

PUBLIC DISCLOSURE

June 28, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank of Newport
Charter #14828
262 East Broadway
Newport, Tennessee 37821

Office of the Comptroller of the Currency
5200 Maryland Way, Suite 104
Brentwood, Tennessee 37027

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.

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 National Bank of Newport prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 28, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

National Bank of Newport has a satisfactory record of meeting the community's credit needs. The bank maintains a reasonable loan to deposit ratio, originates a substantial majority of loans within its assessment area, and has a reasonable level of lending to individuals and areas of different income levels.

The following table indicates the performance level of National Bank of Newport with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NB of Newport</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		x	
Lending in Assessment Area	x		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		x	
Geographic Distribution of Loans		x	
Response to Complaints	No complaints have been received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

National Bank of Newport is a wholly-owned subsidiary of NBN Corporation, a two-bank holding company with total assets of \$143 million. The National Bank of Newport has assets of \$93 million and serves the Smokey Mountain region of eastern Tennessee. The bank operates one limited and three full-service offices within the City of Newport and a full service branch in Cosby, Tennessee.

There are no factors, including legal, financial or geographic considerations, which limit the institution's ability to meet the credit needs of the local community. The National Bank of Newport's primary focus is on consumer and residential lending and deposit services. They offer a full range of credit products including Tennessee Housing Development Authority (THDA), Veterans Administration (VA), Federal Housing Authority (FHA) and student loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Cocke County, located in eastern Tennessee on the North Carolina border. The total population in the county is approaching 31,000. The City of Newport, the county seat, has a population of 7,500. Cocke County has seven block numbering areas (BNAs), of which three are moderate income and four are middle income. BNA information reflects 30% of the families are low income, 18% are moderate income, 22% are middle income and 30% are high income.

The local economy continues to be depressed but is improving. The unemployment rate is high at 9% but is slowly declining. Primary industries include food processing, light manufacturing and agriculture. The census median family income is \$20,644, which is lower than the statewide average of \$24,936. Twenty-seven percent (27%) of households have incomes below the poverty level.

Discussions with local officials indicate a need for low interest rate bridge financing for construction loans to stimulate area industrial growth. There is also a need for lending programs that focus on elderly housing, given the shortage of private-pay apartments and assisted-living housing in the county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The loan to deposit ratio is reasonable considering the institution's size and the local economic conditions. For the last six quarters, the bank's loan to deposit ratio has averaged 55%, lower than the 72% average of other independent banks in the area.

This ratio does not include residential mortgage loans originated and sold in the secondary

market. The bank implemented such a program late in 1995 in response to a perceived need for this service. Since origination of the program, residential mortgages totaling \$318,000 have been sold in the secondary market.

Lending in the Assessment Area

A substantial majority of the bank's lending is within its assessment area. A zip code analysis of consumer loans made during the first four months of 1996 revealed that 82% of the number of consumer loans made were to borrowers living in Cocke county.

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

The bank lends to individuals of all income groups. A review of all real estate loan applications taken in the first four months of 1996 disclosed that 12% of these loans were granted to low-income individuals, 27% to moderate-income individuals and the 61% to middle-and upper-income individuals.

The bank also lends to businesses and farms of different sizes. A review of all commercial and farm borrowers disclosed that 90% of these loans were granted to borrowers with less than \$1 million in gross annual sales. The total assets of these borrowers varied in size from \$25,000 to over \$5,000,000.

Geographic Distribution of Loans

The bank's distribution of loans in its assessment area is reasonable. The assessment area contains four middle- and three moderate-income BNAs. A review of real estate and consumer loans originated in the first four months of 1996 indicates the bank is lending to individuals in each of these areas.

Response to Complaints

There have been no complaints received since the previous Community Reinvestment Act examination.

Compliance with Anti-Discrimination Laws

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted.