



PUBLIC DISCLOSURE

July 21, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Range Bank, National Association
Charter Number 3717

100 N. Front Street
Marquette, MI 49855

Office of the Comptroller of the Currency

Milwaukee Field Office
1200 North Mayfair Road, Suite 200
Milwaukee, WI 53226

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 major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- A substantial majority of loan originations are made within the bank's assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of borrowers reflects reasonable dispersion throughout the bank's assessment areas.

SCOPE OF EXAMINATION

We evaluated Range Bank, National Association's (Range Bank) Community Reinvestment Act (CRA) performance using the Small Bank Lending Test. We used data from the bank's primary loan products, commercial loans and residential real estate loans, to evaluate the bank's lending performance.

The evaluation period covered the date from the previous CRA evaluation, July 21, 2008, through July 21, 2014. The lending test evaluated small business and residential real estate loans originated between January 1, 2012 and December 31, 2013. Our analysis included a full-scope evaluation for the bank's non-Metropolitan Statistical Area (MSA) assessment area.

To evaluate residential real estate and small business lending, we used both data from bank reports as well as a random sample of loans for each primary loan product originated or purchased in the bank's assessment area. The analysis of lending used the most recent available demographic data.

DESCRIPTION OF INSTITUTION

Range Bank NA is a \$284 million bank with its main office located in Marquette, MI. The bank is wholly-owned by Range Financial Corporation, a one-bank holding company, located in Marquette, MI. Range Financial Corporation owns Range Capital Trust I, a company formed for the purpose of issuing Trust Preferred Securities.

In addition to the bank's main office, the bank has 11 branches, all of which are in the Upper Peninsula of Michigan. There are four branches located in Marquette, MI and one each in Negaunee, Champion, Kingsford, Quinnesec, Calumet, Lake Linden, and Houghton, MI. The main office is located in an upper-income census tract. Of the 11 branches, two are located in a moderate-income census tract, five are located in a

middle-income census tract, and four are located in an upper-income census tract. All of the branches have cash dispensing/deposit-taking ATMs. All branches have similar hours of operation.

Range Bank opened two branches since the last CRA examination. The Third Street location in Marquette, MI was opened on September 9, 2010, and the Front Street location in Marquette, MI was opened on September 3, 2013. Management relocated the main office from Negaunee, MI to the Front Street location in Marquette, MI. The bank also closed two branches during the evaluation period. The Snyder Street location in Palmer, MI was closed on September 30, 2011, and the Sixth Street location in Calumet, MI was closed on October 14, 2011.

The bank offers traditional community bank products and services and has a net loan portfolio representing 62 percent of total assets. The bank is primarily a commercial and residential real estate lender, with a loan portfolio that consists of (by dollar value) 70 percent commercial loans, 28 percent residential real estate loans, and 2 percent consumer loans. Financial information is as of March 31, 2014.

The bank's business strategy has historically been to serve the credit and depository needs of its local community. Local area deposits fund most of the loan portfolio.

There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment areas. The previous CRA evaluation, dated July 21, 2008, resulted in a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank has one assessment area (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 County (24 tracts), Houghton County (11 tracts), Keweenaw County (three tracts), and Dickinson County (seven tracts). The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

According to 2010 census data, the bank's AA is comprised of 45 census tracts (CTs), of which zero are low-income, four (8.89 percent) are moderate-income, 25 (55.56 percent) are middle-income, and 13 (28.89 percent) are upper-income. Three (6.67 percent) census tracts have no income designation (NA). Based on 2013 demographic data, the total number of businesses in the AA was 9,416. Of these businesses, 6,803 (72.25 percent) had gross revenues of less than \$1 million; 441 (4.68 percent) had gross revenues over \$1 million; and 2,172 (23.07 percent) had revenues that were not reported. The AA has a population of 132,029, which is comprised of 32,538 families. Income levels for these families are as follows: 5,597 low-income families (17.20 percent), 5,561 moderate-income families (17.09 percent), 6,971 middle-income families (21.42 percent), and 14,409 upper-income families (44.28 percent). The percentage of families below the poverty level is 9.22 percent.

The average median family income is \$56,312, and the 2013 HUD updated median family income is \$51,700.

The local economy is stable and improving. Bank management reports the retail sector in Marquette Township, which is located in Marquette County, has seen recent growth, and several mini malls have expanded into the area. The primary economic activities include mining, manufacturing, health care, retail, education, and tourism. Major employers include Duke Life Point Healthcare Systems, Northern Michigan University, Michigan Technological University, Portage Health Systems, Verso Paper Company, and Dickinson County Health Systems. The annual unemployment rates in 2013 for Dickinson, Houghton, Keweenaw, and Marquette counties were 7.9 percent, 9.3 percent, 13.2 percent, and 8.3 percent, respectively. The annual unemployment rate for the State of Michigan was 8.8 percent. Unemployment rates were below the annual state rate for Dickinson and Marquette counties and above the annual state rate for Houghton and Keweenaw counties.

Nine census tracts in the bank's AA have been designated as "Distressed or Underserved Middle-Income Nonmetropolitan Tracts" by the U.S. Census Bureau. These include eight middle-income census tracts in Houghton County, as well as one middle-income census tract in Keweenaw County. The areas in Houghton County are listed as distressed due to poverty, and the area in Keweenaw County is listed as distressed due to unemployment.

