



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 26, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Miners National Bank of Eveleth
Charter Number 6991

401 Grant Avenue
Eveleth, MN 55734

Office of the Comptroller of the Currency

Minneapolis Field Office
222 South 9th Street, 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The primary factors supporting this rating include:

- The bank's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment area.
- The bank originates a substantial majority of its loans within its assessment area.
- Borrower distribution of loans reflects reasonable penetration among borrowers of different income levels.
- Geographic distribution of loans reflects excellent dispersion throughout the bank's assessment area.

SCOPE OF EXAMINATION

This full scope Community Reinvestment Act (CRA) examination assessed the Miners National Bank of Eveleth's (Miners NB) performance in meeting the credit needs of its community for the time period December 31, 2006 through December 31, 2011 (evaluation period). The bank was evaluated under the standard test for Small Banks which includes the lending test only. The lending test focused on the bank's primary loan products in their assessment area based on loan originations by number and dollar volume from January 1, 2010 through March 31, 2012. Residential real estate and consumer loans were determined to be the bank's primary loan products. In terms of dollar volume, approximately 41% of loans originated were home loans. By number of loans, 75% of loans originated were for consumer purposes. Equal weight was given to both products in our analysis.

Prior to conducting this evaluation, we tested the accuracy of the bank's Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) data. We determined the loan data to be accurate and it is used without exception in this evaluation. In addition, we selected a random sample of 20 consumer loans originated/purchased from January 1, 2010 through December 31, 2011 (sampling period) to evaluate the bank's lending activity within the assessment area. Sample results and HMDA data were compared to 2000 U.S. Census demographic data to determine lending performance.

DESCRIPTION OF INSTITUTION

The Miners National Bank of Eveleth (Miners NB) is a privately owned \$49 million national bank located in Eveleth, MN. Miners NB is a full-service bank which offers traditional banking products and services to individuals and businesses out of one location in Eveleth, MN. This location includes drive-up services and access to a cash-dispensing automated teller machine (ATM). Retail lending, including residential mortgage lending, continues to be the bank's primary business focus. Per the March 31, 2012 call report, residential real estate loans comprised 57% of outstanding loans, business loans (including commercial real estate) 29%, consumer loans 10%, and

agriculture loans 3%. Miners NB's loan portfolio totaled \$18.3 million, or 37% of total assets as of March 31, 2012. The bank is located within a moderate-income census tract and has not opened or closed any branches since the prior CRA examination in February 2007.

The bank received a "Satisfactory" CRA rating at the prior CRA examination on February 13, 2007. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Miner NB's assessment area (AA) consists of 26 neighboring 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-Wisconsin multistate Metropolitan Statistical Area (MSA) located in St. Louis County, MN. The AA is comprised of 20 middle-income census tracts and 6 moderate-income census tracts. The AA does not contain any low- or upper-income census tracts. The AA includes the census tract where the bank is located, as well as the surrounding census tracts where the bank originates a majority of its loans. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The 2000 U.S. Census data indicates the bank's AA has a total population of approximately 79 thousand. The median housing value is \$67 thousand and 62% of units are owner-occupied, with 15% rentals. Based on the Department of Housing and Urban Development's 2011 estimate, the updated median family income for the AA is \$59,200. Approximately 25% of the households within the AA have incomes designated as low income with 17% designated as moderate-, 19% as middle-, and 39% as upper-income households. Approximately 12% of households in the AA are below the poverty level. According to the U.S. Bureau of Labor Statistics, unemployment in St. Louis County, MN was 7.7% in March 2012. The nation-wide unemployment rate as of March 2012 was 8.2%.

The community contact from a local realty company characterized the current local economic conditions as moderate, with some indications of positive trends. She indicated the community was not affected by the recent economic recession as much as other parts of the country due to the relative stability of the taconite mining industry, which is the primary industry in the Iron Range. The community contact also indicated that there is a market shortage of suitable housing options available in the area, both for rent and for purchase. Although the community contact described the overall performance of local financial institutions in meeting the community credit needs as good, there is a need for additional, newly-constructed housing options.

