



 **Range Financial Corporation**

COMMITTED TO
OUR COMMUNITIES



2018
ANNUAL REPORT

TO OUR SHAREHOLDERS:



Roxanne M. Daust
Chairman, President &
Chief Executive Officer

As I write my first official annual shareholder letter as President and Chief Executive Officer of Range Financial Corporation, I am filled with a sense of pride in working for an exceptional company with a strong history and a promising future. 2018 was a big year; we continued our venture into a new market and launched several new technology products, all of which put Range Bank in a strong position for future growth.

I am pleased to report that our company recorded a record earnings year in 2018, with net income of \$2,637,000. The federal fund rate increases, combined with a decrease in our corporate tax rate and asset growth, were all factors in helping us exceed our earnings goal. As of December 31, 2018, we managed assets of \$774 million, which is an increase of \$17 million when compared to the prior year. Included in this number are on-balance sheet assets of \$382 million and off-balance sheet assets of \$392 million, that include business sweep accounts, sold commercial and mortgage loans, along with trust and wealth management assets.

We continued with our “*Community Strong*” theme in 2018, which was our 131st year as a community bank. We live and work in the communities we serve and take pride in being involved by contributing our time and talent to over forty non-profit entities in the

Upper Peninsula of Michigan and Green Bay, Wisconsin. In addition, we showed our support to the residents and communities of the Copper Country who were devastated by a disastrous flood on June 17, 2018, by creating a Copper Country Relief Fund. Range Bank jump-started the fund by donating \$25,000 and support poured in from around the Upper Peninsula bringing in an additional \$15,000 in donations. We were proud to present a check to the Portage Health Foundation for \$40,000. The commitment to building strong communities is a Core Value we live and breathe daily.

We could not have achieved success and grown into the strong bank we are today without dedicated employees. I am happy to announce the following officer staffing additions and promotions:

- **Michelle McLaughlin** was promoted to Chief Credit Officer.
- **Charlotte Gaudreau** was promoted to Senior Vice President, Business Banking Officer.
- **Lucy Grove** was promoted to Human Resources Officer.
- **Benjamin Wood**, Community Bank President-Dickinson County, expanded his territory to include the Green Bay, Wisconsin market.
- **Josh Bushmaker** was hired as a Mortgage Loan Officer for the Green Bay, Wisconsin region.

As we move into 2019, our strategy is to continue building a strong culture in order to hire and retain the best people, focus on profitability and growing our company. We are excited to transition from a Loan Services Office to a full-service branch in Green Bay, Wisconsin, and look forward to growing that market. Our newest office opened for business on January 14, 2019, and is in a great location on Oneida Street, just outside of the Bay Park Square Mall and within a couple of blocks of Lambeau Field. We welcome any referrals of friends and family that live and work in the Green Bay area.

In addition, technology advances in the financial industry are changing the way our customers bank. The advances are happening quickly, and we realize the importance of innovation and providing technology our customers desire, while also building systems to enhance internal efficiency and continuing to keep our customers’ information safe. With those goals in mind, our focus in 2018 was on adding internal efficiencies and customer security. We look forward to launching several technology enhancements this year that will provide our customers with a great banking experience.

As we continue to upgrade our technology, we realize that we cannot forget that our “secret sauce” is providing our customers with exceptional service. We know that our customers conduct quick and easy transactions online and the interactions at our branch locations are more complicated and require highly trained staff. To keep up with these changes, we created an Employee Development Manager position, whose primary focus is training and staff development. We are also in the process of transitioning to a universal teller model, which will provide highly-trained staff to answer customer questions and maintain a consistent customer experience across all locations.

It has been a pleasure to serve our shareholders during 2018. On behalf of our directors, officers and staff, we thank you for your continued support and I hope to see you at the annual meeting of shareholders on May 14, 2019, at the Masonic Building in downtown Marquette. Please watch for details in your annual meeting notice.

Sincerely,

Roxanne M. Daust
Chairman, President & Chief Executive Officer

“The commitment to building strong communities is a Core Value we live and breathe daily. We could not have achieved success and grown into the strong bank we are today without dedicated employees.”

