit risk. The concentrations of credit by type of loan are set forth in Note 5. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. Investments in state and municipal securities also involve governmental entities within our market area.

Note 15. Financial Instruments:

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets. The contract or notional amounts of these instruments reflect the extent of our involvement in particular classes of financial instruments.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit and financial guarantees written is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

A summary of the unaudited notional amounts of our financial instruments with off-balance sheet risk at December 31, 2002 follows:

	December 31, 2002
	(In thousands)
Commitments to extend credit	\$ 2,088
Standby letters of credit	90

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the bank upon extension of credit, is based on management's credit evaluation of the counterparties. Collateral held varies but may include accounts receivable, inventory, property, plant, equipment and real estate.

Standby letters of credit and financial guarantees written are conditional commitments issued by our bank to guarantee the performance of a customer to a third party. Those guarantees

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are primarily issued to support contractual obligations of our customers. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The carrying amount and unaudited estimated fair values of our financial instruments were as follows:

	December 31, 2002	
	Carrying	Fair
	Amount	Value
	(Unaudited)	
	(In thousands)	
Financial Assets:		
Cash and due from banks, federal funds sold and other overnight investments	\$ 2,059	\$ 2,059
Securities available-for-sale	27,619	27,619
Loans, net of allowance	60,877	61,627
Accrued interest receivable	565	565
Financial Liabilities:		
Deposits	\$ 82,834	\$ 82,377
Notes payable	2,625	2,200
Federal Home Loan Bank advances	400	365
Accrued interest payable	295	295

We used the following methods and assumptions in estimating fair values of financial instruments as disclosed herein:

Cash and Short-Term Instruments: The carrying amounts of cash and due from banks and federal funds sold approximate their fair value.

Securities: Fair values for available-for-sale securities are based on quoted market prices or dealer quotes, where available. If quoted market prices are not available for a specific security, fair values are based on quoted market prices of comparable instruments.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for fixed-rate loans are estimated using discounted cash flow analyses and applying interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The fair values for nonperforming loans are estimated using assumptions regarding current assessments of collectibility and historical loss experience.

Deposits: The fair values disclosed for deposits generally payable on demand, such as non interest-bearing checking accounts, savings accounts, NOW accounts and market rate deposit accounts, are by definition, equal to the amount payable on demand at the reporting date. The carrying amounts for variable-rate, fixed-term market rate deposit accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of

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deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates of similar remaining maturities to a schedule of aggregated monthly maturities on time deposits.

Notes Payable: The carrying amounts of notes payable are estimated using discounted cash flow analyses and applying interest rates currently being offered for loans with similar terms.

Federal Home Loan Debt: The fair values of our Federal Home Loan Bank advances are based on estimates using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of debt instruments.

Off-Balance Sheet Financial Instruments: The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counter parties drawing on such financial instruments and the present creditworthiness of such counter parties. We believe such commitments have been made on terms which are competitive in the markets in which we operate; however, no premium or discount is offered thereon and accordingly, we have assigned a fair value of such instruments which equals carrying value for the purposes of this disclosure.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument. Because no market exists for a significant portion of our financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in many of the estimates.

Note 16. Regulatory Matters:

Our subsidiary bank and we are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can result in mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct, material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we and our subsidiary bank must meet specific capital guidelines that involve quantitative measures of our and the bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. We and our subsidiary bank's capital amounts and classifications also are

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subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulators to ensure capital adequacy require our subsidiary bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of December 31, 2002, our subsidiary bank met all applicable capital adequacy requirements. Since our consolidated assets are less than \$150 million, our regulators monitor the capital adequacy of our subsidiary bank and do not measure our holding company's capital adequacy.

The actual and required capital amounts and ratios as of December 31, 2002, for the State Bank of Aviston are listed in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2002:						
Total Capital (to Risk-Weighted Assets)	\$ 9,313	15.36%	\$ 4,836	8.00%	\$ 6,046	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	8,551	14.11	2,418	4.00	3,627	6.00
Tier 1 Capital (to Average Assets)	8,551	9.15	3,740	4.00	4,675	5.00

Note 17. Parent Company Condensed Financial Information:

Following are the condensed financial statements for Aviston Financial Corporation (parent company only) for the period indicated:

Balance Sheet

	December 31, 2002
	(In thousands)
Assets:	
Cash and cash equivalents	\$ 41
Investment in subsidiary	12,643
Total assets	\$ 12,684

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Liabilities and shareholders equity:	
Notes payable	\$ 2,625
Other liabilities	80
	<hr/>
Total liabilities	2,705
Total shareholders equity	9,979
	<hr/>
Total liabilities and shareholders equity	\$ 12,684
	<hr/>

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Table of Contents**Statement of Income**

	69 Days Ended
	December 31, 2002
	(In thousands)
Income:	
Total income	\$
Expenses:	
Interest on debt	10
Other operating expenses	8
Total expenses	18
Loss before income tax benefit and equity in undistributed income of subsidiary	(18)
Income tax benefit	
Loss before equity in undistributed income of subsidiary	(18)
Equity in undistributed income of subsidiary	229
Net income	\$ 211

Table of Contents**Statement of Cash Flows**

	69 Days Ended
	December 31, 2002
	(In thousands)
Operating Activities:	
Net income	\$ 211
Adjustment to reconcile net income to net cash used in operating activities:	
Net income of subsidiary	(229)
Other, net	10
	<hr/>
Cash used in operating activities	(8)
	<hr/>
Investing Activities:	
Net cash paid on the purchase of subsidiary	(10,253)
Issuance of note payable	(2,000)
	<hr/>
Cash (used in) investing activities	(12,253)
	<hr/>
Financing Activities:	
Proceeds from issuance of common stock	9,677
Net increase in borrowings	2,625
	<hr/>
Cash provided by financing activities	12,302
	<hr/>
Net increase in cash and cash equivalents	41
Cash and cash equivalents, beginning of period	<hr/>
Cash and cash equivalents, end of year	\$ 41
	<hr/>

Note 18. Restrictions on Subsidiary Dividends:

Dividends from our subsidiary bank are the principal source of funds for payment of dividends by us to our shareholders. The payment of dividends by our subsidiary bank is subject to regulation by the Federal Deposit Insurance Corporation and the Illinois Commissioner of Banks. These payments are not restricted as to the amount of dividends that can be paid, other than what prudent and sound banking principles permit and what must be retained to meet minimum legal capital requirements. Accordingly, approximately \$605,000 at December 31, 2002, in addition to net income in 2003, could be paid without prior regulatory approval.

