



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 21, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Range Bank, National Association
Charter Number 3717

350 Iron Street
Negaunee, MI 49866

Office of the Comptroller of the Currency
Iron Mountain Field Office
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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.

Major factors supporting this rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the Assessment Area (AA).
- The bank's level of loans originated within its AA is excellent.
- The distribution of borrowers reflects adequate penetration among individuals of different income and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout its AAs.

SCOPE OF EXAMINATION

Range Bank's Community Reinvestment Act (CRA) performance was evaluated under the Small Bank Lending Test. Data from the bank's primary loan products, home mortgage loans and business loans, were used to evaluate the bank's lending performance.

The evaluation period covered the date from the previous CRA examination, July 1, 2002 through July 21, 2008. The Lending Test evaluated home mortgage loans and business loans originated or purchased between January 1, 2006 and June 26, 2008. A random sample of loans within the bank's assessment area (AA) for each primary loan product was taken. The most recent demographic data available was also obtained.

DESCRIPTION OF INSTITUTION

Range Bank is a \$222 million bank with its main office located in Negaunee, Michigan. The institution is wholly-owned by Range Financial Corporation (FC), a one-bank holding company also located in Negaunee, Michigan.

The bank operates thirteen offices, all of which are in the Upper Peninsula of Michigan. They include two offices in Negaunee, three in Marquette, two in Calumet, as well as offices in Champion, Palmer, Kingsford, Quinnesec, Lake Linden, and Houghton. The Quinnesec branch opened in September 2005. In addition, the bank acquired its Calumet, Houghton, and Lake Linden offices in December 2006 when the bank merged with its affiliate bank, Range Bank – Copper Country. Additionally, Range Bank operates thirteen automated teller machines (ATMs). All locations have similar hours of operation.

Range Bank has two subsidiaries, First of Negaunee Financial Services, Inc., which sells insurance and nondeposit investment products, and Range Mortgage Company LLC, which originates mortgage loans. Range FC also owns Range Capital Trust, a company formed for the purpose of issuing of Trust Preferred Securities. None of the affiliates or subsidiaries have a negative impact of the bank's ability or capacity to meet the credit needs of its markets.

The bank offers a variety of traditional products and services including business, real estate, and consumer purpose loans and various deposit and investment products. The bank's business strategy has historically been to serve the credit and depository needs of its local communities. As of March 31, 2008, the loan portfolio represented 67% of total assets. Range Bank's primary loan products are business loans and home mortgages. By dollar volume, the loan portfolio consists of commercial loans (52%), residential real estate (18%), construction (12%), consumer loans (12%), and other loans (6%). Over the last few years, the majority of the bank's loan growth has been in the commercial loan categories; however, mortgage lending has also been a primary focus. Local area deposits are the source of funding for most of the loan portfolio. The bank also services a \$91 million portfolio of FHLMC (Freddie Mac) mortgages. These loans were originated at the bank but are not included in the bank's total assets. Tier 1 capital totaled \$19.1 million as of March 31, 2008.

There are no legal or financial impediments limiting the bank's ability to meet community credit needs of its assessment area. Range Bank's last CRA evaluation was on July 1, 2002, using Small Bank procedures. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

Range Bank has one AA located entirely in the Upper Peninsula of Michigan. The AA does not lie within a Metropolitan Statistical Area (MSA). The AA includes all of Marquette, Houghton, Keweenaw, and Dickinson Counties as well as one census tract (CT) in eastern Iron County. The bank's AA has a total of 46 census tracts. This includes zero low-, six moderate-, thirty five middle-, and four upper-income CTs. (One sparsely populated CT in Keweenaw County has no designation). The AA complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The AA has a population of 133,078 and a median family income (MFI) of \$43,827 based on 2000 U.S. Census data. Updated Department of Housing and Urban Development (HUD) estimates MFI at \$50,200 in 2008. There are 33,685 families in the AA. According to Census data, 18% of families are low-income (6,076 families), 21% are moderate-income (6,947 families), 23% are middle-income (7,894 families), and 38% are upper-income (12,768 families). 13% of area households have incomes that fall below the poverty level. The area also has a high percentage (23%) of households that are retired.

The local and state economy is characterized as distressed, due to high unemployment and a slow housing market. The Marquette County area is considered the most stable area of the bank's lending area given the presence of a university, a large regional hospital, and the current strong mining industry. The bank's Houghton, Keweenaw, Iron, and Dickinson County areas are less stable due to negative trends in the logging and tourism industry. Local unemployment rates in each county are comparable to the state average of 7.2% in 2007.

Ten CTs in Range Bank's AA have been designated as "Distressed Middle-Income Non-metropolitan Geographies" by the U.S. Census Bureau. These include all eight middle-income CTs in Houghton County, as well as one tract in Iron County and one in Keweenaw County.

These areas are listed as distressed due to high unemployment.

In assessing the bank's CRA performance, we contacted two representatives of a local nonprofit community development corporation to determine the community's profile and the performance of local financial institutions. In the representatives' opinions, the community's credit needs are being met.

Competition from other financial institutions is strong in the local market. Fourteen financial institutions including Range Bank serve the five counties the bank operates in. As of June 30, 2007, Range Bank had a deposit market share of 11.24%, ranking fourth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Range Bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's quarterly LTD ratio averaged 82% over the 25 quarters from March 31, 2002 to March 31, 2008. Four similarly situated banks were chosen for comparison. The bank's LTD ratio ranked third during this period.

Financial Institution	Total Assets (000) as of March 31, 2008	Average quarterly loan-to-deposit ratio (1Q2002 – 1Q2008)
Peninsula Bank of Ishpeming	\$132,743	94.01%
Miners State Bank	\$97,887	93.31%
Range Bank, NA	\$221,681	82.42%
First National Bank of Crystal Falls	\$63,778	80.58%
Superior National Bank & Trust Company	\$304,673	73.42%

Source: Bank Call Report Information

Lending in Assessment Area

The bank originates a substantial majority of its loans to borrowers within its AA. A random sample of the bank's primary loan products shows 98% of loans were originated within the AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	29	100%	0	0%	29	\$2,806	100%	\$0	0%	\$2,806
Business	30	97%	1	3%	31	\$6,082	96%	\$225	4%	\$6,307
Totals	59	98%	1	2%	60	\$8,888	98%	\$225	2%	\$9,113

Source: Bank records (verified by examiners)

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

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The borrower distribution of home mortgage loans within the AA is adequate. Although the bank's percentage of loans to low-income borrowers is lower than the percentage of low-income families in the area, consideration is given to the percentage of households living below the poverty level (13%). The bank's lending to moderate income borrowers matches the census demographics.

Borrower Distribution of Home Mortgage Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Mortgages	18%	10%	21%	21%	23%	28%	38%	41%

Source: Sample of 29 bank records (verified by examiners) and U.S. Census Demographic Data

The borrower distribution of business loans within the AA is reasonable. As the following table shows, the number of loans originated to businesses with revenues under \$1 million is comparable to the demographic data.

Borrower Distribution of Loans to Businesses			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown
% of AA Businesses	62%	4%	34%
% of Bank Loans in AA by #	60%	37%	3%
% of Bank Loans in AA by \$	67%	32%	1%

Source: Sample of 30 bank records (verified by examiners) and Dun & Bradstreet Business Demographic Data

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion throughout the AA.

The geographic distribution of home mortgage loans in the bank's AA is excellent. According to Census data, 8% of the AA's total owner-occupied housing units are located in moderate-income CTs. The bank originated 17% of its home mortgages to borrowers in these areas.

Geographic Distribution of Home Mortgage Loans in the AA

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Mortgage	0%	0%	8%	17%	86%	73%	6%	10%

Source: Sample of 29 bank records (verified by examiners) and U.S. Census Demographic Data

The geographic distribution of business loans in the moderate-income CTs is low. The random loan sample used included only one business loan (3% of the total) that was located in a moderate-income CT, when demographic data suggests that 9% of the AA's businesses are located in moderate-income CTs. Bank management attributes the lack of penetration to low loan demand. Specifically, the moderate-income tracts in southern Marquette County are predominantly rural and very little business development activity has occurred over the last few years. In addition, the moderate-income tracts in northern Marquette County and Houghton County are near universities, where management believes there are few opportunities for new business lending.

It should also be noted that the bank's Calumet and Lake Linden branches are located in moderate income census tracts. This fact, combined with the bank's strong performance with home mortgage loans, demonstrates the bank's commitment to serving these areas.

Geographic Distribution of Loans to Businesses in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Business	0%	0%	9%	3%	85%	87%	6%	10%

Source: Sample of 30 bank records (verified by examiners) and Dun & Bradstreet Business Demographic Data

Responses to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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