► RANGE FINANCIAL CORPORATION AND RANGE BANK BOARD OF DIRECTORS

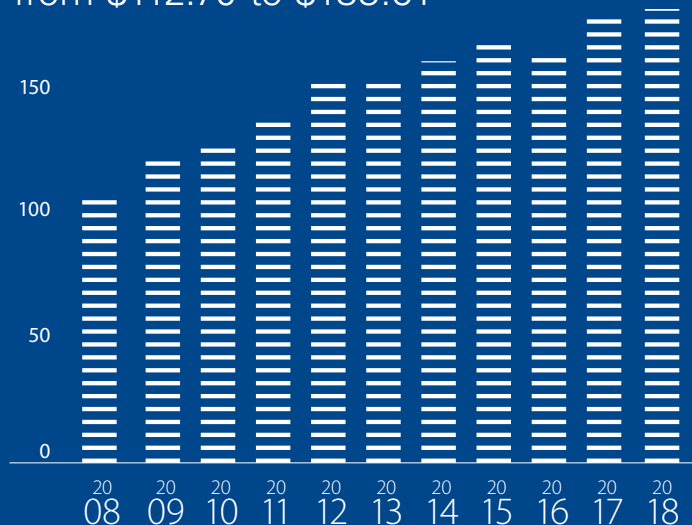
Roxanne M. Daust, Chairman & CEO
Timothy J. Baroni, Retired Community Bank President, Range Bank – Copper Country
Peter W. Frazier, Plant Engineer, Fraco, Inc.
Anita A. Johns, Retired, Holiday Travel Vacations
Allan L. Koskey, Retired, Koskey Funeral Home, Inc.
Anthony N. Kronicich, CPA, President, Kronicich, Hill & Associates
Janet R. Kuru, Retired CEO, Range Bank – Copper Country
Peter A. LaFreniere, DDS, Dental Practice
Anthony P. Locatelli, Co-Owner, Locatelli Construction Co.
John F. Marshall, Retired, Lake Superior & Ishpeming Railroad Co.
John F. Pillote, MD, Retired, Physician
Stephen D. Vairo, President, Calumet Electronics Corp.
William C. Verrette, Owner/Director, Champion, Inc.

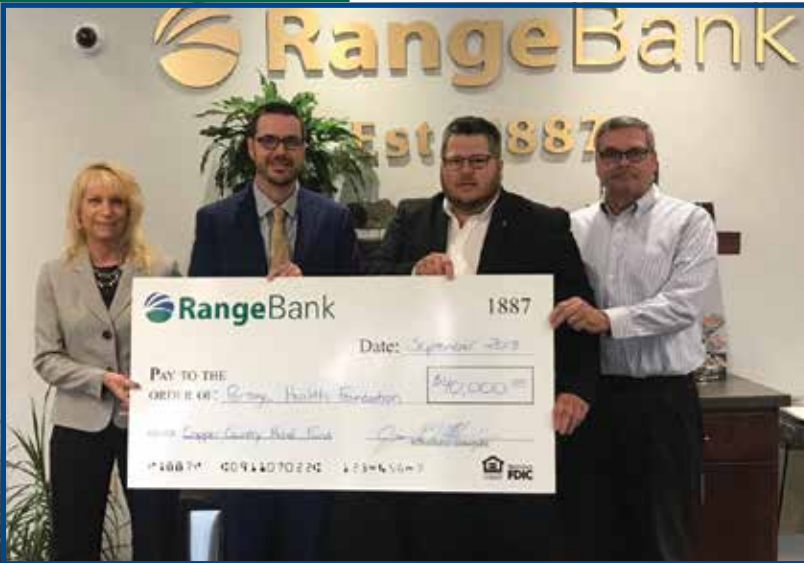


▲ LEADERSHIP TEAM

(L to R back): **Lucy Grove**, Human Resources Officer; **James P. Markham, Jr.**, Community Bank President, Copper Country; **David A. Symons, CPA**, Vice President & Chief Financial Officer; **Roxanne M. Daust**, President & Chief Executive Officer; **Rachel M. Simonsen**, Branch Administration Officer; **John C. Frost**, Senior Vice President, Trust & Wealth Management; **Brian L. Syrjala**, Senior Vice President, Home Mortgage Services; (L to R front): **Benjamin M. Wood**, Community Bank President – Dickinson County & Wisconsin Region; **Terry L. Jutila**, Senior Vice President & Chief Lending Officer

Increase Book Value Per Share from \$112.70 to \$183.61





▲ (L to R): **Roxanne Daust**, Range Bank Chairman, President & CEO; **Jamey Markham**, Community Bank President – Copper Country; **Kevin Store**, Portage Health Foundation Executive Director; **Tim Baroni**, Retired, Range Bank Community Bank President – Copper Country and Range Financial Corporation Board Member.

donated to the Range Bank Copper Country Relief Fund. Range Bank was proud to present a check to the Portage Health Foundation for \$40,000.