Table of Contents**CONSOLIDATED BALANCE SHEET****MARCH 31, 2003****(UNAUDITED)**

	March 31, 2003
	(In thousands)
Assets:	
Cash and due from banks	\$ 1,794
Federal funds sold	2,713
Investment securities:	
Available-for-sale (at estimated market value)	20,702
Loans, net of allowance for loan losses of \$1,397	65,600
Premises and equipment	1,301
Accrued interest and other assets	1,066
Cost in excess of fair value of net assets acquired	4,000
	<hr/>
Total assets	\$ 97,176
	<hr/>
Liabilities and shareholders equity:	
Deposits:	
Non interest-bearing	\$ 5,845
Interest-bearing	66,463
Certificates of deposit over \$100,000	6,720
	<hr/>
Total deposits	79,028
	<hr/>
Federal Home Loan Bank advances	4,388
Notes payable	2,625
Accrued expenses and other liabilities	669
	<hr/>
Total liabilities	86,710
	<hr/>
Shareholders equity:	
Common stock, \$10 par value authorized 750,000 shares; issued and outstanding 483,826 shares	4,838
Capital surplus	4,838
Retained earnings	590
Accumulated other comprehensive income	200
	<hr/>
Total shareholders equity	10,466
	<hr/>
Total liabilities and shareholders equity	\$ 97,176
	<hr/>

See accompanying notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENT OF INCOME****FOR THE THREE MONTHS ENDED MARCH 31, 2003****(UNAUDITED)**

	March 31, 2003
	(In thousands)
Interest income:	
Interest and fees on loans	\$ 1,084
Investment securities	313
Federal funds sold	3
Total interest income	1,400
Interest expense:	
Deposits	534
Borrowings	37
Total interest expense	571
Net interest income	829
Provision for loan losses	142
Net interest income after provision for loan losses	687
Non-interest income:	
Service charges on deposits	31
Net gain on sale of loans and securities	177
Other income	6
Total non-interest income	214
Non-interest expense:	
Salaries and employee benefits	202
Occupancy	22
Telephone and postage	12
Furniture and equipment	12
Data processing expense	25
Other expense	73
Total non-interest expense	346
Income before income taxes	555
Provision for income taxes	176
Net income	\$ 379

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2003

(UNAUDITED)

	<u>Common Stock</u>		<u>Capital Surplus</u>	<u>Retained Earnings</u>	<u>Comprehensive Income(Loss)</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Par</u>				<u>Other</u>	<u>Comprehensive</u>
						<u>Shareholders Equity</u>	<u>Comprehensive Income</u>
(Dollars in thousands)							
Balance December 31, 2002	483,826	\$ 4,838	\$ 4,838	\$ 211	\$ 92	\$ 9,676	
Net income				379		379	\$ 379
Change in net unrealized gain on available-for-sale securities, net of tax					108	108	108
Comprehensive income							\$ 487
Cash dividends declared							
Balance March 31, 2003	483,826	\$ 4,838	\$ 4,838	\$ 590	\$ 200	\$ 10,466	

See accompanying notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2003****(UNAUDITED)**

	(In thousands)
Operating Activities	
Net income	\$ 379
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	15
Provision for loan loss	133
Other changes in assets and liabilities:	
Accrued interest receivable	40
Other assets	8
Accrued interest payable	(26)
Other accrued liabilities	(33)
Other assets (Holding Company)	(6)
	<hr/>
Cash provided (used) by operating activities	509
	<hr/>
Investing Activities:	
Proceeds from sales and maturities of securities	5,907
Loans made to customers, net of repayments	(4,856)
Additions to premises and equipment, net	(32)
Net purchase accounting adjustments	
Goodwill from purchase of subsidiary	
	<hr/>
Cash provided (used) by investing activities	1,019
	<hr/>
Financing Activities:	
Net (decrease) increase in deposits	(3,068)
Net (decrease) increase in short-term borrowings	3,988
	<hr/>
Cash (used) provided by financing activities	920
	<hr/>
Net (decrease) increase in cash and cash equivalents	2,448
Cash and cash equivalents, beginning of year	2,059
Cash and cash equivalents, end of year	\$ 4,507
	<hr/>
Supplemental information:	
Cash paid for interest expense	\$ 597
Cash paid for income taxes	\$ 245

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies:

Basis of Presentation. The accompanying Consolidated Financial Statements include the accounts of Aviston Financial Corporation and its subsidiaries, Aviston Bancorp, Inc. and its subsidiary State Bank of Aviston. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. All significant intercompany transactions and balances have been eliminated. The significant accounting policies are summarized below.

All amounts disclosed in schedules and not within the footnote itself are in thousands. Balances referenced within the footnote are rounded to whole dollars unless otherwise noted.

Business. Our bank subsidiary, State Bank of Aviston, operates within one segment, the banking industry, and provides a full range of banking services to individual and corporate customers primarily in the immediate area surrounding Aviston, Illinois as well as to customers in the greater St. Louis, Missouri metropolitan area. Our bank is subject to intense competition from other financial institutions. Our bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Aviston Bancorp, Inc. is the original holding company owner of State Bank of Aviston. Created in 1972 to allow greater flexibility in raising capital for the Bank, Aviston Bancorp, Inc. was dissolved on June 3, 2003. There was no tax affect to the dissolution.

Accounting Estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Comprehensive Income. Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Investment Securities. Securities may be classified as held-to-maturity or available-for-sale. Only those securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and are reported at amortized cost. Securities that are purchased with the intent to hold for an indefinite period of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold to meet liquidity needs, are classified as available-for-sale securities. Available-for-sale securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, reported in other comprehensive income. Interest and dividends on securities, including amortization of premium and accretion of discounts, are reported in interest income using the interest method. Realized securities gains or losses are reported in the Consolidated Statements of Income. Gains and losses

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on securities are determined based on the specific identification method. As of March 31, 2003, all of our investment securities that are being used in our asset/liability strategy were classified as available-for-sale.

Loans. Interest income on loans is generally accrued on a simple interest basis. Loan fees charged by the bank represent an estimate of direct out-of-pocket costs associated with the loan and therefore have not been capitalized by the Bank. Loan fees and direct costs of loan originations during the period ended March 31, 2003 were immaterial and recorded as the income was received or the expense was incurred.

When, in management's opinion, interest on a loan will not be collected in the normal course of business or when either principal or interest is past due over 90 days, that loan is generally placed on non-accrual status. When a loan is placed on non-accrual status, accrued interest for the current year is reversed and charged against current earnings, and accrued interest from prior years is charged against the allowance for loan losses. Interest payments received on non-accrual loans are applied to principal if there is doubt as to the collectibility of such principal; otherwise, these receipts are recorded as interest income. A loan remains on non-accrual status until the loan is current as to payment of both principal and interest and/or the borrower demonstrates the ability to pay and remain current.

Allowance for Loan Losses. We maintain an allowance to absorb losses inherent in the loan portfolio. Credit losses are charged and recoveries are credited to the allowance. Provisions for credit losses are credited to the allowance in an amount that we consider necessary to maintain an appropriate allowance given the risk identified in the portfolio. The allowance is based on ongoing monthly assessments of the estimated losses inherent in the loan portfolio. Our monthly evaluation of the adequacy of the allowance is comprised of the following elements.

Larger commercial loans and any additional loans that exhibit potential or observed credit weaknesses are subject to individual review. Where appropriate, specific allowances are made for individual loans based on our estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and collection options available to us.

Included in the review of individual loans are those that are impaired and we consider all non-accrual and renegotiated loans to be impaired. Any reserves for impaired loans are measured based on the present value of expected future cash flows discounted at the loans' effective interest rate or fair value of the underlying collateral, if the loan is collateral dependent. We evaluate the collectibility of both principal and interest when assessing the need for loss accrual.

Loans are graded on a risk-rating system that encompasses seven categories. Collateral protection and the borrower's ability to repay loan obligations define each category. Historic loss rates and observed industry standards are utilized to determine the appropriate allocation percentage for each loan grade.

