

COMMUNITY STRONG



 **Range Financial Corporation**

2017 ANNUAL
REPORT



Letter to Our Shareholders

On behalf of the Board of Directors, we are pleased to present the 2017 Annual Report to the shareholders of Range Financial Corporation, the holding company for Range Bank.

In 2017, we celebrated our 130th anniversary as a community bank. We chose “Community Strong” as our theme for 2017 because we feel it speaks to the many positive ways in which Range Financial Corporation has supported our communities throughout its history. In addition to the loyal support and dedication of our employees and directors, our shareholders have also played an integral part of our “Community Strong” culture, and we thank you for your continued support of community banking.

I am pleased to report that in 2017 our company continued to deliver strong financial performance with net income of \$2,464,000, which exceeded our expectations. This marks the ninth year in a row that net income has exceeded \$2 million and the second best earning year in the history of the company. Range Financial Corporation continues to grow, and as of December 31, 2017, we managed assets of \$757 million, which is an increase of \$51 million when compared to the prior year. Included in this number are on-balance sheet assets of \$371 million and off-balance sheet assets of \$386 million that include business sweep accounts, sold commercial and mortgage loans along with Trust & Wealth Management assets.

As mentioned in last year’s report, one of our strategic goals was to grow our company in order to increase shareholder value. With this goal in mind, Richard (Rick) Bondowski joined our team in January 2018 as the Community Bank President for the Wisconsin market. Rick joins Diane Root in our Loan Services Office (LSO) in Green Bay, Wisconsin, and will focus on growing our commercial lending presence as well as finding a location for a full-service branch. Rick has more than 28 years of banking experience, and we are excited to continue growing in a market with a strong business and population base.

As a corporation, we have placed significant emphasis on succession planning, which has helped with several recent retirements, including the following: Timothy (Tim) Baroni, Community Bank President – Copper Country Region, in June 2017; Linda Turri, Assistant Vice President – Human Resources Officer and Benefits Manager, in February 2018; and Danny

Dawidowski, Senior Vice President – Trust & Wealth Management Officer, in March 2018. We appreciate the dedication they have shown and wish them a long and happy retirement. Although they will be missed, we are excited to provide growth opportunities for others in the company. The transition includes the following:

- James (Jamey) Markham was appointed to the position of Community Bank President – Copper Country to replace Tim Baroni. Tim continues to be involved as a Range Financial Corporation and Range Bank Board Director.
- Lucy Grove was appointed to the position of Human Resources Manager to replace Linda Turri.
- John (Jack) Frost was appointed to the position of Senior Vice President – Trust & Wealth Management to replace Danny Dawidowski. Danny will remain as a consultant and a member of the bank’s investment committee.
- David Symons, CPA, was hired to replace Jack Frost in the Chief Financial Officer role.

As this is my last letter to shareholders, I want to say that it has been an honor to serve as President and CEO of this outstanding company. Most important, I want to express my appreciation to the many employees who have been responsible for everything we have accomplished over the last 20 years. Further, I share the confidence our Board of Directors has in Roxanne Daust to lead our company going forward. Roxanne and I have worked together over these 20 years, and we expect a smooth transition as she assumes the role of CEO.

It has been a pleasure to serve our shareholders during 2017 and for the past 20 years. 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 15, 2018, at the Masonic Building in downtown Marquette. Please watch for details in your annual meeting notice.

Sincerely,
Kenneth A. Palmer
Chairman & Chief Executive Officer



Looking Toward the Future



"I look forward to leading us during the next important chapter in the Range Financial Corporation story."

In 2017, Ken Palmer announced that he will be retiring as Chairman, President and CEO on June 1, 2018. It has been a privilege to have worked with Ken over the last 20 years, during which time Range Financial Corporation has grown into one of the Upper Peninsula's largest and most-respected financial institutions. Ken has been the chief architect of our success, as evidenced by his strong leadership, commitment to the growth and development of our employees, and dedication to increasing shareholder value.