“We are honored to live and serve in such a strong community. The core of Range Bank is the communities we serve, and we felt it was our responsibility to extend our support,” said Jamey Markham, Range Bank Community Bank President – Copper Country. **“We are grateful to the community supporting our cause through their donations.”**

Since the donation, the Portage Health Foundation has been working to get homeowners back to safe, healthy living environments; with very few projects remaining at the end of 2018. Range Bank is grateful to partner with the Portage Health Foundation to rebuild and make the Copper Country community stronger.

COMMUNITY STRONG IS THE FOUNDATION OF RANGE BANK

Multiple rounds of very heavy rain fell across the Copper Country during the 2018 Father's Day weekend, causing massive flooding and a state of disaster to the City of Houghton and surrounding areas. The damage was substantial and has taken significant time and resources to repair the community; a community that Range Bank is proud to be a part of.

Range Bank showed their support by creating a Copper Country Relief Fund for members of the community to donate to the flood relief efforts and jump-started the donations by donating \$25,000 to the fund. Support poured in from around the Upper Peninsula, and \$15,000 was

▼ Intense storm rainfall and flash flooding in mid-June of 2018 caused damage to roads, sidewalks and bridges and completely washed out Agate Street in Houghton, MI.



**Benjamin Wood****Josh Bushmaker**

INVESTING IN OUR COMMUNITIES

Range Bank is pleased to announce the opening of our first full-service location in Wisconsin. The new office is open and located at 2403 South Oneida Street in Green Bay, Wisconsin. The branch is located directly outside of the Bay Park Square Mall and is just a few short blocks away from Lambeau Field.

Benjamin Wood, Community Bank President – Dickinson County, expanded his territory to include the Green Bay, Wisconsin, market. “We are excited to expand our community banking brand into the Green Bay market,” said Wood. “We feel our philosophy of providing excellent customer service through a strong team of bankers will be a good addition to the Green Bay market and provide a growth opportunity for our bank.”

Josh Bushmaker has been hired as the Mortgage Loan Officer in Green Bay and we are thrilled to have Josh as a part of the Range Bank team. Josh has over ten years of financial industry experience in the Green Bay region. With Josh’s knowledge and relationships within the community, he will be a great asset to Range Bank and will help our customers in Green Bay make home ownership a reality.



NEW OFFICE AT
2403 SOUTH ONEIDA ST.
GREEN BAY, WI

BUILDING STRONGER COMMUNITIES

Range Bank is committed to making our communities strong and encourages employees to support volunteer activities that enhance and serve the communities in which we live and work. In September, Range Bank added a Volunteer Time Off (VTO) Program to the list of employee benefits. The program allows employees to use paid time off each year to volunteer for charitable organizations in their community.



▲ Range Bank employees using VTO to paint a Habitat for Humanity home.



2018 Financial Summary

5-Year Summary (in thousands of dollars, except per share data)

As of December 31,	2018	2017	2016	2015	2014
AT YEAR END					
Total Assets	\$382,402	\$371,046	\$350,401	\$328,236	\$311,692
Total Deposits	346,034	335,754	317,178	293,062	278,407
Net Loans	218,881	216,465	204,514	190,624	182,142
Investments	99,583	106,940	114,612	101,087	76,788
Capital Funds	32,922	32,226	30,059	30,801	29,164

EARNINGS

Operating Income	16,581	15,406	14,977	14,127	13,094
Operating Expense	13,575	12,365	12,253	11,294	10,639
Income Tax Expense	368	577	511	517	406
Net Income	2,637	2,464	2,213	2,316	2,049
Return on Average Assets	0.70%	0.68%	0.65%	0.73%	0.70%
Return on Average Equity	7.85%	7.37%	6.59%	7.27%	6.78%

PER SHARE DATA

Net Income	\$14.71	\$13.76	\$12.31	\$12.90	\$11.42
Cash Dividends	5.40	5.25	5.20	4.90	4.80
Book Value	\$183.61	\$179.97	\$167.24	\$171.58	\$162.64

Reconciliation of Reserve for Bad Debt

(in thousands)

As of December 31,	2018	2017
Balance beginning of period	\$2,577	\$2,397
Recoveries credited to reserve	19	5
Provision for possible loan losses	970	750
Losses charged to reserve	(652)	(575)
Balance end of period	\$2,914	\$2,577