Homogenous loans, such as consumer installment or home equity credit, are given a standard risk rating that is adjusted on a delinquency basis. Residential mortgage loans are not individually risk-rated, but are identified as a pool of loans. Delinquent mortgage loans are segregated and allowance allocations are determined based on the same factors utilized for risk-rated loans.

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An unallocated allowance is maintained to recognize the imprecision in estimating and measuring loss when evaluating reserves for individual loans or pool of loans and to provide for the Company's exposure to inherent but undetected losses within the overall loan portfolio.

Historical loss rates for commercial and consumer loans may be adjusted for significant factors that, in our judgment, reflect the impact of any current conditions on loss recognition. Factors that we consider in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs, non-accrual and problem loans), changes in the internal lending policies and credit standards, collection practices and examination results from bank regulatory agencies and our internal loan reviews.

Allowances for individual loans are reviewed monthly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

Premises and Equipment. Premises and equipment are stated at cost less accumulated depreciation. The book value of our premises and equipment was adjusted to the fair market value at the closing of the bank acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets for book purposes and accelerated methods for tax purposes. Ordinary maintenance and repairs are charged to expense as incurred.

Real Estate Owned. Real estate acquired in foreclosure or other settlement of loans is initially recorded at the lower of fair market value of the assets received (less estimated selling costs) or the recorded investment in the loan at the date of transfer. Any adjustment to fair market value at the date of transfer is charged against the allowance for loan losses. Subsequent write-downs are charged to operating expense including charges relating to operating, holding or disposing of the property.

Goodwill. In 2002, the Company implemented Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. In accordance with SFAS No. 142, goodwill deemed to have an indefinite life will no longer be amortized but will be subject to impairment tests in accordance with this statement. In 2003, the Company will perform the required impairment tests of goodwill and will determine if any impairment exists as of the valuation date relative to the fair value of the Company's net assets compared to the cost basis. If for any future period we determine that there has been impairment in the carrying value of our goodwill balances, we will record a charge to our earnings, which could have a material adverse effect on our net income.

The October 2002 acquisition of the Bank resulted in \$4.0 million in goodwill that will not be amortized. There were no core deposit intangible assets to be recorded on the acquisition due to the historically low interest rate environment and since the rates being paid on the bank's deposits plus the related costs associated with servicing the deposits exceeded the cost of alternative funding sources. There were no deferred tax assets recorded as a result of the goodwill. In the unlikely event that there is a future impairment and subsequent write-down in our goodwill, we will not be able to recognize any tax benefit from the impairment recognition.

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Income Taxes. Income taxes are accounted for under the liability method, in which deferred income taxes are recognized as a result of temporary differences between the financial reporting basis and the tax basis of our assets and liabilities.

Cash and Cash Equivalents. For purposes of the Combined Statements of Cash Flows, we consider cash and due from banks, federal funds sold and other overnight investments to be cash equivalents. There were 91 cash balances in excess of Federal Depositors Insurance Corporation limits at March 31, 2003 totaling \$17,319,000.

Recently Issued Accounting Pronouncements. In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, *Guarantors Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45)*. FIN 45 requires certain guarantees to be recorded at fair value and applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying account related to an asset, liability or equity security of the guaranteed party. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified subsequent to December 31, 2002. FIN 45 also expands the disclosures to be made by guarantors, effective as of December 15, 2002, to include the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligation under the guarantee. Guarantees for standby letters of credit entered into by the Company are disclosed in Footnote 14. The Company does not expect the requirements of FIN 45 to have a material impact on its results of operations, financial position or liquidity.

Critical Accounting Policies. We have established various accounting policies, which govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in these footnotes to the Consolidated Financial Statements. Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of operations of our company.

We believe the allowance for loan losses is our critical accounting policy that requires the most significant judgments and estimates used in the preparation of our Consolidated Financial Statements. The information included above in this footnote details our estimation processes and methodology related to the allowance for loan losses.

Table of Contents**Note 2. Investment Securities:**

All of the Company's investment securities have been classified in the Consolidated Balance Sheet as available for sale with the exception of the Federal Home Loan Bank stock. The following chart summarizes the company's investment securities at March 31, 2003:

	Amortized	Gross Unrealized	Gross Unrealized	Fair
	Cost	Gains	Losses	Value
	(In thousands)			
U.S. government and agency securities	\$ 16,542	\$ 163	\$	\$ 16,705
State and municipal securities	3,619	171		3,790
Mortgage-backed securities	99			99
Federal Home Loan Bank stock	320			320
Other securities	108			108
Total	\$ 20,688	\$ 334	\$	\$ 21,022

The Bank, as a member of the Federal Home Loan Bank of Chicago (the "FHLB"), is required to maintain an investment in capital stock of the FHLB in an amount equal to 1% of its outstanding home loans. No ready market exists for the FHLB stock and it has no quoted market value. For disclosure purposes, such stock is assumed to have a market value that is equal to cost.

Proceeds from the sale of securities by the Company during the period ended March 31, 2003 were \$3,022,000. Investment securities with a carrying value of \$5.1 million at March 31, 2003 were pledged to secure public deposits and short-term borrowings as required or permitted by law.

The contractual maturities of securities at March 31, 2003 were as follows:

	Amortized	Fair
	Cost	Value
	(In thousands)	
Due in one year or less	\$ 2,501	\$ 2,501
Due from one year to five years	9,956	10,136
Due from five years to ten years	7,704	7,858
Due after ten years		
Subtotal	20,161	20,495
Federal Home Loan stock	320	320
Mortgage-backed securities	99	99

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Mutual funds	<u>108</u>	<u>108</u>
Total	<u>\$ 20,688</u>	<u>\$ 21,022</u>

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Table of Contents**Note 3. Loans:**

The components of loans in the Consolidated Balance Sheets as of March 31, 2003 were as follows:

	Cost
	(In thousands)
Commercial	\$ 8,130
Real estate-construction	1,647
Real estate-mortgage:	
One to four-family residential	20,530
Multi-family and commercial	21,255
Agricultural	6,983
Consumer and other	8,452
Total loans	66,997
Allowance for loan losses	(1,397)
Net loans	\$ 65,600

An analysis of the change in the allowance for loan losses follows:

	(In thousands)
Ending balance December 31, 2002	\$ 1,264
Loans charged off	(19)
Recoveries	10
Net loans charged off	(9)
Provision for loan loss	142
Ending balance March 31, 2003	\$ 1,397

In addition to the Bank's allowance for loan losses of \$1,397,000, \$1.3 million of the original purchase price was placed in escrow as a part of the acquisition of the Bank. The escrow was deemed necessary to cover potential losses on specific loans identified during our pre-acquisition due diligence. As of March 31, 2003, none of the specific loans had been charged off, however, two loans have been identified subsequent to that date, which will be restructured and charged-off. The escrow funds will be utilized to reimburse the Bank for these write-offs.

We believe that our allowance for loan losses is adequate relative to the inherent risk in our loan portfolio. In reviewing the adequacy of allowance of loan losses, we considered the factors described in Note 1 to these consolidated financial statements as well as our loan growth and our strategic intention to increase the amount of larger commercial real estate loans.

