



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 07, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Miners National Bank Of Eveleth
Charter Number 6991**

**401 Grant Avenue
Eveleth, MN 55734**

**Comptroller of the Currency
Minneapolis North Field Office
920 Second Avenue South Suite 800
Minneapolis, MN 55402**

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

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The Miner's National Bank of Eveleth (Miner's) is assigned a satisfactory rating primarily because:

- The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable and reflects the demographics of the assessment area.
- The loan-to-deposit ratio is in line with those of similar banks in the general area.
- Miner's originates a substantial majority of its loans within the assessment area.

DESCRIPTION OF INSTITUTION

Miner's is a privately owned \$37 million financial institution. Miner's has one location, which also includes a 24-hour ATM. The bank is primarily a local real estate lender, focussing upon home equity and home purchase lending. Miner's is also a small business commercial lender and a purchaser of larger syndicated business loans. As of September 30, 2001, Miner's reported a net loans-to-total assets ratio of 59%. Bank reports highlight that loan originations since the last CRA exam have totaled \$26.8 million. Commercial originations have totaled \$11.1 million, or 41% of this total, first mortgage home equity originations another \$7.6 million, or 28%, and home purchase originations have totaled another \$2.8MM, or 11%. Call Report data from September 30, 2001 confirms that Miner's aggregate loan mix mirrors this mix of originations. Outstanding loans are predominately comprised of 42% 1-4 family residential loans, 41% commercial loans and 14% loans to individuals.

The bank received its last CRA rating as of October 24, 1996. Miner's received a "satisfactory" rating at that evaluation. There are no legal or financial circumstances inhibiting the bank's CRA performance. Miner's does not have a holding company nor any affiliates.

DESCRIPTION OF The Miner's National Bank Assessment Area

Miner's assessment area (AA) includes a cluster of 15 census tracts in the north-central region of Minnesota. The AA is within a region commonly called the "Iron Range". The AA is also part of the Duluth, Minnesota/Superior, Wisconsin Metropolitan Statistical Area. The AA is homogenous regarding census tract income distribution with only one tract designated as moderate- (6.67% of total tracts), one very small tract designated as low- (6.67% of total tracts) and the remaining 13 tracts (86.66% of total tracts) are all designated as middle-income geographies. The AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income census tracts.

The population of the AA is just under 43,000 and includes 11,951 families. The updated median family income for the AA is \$49,800 (up from \$30,561 reported in the 1990 U.S. Census). Just under 20% of the families living within the AA have incomes designated as low-,

18% as moderate-, 24% as middle and 38% as upper-income. Median housing value is just under \$40,000 and 58% of the housing is owner occupied.

Economically, the area is dependent upon the iron ore mining industry, manufacturing, tourism, government and service industries. Economic difficulties in the iron ore mining industry have recently negatively impacted the economic condition of the AA. Unemployment for the AA is reported at 4.25% in U.S. census data. Lending competition is heavy with 10 other financial institutions operating within the AA. This presence includes main and/or branch office locations of 2 regional national banks, 1 other community national bank, 3 state banks, one savings bank, and 3 credit unions.

In conjunction with this assessment, examiners made one community contact to a local business organization during this review. Examiners also reviewed the one prior regulatory community contact in the AA since the last CRA exam. This contact was to a real estate organization. Contacts confirmed that the bank's primary products are in line with the community's credit needs for home and small business lending.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

Based on loans originated since the last CRA evaluation, Miner's distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable and reflects the demographics of the assessment area. Performance in home equity and home purchase lending is sound while commercial lending performance is adequate. Our analysis centered upon the bank's three primary lending products, first mortgage home equity loans, home purchase lending and commercial originations. The origination data in the tables below was compiled from bank reports that examiners tested and found to be reliable. The data assessed for this performance criteria only includes loans originated within Miner's AA. Aggregate AA income and revenue data noted below was compiled from U.S. Census data.

Home Equity Lending

Miner's home equity originations to borrowers of different income levels reflects the demographics of the AA.

Distribution of Home Equity Loans by Family Income Levels November 1996 through December 2001			
<i>Income Level*</i>	<i>% of Families in AA</i>	<i>Loans Originated by Number</i>	<i>Loans Originated by Dollar</i>
Low	20%	18 or 14%	\$409 or 6%
Moderate	18%	29 or 22%	\$1,111 or 16%
Middle	24%	35 or 26%	\$1,328 or 20%
Upper	38%	51 or 38%	\$4,007 or 58%

* Income levels were determined by the following ranges of the current updated median income for the Duluth, Minnesota/Superior, Wisconsin Metropolitan Statistical Area: 1) low income <50%; 2) moderate income \geq 50% but < 80%; 3) middle income \geq 80%, but < 120%; and 4) upper income >120%.

Home Purchase Originations

Miner's home purchase originations to borrowers of different income levels reflects the demographics of the AA.