A few of the many accomplishments over the last 20 years include:

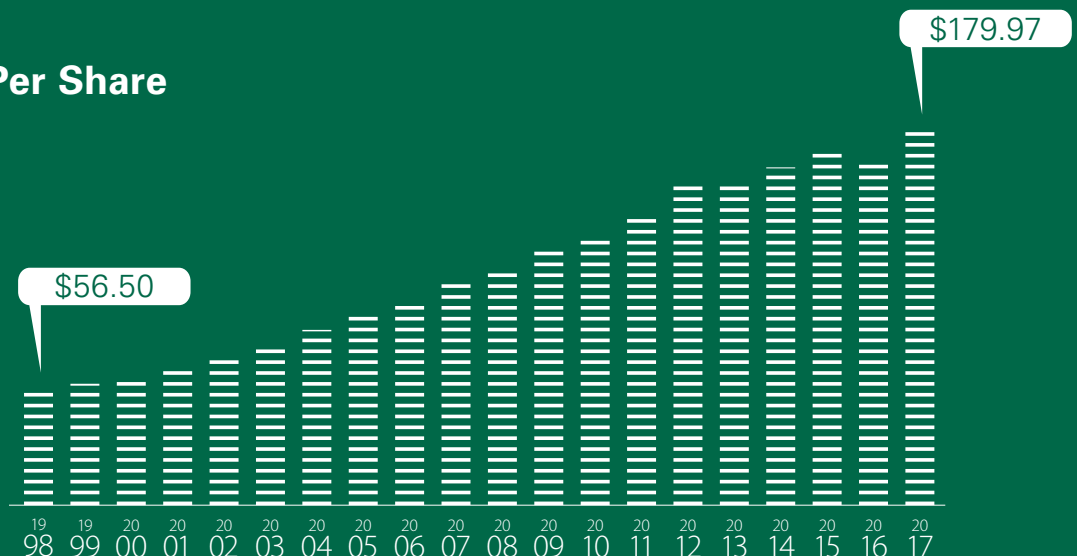
- **1998 to 2017** – Assets under Management grew from \$73 million to \$764 million. Equity increased from \$10 million to \$34 million. Cash Dividends increased from \$3.00 per share to \$5.40 per share.
- **2000** – We acquired First National Bank of Calumet – Lake Linden.
- **2003** – We opened our first branch in Dickinson County.
- **2005** – The bank's name changed from The First National Bank of Negaunee to Range Bank.
- **2011** – The Trust & Wealth Management Department was formed.
- **2013** – Our headquarters moved to Marquette.
- **2016** – A Loan Services Office was established in Green Bay, Wisconsin.

I look forward to leading us during the next important chapter in the Range Financial Corporation story, and I am committed to continuing to build on our strong foundation. While our corporation is an organization with a rich legacy, I am confident that our best years are ahead. Our ability to focus on what we do best – building relationships – will help define us into the future, guided by a talented team of people dedicated to Range Financial Corporation's long-term profitable growth.

Thank you for your continued support, and if you have any questions, please feel free to contact me at rdaust@rangebank.com or (906) 228-8043.

Sincerely,
Roxanne Daust
President & Chief Operating Officer

Increase Book Value Per Share from \$56.50 to \$179.97



Executive Management **Team**



From left to right (back): **John C. Frost** Senior Vice President, Trust & Wealth Management; **Richard H. Bondowski** Community Bank President, Wisconsin Region; **Terry L. Jutila** Senior Vice President & Chief Credit Officer; **Benjamin M. Wood** Community Bank President, Dickinson County; **James P. Markham, Jr.** Community Bank President, Copper Country; *(front)* **Kenneth A. Palmer** Chairman & Chief Executive Officer; **Roxanne M. Daust** President & Chief Operating Officer; **David A. Symons, CPA** Vice President & Chief Financial Officer; **Danny M. Dawidowski** Senior Vice President, Trust & Wealth Management

Range Financial Corporation and Range Bank **Board of Directors**

Kenneth A. Palmer, Chairman and CEO

Roxanne M. Daust, President & Chief Operating Officer

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. Kroncich, CPA, President, Kroncich, 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.

Our Heritage and Our Work Ethic **Connect Us**

The Range Bank brand name embodies honor and reflects the heritage of the iron and copper ranges our communities were founded upon. At Range Bank, we have been committed to our community for over 130 years. We live here. We work here. We are dedicated to meeting all your banking needs with the kind of attentive, personal service you would expect from a neighbor. We strive to be the bank you deserve and the bank you choose.

We are proud to be “Community Strong.”





