

PUBLIC DISCLOSURE

December 3, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Centerville State Bank
Certificate Number 15067**

**102 East Market Avenue
Centerville, Kansas 66014**

**Federal Deposit Insurance Corporation
2345 Grand Boulevard, Suite 1500
Kansas City, Missouri 64108**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution Rating.....	1
III.	Description of Institution.....	2
IV.	Description of Assessment Area.....	3
V.	Conclusions.....	5

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Centerville State Bank, Centerville, Kansas, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of December 3, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION RATING

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

Centerville State Bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area. This rating is supported by the following:

- The bank's net loan-to-deposit ratio demonstrates a reasonable level of effort to make loans.
- An analysis of agricultural loans (the bank's primary business focus) and commercial loans (excluding out-of-area participation loans purchased) indicates a substantial majority of the bank's loans have been extended to farmers and businesses located within the assessment area, which reflects the bank's commitment to its assessment area.
- The review of agricultural and commercial loans revealed the bank's lending to farms of varying sizes and to businesses of different income levels is reasonable considering the demographic composition of farmers and businesses in the bank's assessment area.
- The bank's agricultural and commercial loans are adequately disbursed throughout its assessment area, with no unusual lending gaps identified.
- There have been no CRA-related complaints received since the prior evaluation dated February 23, 1998.

DESCRIPTION OF INSTITUTION

Since the previous evaluation dated February 23, 1998, the subject bank, which is headquartered in Centerville, Kansas, has experienced a change in ownership. In February of 2001, 1st Financial Bancshares, Inc., a bank holding company located in Shawnee Mission, Kansas, purchased the bank. 1st Financial Bancshares, Inc., also owns 1st Financial Bank located in Overland Park, Kansas, which has branch offices in Sylvan Grove and Hunter, Kansas, and in Lees Summit, Missouri.

Centerville State Bank operates from its sole office in Centerville, Kansas. Centerville, which has an approximate population of 100, is an unincorporated town located in Linn County in rural southeast Kansas. The bank does not operate any branches or own any automated teller machines (ATMs).

The bank's September 30, 2002, Report of Condition reveals the bank reported total assets of \$8,570,000, net loans of \$2,373,000, and total deposits of \$7,568,000. Net loans represented 28 percent of the bank's total assets and 31 percent of its total deposits. Total outstanding loans as of September 30, 2002, were reported to be \$2,473,000.

The bank offers standard loan and deposit products. The bank's loan products include agricultural, residential real estate, commercial, and consumer loans. The loan products are considered capable of meeting the assessment area's credit needs. The bank offers government guaranteed loan products to small farm operations through the Farm Service Agency (FSA). The bank's loan portfolio currently holds one FSA loan, which was extended since the last CRA evaluation. The following table reflects the distribution of the bank's loan portfolio.

Distribution of Bank's Loans as of September 30, 2002		
Loan Type	Dollar Volume of Loans (000s)	Percent of Total Loans (rounded)
Construction and land development loans	\$294	12%
Loans secured by farmland (including farm residential and other improvements)	\$249	10%
Loans secured by 1-4 family residential properties (first liens)	\$270	11%
Loans secured by non-farm nonresidential properties	\$17	1%
Loans to finance agricultural production and other loans to farmers	\$458	19%
Commercial and industrial loans	\$630*	25%
Loans to individuals for household, family and other personal expenditures – includes revolving credit plans, single payment and installment loans	\$555*	22%
GROSS LOANS	\$2,473	100%

Source: September 30, 2002 Report of Condition

*Due to miscoding errors, consumer loans as reported above are overstated by \$400,000 and commercial loans are understated by \$400,000.

The bank is not experiencing any financial or economic hindrances in meeting the credit needs of the assessment area. However, a legal impediment was noted relating to the total amount of loans the bank can extend to any one borrower. State banking laws regulate a financial

institution’s lending limit. Currently, Centerville State Bank’s legal lending limit is less than \$250,000; however, a bank is legally capable of selling or participating portions of larger loans to other financial institutions.