ASC 820 Valuation – Securities Footnote

Y to Y

Date	12/31/18	12/31/17	Change
No.	206	218	(12)
Par	98,351,642	103,834,980	(5,483,338)
Book	100,937,759	107,012,054	(6,074,295)
Market	98,466,430	105,824,187	(7,357,757)
Gain/Loss	(2,471,329)	(1,187,867)	(1,283,462)
Book-Par change			(590,957)

Combined Statement of Condition (unaudited, in thousands)

As of December 31,	2018	2017
ASSETS		
Cash and Due from Banks	37,866	24,281
Investment Securities		
Held to Maturity	-	-
Available for sale (stated at fair value)	99,583	106,940
Federal funds sold and securities purchased under agreements to resell	-	-
Loans, net of unearned income	221,795	219,042
Allowance for possible loan loss	(2,914)	(2,577)
Loans, net	218,881	216,465
Bank Premises, Furniture and Equipment	12,222	10,864
Real Estate owned other than bank premises	1,147	1,172
Goodwill	1,772	1,772
All Other Assets	10,931	9,552
Total Assets	\$382,402	\$371,046
LIABILITIES		
Total Deposits	346,034	335,754
Total Demand Deposits	150,715	136,501
Total Time and Savings Deposits	195,319	199,253
All Other Liabilities	3,446	3,066
Total Liabilities (excluding subordinated notes and debentures)	\$349,480	\$338,820
EQUITY CAPITAL		
Common Stock (\$1 par value)		
1,000,000 shares authorized, 179,307 shares outstanding	179	179
Capital in Excess of Par	4,923	4,882
Retained Earnings	29,772	28,103
Unrealized gain (loss) on securities available for sale	(1,952)	(938)
Total Equity Capital	\$32,922	\$32,226
Total Liabilities and Equity Capital	\$382,402	\$371,046
Memo Item: Standby Letters of Credit	\$1,199	\$1,834

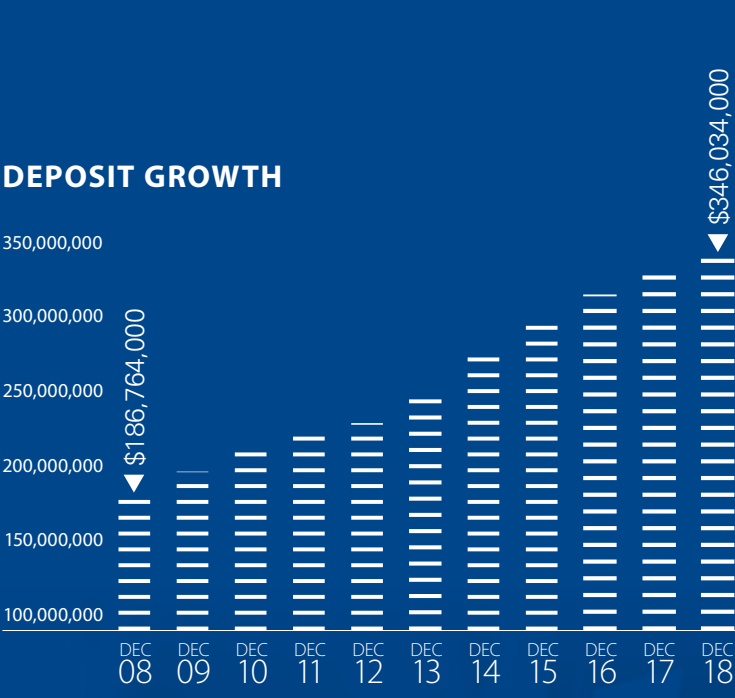
Reconciliation of Equity Capital Accounts

	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders' Equity
Balance, December 31, 2017	\$5,061,085	\$28,103,127	\$(938,415)	\$32,225,797
Net Income		2,636,907		2,636,907
Cash dividends declared, \$5.40 per share		(967,621)		(967,621)
Issuance of shares	137,076			137,076
Acquisition of shares outstanding	(95,823)			(95,823)
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes			(1,013,936)	(1,013,936)
Balance, December 31, 2018	\$5,102,338	\$29,772,413	\$(1,952,351)	\$32,922,400