Built on Strength, **Well Placed for the Future**

New Community Bank President in Wisconsin

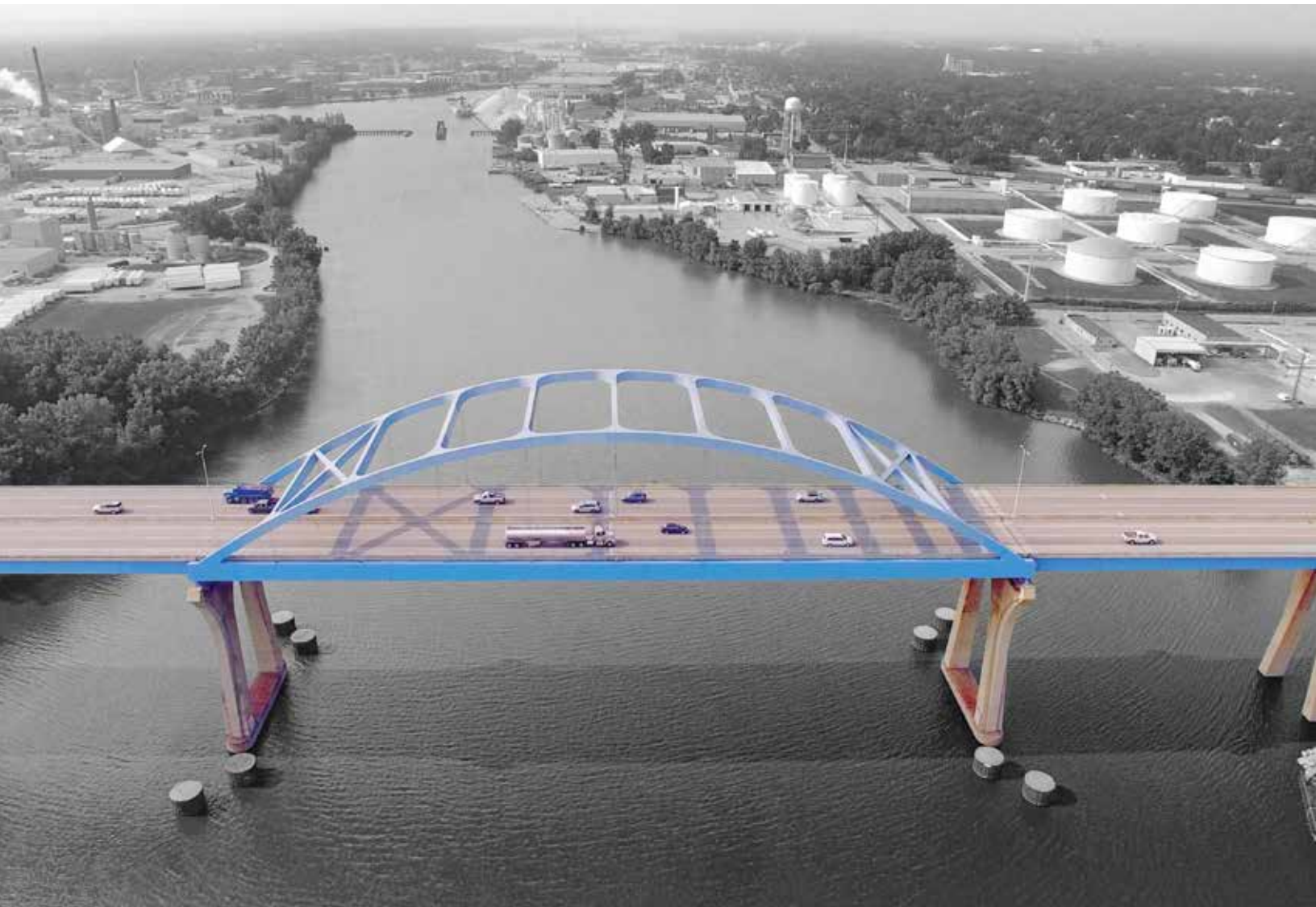
We are pleased to introduce Richard Bondowski as President of the Wisconsin Region. Bondowski has over 28 years of experience in the financial services industry, with a broad experience in banking. Range Bank has operated a Loan Services Office in Green Bay since 2016 with Residential Loan Officer Diane Root. Through Root's drive and experience, the bank has gained traction in the Wisconsin Region.

"We are excited to expand our services in Wisconsin. I am very pleased that Rick is joining Range Bank," said Roxanne Daust, President and Chief Operating Officer. "We are excited to add to the success of our mortgage lending in Wisconsin and continue to grow our business."

Bondowski holds an advanced management degree from the Graduate School of Banking at the University of Wisconsin – Madison and earned a Bachelor of Science from Marquette University in Milwaukee.