Other factors, which hinder the bank’s ability to help meet community, needs include the limited accessibility of the bank and the sparsely populated area surrounding the bank. Centerville has an approximate population of 100 and is located on a county road approximately 15 miles east of a major highway. There is no access to a major highway to the east of Centerville. Blue Mound, Kansas, is approximately nine miles south of Centerville, and has a population of 277. Mound City, Kansas, the county seat, is approximately 21 miles southeast of Centerville and has a population of 821. Garnett, Kansas, is approximately 15 miles northwest of Centerville and, with a population of 3,368, is the largest town within a 20-mile radius of Centerville. There are four other financial institutions located in Blue Mound, Mound City, and Garnett. It appears the credit needs of individuals residing in nearby towns are being served by other financial institutions.

According to bank officials, Centerville State Bank’s local lending is primarily focused on agricultural-related loans with consumer loans being the secondary focus. As noted above, the loan portfolio consists of a large portion of commercial loans, which consist primarily of out-of-area participation loans purchased. A community member contacted during the evaluation indicated that automobile loans are very important to this area, as are small commercial, agricultural, and residential loans.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires financial institutions to identify one or more “assessment area(s)” within which the appropriate regulatory agency will evaluate the bank’s CRA performance. Typically, an institution’s assessment area will include the towns, cities, counties, or other political subdivisions in which its offices are located and a substantial portion of its loans are made. Assessment areas must consist of one or more “block numbering areas (BNAs)” or “census tracts (CTs)”, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan locations.

Median family income information from the 2000 Census is not yet available. Therefore, in order to determine the income category for each geography located in the bank’s assessment area, examiners compared the 1990 Census Bureau State of Kansas non-metropolitan median family income of \$28,067 to the median family income for each BNA.

<i>Low-income</i>	<i>Income of less than 50 percent of the area median family income (MFI)</i>
<i>Moderate-income</i>	<i>Income of at least 50 percent and less than 80 percent of the area MFI</i>
<i>Middle-income</i>	<i>Income of at least 80 percent and less than 120 percent of the area MFI</i>
<i>Upper-income</i>	<i>Income of at least 120 percent or more of the area MFI</i>

The bank has designated as its assessment area all of Linn County and a large portion of Anderson County except the northeast quarter of the county. The middle-income BNA in Anderson County containing the cities of Garnett and Greeley, Kansas, has been excluded from the bank’s assessment area. Linn and Anderson Counties are located in rural southeastern

Kansas in a non-metropolitan statistical area. The assessment area is comprised of three block numbering areas (BNAs) which are designated as middle-income based on the statewide median family income derived from the 1990 Census information. Linn County consists of BNAs 9551 and 9552 and includes the communities (with 2000 Census population figures) of Pleasanton (1,387), LaCygne (1,115), Mound City (821), Linn Valley (562), Parker (281), Prescott (280), Blue Mound (277), and the unincorporated town of Centerville (approximately 100). The portion of Anderson County in the bank’s assessment area consists of BNA 9537 and includes the communities of Colony (397), Kincaid (178), Westphalia (165), Harris (53), and Lone Elm (27). The bank’s sole office is located in BNA 9551 in Linn County. The population of the bank’s assessment area, based on 2000 Census data, approximates 12,643. The bank’s assessment area complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The following table reflects the demographic information from 2001 D&B Corporation Business Demographic Data for the major areas of employment for the portions of the two counties that are included in the bank’s assessment area. As noted below, the assessment area’s predominant areas of employment are agricultural- and service-related.

Employment Distribution		
Industry Sector	Anderson County BNA 9537	Linn County BNAs 9551 and 9552
Agriculture	37%	15%
Services	16%	26%
Retail Trade	5%	11%
Finance & Insurance	4%	7%
Construction	5%	7%
Transportation	4%	4%
Wholesale Trade	2%	3%
Manufacturing	0%	2%
Public Administration	0%	2%
Mining	2%	2%
Non classifiable	25%	21%
Totals	100%	100%

The primary employers in the bank’s assessment area are a power and light company, local governmental offices, unified school districts, a realty company, and a woodworking company. It is reported by bank management and by a community member that a large number of the Linn County residents commute to the Kansas City area for their employment.

