



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 13, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Miners National Bank of Eveleth
Charter Number 6991**

**401 Grant Avenue
Eveleth, MN 55734**

**Comptroller of the Currency
Minneapolis North
920 Second Avenue South, Suite 800
Duluth, MN 55802 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.

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

The Miners National Bank of Eveleth (Miners) is assigned a satisfactory rating primarily based on the following:

- The distribution of loans to borrowers of different income levels is reasonable and reflects the demographics of the assessment area.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- Miners originates a substantial majority of its loans within the assessment area.
- Miners geographic distribution of loans is reasonable and reflects the demographics of the assessment area.

DESCRIPTION OF INSTITUTION

The Miners National Bank of Eveleth is a privately owned \$42 million bank located in Eveleth, Minnesota. Miners has one location, which also includes a 24-hour ATM. The bank's primary products consist of consumer installment loans and residential real estate loans. As of December 31, 2006, total loans represent 43.47% of total assets. As of December 31, 2006, real estate loans represent 79.22% of total loans and consumer loans represent 9.57% of total loans. Bank reports indicate that loan originations since the last CRA examination total \$58.8 million. Of the \$58.8 million in loan originations, consumer loans represent 68.17% of the total number of loans originated while residential real estate represents 21% of the total number of loans originated.

The bank received its last CRA rating as of January 2002. Miners received a "satisfactory" rating at that evaluation. There are no legal or financial circumstances inhibiting the bank's CRA performance. Miners does not have a holding company or any affiliates.

DESCRIPTION OF ASSESSMENT AREA

Miners' assessment area (AA) includes a cluster of 26 census tracts in the north-central region of Minnesota. The AA is within a region referred to as the "Iron Range". The AA is also part of the Duluth, Minnesota and Superior, Wisconsin Metropolitan Statistical Area. The AA is comprised of 20 middle income tracts and six moderate income tracts. The AA does not contain any low or upper income tracts. The AA meets the requirements of the CRA and does not arbitrarily exclude any low-or-moderate income census tracts.

Assessment Area by Income Level	Number of Census Tracts	Percent of Census Tracts
Low-Income		
Moderate-Income	6	23.08%
Middle-Income	20	76.92%
Upper-Income		

Family Income Level	Percent of Families
Low-Income	20.40%
Moderate-Income	19.86%
Middle-Income	24.84%
Upper-Income	34.90%

The population of the AA is just under 79,000. The updated median family income for the AA is \$55,700. Approximately 25% of the households within the AA have incomes designated as low-, 7% as moderate-, 29% as middle- and 39% as upper-income.

The economic condition of the area is stable and is primarily dependent on the mining industry. Economic difficulties have been reported in the past with the closing of four mines in the area. However, several new businesses have entered the area in the last few years. Employment opportunities aside from mining consist of government offices, call centers, local medical clinics and a hospital. Lending competition is significant as there are 24 other financial institutions in the market area.

One additional community contact was made to a local realtor during this examination. A community contact from the same AA was reviewed; the information reviewed and the contact confirmed the bank's primary products are in line with the community's credit needs for home and consumer installment loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Institution	Assets (as of 12/31/06)	Average Loan-to-Deposit Ratio; 1Q02 – 4Q06
State Bank of Aurora	\$30 million	98.06
First National Bank	\$57 million	89.65
Northern State Bank of Virginia	\$52 million	73.00
First NB of Gilbert	\$25 million	65.15
Miners NB of Eveleth	\$43 million	59.01
First National Bank of Proctor	\$22 million	57.81

Miners' loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Miners' quarterly LTD average since the last CRA evaluation is 59%. This time period includes the 21 quarter ends of December 2001 through December 2006. The computed peer bank average is 68% and is comprised of 6 national and state chartered banks. These banks are all within St. Louis County, Minnesota and have total assets ranging from \$20MM to \$60MM.

Lending in Assessment Area

Miners' performance of lending in its assessment area is good. We selected a random sample of 20 consumer loans and relied on the HMDA data for the residential loan sample. Of the 20 consumer loans we sampled, 100% of the loans were in the assessment area. Overall, 364 of the 380 loans were inside the assessment area.

Table 5. In/Out Lending Analysis	In Assessment Area By Number %	In Assessment Area by Dollar %
Consumer Loans (Random Sample)	100%	100%
Residential Real Estate	92.78%	84.53%
Aggregate Results	93.16%	84.53%

Lending to Borrowers of Different Incomes

Miners' distribution of loans to individuals of different income levels is satisfactory. Our analysis centered upon the two primary lending products, residential real estate and consumer installment loans. The distribution of consumer lending is reasonable.

Table 7. Income Level of Borrower Consumer	By Number %	Demographic for Assessment Area*
Low	25%	24.80%
Moderate	15%	17.25%
Middle	40%	19.17%
Upper	20%	38.78%

*Per 2000 census data

The banks distribution of residential real estate loans is below the demographic but remains adequate given that 7.54% of families are below the poverty level. Based on this information, the distribution of loans to individuals remains reasonable and reflects the demographics of the assessment area. The origination data in the tables below was compiled from bank reports that were found to be reliable. The data in the tables below consists solely of information within Miner's AA.

Table 7.	By Number %	Demographic for
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Income Level of Borrower Residential RE		Assessment Area*
Low	7.14%	20.40%
Moderate	24.40%	19.86%
Middle	28.57%	24.84%
Upper	35.12%	34.89%

*Per 2000 census data

Geographic Distribution of Loans

Miners' geographic distribution of residential real estate loans is excellent. The information below was gathered from the HMDA data and reflects the demographics of the assessment area.

Residential RE Income Level of Geography	Residential RE Loans by Number %	Demographic for Assessment Area*
Low-Income	0%	0%
Moderate-Income	38.10%	19.53%
Middle-Income	61.90%	80.47%
Upper-Income	0%	0%

*Per 2000 census data

Miners' geographic distribution of consumer loans in its assessment area by geographies of different income levels is reasonable. The information below was gathered from a random sample of 20 loans and reflects the demographics of the assessment area.

Consumer Income Level of Geography	Consumer Loans by Number %	Assessment Area household %*
Low-Income	0%	0%
Moderate-Income	23.72%	28.47%
Middle-Income	76.28%	71.53%
Upper-Income	0%	0%

*Per 2000 census data

Responses to Complaints

There have been no CRA complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.