The recorded investment in loans that were considered to be impaired was \$134,000 at March 31, 2003, all of which have had the accrual of interest discontinued. The related allowance for these impaired loans was \$87,000. Interest income that would have been recognized for non-accrual loans and cash basis income on non-accrual loans was not significant in 2003.

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As of March 31, 2003, the Bank did not have any other real estate owned and foreclosed.

Our subsidiary bank and we have entered into transactions with our directors, significant shareholders and affiliates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans outstanding to such related parties at March 31, 2003, totaled \$350,000. In addition, there were unfunded loan commitments to related parties of \$900,000 at March 31, 2003. During 2003 no new loans have been made to related parties. As of March 31, 2003, no related party loans were past due 30 days or more.

Note 4. Premises and Equipment:

Components of premises and equipment, net of accumulated depreciation were as follows as of March 31, 2003:

	(In thousands)
Land	\$ 90
Bank premises	1,152
Furniture and equipment	59
	<hr/>
Net book value	\$ 1,301
	<hr/>

At March 31, 2003, we do not have any material leases on any premises or equipment.

Note 5. Goodwill:

Goodwill of \$4 million was booked as a result of the acquisition on October 23, 2002 of our subsidiary bank. No event has occurred which would leave us to believe that impairment in the goodwill has occurred. We anticipate subjecting the goodwill to impairment tests in the third quarter of the current year. In the unlikely event that there is a future impairment and subsequent write-down in our goodwill, we will not be able to recognize any tax benefit from the impairment recognition.

Table of Contents**Note 6. Deposits:**

Deposits consisted of the following at March 31, 2003:

	(In thousands)
Non interest-bearing	\$ 5,845
Interest-bearing demand	4,727
Money market accounts	10,584
Savings	8,852
Time and IRA certificates under \$100,000	42,300
	<hr/>
Total core deposits	72,308
Time and IRA certificates over \$100,000	6,720
	<hr/>
Total deposits	\$ 79,028

Amounts and Maturities of Certificates of Deposit at March 31, 2003 were as follows:

	(In thousands)
Due in one year or less	\$ 29,388
Due from one year to three years	16,025
Due from three years to five years	3,607
Due after five years	
	<hr/>
Total	\$ 49,020

Note 7. Income Taxes:

Our results include income tax expense (benefit) as follows for the period ending March 31, 2003:

	(In thousands)
Current	
Federal	\$ 185
State and local	21
Deferred	(30)
	<hr/>
Total	\$ 176

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The tax effects of temporary differences that gave rise to the net deferred tax liability of \$230,000 at March 31, 2003 was primarily related to non-deductible purchase price adjustments to pre-acquisition book balances.

A valuation allowance would be provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. We had not established a valuation allowance as of March 31, 2003, due to management's belief that all criteria for recognition had been met, including the existence of a history of taxes paid sufficient to support the realization of the deferred tax assets.

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Table of Contents**Note 8. Notes payable:**

Notes payable were as follows at March 31, 2003:

	(In thousands)
Bank loan	\$ 625
Note payable	2,000
	<hr/>
Total notes payable	\$ 2,625
	<hr/>

The Bank loan is a \$2 million revolving line of credit with interest due quarterly at a floating rate equal to prime less 0.25%. Under the terms of the current notes payable to bank, we and/or our subsidiaries are required to maintain certain financial ratios and are limited with respect to cash dividends, capital expenditures and the incurrence of additional indebtedness without prior approval.

The \$2 million note payable is due to the shareholders of Aviston Bancorp, from whom we bought the Bank. The note is for a ten-year term with no separately stated or payable interest. The note is payable in 20 semi-annual installments of \$100,000 each, the first such payment was paid on April 23, 2003. This note is backed by a letter of credit issued by an unaffiliated bank for the benefit of Aviston Bancorp's shareholders.

Note 9. Federal Home Loan Bank Advances:

Federal Home Loan Bank (FHLB) advances consisted of the following at March 31, 2003:

	(In thousands)
Notes payable to FHLB, interest payable monthly at rates of 5.85% and 5.97%, principal balance due at maturity of April 1, 2003 and April 1, 2005, secured by stock in FHLB and certain loans	\$ 4,388

A summary of projected annual principal reductions of Federal Home Loan Bank advances as of March 31, 2003 is as follows:

Year	Annual Principal Reductions
	<hr/>
	(In thousands)
2003	\$ 200
2004	

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2005	4,188
Total	\$ 4,388

As collateral for the Federal Home Loan Bank advances, State Bank of Aviston has entered into a blanket agreement that pledges first mortgage loans, commercial real estate loans

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and specific investment securities with advance rates of 135%, 175% and 105%, respectively, of the collateral. Because of the economic advantage of utilizing this form of borrowing the Bank will undergo loan collateral examination testing in support of their blanket pledge of loans in the third quarter of the year.

Note 10. Employee Benefits:

We have a profit sharing plan in effect for substantially all full-time employees. Salaries and employee benefits expense included \$6,096 for the period ended March 31, 2003 for the plan. Contributions under the profit sharing plan are made at the discretion of our management and Board of Directors and therefore will never become an un-funded liability.

Note 11. Stock Option Plans:

Subsequent to the acquisition we began offering a stock option plan to our directors and certain of our key employees. Our shareholders approved the plan for the issuance of options to purchase 75,000 shares of our common stock as a part of our private placement offering completed in 2002 to acquire the Bank. Options are granted, by action of our Board of Directors, to acquire stock at no less than 100% of fair market value at the date of the grant for a term of up to ten years.

At March 31, 2003, 45,000 shares were issued and outstanding and 30,000 shares remained available for issuance under this program.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, which provides transition guidance from accounting under APB Opinion No. 25, Accounting for Stock Issued to Employees, to SFAS No. 123, Accounting for Stock-Based Compensation, which provides for a fair value method of accounting, if a company elects. We have elected to continue to account for stock-based employee compensation under APB Opinion No. 25. Accordingly, no stock option based employee compensation cost is reflected in net income, as all options granted under our plan had an exercise price equal to the market value of the underlying common stock on the date of the grant.

The following table illustrates the effect on net income and earnings per share if the company applied the fair value recognition provisions of SFAS No. 123 to stock options based employee compensation. The fair market value of the outstanding shares is assumed to be the exercise price on the proposed merger with Kankakee Bancorp or \$38.

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	(Dollars in thousands, except per share data)
Net income, as reported	\$ 379
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax expense benefit	(31)
Pro forma net income	\$ 348
Shares outstanding:	
Issued	483,826
Dilutive effect of options outstanding	3,391
Fully diluted shares	487,217
Earnings per share:	
Basic-as reported	\$ 0.78
Basic-pro forma	\$ 0.72
Diluted-as reported	\$ 0.78
Diluted-pro forma	\$ 0.71

Pursuant to the adoption of the merger agreement with Kankakee Bancorp, any outstanding options to purchase shares of Aviston Financial common stock must be exercised or extinguished prior to the completion of the merger. It is assumed that all options will be exercised prior to the completion of the merger.

Note 12. Concentrations of Credit

Substantially all of our loans, commitments and commercial and standby letters of credit have been granted to customers that are customers of our subsidiary bank in our market area and we are thereby subject to this significant concentration of credit risk. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. Investments in state and municipal securities also involve governmental entities within our market area.