Competition is strong among financial institutions in and near Centerville State Bank’s assessment area. Centerville State Bank competes with at least 10 other financial institutions that are either headquartered or have one or more branch offices within the bank’s assessment area. Additionally, the bank competes with Farm Services Agency, Production Credit Association, Federal Land Bank, and credit unions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The CRA rating for a small bank is based on five performance tests, four of which are related to the bank's lending performance. The fifth criterion is related to the bank's response to CRA-related complaints.

Loan-to-Deposit Ratio

Centerville State Bank has maintained a loan-to-deposit ratio that is reasonable given the institution's size, local economic conditions, local competition, area business opportunities, and assessment area credit needs. Since the February 23, 1998, evaluation, the bank's net loan-to-deposit ratio has experienced significant fluctuations due primarily to periodic changes in the levels of participation loans purchased from March 31, 2001 to September 30, 2002. The net loan-to-deposit ratio has ranged from a low of 22 percent (March 31, 1998) to a high of 69 percent (March 31, 2001). The bank's average net loan-to-deposit ratio is 35 percent for the 19-quarter period between March 31, 1998, and September 30, 2002. As of September 30, 2002, the bank's net loan-to-deposit ratio was 31 percent. Refer to the table below for the bank's quarterly net loan-to-deposit ratio trend.

Excluding the out-of-area loans from the bank's quarterly loan figures for the last seven quarters (without adjusting the total deposits for out-of-area deposits) would result in an approximate adjusted average net loan-to-deposit ratio of 22 percent.

Net Loan-to-Deposit Ratio Trend (000s omitted)				
Date	Total Assets	Net Loans	Total Deposits	Net Loan-to-Deposit Ratio
03-31-98	\$7,733	\$1,515	\$6,843	22%
06-30-98	\$7,228	\$1,804	\$6,259	29%
09-30-98	\$7,464	\$1,675	\$6,537	26%
12-31-98	\$7,107	\$1,598	\$6,203	26%
03-31-99	\$7,639	\$1,628	\$6,743	24%
06-30-99	\$7,098	\$1,580	\$6,249	25%
09-30-99	\$7,366	\$1,744	\$6,512	27%
12-31-99	\$7,277	\$1,770	\$6,468	27%
03-31-00	\$7,844	\$1,808	\$7,046	26%
06-30-00	\$7,115	\$1,939	\$6,298	31%
09-30-00	\$7,462	\$1,917	\$6,608	29%
12-31-00	\$6,977	\$1,757	\$6,096	29%
03-31-01	\$9,253	\$4,412	\$6,439	69%
06-30-01	\$9,192	\$4,881	\$7,337	67%
09-30-01	\$8,494	\$2,694	\$7,317	37%
12-31-01	\$8,204	\$2,564	\$7,125	36%
03-31-02	\$8,408	\$3,130	\$7,399	42%
06-30-02	\$8,374	\$4,279	\$7,334	58%
09-30-02	\$8,570	\$2,373	\$7,568	31%

The following table illustrates the asset size (as of September 30, 2002) and average net loan-to-deposit ratio (from March 31, 1998, through September 30, 2002) of this bank and three similarly situated banks in or near the bank’s assessment area. The banks are considered similarly-situated due to their close proximity to Centerville State Bank’s assessment area and its residents, the similar nature of their business and customers (agricultural loan products are the major focus), similar nature of the area they service (small towns and agricultural communities), and financial institution size.

Average Net Loan-to-Deposit Ratio Comparison						
Similarly Situated Financial Institutions In or Near the Bank’s Assessment Area						
Bank Name and Location*	Total Assets 09-30-02 (000s)	Total Deposits 09-30-02 (000s)	Change in Deposits 03-31-98 to 09-30-02	Net Loans 09-30-02 (000s)	Change in Loans 03-31-98 to 09-30-02	Average Net Loan-to-Deposit Ratio
Centerville State Bank Centerville, Kansas	\$8,570	\$7,568	11%	\$2,373	57%	35%
State Bank of Colony Colony, Kansas	\$12,629	\$10,982	(7%)	\$6,418	29%	56%
Farmers and Merchants Bank Mound City, Kansas	\$25,220	\$22,192	30%	\$14,330	77%	53%
Bank of Greeley Greeley, Kansas	\$26,512	\$22,613	30%	\$15,915	23%	70%

*Similarly situated lenders are listed in alphabetical order by the city in which they are chartered.