In the community, Bondowski was on the Board of Directors for Big Brothers, Big Sisters of Northeast Wisconsin, the Board of Directors for the Menominee Tribal College, participated in Dancing with the Stars for the American Red Cross and volunteered for the United Way.

▼ Scenic Leo Frigo Memorial Bridge, Green Bay, Wisconsin



2017 Financial Summary

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

As of December 31,	2017	2016	2015	2014	2013
AT YEAR END					
Total Assets	\$371,046	\$350,401	\$328,236	\$311,692	\$281,016
Total Deposits	335,754	317,178	293,062	278,407	246,411
Net Loans	216,465	204,514	190,624	182,142	170,053
Investments	106,940	114,612	101,087	76,788	82,085
Capital Funds	32,226	30,059	30,801	29,164	27,616

EARNINGS

Operating Income	15,406	14,977	14,127	13,094	13,417
Operating Expense	12,365	12,253	11,294	10,639	10,748
Income Tax Expense	577	511	517	406	537
Net Income	2,464	2,213	2,316	2,049	2,132
Return on Average Assets	0.68%	0.65%	0.73%	0.70%	0.77%
Return on Average Equity	7.37%	6.59%	7.27%	6.78%	7.28%

PER SHARE DATA

Net Income	\$13.76	\$12.31	\$12.90	\$11.42	\$11.89
Cash Dividends	5.25	5.20	4.90	4.80	4.80
Book Value	\$179.97	\$167.24	\$171.58	\$162.64	\$154.03

Reconciliation of Reserve for Bad Debt

(in thousands)

As of December 31,	2017	2016
Balance beginning of period	\$2,397	\$2,186
Recoveries credited to reserve	5	90
Provision for possible loan losses	750	575
Losses charged to reserve	(575)	(454)
Balance end of period	\$2,577	\$2,397

ASC 820 Valuation – Securities Footnote

Y to Y

Date	12/31/17	12/31/16	Change
No.	218	239	(21)
Par	103,834,980	112,572,271	(8,737,291)
Book	107,012,054	116,384,753	(9,372,699)
Market	105,824,187	113,992,467	(8,168,280)
Gain/Loss	(1,187,867)	(2,392,286)	1,204,419
	Book-Par change		(635,408)

Combined Statement of Condition (unaudited, in thousands)

As of December 31,	2017	2016
ASSETS		
Cash and Due from Banks	24,281	12,851
Investment Securities		
Held to Maturity	-	-
Available for sale (stated at fair value)	106,940	114,612
Federal funds sold and securities purchased under agreements to resell	-	-
Loans, net of unearned income	219,042	206,911
Allowance for possible loan loss	(2,577)	(2,397)
Loans, net	216,465	204,514
Bank Premises, Furniture and Equipment	10,864	11,709
Real Estate owned other than bank premises	1,172	1,316
Goodwill	1,772	1,772
All Other Assets	9,552	3,627
Total Assets	\$371,046	\$350,401
LIABILITIES		
Total Deposits	335,754	317,178
Total Demand Deposits	136,501	162,636
Total Time and Savings Deposits	199,253	154,542
All Other Liabilities	3,066	3,164
Total Liabilities (excluding subordinated notes and debentures)	\$338,820	\$320,342
EQUITY CAPITAL		
Common Stock (\$1 par value)		
1,000,000 shares authorized, 179,735 shares outstanding	179	180
Capital in Excess of Par	4,882	4,984
Retained Earnings	28,103	26,378
Unrealized gain (loss) on securities available for sale	(938)	(1,483)
Total Equity Capital	\$32,226	\$30,059
Total Liabilities and Equity Capital	\$371,046	\$350,401
Memo Item: Standby Letters of Credit	\$1,834	\$1,179

Reconciliation of Equity Capital Accounts

	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders' Equity
Balance, December 31, 2016	\$5,164,353	\$26,377,724	\$(1,483,217)	\$30,058,860
Net Income		2,464,372		2,464,372
Cash dividends declared, \$5.25 per share		(940,907)		(940,907)
Issuance of shares	113,810			113,810
Acquisition of shares outstanding	(217,078)			(217,078)
Adjustments related to the Tax Cuts and Jobs Act of 2017		201,938		201,938
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes			544,802	544,802
Balance, December 31, 2017	\$5,061,085	\$28,103,127	\$(938,415)	\$32,225,797

Combined Statement of Income (in thousands)