Distribution of Home Purchase Loans by Family Income Levels November 1996 through December 2001			
<i>Income Level*</i>	<i>% of Families in AA</i>	<i>Loans Originated by Number</i>	<i>Loans Originated by Dollar</i>
Low	20%	8 or 21%	\$224 or 9%
Moderate	18%	12 or 31%	\$425 or 17%
Middle	24%	8 or 21%	\$572 or 23%
Upper	38%	11 or 27%	\$1,284 or 51%

* Income levels were determined by the following ranges of the current updated median income for the Duluth, Minnesota/Superior, Wisconsin Metropolitan Statistical Area: 1) low income <50%; 2) moderate income \geq 50% but < 80%; 3) middle income \geq 80%, but < 120%; and 4) upper income >120%.

Commercial Lending

Miner's commercial originations to borrowers of different income levels does not fully reflect the demographics of the AA. Origination volume to small businesses is below AA demographics. This is the result of purchases of syndicated loans to larger businesses.

Distribution of Commercial Loans by Gross Revenue Levels November 1996 through December 2001			
<i>Gross Revenue (000)</i>	<i>% of Businesses in AA</i>	<i>Loans Originated by Number</i>	<i>Loans Originated by Dollar</i>
< \$250	80%	26 or 41%	\$1,848 or 29%
\$250 to \$500		10 or 16%	\$398 or 6%
\$500 to \$1,000	5%	6 or 10%	\$603 or 9%
\$1,000+	8%	21 or 33%	\$3,542 or 55%
Not Reported	7%		

Loan-to-Deposit Ratio

Miner's loan-to-deposit ratio is in line with those of similar banks in the general area. Miner's quarterly loan-to-deposit average since the last CRA evaluation is 67%. This time period includes the 21 quarter ends of December 1996 through December 2001. This level is in line with computed peer bank average of 72%. This peer group is comprised of 11 national and state banks within St. Louis County, Minnesota and with total assets of less than \$50 million.

Lending in Assessment Area

Miner's originates a substantial majority of its loans within the AA. Home equity and home purchase originations are highly concentrated within the AA. A majority of the commercial originations are also concentrated within the AA. The origination data in the tables below was compiled from bank reports that examiners tested and found to be reliable. These reports included all originations for the three primary products since the last CRA evaluation.

Distribution of Loans November 1996 through December 2001		
<i>Primary Product</i>	<i>Originations by Number Within AA</i>	<i>Originations by Dollar Within AA</i>
Home Equity	133 or 95%	\$6,855 or 96%
Home Purchase	39 or 89%	\$2,505 or 90%
Commercial	63 or 76%	\$6391 or 57%

Geographic Distribution of Loans

Miner's geographic distribution of loans is reasonable. There are no conspicuous gaps in the bank's lending performance that give rise to any concern. The origination data in the tables below was compiled from bank reports that examiners tested and found to be reliable. These reports included all originations for the three primary products since the last CRA evaluation.

Prior to reviewing the table, it is critical to note that Miner's has limited opportunities to lend in the one low- and one moderate-income census tracts within its AA. There are virtually no opportunities to lend in the low-income tract as it is predominately comprised of an abandoned mine pit. The tract contains only 13 households and no identified businesses. And while there are businesses and households located within the moderate-income tract, it is geographically distant from Miner's single location and heavily banked by 7 other financial institutions within the tract's immediate vicinity.

Geographic Distribution of Home Purchase Loans by Census Tract Income Levels November 1996 through December 2001			
<i>Tract Income Level</i>	<i>% of Owner-Occupied Housing</i>	<i>Loans Originated by Number</i>	<i>Loans Originated by Dollar</i>
Low (1 tract)	0%	0%	0%
Moderate (1 tract)	6%	0%	0%
Middle (13 tracts)	94%	100%	100%
Upper (0 tracts)	0%	0%	0%

Geographic Distribution of Home Equity Loans by Census Tract Income Levels November 1996 through December 2001			
<i>Tract Income Level</i>	<i>% of Owner-Occupied Housing</i>	<i>Loans Originated by Number</i>	<i>Loans Originated by Dollar</i>
Low (1 tract)	0%	0%	0%
Moderate (1 tract)	6%	1 or 1%	\$12M or <1%
Middle (13 tracts)	94%	132 or 99%	\$6,842 or 99%
Upper (0 tracts)	0%	0%	0%

Geographic Distribution of Business Loans by Census Tract Income Levels November 1996 through December 2001			
<i>Tract Income Level</i>	<i>% of Reported Businesses</i>	<i>Loans Originated by Number</i>	<i>Loans Originated by Dollar</i>
Low (1 tract)	0%	0%	0%
Moderate (1 tract)	14%	1 or 2%	\$75M or 1%
Middle (13 tracts)	86%	62 or 99%	\$6,244 or 99%
Upper (0 tracts)	0%	0%	0%

Responses to Complaints

Not rated. There have been no CRA complaints since the last evaluation.

Fair Lending Review

An analysis of 1997-2001 public comments, consumer complaint information and HMDA data was performed according to the OCC's risk-based fair lending approach. Based on the analysis of this information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1996.