Competition from other financial institutions is strong. In total deposits, Range Bank ranks third out of all FDIC insured institutions, with a market share of 11.54 percent. This percentage is based on FDIC market share data as of June 30, 2013. The balance of the market share is divided among 12 financial institutions. The market share for these institutions ranges from 21.51 percent down to less than 1 percent.

In conducting this assessment of the bank's performance, we contacted a representative of a local community development firm. The individual stated local financial institutions are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio (LTD) is reasonable given its size, financial condition, and the credit needs of the community. The bank's quarterly LTD ratio averaged 71.88 percent over the 23 quarters from September 30, 2008 to March 31, 2014. Range Bank ranks third in a peer group of four other similarly situated banks, with peer bank ratios ranging from 68 to 82 percent. The banks in this peer group had total average assets ranging from \$93 million to \$562 million.

Lending in Assessment Area

Range Bank originates a substantial majority of its loans to borrowers and businesses within its AA. A review of the primary loan products shows that 96.08 percent by number and 99.11 percent by dollar volume of loans were originated to businesses and individuals located within the bank's AA during 2012 and 2013.

| Lending in the Assessment Area | | | | | | | | | | |
|--------------------------------|-----------------|---------------|----------|--------------|-----------|--------------------------|---------------|--------------|--------------|-----------------|
| Type of Loan | Number of Loans | | | | | Dollars of Loans (000's) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgages | 29 | 100.00% | 0 | 0.00% | 29 | \$6,582 | 100.00% | \$0 | 0.00% | \$6,582 |
| Commercial | 20 | 90.91% | 2 | 9.09% | 22 | \$7,311 | 98.32% | \$125 | 1.68% | \$7,436 |
| Totals | 49 | 96.08% | 2 | 3.92% | 51 | \$13,893 | 99.11% | \$125 | 0.89% | \$14,018 |

Source: Sample of 51 residential and commercial loan files from bank records originated in 2012 and 2013 (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 and businesses of different income and revenue levels.

The borrower distribution for residential real estate loans within the AA reflects reasonable penetration. The bank originated 3.45 percent of mortgage loans to low-income families and 10.34 percent to moderate-income families. While this may reflect poor penetration to low-income borrowers, additional consideration is given to the fact that approximately 9.22 percent of the families have income below poverty level. These families most likely would not qualify for conventional mortgage loans. The percentage of loans made by the bank to moderate-income borrowers is less than the demographics, but still considered reasonable.

| Borrower Distribution of Residential Real Estate Loans in AA | | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|-------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | | Unavailable |
| | % 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 | |
| % of Total | 17.20% | 3.45% | 17.09% | 10.34% | 21.42% | 17.24% | 44.28% | 68.97% | 0.00% |

Source: Sample of 29 residential loans originated in 2012 and 2013 and 2010 U.S. Census Demographic Data

The borrower distribution for business loans within the bank’s assessment area reflects reasonable penetration. Our random sample shows the bank originated 75.00 percent of loans by number and 93.06 percent of loans by dollar to businesses with revenues less than \$1 million. This slightly exceeds the demographics, which shows 72.25 percent of AA businesses with revenues less than or equal to \$1 million.

| Borrower Distribution to Businesses in AA | | | | |
|--|----------------|---------------|-------------|-------|
| Business Revenues (or Sales) | <= \$1,000,000 | > \$1,000,000 | Unavailable | Total |
| % of AA Businesses | 72.25% | 4.68% | 23.07% | 100% |
| % of Bank Loans in AA by # | 75.00% | 25.00% | 0.00% | 100% |
| % of Bank Loans in AA by \$ | 93.06% | 6.94% | 0.00% | 100% |

Source: Sample of 20 commercial loan files (verified by examiners) and Dun and Bradstreet Business Demographic Data

Geographic Distribution of Loans

The geographic distribution of residential real estate loans exceeds the demographics and reflects excellent dispersion within the moderate-income census tracts. The bank also has two branch offices (Calumet, MI and Lake Linden, MI) that are located in moderate-income census tracts. The bank originated 13.79 percent of its loans in moderate-income census tracts. This significantly exceeds the demographics, which shows 6.25 percent of owner occupied housing in this area.

| Geographic Distribution of Residential Real Estate Loans in 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 |
| % of Total | 0.00% | 0.00% | 6.25% | 13.79% | 61.31% | 48.28% | 32.44% | 37.93% |

Source: Sample of 29 residential loan files originated in 2012 and 2013 (verified by examiners) and 2010 U.S. Census Demographic Data

The geographic distribution of business loans in the AA reflects reasonable dispersion. The bank originated 10.00 percent of its business loans in moderate-income census tracts. This exceeds the demographics, which shows 6.98 percent of area businesses are located in moderate-income census tracts.

| Geographic Distribution of Business Loans in AA | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| % of Total | 0.00% | 0.00% | 6.98% | 10.00% | 63.24% | 65.00% | 29.78% | 25.00% |

Source: Sample of 20 commercial loans originated in 2012 and 2013 (verified by examiners) and Dun and Bradstreet Business Demographic Data.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment areas by an affiliate whose loans have been considered as part of the bank’s lending performance.

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