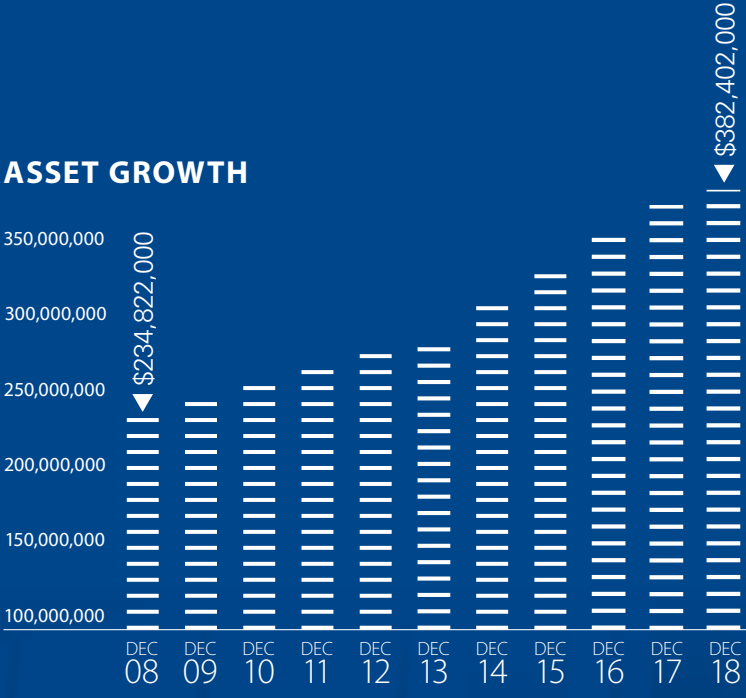
Combined Statement of Income (in thousands)

As of December 31,	2018	2017
INTEREST INCOME		
Interest and fees on loans	12,059	11,371
Interest on investment securities:		
Taxable	1,482	1,158
Tax-exempt	1,074	1,169
Total Interest Income	14,615	13,698
INTEREST EXPENSE		
Interest expense on deposits	1,066	861
Interest expense on borrowings	118	142
Total Interest Expense	1,184	1,003
Net interest income	13,431	12,695
Provision for loan losses	(970)	(750)
Net Interest Income After Provision for Loan Losses	12,461	11,945
OTHER INCOME		
Service charges	333	348
Other operating income	1,634	1,353
Total Other Income	1,967	1,701
OPERATING EXPENSES		
Salaries and employee benefits	7,334	6,729
Occupancy	974	829
Other operating expenses	3,115	3,054
Total Operating Expenses	11,423	10,612
Income before provision for income taxes	3,005	3,034
Provision for income taxes	(368)	(577)
Income before other gains and losses	2,637	2,457
Security gains (losses)	-	7
Extraordinary gains (losses)	-	-
Net Income	2,637	2,464
	2018	2017
Earnings Per Common Share	14.71	13.76

