



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**City National Bank of Cloquet
15230**

**1204 Cloquet Avenue
Cloquet, Minnesota 55720**

**Office of the Comptroller of the Currency
Duluth Duty Station
302 West Superior Street, Suite 307
Duluth, Minnesota 55802**

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 **City National Bank of Cloquet** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 6, 1997. 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."
City National Bank of Cloquet (CNB) is reasonably meeting the community's credit needs. CNB's loan-to-deposit ratio is comparable to other local, similarly situated institutions and the majority of loans are made within the bank's assessment area. The bank is doing a good job of making loans to individuals of all income levels, especially those individuals with low or moderate incomes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	CITY NATIONAL BANK OF CLOQUET 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	Analysis is not meaningful.		
Response to Complaints	No complaints received since the last examination.		

Prior CRA Rating (12/31/93 Examination): Satisfactory

DESCRIPTION OF INSTITUTION

City National Bank of Cloquet is a \$63 million community bank located in northeastern Minnesota approximately twenty miles south of the City of Duluth. The bank's main office is in the City of Cloquet, Minnesota and its sole branch is located approximately five miles away in the town of Carlton, Minnesota. The bank's loan portfolio is primarily made up of 1-4 family residential real estate loans (55%). The remainder of the portfolio consists of commercial real estate loans (20%), consumer installment loans (15%), and business purpose and agricultural loans (10%). Carlton County Bancorporation Inc. is a one-bank holding company which owns 99.5% of the bank's outstanding stock. There are no financial or regulatory constraints which hinder the bank's ability to serve the credit needs of the community.

DESCRIPTION OF CITY NATIONAL BANK OF CLOQUET'S ASSESSMENT AREA

CNB's assessment area (AA) encompasses all of Carlton County, Minnesota. The AA meets the requirements of the Community Reinvestment Act (CRA) and does not arbitrarily exclude any low- or moderate-income areas. The AA includes seven block numbering areas (BNAs), six of which are categorized as middle income and one which is categorized as high income. Both the main office and branch, as well as the bank's one automated teller machine (ATM), are located within the AA. The AA has several competing financial institutions including a branch of a state bank, two credit unions, and branches of two "Twin Cities" based banks. In addition, the bank faces competition from numerous other financial institutions due to CNB's proximity to Duluth.

The total population in the AA is approximately 29,000. The proportion of low- and moderate-income families in the AA is relatively high compared to other rural areas in the state. The median family income in the AA is \$27,896 compared to the state-wide non-MSA median family income of \$36,200. Low- and moderate-income households make up 24% and 15% of total households in the AA, respectively.

We contacted local public officials and representatives of citizens groups to gain information on the demographics and credit needs of the community. In addition, we reviewed a housing study conducted by the Arrowhead Regional Development Commission. Through these sources, we learned that the local economy is relatively stable. Major industries in the AA center around wood and paper products. Credit needs in the AA include housing for the elderly and low- and moderate-income individuals.

These needs are the result of an aging population and an overall rental vacancy rate of less than 4%. Community contacts stated that the local financial institutions were reasonably meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio is reasonable considering the bank's size, financial condition and the level of competition in the bank's AA. The bank's average loan-to-deposit ratio over the past eleven quarters (since our last examination), was 72%. This ratio is very comparable to the 71% ratio for similarly situated local banks. We calculated the local bank average by using the loan-to-deposit ratio for all banks, with total assets under \$100 million, which are located in Carlton, Aitkin, and Pine Counties.

Lending in the Assessment Area

CNB originates the majority of its loans within its AA. The bank periodically generates a report which details all bank loans and their corresponding zip codes. We verified the accuracy of this report and were able to determine that 85% (by number) and 84% (by dollar volume) of existing bank loans were originated within the AA.