Competition among financial institutions in the bank's AA is strong. Twenty-three other financial institutions have a presence in St. Louis County. Miners NB ranks fourteenth in deposit market share with 1.37% of the deposits based on June 30, 2011 deposit information obtained from the Federal Deposit Insurance Corporation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Miners NB's net loan-to deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the AA. The bank's LTD ratio averaged 47% over the 21 quarters since the last CRA examination. This ratio ranged from a quarterly low of 39.51% in September 2011 to a quarterly high of 55.85% in June 2009. Miners NB's average quarterly LTD ratio ranks third among four similarly situated banks (defined as banks located in the AA with total assets between \$28 million and \$85 million as of March 31, 2012). It should be noted that Miners NB's average LTD ratio has been adversely impacted by an influx of deposits and lack of home mortgage loan demand in recent years.

Institution	Assets (as of 3/31/12)	Average Loan-to-Deposit Ratio; 1Q07 – 1Q12
Northern State Bank of Virginia	\$61 million	81.27
The First National Bank of Gilbert	\$28 million	56.71
The Miners National Bank of Eveleth	\$49 million	47.46
First National Bank of Chisholm	\$85 million	40.51

Source: Call Report Data

Lending in Assessment Area

Miners NB originates a substantial majority of its loans to borrowers located within its defined AA. All HMDA-reportable loans and all 20 consumer loans sampled were made to borrowers within the bank's AA. The following table shows lending in the AA by product type:

Lending in Eveleth AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	14	100%	0	0%	14	944	100%	0	0%	944
Home Refinance	6	100%	0	0%	6	414	100%	0	0%	414
Home Improvement	21	100%	0	0%	21	710	100%	0	0%	710
Consumer	20	100%	0	0%	20	243	100%	0	0%	243
Totals	61	100%	0	0%	61	2,311	100%	0	0%	2,311

Source: OCC loan sample & HMDA Data from January 1, 2010 – December 31, 2011

Lending to Borrowers of Different Incomes

Miners NB's overall distribution of loans to borrowers of different incomes is reasonable.

Miners NB's distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels. The bank far exceeds the demographics for lending to moderate-income borrowers in each of the home loan products. While the bank falls below the demographics for home loans to low-income borrowers, with 12% of families in the AA below the poverty level, demand for home loan products and ability to qualify for financing would be impacted. As such, performance in this area is considered reasonable. The following table shows the distribution of home loan product types among borrowers of different income levels:

Borrower Distribution of Residential Real Estate Loans in Eveleth AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.40	14.29	19.86	28.57	24.84	21.43	34.89	35.71
Home Refinance	20.40	0	19.86	33.33	24.84	50.00	34.89	16.67
Home Improvement	20.40	14.29	19.86	42.86	24.84	28.57	34.89	14.29

Source: 2000 Census Data & HMDA Data from January 1, 2010 – December 31, 2011

Miners NB distribution of consumer loans reflects reasonable penetration among borrowers of different income levels. Although the bank's level of lending to moderate-income individuals falls short of the AA demographics, it is considered acceptable given the high level of lending to low-income individuals. Based on our sample, the bank originated 25% of consumer loans to low-income individuals in the AA which has a high poverty rate at 12%. The following table shows the distribution of consumer loans among borrowers of different income levels:

Borrower Distribution of Consumer Loans in Eveleth AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24.80	25	17.25	10	19.17	40	38.78	25

Source: 2000 Census Data & OCC Loan Sample

Geographic Distribution of Loans

Miners NB's overall geographic distribution of loans in its AA is excellent.

Miners NB's geographic distribution of residential real estate loans reflects an excellent dispersion throughout census tracts of different income levels. The distribution of home loans meets or exceeds the AA demographics for all home loan products, with the exception of home refinance loans to moderate-income geographies which falls just below the AA demographics. The following table shows the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income tier:

Geographic Distribution of Residential Real Estate Loans in Eveleth AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	19.53	57.14	80.47	42.86	0	0
Home Refinance	0	0	19.53	16.67	80.47	83.33	0	0
Home Improvement	0	0	19.53	71.43	80.47	28.57	0	0

Source: 2000 U.S. Census Data & HMDA Data from January 1, 2010 – December 31, 2011

Miners NB's geographic distribution of consumer loans reflects an excellent dispersion throughout census tracts of different income levels. The distribution of consumer loans meets the demographic for low-income census tracts and far exceeds the demographic for moderate-income census tracts. The bank is located in a moderate-income geography, allowing convenient access for borrowers with lower income levels. The following table shows the bank's performance as compared to the percentage of households in each census tract income tier:

Geographic Distribution of Consumer Loans in Eveleth AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	22.46	45	77.54	55	0	0

Source: 2000 U.S. Census Data & OCC Loan Sample

Responses to Complaints

Miners NB has not received any CRA-related complaints since the prior CRA examination in February 2007.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs.