

PUBLIC DISCLOSURE

September 28, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Union State Bank of Everest
18610**

**P.O. Box 105
6th & Main Streets
Everest, Kansas 66424**

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	2
III.	Description of Institution	3
IV.	Description of Assessment Area	3
V.	Conclusions	4

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 **The Union State Bank of Everest** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **September 28, 1998**. 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.

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment areas. The rating is supported by the following:

- An analysis of loan originations reveals an adequate penetration among borrowers of different incomes and farms of different sizes.
- A majority of loan originations since the previous evaluation are within the bank's assessment areas.
- The average net loan-to-deposit ratio reflects a strong responsiveness to the assessment areas' credit needs.

DESCRIPTION OF INSTITUTION

The Union State Bank of Everest, Everest, Kansas, has two offices, including its main office in Everest and a branch in Atchison, Kansas. The bank is a commercial bank with \$ 29,629,000 in gross loans and \$41,299,000 in total assets as of June 30, 1998. The bank's primary business focus is agricultural loans and residential real estate loans, comprising 38 percent and 25 percent of gross loans, respectively. The bank is owned by Everest Bancshares, Inc., Everest, Kansas, a one-bank holding company. No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the assessment areas.

DESCRIPTION OF THE ASSESSMENT AREAS

The bank has two assessment areas. The Everest assessment area includes block numbering area (BNA) 9808 in Brown County, and the Atchison assessment area includes BNAs 9817, 9818, and 9819 in Atchison County. Brown County and Atchison County border each other and the cities of Everest and Atchison are only 20 miles apart. Everest is located in BNA 9808 and the branch in Atchison is located in BNA 9819. Of the four geographies (BNAs) in the assessment areas, all are located in middle-income geographies. According to the 1990 Census, the population the assessment areas is 16,003. The largest city in the assessment areas is Atchison with a population of 10,656. Everest has a population of 310.

Management stated that the economy and demographics of each assessment area are very similar given their close proximity. Management stated that the economy of each assessment area is strong. Both assessment areas are primarily rural in nature, and the economy is mainly agriculturally based, although management stated that most farm incomes are supplemented by nonfarm employment. A large number of the assessment areas' residents work in the city of Atchison. The primary employers in Atchison include Atchison Casting Corporation (a steel foundry), Atchison Hospital, and Benedictine College. Also, many area residents commute to Horton, Kansas, to work at the Golden Eagle Casino. According to the state of Kansas, the estimated unemployment rates for Brown and Atchison Counties are 4.3 percent and 5.5 percent, respectively, as of July 1998. In comparison, the state of Kansas unemployment rate for July 1998 is 3.5 percent.

Census data for 1990 reflects that there are 6,579 housing units in the combined assessment areas, 64 percent are owner occupied, 26 percent are rental units, and 10 percent are vacant. The median home value in the assessment area is \$30,915. According to the 1992 Census of Agriculture, there are 688 farms in Brown County and 686 farms in Atchison County, a decrease of 17 percent for Brown County and a decrease of 11 percent for Atchison County since the 1982 Agriculture Census. Of these farms, 79 percent had gross annual revenues of less than \$100,000. The size of the average farm in Brown County is 493 acres, compared to 357 acres in Atchison County, an increase of 15 percent and 14 percent, respectively, since the 1982 Agriculture Census.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This evaluation of the bank's lending performance is based upon the review of a sample of agricultural and residential real estate loans, which are the bank's primary loan products. The agricultural sample consisted of 33 loans totaling \$614,996 from a potential universe of 125 that have originated since March 28, 1998. The real estate sample included 30 loans totaling \$1,586,281 from a potential universe of 89 loans totaling \$5,432,840 that have originated since March 28, 1998. The real estate sample included both in house and secondary market loans. The analysis combines both assessment areas because the economy and demographics of each assessment area are very similar given their close proximity.

Lending to Farms of Different Sizes and Borrowers of Different Incomes

The bank has achieved an adequate lending penetration among farms of different sizes and borrowers of different incomes. The 1998 HUD-estimated statewide non-metropolitan median family income for Kansas of \$38,200 was used for the borrower distribution analysis. The following table provides information on how each income level is defined.

INCOME LEVEL	PERCENT OF MEDIAN FAMILY INCOME	INCOME RANGE
Low	Less than 50%	Less than \$19,100
Moderate	50% to less than 80%	\$19,100 to less than \$30,560
Middle	80% to less than 120%	\$30,560 to less than \$45,840
Upper	120% and over	\$45,840 and greater

The following table reflects the lending distribution of the agricultural loan sample from the assessment areas. As noted on page 3, the 1992 Census of Agriculture reflects that 79 percent of the farms in Brown and Atchison Counties had gross annual revenues of \$100,000 or less. The distribution of the loans sampled at the bank also reflects a concentration of lending to small farms, with 71 percent of the loans sampled from the assessment areas to farms with gross annual revenues of \$100,000 or less.

AGRICULTURAL LOANS				
GROSS REVENUE	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$10,000	5	24%	\$63,633	15%
\$10,000 to \$50,000	9	42%	\$95,626	23%
\$50,000 to \$100,000	1	5%	\$4,320	1%
\$100,00 to \$250,000	5	24%	\$159,256	39%
Over \$250,000	1	5%	\$90,000	22%
TOTALS	21	100%	\$412,835	100%

The following table reflects the lending distribution of the residential real estate loan sample from the assessment areas. In addition, the table includes the percentage of families from the assessment areas within each income level according to 1990 Census data. The analysis only includes the sampled loans which were originated within the assessment areas.

RESIDENTIAL REAL ESTATE LOANS					
INCOME LEVEL	PERCENT OF FAMILIES*	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	21%	1	4%	\$5,498	1%
Moderate	20%	7	26%	\$254,150	19%
Middle	25%	11	41%	\$566,537	43%
Upper	34%	8	29%	\$480,496	37%
TOTALS	100%	27	100%	\$1,306,681	100%

*Percent of families in the assessment area within each income level according to the 1990 Census.

The table above reflects that only one of the residential real estate loans sampled was to a low-income borrower. However, management stated that there are very few homes available that low-income persons can afford. Management's assertion is supported by the assessment area median home value of \$30,915, according to the 1990 census, and \$40,000 as currently estimated by management.

Lending in Assessment Area

The bank originates a majority of its loans within the assessment areas. Specifically, 64 percent of the number and 67 percent of the dollar volume of the agricultural loans were made within the assessment areas. Of the residential real estate loans sampled, 90 percent of the number and 82 percent of the dollar volume were made within the assessment areas.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio indicates a strong responsiveness to the assessment areas' credit needs. The bank's average net loan-to-deposit ratio, based on the 12 quarters since the previous evaluation, is 79 percent. In addition to outstanding loans, the bank has originated and sold 91 loans totaling \$6,505,303 on the secondary market since the previous evaluation. Of the local competitors, one is similar to the bank in terms of size, asset structure, and loan products: The Valley State (Atchison, Kansas) with a ratio for the same time period of 57 percent.

Geographic Distribution of Loans

The assessment areas consist entirely of middle-income geographies. Therefore, the FDIC did not perform an analysis of the geographic distribution of loans by geography income level because such an analysis would not be meaningful.

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation.

Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.