Note 13. Financial Instruments:

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount

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recognized in the Consolidated Balance Sheets. The contract or notional amounts of these instruments reflect the extent of our involvement in particular classes of financial instruments.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit and financial guarantees written is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

A summary of the unaudited notional amounts of our financial instruments with off-balance sheet risk at March 31, 2003 follows:

	(In thousands)
Commitments to extend credit	\$ 2,210
Standby letters of credit	94

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the bank upon extension of credit, is based on management's credit evaluation of the counterparties. Collateral held varies but may include accounts receivable, inventory, property, plant, equipment and real estate.

Standby letters of credit and financial guarantees written are conditional commitments issued by our bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support contractual obligations of our customers. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Note 14. Regulatory Matters:

Our subsidiary bank and we are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can result in mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct, material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we and our subsidiary bank must meet specific capital guidelines that involve quantitative measures of our and the bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. We and our subsidiary bank's capital amounts and classifications also are subject to qualitative judgments by the regulators about components, risk weightings and other factors.

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Quantitative measures established by regulators to ensure capital adequacy require our subsidiary bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of March 31, 2003, our subsidiary bank met all applicable capital adequacy requirements. Since our consolidated assets are less than \$150 million, our regulators monitor the capital adequacy of our subsidiary bank and do not measure our holding company's capital adequacy.

The actual and required capital amounts and ratios as of March 31, 2003, for the State Bank of Aviston are listed in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)	\$ 9,747	15.23%	\$ 5,119	8.00%	\$ 6,399	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	8,940	13.97	2,560	4.00	3,839	6.00
Tier 1 Capital (to Average Assets)	8,940	9.63	3,712	4.00	4,640	5.00

Note 15. Parent Company Condensed Financial Information:

Following are our condensed financial statements (parent company only) for the period indicated:

Balance Sheet

	March 31, 2003
	(In thousands)
Assets:	
Cash and cash equivalents	\$ 25
Investment in subsidiary	13,140
Other assets	6
Total assets	\$ 13,171
Liabilities and shareholders equity:	
Notes payable	\$ 2,625
Other liabilities	80

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Total liabilities	2,705
Total shareholders' equity	10,466
Total liabilities and shareholders' equity	\$ 13,171

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	Three Months Ended
	March 31, 2003
	(In thousands)
Income:	
Total income	\$ 0
Expenses:	
Interest on debt	6
Other operating expenses	10
Total expenses	16
Loss before income tax benefit and equity in undistributed income of subsidiary	(16)
Income tax benefit	6
Loss before equity in undistributed income of subsidiary	(10)
Equity in undistributed income of subsidiary	389
Net income	\$ 379

Statement of Cash Flows

	Three Months Ended
	March 31, 2003
	(In thousands)
Operating Activities:	
Net income	\$ 379
Adjustment to reconcile net income to net cash used in operating activities:	
Net income of subsidiaries	(389)
Other, net	(6)
Cash used in operating activities	(16)
Net decrease in cash and cash equivalents	(16)
Cash and cash equivalents, beginning of period	41
Cash and cash equivalents, end of year	\$ 25

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APPENDIX A

AGREEMENT AND PLAN OF MERGER

BETWEEN

KANKAKEE BANCORP, INC.

AND

AVISTON FINANCIAL CORPORATION

MAY 27, 2003

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (together with all exhibits and schedules, this **Agreement**) is entered into as of May 27, 2003, between **KANKAKEE BANCORP, INC.**, a Delaware corporation (**KNK**), and **AVISTON FINANCIAL CORPORATION**, an Illinois corporation (**AFC**).

RECITALS

A. The parties to this Agreement desire to effect a reorganization whereby KNK desires to acquire control of AFC through the merger (the **Merger**) of AFC with and into KNK, with KNK being the surviving corporation (the **Surviving Corporation**).

B. Pursuant to the terms of this Agreement, each outstanding share of the capital stock of AFC, which is comprised of one class of common stock, \$10.00 par value per share (**AFC Common Stock**), shall be converted at the effective time of the Merger into the right to receive 0.707 shares of common stock of KNK, \$0.01 par value per share (**KNK Common Stock**).

C. The parties desire to make certain representations, warranties and agreements in connection with the Merger and also agree to certain prescribed conditions to the Merger.

AGREEMENTS

In consideration of the foregoing premises and the following mutual promises, covenants and agreements, the parties hereby agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions. In addition to those terms defined throughout this Agreement, the following terms, when used herein, shall have the following meanings.

(a) **Acquisition Transaction** shall have the meaning set forth in **Section 6.7(b)**.

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(b) **Adjusted Shareholders Equity** means the consolidated shareholders equity of AFC, calculated in accordance with GAAP and reflecting the recognition of or accrual for all expenses paid or incurred or projected to be paid or incurred by AFC or the Bank in connection with this Agreement and the Contemplated Transactions (including all fees and expenses incurred in connection with obtaining shareholder approval and of any attorneys, accountants, brokers, finders, investment bankers or consultants), but adjusted to exclude any expenses incurred or accounting or other adjustments made pursuant to **Section 2.11** or **Section 6.12** of this Agreement. AFC's Adjusted Shareholders Equity shall be calculated by AFC's independent certified public accountants as of the close of business at the last day of the month immediately preceding the Closing Date, using reasonable estimates of revenues and expenses

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where actual amounts are not available. Such calculation shall be subject to verification and approval prior to the Closing by certified public accountants selected by KNK, which approval shall not be unreasonably withheld.

- (c) **AFC** shall have the meaning set forth in the Preamble.
- (d) **AFC Common Stock** shall have the meaning set forth in the Recitals.
- (e) **AFC Employee Benefit Plans** shall have the meaning set forth in **Section 4.18(m)**.
- (f) **AFC Financial Statements** shall have the meaning set forth in **Section 4.7**.
- (g) **AFC Loans** shall have the meaning set forth in **Section 4.11**.
- (h) **AFC Real Estate** shall have the meaning set forth in **Section 6.5**.
- (i) **AFC Schedules** shall have the meaning set forth in **Section 1.2(b)**.
- (j) **AFC Stock Option** means each of the 45,000 stock options granted to a Person by AFC, under the AFC Stock Option Plan or otherwise, prior to the date of this Agreement that is outstanding on the date hereof.
- (k) **AFC Stock Option Plan** means the Aviston Financial Corporation 2002 Stock Incentive Plan.
- (l) **AFC Subsidiary** means any Subsidiary of AFC.
- (m) **AFC Termination** shall have the meaning set forth in **Section 11.3(b)**.
- (n) **Affiliate** means with respect to:

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(i) a particular individual: (A) each other member of such individual's Family; (B) any Person that is directly or indirectly controlled by such individual or one or more members of such individual's Family; (C) any Person in which such individual or members of such individual's Family hold (individually or in the aggregate) a Material Interest; and (D) any Person with respect to which such individual or one or more members of such individual's Family serves as a director, officer, partner, executor or trustee (or in a similar capacity); and

(ii) a specified Person other than an individual: (A) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person; (B) any Person that holds a Material Interest in such specified Person; (C) each Person that serves as a director, officer, partner, executor or trustee of such specified Person (or in a similar capacity); (D) any Person in which such specified Person holds a Material Interest; (E) any Person

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with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity); and (F) any Affiliate of any individual described in clause (B) or (C) of this subsection (ii).