As of December 31,	2017	2016
INTEREST INCOME		
Interest and fees on loans	11,371	10,685
Interest on investment securities:		
Taxable	1,158	970
Tax-exempt	1,169	1,118
Total Interest Income	13,698	12,773
INTEREST EXPENSE		
Interest expense on deposits	861	828
Interest expense on borrowings	142	93
Total Interest Expense	1,003	921
Net interest income	12,695	11,852
Provision for loan losses	(750)	(575)
Net Interest Income After Provision for Loan Losses	11,945	11,277
OTHER INCOME		
Service charges	348	344
Other operating income	1,353	1,495
Total Other Income	1,701	1,839
OPERATING EXPENSES		
Salaries and employee benefits	6,729	6,349
Occupancy	829	949
Other operating expenses	3,054	3,459
Total Operating Expenses	10,612	10,757
Income before provision for income taxes	3,034	2,359
Provision for income taxes	(577)	(511)
Income before other gains and losses	2,457	1,848
Security gains (losses)	7	365
Extraordinary gains (losses)	-	-
Net Income	2,464	2,213
	2017	2016
Earnings Per Common Share	13.76	12.31



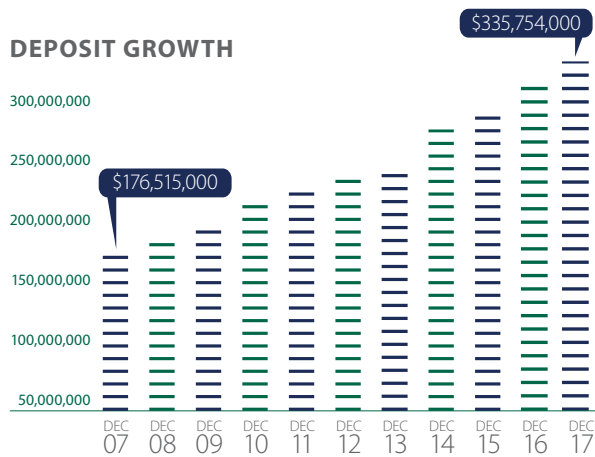
Danny Dawidowski retirement after 6 years of service

Danny Dawidowski, Senior Vice President, Trust & Wealth Management Officer, has announced his retirement from Range Bank, culminating a 42-year financial services career. Danny joined Range Bank in 2011 and was a driving force in the development of the Trust & Wealth Management team. Danny will continue to be on the Trust & Wealth Management team as a consultant and will continue to be a member of Range Bank's investment committee.

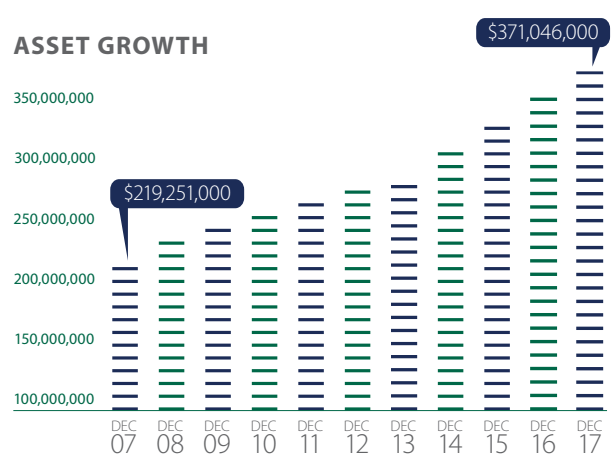
We thank Danny for his hard work, commitment and dedication to Range Bank. We wish Danny all the best in his retirement.