As noted previously, there are several other financial institutions that have offices in or nearby Centerville State Bank’s assessment area that are considered competitors of the subject bank. However, these financial institutions are not considered similarly situated because their asset size and/or major product emphasis differs from that of Centerville State Bank.

Although Centerville State Bank’s average net loan-to-deposit ratio is lower than the ratios of the other similarly situated banks, it is considered reasonable. Comments received from a community member contacted during this evaluation indicated that Centerville State Bank appears to be doing an adequate job of serving the credit needs of the area. Overall, the bank’s performance for this factor is reasonable.

Loan Sampling Procedures

Commercial loans have made up the largest portion of the bank’s loan portfolio since the ownership change; however, agricultural lending is considered to be the bank’s primary focus and consumer lending the secondary focus of Centerville State Bank. The bank’s loan portfolio as of September 30, 2002, was comprised of the following: commercial loans (54 percent, after adjusting for two participation loans that were incorrectly categorized as consumer loans), agricultural loans (29 percent), residential loans (11 percent), and consumer loans (6 percent, after adjustment). Therefore, agricultural and commercial loans, the two largest loan types, were reviewed for this CRA evaluation. Residential mortgage loans and consumer loans were not reviewed because they do not represent a significant portion of the bank’s loan portfolio.

Bank records show that during the 24-month period from December 3, 2000, through December 3, 2002, the bank has funded 95 agricultural loans totaling \$770,059 and 70 commercial loans totaling \$8,074,220. An analysis of a sample of the agricultural loans and all of the commercial loans was conducted to evaluate the bank's performance under three performance tests: (1) Lending in the AA; (2) Lending to agricultural operations of different sizes and borrowers of different income levels; and (3) Lending within the AA by geographic location. In order to achieve a 90 percent confidence interval with a 15 percent level of precision, the results of this evaluation are based upon a review of 37 agricultural loans totaling \$264,711 and 70 commercial loans totaling \$8,074,220 that were originated or refinanced during the past 24 months.

Lending in the Assessment Area

Centerville State Bank exhibits a level of lending within the assessment area that is considered reasonable. The analysis of the agricultural loans indicates that the bank originates a substantial majority of its agricultural loans within the assessment area. All of the 37 agricultural loans totaling \$264,711 that were reviewed had been advanced to farmers/stockmen with operations located within the assessment area. However, the analysis of the commercial loans revealed that the majority of the loans consisted of out-of-area participation loans purchased. Of the 70 commercial loans totaling \$8,074,220 that were reviewed, only 17 percent of the number of loans and 2 percent of the dollar volume of loans had been advanced to businesses within the assessment area. An analysis of all of the bank's outstanding loans as of September 30, 2002, revealed that 74 percent of the number and 37 percent of the dollar volume had been advanced to borrowers within the assessment area. Excluding the participation loans purchased reveals that 77 percent of the number of loans and 65 percent of the dollar volume of loans outstanding as of September 30, 2002, consisted of loans to borrowers within the bank's assessment area.

Lending to Agricultural Operations and to Businesses of Different Sizes

Agricultural Lending

Given the demographics of the assessment area and available information, the bank's record of lending among farms of different sizes is considered reasonable. For this analysis, the sampled agricultural loans were categorized according to the underlying farm's size, which was determined based on the annual gross revenues of the farm operation. The revenue information utilized was obtained from Federal income tax returns and discussions with bank management. The following table reflects the results of this analysis and illustrates only the borrowers with operations within the assessment area.