(o) **Agreement** shall have the meaning set forth in the Preamble.

(p) **AMEX Rules** shall have the meaning set forth in **Section 4.4**.

(q) **Applicable Contract** means any Contract: (i) under which a Person has or has the right to acquire any rights; (ii) under which such Person has or has the right to become subject to any obligation or liability; or (iii) by which such Person or any of the assets owned or used by such Person is or has the right to become bound.

(r) **Bank** means the State Bank of Aviston, an Illinois chartered commercial bank with its main office located in Aviston, Illinois, and a wholly-owned subsidiary of AFC.

(s) **Bank Merger** means the merger of KFS Bank with and into and under the charter of the Bank.

(t) **Bank Shares** shall have the meaning set forth in **Section 4.6**.

(u) **Best Efforts** means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved as expeditiously as possible, *provided, however*, that an obligation to use Best Efforts under this Agreement does not require the Person subject to that obligation to take actions that would result in a materially adverse change in the benefits to such Person of this Agreement and the Contemplated Transactions.

(v) **BHCA** shall have the meaning set forth in **Section 4.1**.

(w) **Breach** means with respect to a representation, warranty, covenant, obligation or other provision of this Agreement or any instrument delivered pursuant to this Agreement: (i) any inaccuracy in or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation or other provision; or (ii) any claim (by any Person) or other occurrence or circumstance that is or was inconsistent with such representation, warranty, covenant, obligation or other provision, and the term **Breach** means any such inaccuracy, breach, failure, claim, occurrence or circumstance.

(x) **Business Day** means any day on which the trading of stock occurs on the American Stock Exchange.

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- (y) **Call Reports** means the quarterly reports of income and condition required to be filed with the Federal Deposit Insurance Corporation.

- (z) **Certificates** shall have the meaning set forth in **Section 3.2(a)**.

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- (aa) **Change of Control Agreements** means the agreements between KNK and each of Bryan L. Marsh and Brad Rench in the form attached as Exhibit B and Exhibit C, respectively, to this Agreement.
- (bb) **Closing** shall have the meaning set forth in **Section 2.2(a)**.
- (cc) **Closing Date** shall have the meaning set forth in **Section 2.2(a)**.
- (dd) **Code** means the Internal Revenue Code of 1986, as amended.
- (ee) **Commissioner** means the Commissioner of the Office of Banks and Real Estate for the State of Illinois.
- (ff) **Contemplated Transactions** means all of the transactions contemplated by this Agreement, including: (i) the Merger; (ii) the Bank Merger; (iii) the performance by KNK and AFC of their respective covenants and obligations under this Agreement; (iv) KNK's acquisition of control of AFC and, indirectly, the Bank; and (v) KNK's issuance of shares of KNK Common Stock pursuant to the Registration Statement in exchange for shares of AFC Common Stock.
- (gg) **Contract** means any agreement, contract, obligation, promise or understanding (whether written or oral and whether express or implied) that is legally binding.
- (hh) **CRA** means the Community Reinvestment Act, as amended.
- (ii) **DGCL** means the Delaware General Corporation Law, as amended.
- (jj) **Dissenting Shares** shall have the meaning set forth in **Section 3.4**.
- (kk) **Effective Time** shall have the meaning set forth in **Section 2.2(b)**.
- (ll) **Employment Agreement** means the agreement between KNK and Thomas A. Daiber providing for possible employment of Mr. Daiber upon the consummation of the Contemplated Transactions in the form attached as Exhibit A to this Agreement.

(mm) **Environment** shall have the meaning set forth in **Section 4.21**.

(nn) **ERISA** means the Employee Retirement Income Security Act of 1974, as amended.

(oo) **Exchange Act** means the Securities Exchange Act of 1934, as amended.

(pp) **Exchange Agent** shall have the meaning set forth in **Section 3.2(a)**.

(qq) **Exchange Ratio** shall have the meaning set forth in **Section 3.1(b)**.

(rr) **Exchange Shares** shall have the meaning set forth in **Section 3.1(b)**.

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(ss) **Expenses** shall have the meaning set forth in **Section 11.3(a)**.

(tt) **Family** means with respect to an individual: (i) the individual; (ii) the individual's spouse and any former spouse; (iii) any other natural person who is related to the individual or the individual's spouse within the second degree; and (iv) any other individual who resides with such individual.

(uu) **FDI Act** shall have the meaning set forth in **Section 4.4**.

(vv) **FDIC** means the Federal Deposit Insurance Corporation.

(ww) **Federal Reserve** means the Board of Governors of the Federal Reserve System.

(xx) **GAAP** means generally accepted accounting principles in the United States, consistently applied.

(yy) **Hazardous Materials** shall have the meaning set forth in **Section 4.21**.

(zz) **HOLA** shall have the meaning set forth in **Section 5.1**.

(aaa) **IBCA** means the Illinois Business Corporation Act of 1983, as amended.

(bbb) **Illinois Banking Act** shall have the meaning set forth in **Section 4.4**.

(ccc) **Illinois Statutes** shall have the meaning set forth in **Section 4.4**.

(ddd) **Intellectual Property Assets** shall have the meaning set forth in **Section 4.18(g)**.

(eee) **KFS Bank** means KFS Bank, F.S.B., a federal savings bank with its main office located in Kankakee, Illinois, and a wholly-owned subsidiary of KNK.

(fff) **KFS Bank Shares** shall have the meaning set forth in **Section 5.6**.

(ggg) **KNK** shall have the meaning set forth in the Preamble.

(hhh) **KNK Common Stock** shall have the meaning set forth in the Recitals.

(iii) **KNK Financial Statements** shall have the meaning set forth in **Section 5.7**.

(jjj) **KNK Loans** shall have the meaning set forth in **Section 5.11**.

(kkk) **KNK Schedules** shall have the meaning set forth in **Section 1.2(b)**.

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(lll) **KNK SEC Reports** means the annual, quarterly and other reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) filed by KNK with the SEC.

(mmm) **KNK Subsidiary** means any Subsidiary of KNK.

(nnn) **Knowledge** with respect to:

(i) an individual means that such person will be deemed to have **Knowledge** of a particular fact or other matter if: (A) such individual is actually aware of such fact or other matter; or (B) a prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting a reasonably comprehensive investigation concerning the existence of such fact or other matter; and

(ii) a Person (other than an individual) means that such Person will be deemed to have **Knowledge** of a particular fact or other matter if any individual who is serving as a director, officer, manager, partner, executor or trustee of such Person (or in any similar capacity) has **Knowledge** of such fact or other matter.

(ooo) **Legal Requirement** means any federal, state, local, municipal, foreign, international, multinational or other Order, constitution, law, ordinance, regulation, rule, policy statement, directive, statute or treaty.

(ppp) **Letter of Transmittal** shall have the meaning set forth in **Section 3.2(a)**.

(qqq) **Material Adverse Effect** with respect to a Person (other than an individual) means, a material adverse effect (whether or not required to be accrued or disclosed under Statement of Financial Accounting Standards No. 5): (i) on the condition (financial or otherwise), properties, assets, liabilities, businesses or results of operations of such Person; or (ii) on the ability of such Person to perform its obligations under this Agreement on a timely basis.

(rrr) **Material Interest** means the direct or indirect beneficial ownership (as currently defined in Rule 13d-3 under the Exchange Act) of voting securities or other voting interests representing at least 10% of the outstanding voting power of a Person or equity securities or other equity interests representing at least 10% of the outstanding equity securities or equity interests in a Person.

(sss) **Merger** shall have the meaning set forth in the Recitals.

(ttt) **Order** means any award, decision, injunction, judgment, order, ruling, extraordinary supervisory letter, policy statement, memorandum of understanding, resolution, agreement, directive, subpoena or verdict entered, issued, made, rendered or required by any court, administrative or other governmental agency, including any Regulatory Authority, or by any arbitrator.

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(uuu) **Ordinary Course of Business** means any action taken by a Person only if such action:

(i) is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person;

(ii) is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority), other than loan approvals for customers of a financial institution; and

(iii) is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any Person or group of Persons exercising similar authority), other than loan approvals for customers of a financial institution, in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

(vvv) **OTS** means the Office of Thrift Supervision.

(www) **Person** means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union or other entity or Regulatory Authority.

(xxx) **Proceeding** means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any judicial or governmental authority, including a Regulatory Authority, or arbitrator.

(yyy) **Proxy Statement-Prospectus** shall have the meaning set forth in **Section 8.2**.

(zzz) **Registration Statement** shall have the meaning set forth in **Section 8.2**.

(aaaa) **Regulatory Authority** means any federal, state or local governmental body, agency, court or authority that, under applicable Legal Requirements: (i) has supervisory, judicial, administrative, police, enforcement, taxing or other power or authority over AFC, KNK, or any of their respective Subsidiaries; (ii) is required to approve, or give its consent to the Contemplated Transactions; or (iii) with which a filing must be made in connection therewith, including, in any case, the Federal Reserve, the OTS, the FDIC and the Commissioner.

(bbbb) **Representative** means with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.

(cccc) **Schedules** shall have the meaning set forth in **Section 1.2(b)**.

(ddd) **SEC** means the Securities and Exchange Commission.

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(eeee) **SEC Filings** shall have the meaning set forth in **Section 7.3**.

(ffff) **Securities Act** means the Securities Act of 1933, as amended.

(gggg) **Significant Subsidiary** shall have the meaning set forth in **Section 6.7(b)**.

(hhhh) **Subsequent AFC Financial Statements** shall have the meaning set forth in **Section 6.4**.

(iiii) **Subsequent KNK Financial Statements** shall have the meaning set forth in **Section 7.3**.

(jjjj) **Subsidiary** means with respect to any Person (the **Owner**), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred) are held by the Owner or one or more of its Subsidiaries.

(kkkk) **Surviving Corporation** shall have the meaning set forth in the Recitals.

(llll) **Tax** means any tax (including any income tax, capital gains tax, value-added tax, sales tax, property tax, gift tax or estate tax), levy, assessment, tariff, duty (including any customs duty), deficiency or other fee, and any related charge or amount (including any fine, penalty, interest or addition to tax), imposed, assessed or collected by or under the authority of any Regulatory Authority or payable pursuant to any tax-sharing agreement or any other Contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency or fee.

(mmmm) **Tax Return** means any return (including any information return), report, statement, schedule, notice, form or other document or information filed with or submitted to, or required to be filed with or submitted to, any Regulatory Authority in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

(nnnn) **Termination Date** shall have the meaning set forth in **Section 11.1(d)**.

(oooo) **TFR** means the quarterly Thrift Financial Report of Condition required to be filed with the OTS.

(pppp) **Threatened** means a claim, Proceeding, dispute, action or other matter for which any demand or statement has been made (orally or in writing) or any notice has been given (orally or in writing), or if any other event has occurred or any other circumstances exist, that would lead a

prudent Person with knowledge of such event or circumstances to conclude that

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such a claim, Proceeding, dispute, action or other matter is likely to be asserted, commenced, taken or otherwise pursued in the future.

Section 1.2 Principles of Construction.

(a) In this Agreement, unless otherwise stated or the context otherwise requires, the following uses apply: (i) actions permitted under this Agreement may be taken at any time and from time to time in the actor's sole discretion; (ii) references to a statute shall refer to the statute and any successor statute, and to all regulations promulgated under or implementing the statute or its successor, as in effect at the relevant time; (iii) in computing periods from a specified date to a later specified date, the words **from** and **commencing on** (and the like) mean **from and including**, and the words **to**, **until** and **ending on** (and the like) mean **to, but excluding**; (iv) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority or instrumentality; (v) indications of time of day mean Kankakee, Illinois time; (vi) **including** means **including, but not limited to**; (vii) all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Agreement unless otherwise specified; (viii) all words used in this Agreement will be construed to be of such gender or number as the circumstances and context require; (ix) the captions and headings of articles, sections, schedules and exhibits appearing in or attached to this Agreement have been inserted solely for convenience of reference and shall not be considered a part of this Agreement nor shall any of them affect the meaning or interpretation of this Agreement or any of its provisions; and (x) any reference to a document or set of documents in this Agreement, and the rights and obligations of the parties under any such documents, shall mean such document or documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof.

(b) The schedules of each of AFC and KNK referred to in this Agreement (the **AFC Schedules** and the **KNK Schedules**, respectively, and collectively the **Schedules**) shall consist of the agreements and other documentation described and referred to in this Agreement with respect to such party, which Schedules were delivered by each of AFC and KNK to the other before the date of this Agreement. Any item or matter disclosed on any Schedule shall be deemed to be disclosed for all purposes on all other Schedules, to the extent that it should have been disclosed on such other Schedule, to the extent that sufficient details are set forth so that the purpose for which disclosure is made is reasonably clear. In the event of any inconsistency between the statements in the body of this Agreement and those in the Schedules (other than an exception expressly set forth as such in the Schedules), the statements in the body of this Agreement will control.

(c) All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

(d) With regard to each and every term and condition of this Agreement and any and all agreements and instruments subject to the terms hereof, the parties hereto understand and agree that the same have or has been mutually negotiated, prepared and drafted, and that if at any time the parties hereto desire or are required to interpret or construe any such term or

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condition or any agreement or instrument subject hereto, no consideration shall be given to the issue of which party hereto actually prepared, drafted or requested any term or condition of this Agreement or any agreement or instrument subject hereto.

ARTICLE 2

THE MERGER

Section 2.1 The Merger. Provided that this Agreement shall not prior thereto have been terminated in accordance with its express terms, upon the terms and subject to the conditions of this Agreement and in accordance with the applicable provisions of the DGCL and the IBCA, at the Effective Time (as defined below), AFC shall be merged with and into KNK pursuant to the provisions of, and with the effects provided in, the DGCL and the IBCA, the separate corporate existence of AFC shall cease and KNK will be the Surviving Corporation. As a result of the Merger, each share of AFC Common Stock issued and outstanding immediately prior to the Effective Time, other than Dissenting Shares (as defined below), will be converted into the right to receive 0.707 shares of KNK Common Stock as provided in **Section 3.2**.

Section 2.2 Effective Time; Closing.

(a) Provided that this Agreement shall not prior thereto have been terminated in accordance with its express terms, the closing of the Merger (the **Closing**) shall occur through the mail or at a place that is mutually acceptable to KNK and AFC, or if they fail to agree, at the offices of Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC, located at 333 W. Wacker Drive, Suite 2700, Chicago, Illinois 60606, at 10:00 a.m. on the date that is ten Business Days after the latest to occur of the receipt of all required approvals or consents of the Regulatory Authorities for the Contemplated Transactions, the expiration of all statutory waiting periods relating to such regulatory approvals and the receipt of the approvals of the shareholders of AFC and the stockholders of KNK, or at such other time and place as AFC and KNK may agree in writing (the **Closing Date**). Subject to the provisions of **Article 11**, failure to consummate the Merger on the date and time and at the place determined pursuant to this Section will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

(b) The parties hereto agree to file on the Closing Date: (i) an appropriate certificate of merger, as contemplated by Section 252 of the DGCL, with the Secretary of State of the State of Delaware; and (ii) appropriate articles of merger, as contemplated by Section 11.25 of the IBCA, with the Secretary of State of the State of Illinois. The Merger shall be effective upon the close of business on the day the certificate and articles of merger have been duly filed with and accepted by the Secretary of State of the States of Delaware and Illinois (the **Effective Time**).

Section 2.3 Effects of Merger. At the Effective Time, the effect of the Merger shall be as provided in Sections 251, 252, 259, 260 and 261 of the DGCL and Section 11.50 of the IBCA. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, powers and franchises of KNK and AFC shall be vested in the Surviving

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Corporation, and all debts, liabilities and duties of KNK and AFC shall become the debts, liabilities and duties of the Surviving Corporation.

Section 2.4 Certificate of Incorporation. Subject to **Section 7.2** at the Effective Time, the certificate of incorporation of KNK as in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation.

Section 2.5 Bylaws. Subject to **Section 7.2** at the Effective Time, the bylaws of KNK as in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation until thereafter amended in accordance with applicable law.

Section 2.6 Board of Directors. From and after the Effective Time, until duly changed in compliance with applicable law and the certificate of incorporation and bylaws of the Surviving Corporation and, subject to **Section 7.12**, the board of directors of the Surviving Corporation shall consist of the directors of KNK immediately prior to the Effective Time.

Section 2.7 Management. From and after the Effective Time, the officers of KNK shall be the officers of KNK immediately prior to the Effective Time, and, in addition, Thomas A. Daiber shall be the Chief Executive Officer and President of KNK.

Section 2.8 KNK's Deliveries at Closing. At the Closing, KNK shall deliver or cause to be delivered the following items to or on behalf of AFC:

(a) evidence of the delivery by KNK or its agents to the Exchange Agent (as defined below) of: (i) certificates representing the number of shares of KNK Common Stock to be issued in exchange for the shares of AFC Common Stock pursuant to the terms of this Agreement; and (ii) an aggregate amount of cash equal to the total fractional shares of KNK Common Stock that former holders of AFC Common Stock would be entitled to receive;

(b) a good standing certificate for KNK issued by each of the Secretary of State of the States of Delaware and Illinois, and dated in each case not more than ten Business Days prior to the Closing Date;

(c) a copy of the certificate of incorporation of KNK certified not more than ten Business Days prior to the Closing Date by the Secretary of State of the State of Delaware;

(d) a certificate of the Secretary or any Assistant Secretary of KNK dated the Closing Date certifying a copy of the bylaws of Acquiror;

(e) copies of resolutions of the board of directors and stockholders of KNK authorizing and approving this Agreement and the consummation of the Contemplated Transactions certified as of the Closing Date by the Secretary or any Assistant Secretary of Acquiror;

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(f) a certificate executed by KNK dated the Closing Date stating that: (i) all of the representations and warranties of KNK set forth in this Agreement are true and correct with the same force and effect as if all of such representations and warranties were made at the

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Closing Date (*provided, however*, that to the extent such representations and warranties expressly relate to an earlier date, such representations and warranties shall be true and correct on and as of such earlier date), except for any untrue or incorrect representations or warranties that individually or in the aggregate do not have a Material Adverse Effect on KNK on a consolidated basis or on AFC's or its shareholders' rights or interests under this Agreement; and (ii) KNK has performed or complied with all of the covenants and obligations to be performed or complied with by it under the terms of this Agreement on or prior to the Closing Date, except where any non-performance or noncompliance would not have a Material Adverse Effect on KNK on a consolidated basis or on AFC's or its shareholders' rights or interests under this Agreement; and

(g) a copy of the tax opinion described in **Section 10.10**.

All of such items shall be reasonably satisfactory in form and substance to AFC and its counsel.

Section 2.9 AFC's Deliveries at Closing. At the Closing, AFC shall deliver the following items to KNK:

(a) a good standing certificate for AFC issued by the Secretary of State of the State of Illinois and dated not more than ten Business Days prior to the Closing Date;

(b) a copy of the articles of incorporation of AFC certified not more than ten Business Days prior to the Closing Date by the Secretary of State of the State of Illinois;

(c) a certificate of the Secretary or any Assistant Secretary of AFC dated the Closing Date certifying a copy of the bylaws of AFC;

(d) copies of resolutions of the board of directors and shareholders of AFC authorizing and approving this Agreement and the consummation of the Contemplated Transactions certified as of the Closing Date by the Secretary or any Assistant Secretary of AFC;

(e) a good standing certificate for the Bank issued by the Commissioner and dated not more than ten Business Days prior to the Closing Date;

(f) a copy of the charter of the Bank certified by the Commissioner and dated not more than ten Business Days prior to the Closing Date;

(g) a certificate of the Secretary of the Bank dated the Closing Date certifying a copy of the bylaws of the Bank and stating that there have been no further amendments to the charter of the Bank delivered pursuant to the immediately preceding paragraph of this Section;

(h) a certificate executed by AFC dated the Closing Date stating that: (i) all of the representations and warranties of AFC set forth in this Agreement are true and correct with the same force and effect as if all of such representations and warranties were made at the Closing Date

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(provided, however, that to the extent such representations and warranties expressly relate to an earlier date, such representations and warranties shall be true and correct on and as of such earlier date), except for any untrue or incorrect representations or warranties that

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individually or in the aggregate do not have a Material Adverse Effect on AFC on a consolidated basis or on KNK's or its stockholders' rights or interests under this Agreement; and (ii) AFC has performed or complied with all of the covenants and obligations to be performed or complied with by it under the terms of this Agreement on or prior to the Closing Date, except where any non-performance or noncompliance would not have a Material Adverse Effect on AFC on a consolidated basis or on KNK's or its stockholders' rights or interests under this Agreement;

(i) a list of all holders of AFC Common Stock as of the Closing Date and a list of all Persons as of the Closing Date who have the right at any time to acquire shares of AFC Common Stock, certified in each case by the Secretary or any Assistant Secretary of AFC;

(j) a certificate of each of AFC's legal counsel, accountants and financial advisor or investment banker, if any, representing that all fees and expenses relating to the Contemplated Transactions incurred by AFC prior to and including the Effective Time have been paid or otherwise accrued, in full for purposes of calculating the Adjusted Shareholders' Equity;

(k) at and pursuant to the request of KNK, a resignation from each of the directors and officers of AFC from such individual's position as a director and an officer of AFC, as the case may be; and