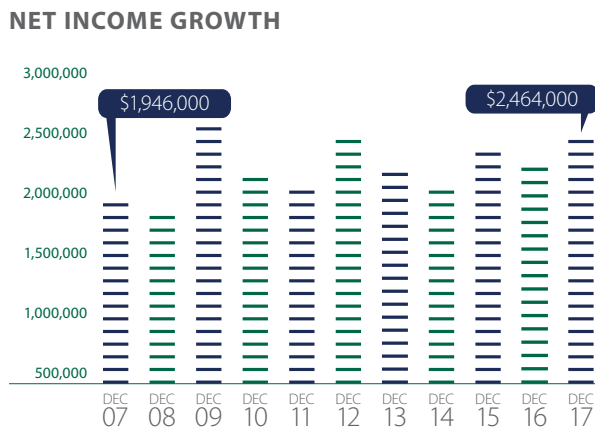
DEPOSIT GROWTH



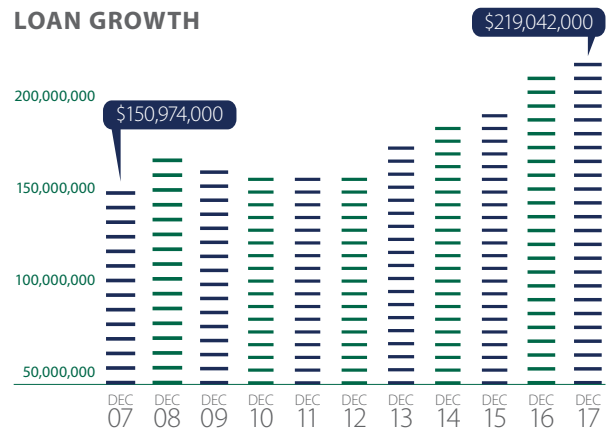
ASSET GROWTH



NET INCOME GROWTH



LOAN GROWTH



Linda Turri retirement after 44 years of service

Linda Turri, Assistant Vice President and Human Resources Officer, has announced her retirement – culminating a 44-year career at Range Bank. We thank Linda for her dedicated service and commitment to Range Bank. We wish Linda health and happiness in her retirement.

Strong communities enrich lives, support businesses and provide a sense of continuity.

For over 130 years, Range Bank has maintained a solid commitment to the communities and people we serve. Our people support and are actively involved with a host of community events and organizations. Through such involvement, we hope to enrich the lives of all who call our community home.

A few examples of organizations Range Bank supports are:

- Big Brothers Big Sisters
- Bay Cliff Health Camp
- Superior Health Foundation
- Lake Superior Hospice
- American Heart Association
- Aspirus Keweenaw
- Iron Range Hockey Association
- Marquette Trails Festival
- Negaunee Irontown Association
- Beacon House
- Portage Lake Little League
- Superior Arts Youth Theater
- United Way of Marquette County
- Marquette County Junior Golf Association
- Keweenaw Community Foundation
- Copper Harbor Trails Club
- Little Brothers Friends of the Elderly
- Girl Scouts
- Lake Superior Community Partnership
- Copper Country United Way
- Marquette Little League
- Kiwanis Club of Ishpeming
- Shriners Children's Hospital
- United Way of Dickinson County
- Upper Peninsula Children's Museum
- Dickinson Area Economic Development Alliance
- Swedetown Trails Club
- Rotary Club of Marquette
- Grow & Lead: Community and Youth Development
- Marquette Junior Hockey

▼ Range Bank employees volunteering within the community





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 Loan Services Office

Officers

Kenneth A. Palmer, Chairman & Chief Executive Officer
Roxanne M. Daust, President & Chief Operating 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
Richard H. Bondowski, Community Bank President – Wisconsin Region
Terry L. Jutila, Senior Vice President & Chief Credit Officer
Danny M. Dawidowski, Senior Vice President, Trust & Wealth Management Officer
John C. Frost, Senior Vice President, Trust & Wealth Management Officer
Brian L. Syrjala, Senior Vice President, Home Mortgage Services
Kristy M. Sibilsky, Senior Vice President, Business Banker
Charlotte L. Gaudreau, Vice President, Business Banker
Kelly L. Jandron, Vice President, Regional Branch Administrator
Angela M. Knauss, Vice President, Branch Manager & Mortgage Loan Officer
John W. Lenten, CPA, Vice President, Credit Administration Manager
Sally L. Shaver, Vice President, Mortgage Loan Underwriting
Christopher H. DeRoche, Vice President, Branch Manager & Mortgage Loan Officer
Diane R. Root, Vice President, Mortgage Loan Officer
Michelle M. McLaughlin, Vice President, Business Credit
Glenn A. Johnson, Vice President, Compliance and Security Officer
Kelli J. Hendrickson, Assistant Vice President, Branch Manager & Mortgage Loan Officer
Linda M. Turri, Assistant Vice President, Human Resources Officer
Rachel M. Simonsen, Operations & Branch Administrator Officer
Eric M. Kucharczyk, Business Banking Officer
Cheryl L. O'Brien, Branch Manager & Loan Officer
Christopher J. Gobert, Branch Manager & Loan Officer
Kimberley S. Kaura, Branch Manager & Loan Officer
Kristin D. Knapp, Branch Manager & Loan Officer
Michele M. Kontio, Trust Officer
Scott A. Slattery, Trust & Wealth Management Officer