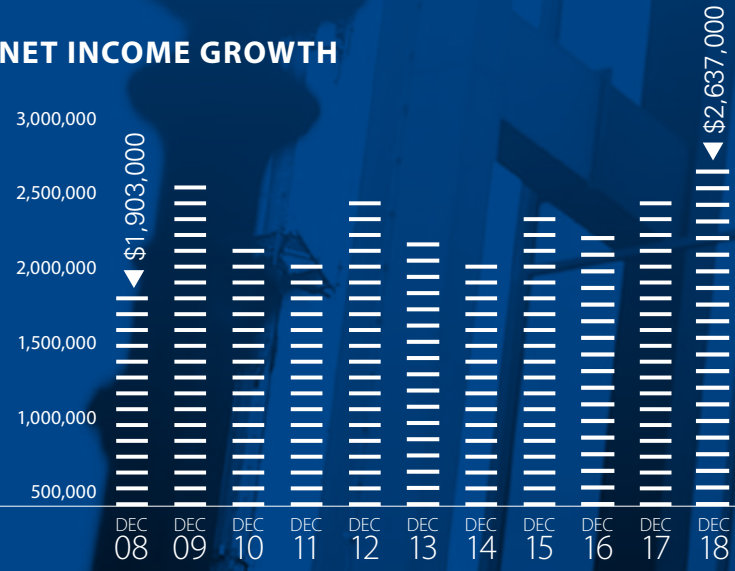
DEPOSIT GROWTH



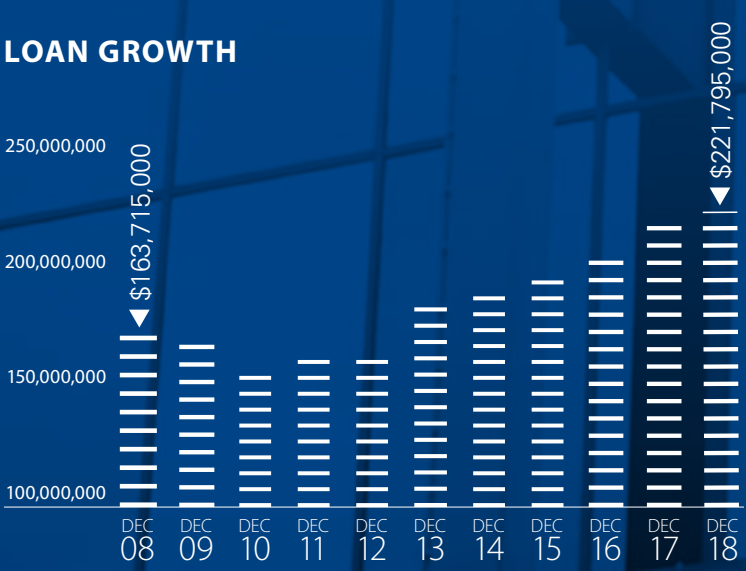
ASSET GROWTH



NET INCOME GROWTH



LOAN GROWTH



RECOGNIZING OUR EMPLOYEES



Charlotte Gaudreau, Senior Vice President, Business Banking Officer

Charlotte Gaudreau has been promoted to Senior Vice President of Business Banking. She has been with Range Bank for 19 years and has held several positions in the bank, including Branch Manager, Mortgage Department Manager and Audit Manager. We thank Charlotte for her commitment to Range Bank.



Michelle McLaughlin, Chief Credit Officer

Michelle McLaughlin has been promoted to Chief Credit Officer. Through her new role, she will use sound credit practices to assist in the continued growth of Range Bank. Michelle joined Range Bank in 2008 and has over 20 years of experience in business banking. We thank Michelle for her hard work and dedication to Range Bank.



Lucy Grove, Human Resources Officer

Lucy Grove joined Range Bank in January of 2018 as Human Resources Director and has been promoted to Human Resources Officer. Lucy will continue to focus on recruiting top employees and continuing to strengthen the Range Bank culture. Lucy has over 25 years of experience in Human Resources.



Corporate Office

Range Financial Corporation

100 North Front Street
Marquette, MI 49855
(906) 226-1025

Marquette County

Marquette Headquarters
Negaunee
Marquette, McClellan Avenue
Marquette Township
Harvey
Koski Korner

Copper Country

Calumet
Houghton
Lake Linden

Dickinson County

Kingsford
Quinnesec

Brown County

Green Bay

Officers

Roxanne M. Daust, Chairman, President & Chief Executive Officer
David A. Symons, CPA, Vice President & Chief Financial Officer
James P. Markham, Jr., Community Bank President – Copper Country
Benjamin M. Wood, Community Bank President – Dickinson County & Wisconsin Region
Terry L. Jutila, Senior Vice President & Chief Lending Officer
John C. Frost, Senior Vice President, Trust & Wealth Management Officer
Brian L. Syrjala, Senior Vice President, Home Mortgage Services Officer
Kristy M. Sibilsky, Senior Vice President, Business Banking Officer
Charlotte L. Gaudreau, Senior Vice President, Business Banking Officer
Kelly L. Jandron, Vice President, Regional Branch Administration Officer
Angela M. Knauss, Vice President, Loan Officer
John W. Lenten, CPA, Vice President, Internal Audit & BSA Officer
Sally L. Shaver, Vice President, Mortgage Loan Underwriter
Christopher H. DeRoche, Vice President, Loan Officer
Michelle M. McLaughlin, Chief Credit Officer
Glenn A. Johnson, Vice President, Compliance and Security Officer
Kelli J. Hendrickson, Assistant Vice President, Loan Officer
Rachel M. Simonsen, Branch Administration Officer
Eric M. Kucharczyk, Business Banking Officer
Cheryl L. O'Brien, Loan Officer
Christopher J. Gobert, Loan Officer
Kimberley S. Kaura, Loan Officer
Kristin D. Knapp, Loan Officer
Joshua M. Bushmaker, Loan Officer
Michele M. Kontio, Trust Officer
Lucy Grove, Human Resources Officer



RANGEBANK.COM

Range Bank is a wholly owned subsidiary of Range Financial Corporation and is locally owned and managed to best serve the needs of the families and businesses in the communities it serves.