	# Loans	% by #	\$ Loans (000)	% by \$
Within AA	2328	85%	33900	84%
Outside AA	407	15%	6656	16%
Total Loans	2735	100%	40556	100%

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

CNB's distribution of loans to borrowers of different income levels shows that the bank is doing a very good job of making loans to individuals with low and moderate incomes. We reviewed all consumer loans originated by CNB during December of 1996 to determine the distribution of loans to borrowers in different income categories. Our sample showed that CNB made 50.7% (by number) of its loans to individuals with low- and moderate-incomes, while these individuals make up only 39.0% of the AA population. Although no official comparative data is available, this level of lending to individuals with low- and moderate-incomes is high based on our experience with other financial institutions.

Lending to Borrowers of Different Incomes

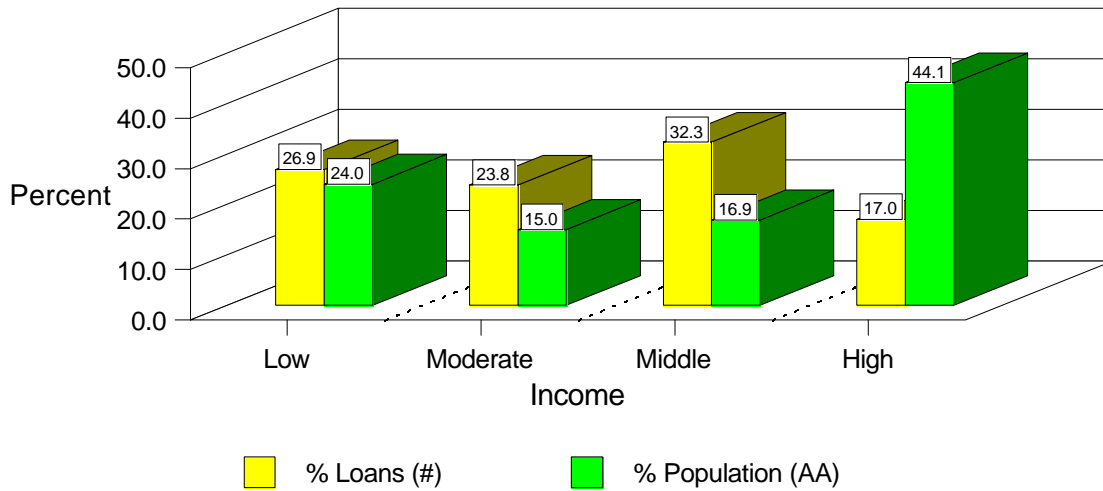
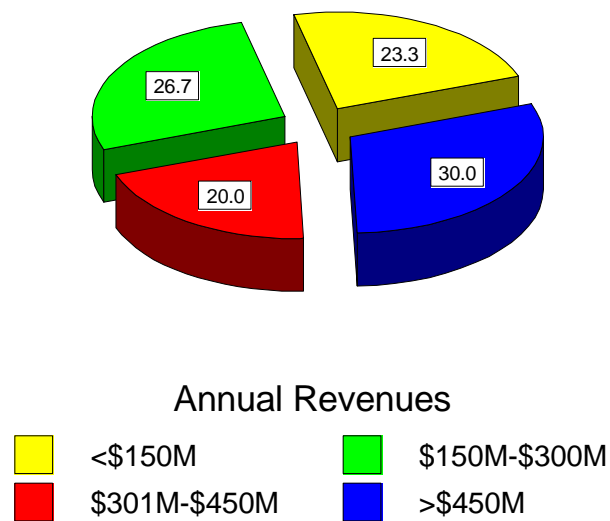


Figure 1 CNB is making a proportionately high amount of loans to individuals with low/moderate incomes.

We reviewed a judgmental sample of 30 commercial credit files to determine whether the bank lends to businesses of different sizes. As indicated in the chart below, CNB is doing a good job of making loans to businesses of different sizes.

Lending to Businesses of Different Sizes



Geographic Distribution of Loans

Analysis of the geographic distribution of loans is not meaningful. Since all BNAs in the AA are classified as middle or high income, it is not meaningful to review the bank's lending patterns to ensure low- and moderate-income areas are not being arbitrarily excluded.

Review of Complaints

No credit related complaints have been received by the bank since our last examination. No violations of the substantive provisions of antidiscrimination laws and regulations were identified during our examination.