Bank's Record of Lending to Farms of Different Sizes in the Assessment Area				
Gross Revenues	Number of Loans	% of Total Number (rounded)	Dollar Volume of Loans	% of Total Dollar Volume (rounded)
Less than \$25,000	9	24%	\$44,453	17%
\$25,000 to \$49,999	20	54%	\$114,325	43%
\$50,000 to \$99,999	7	19%	\$44,000	17%
\$100,000 to \$249,999	1	3%	\$61,933	23%
\$250,000 to \$499,999	0	0%	\$0	0%
\$500,000 and Greater	0	0%	\$0	0%
Totals	37	100%	\$264,711	100%

Statistical information from the 1997 Agricultural Census conducted by the U.S. Census Bureau is provided in the following two tables. This information is not intended to be utilized as a direct comparison to the bank's distribution of lending to farms of different sizes, but is provided to offer a general idea of the income stratification of farms in the counties in the assessment area and the State of Kansas. The tables show the comparison of farms by acreage and by farm sales between the State and the counties in which the bank's assessment area is located. The tables reveal that the farms located in Linn County, where the majority of the bank's agricultural borrowers are located, are typically smaller in acreage and in sales than those in the other assessment area county or in the State of Kansas.

Comparison of Farms by Acreage Between the State and Assessment Area Counties						
Area	Size of Farm (Acres)					Total
	1-49	50-179	180-499	500-999	1,000 +	
State of Kansas	15%	24%	23%	16%	22%	100%
Anderson County	16%	25%	26%	18%	15%	100%
Linn County	16%	37%	26%	13%	8%	100%

Comparison of Farms by Sales Between the State and Assessment Area Counties							
Area	Farm Sales (Dollars)						Total
	\$1 to \$24,999	\$25,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 to \$499,999	\$500,000 and Greater	
State of Kansas	54%	12%	12%	13%	6%	3%	100%
Anderson County	55%	14%	12%	13%	4%	2%	100%
Linn County	77%	10%	5%	4%	3%	1%	100%

As reflected in the tables above, the bank is lending to farms of different sizes, particularly the small farm operations. The percentage of the number of loans originated in each revenue category is fairly comparable to the census distribution of assessment area farms.

Commercial Lending

The institution's lending pattern demonstrates a reasonable distribution among businesses of various sizes. This conclusion was based on the results derived from the analysis of the commercial loan sample. For this analysis, the sampled commercial loans were categorized into

different size operations according to the annual gross revenue generated by the business. The following table summarizes the commercial loan sample distribution to business operations of different sizes.

Bank's Record of Lending to Businesses of Different Sizes in the Assessment Area				
Gross Revenues	Number of Loans	% of Total Number	Dollar Volume of Loans	% of Total Dollar Volume
Less than \$25,000	1	8%	\$1,500	1%
\$25,000 to \$49,999	3	25%	\$24,862	13%
\$50,000 to \$99,999	4	34%	\$71,925	36%
\$100,000 to \$249,999	1	8%	\$11,000	5%
\$250,000 to \$499,999	1	8%	\$19,783	10%
\$500,000 and Greater	2	17%	\$68,750	35%
Totals	12	100%	\$197,820	100%

The table reveals that a large portion of the sampled loans were provided to small business operations with annual gross revenues less than \$500,000, at 83 percent of the number of loans and 65 percent of the total dollar volume. It should be noted that the two loans extended to borrowers having gross annual revenues of \$500,000 and Greater were to one borrower. The commercial loan sample demonstrated that while the bank's commercial lending is limited, the bank is providing loans to a broad range of different size business operations.

The distribution of the sampled commercial loans was compared to business data obtained from D&B Corporation reports for the assessment area to determine if the distribution appeared reasonable. The D&B Corporation reports indicate that the majority of business operations within the assessment area have annual gross revenues of under \$500,000, representing approximately 70 percent of businesses. It was concluded that the bank's lending pattern to the various size business operations within the assessment area is reasonable.

Geographic Distribution of Loans

A brief analysis of the geographic distribution of agricultural and commercial loans was conducted. The bank's assessment area contains three BNAs that are classified as middle-income according to the 1990 Census. A geographic distribution analysis of the bank's lending activity within geographies of varying income levels has limited meaning in this evaluation because the entire area is considered homogeneous with regard to income levels. However, examiner review of those loans originated in the assessment area revealed an acceptable distribution of loans throughout the assessment area.

Response to CRA-Related Complaints

Centerville State Bank has not received any written complaints regarding its CRA performance since the previous evaluation of February 23, 1998.

Compliance With Anti-Discrimination Laws and Regulations

A review of the bank's compliance with anti-discriminatory rules and regulations revealed no substantive violations involving discrimination or dissimilar treatment on a prohibited basis.