

2016

ANNUAL
REPORT



Financial Strength You Can Bank On

Serving Michigan and Wisconsin

 **Range Financial Corporation**



Letter to our Shareholders

On behalf of the Board of Directors, we are pleased to present the 2016 annual report to the shareholders of Range Financial Corporation, the holding company for Range Bank.

In 2017, we will be celebrating our 130th anniversary as a community bank. The success and longevity of our company is a tribute to the steadfast efforts of generations of employees and directors. In addition, we are also mindful that our success would not have been possible without the support of our many friends and customers throughout the communities we serve. We thank everyone, past and present, for helping us reach this milestone.

I am pleased to report that the financial performance of our corporation was strong in 2016 with net income of \$2,213,000. This marks the eighth year in a row that net income has exceeded \$2 million. Range Financial Corporation continues to grow and as of December 31, 2016, we managed assets of \$706 million, which is an increase of \$53 million compared to the prior year. Included in this number are on-balance sheet assets of \$350 million and off-balance sheet assets of \$356 million that include business sweep accounts, sold commercial and mortgage loans along with trust and wealth management assets.

As mentioned in last year's report, the significant growth of our Houghton market necessitated the need for a larger and more functional facility to better support our staff and our growing customer base. We are pleased to report that the grand opening of our new 4,000 square-foot office was held in January 2017. The new office has been well received and we are confident that it will help grow our brand in the Houghton market well into the future. Congratulations to Tim Baroni, Jamey Markham and their staff for a job well done.

As we entered 2016, one of our strategic goals was to grow our company in order to increase shareholder value. With this in mind, we opened a Loan Services Office (LSO) in Green Bay, Wisconsin, in February 2016. We were fortunate to hire Diane Root, a 30-year veteran mortgage lender in the Green Bay market, to head our office. We are very pleased with the success we have had in the first year and look forward to our continued success into the future.

We continue to be proud of the success of our Trust and Wealth Management department and are particularly proud that in April 2017, the department will celebrate five years in operation, which

is a significant achievement in the financial services industry. We believe we are unique in the industry and our approach has been instrumental to our success and has resulted in over \$94 million in assets under management. To discuss how we can help you with your trust or investment needs, we encourage you to contact Danny Dawidowski, Michele Kontio or Scott Slattery at 906-226-4045.

In 2016, we were pleased to welcome Benjamin (Benji) Wood as our new Community Bank President for our Dickinson County market. Benji joined us with a strong background in sales, marketing and community involvement, and he has been a great addition to our team. We are confident that under Benji's leadership, we will continue to grow our Dickinson market.

We were sad to lose a good friend and longtime director in August 2016. Paul Symons was a director of Range Financial Corporation and Range Bank since 1986 and is greatly missed.

In 2016, we were once again honored to receive the Reader's Choice Award for "Best Bank" by *The Mining Journal*, the Upper Peninsula's largest daily newspaper. This award, along with other community awards received in recent years, inspires us to work hard every day to better the lives of the people we serve.

As we conclude another successful year, it is once again important to thank our dedicated employees and directors. Our people are our most important asset and the reason for our success.

As always, we hope to see you at the annual meeting of shareholders on May 16, 2017, at the Masonic Building in downtown Marquette. Please watch for details in your annual meeting notice.

It has been a pleasure to serve our shareholders during 2016. On behalf of our directors, officers and staff, we thank you for your continued support. If you have any questions or comments, please feel free to contact me at kapalmer@rangebank.com or 906-228-8041.

Sincerely,

Kenneth A. Palmer

Chairman, President & Chief Executive Officer

Executive Management Team



From left to right: **Terry L. Jutila** Senior Vice President & Chief Credit Officer; **John C. Frost** Senior Vice President & Chief Financial Officer; **Benjamin M. Wood** (front) Community Bank President, Dickinson County; **Timothy J. Baroni** (back) Community President, Copper Country; **Roxanne M. Daust** Executive Vice President; **Danny M. Dawidowski** Senior Vice President, Trust & Wealth Management; **Kenneth A. Palmer** Chairman, President & Chief Executive Officer.

Range Financial Corporation and Range Bank Board of Directors

Kenneth A. Palmer, Chairman, President & CEO

Peter W. Frazier, Plant Engineer, Fraco, Inc.

Anita A. Johns, 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.

Honoring Paul Symons

We are saddened by the passing of our longtime friend and board member Paul Symons on August 28. Paul has been a dedicated board member of Range Financial Corporation and Range Bank since 1986 and he will be greatly missed. Our condolences go out to his wife Lynn, his children, Bradley, David and Laura, and his nine grandchildren.



Growing to Serve More of **Your Needs**

Houghton Office



New Office in **Houghton, MI**

As a result of steady customer growth in the Copper Country, we have built a new office next to the existing Range Bank office off of M-26 in Houghton.

The modern new location allows us to better accommodate all of the financial needs of our growing customer base. At 4,000 square feet, the Houghton office features:

- Two drive-through lanes
- Three teller windows
- An onsite drive-up ATM
- A full suite of banking services, including personal and business deposit accounts, competitive residential mortgage loans, business loan products, and Trust and Investment services

The beautiful new building was designed by U.P. Engineers & Architects, Inc. and built by Gundlach Champion Inc., the general contractor for the project. If you haven't already stopped by, we hope to see you soon! We would love to show you around.

Houghton ribbon cutting



New Loan Services Office in **Green Bay, WI**

We were pleased to introduce in 2016 a new loan services office in Green Bay, offering competitive residential mortgage loan products and the expert, friendly guidance of Vice President and Residential Loan Officer Diane Root.

Root is a resident of Green Bay and has over 33 years of banking experience, with over 20 years as a mortgage lender.

Within the community, Root is a member and Ambassador of the Greater Green Bay Chamber, a member of Management Women, the Allouez Optimist Club and the Ashwaubenon Business Association. She also volunteers in the community as an instructor for the Junior Achievement program.



Diane Root, Vice President – Mortgage Loan Officer

Green Bay ribbon cutting



2016 Financial Summary

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

As of December 31, **2016** **2015** **2014** **2013** **2012**

AT YEAR END

Total Assets	\$350,401	\$328,236	\$311,692	\$281,016	\$274,058
Total Deposits	317,178	293,062	278,407	246,411	239,767
Net Loans	204,514	190,624	182,142	170,053	155,651
Investments	114,612	101,087	76,788	82,085	59,751
Capital Funds	30,059	30,801	29,164	27,616	27,703

EARNINGS

Operating Income	14,977	14,127	13,094	13,417	13,839
Operating Expense	12,253	11,294	10,639	10,748	10,731
Income Tax Expense	511	517	406	537	659
Net Income	2,213	2,316	2,049	2,132	2,449
Return on Average Assets	0.65%	0.73%	0.70%	0.77%	0.89%
Return on Average Equity	6.59%	7.27%	6.78%	7.28%	8.61%

PER SHARE DATA

Net Income	\$12.31	\$12.90	\$11.42	\$11.89	\$13.64
Cash Dividends	5.20	4.90	4.80	4.80	4.80
Book Value	\$167.24	\$171.58	\$162.64	\$154.03	\$154.26

Reconciliation of Reserve for Bad Debt

(in thousands)

As of December 31, **2016** **2015**

Balance beginning of period	\$2,186	\$1,907
Recoveries credited to reserve	90	7
Provision for possible loan losses	575	450
Losses charged to reserve	(454)	(178)
Balance end of period	\$2,397	\$2,186

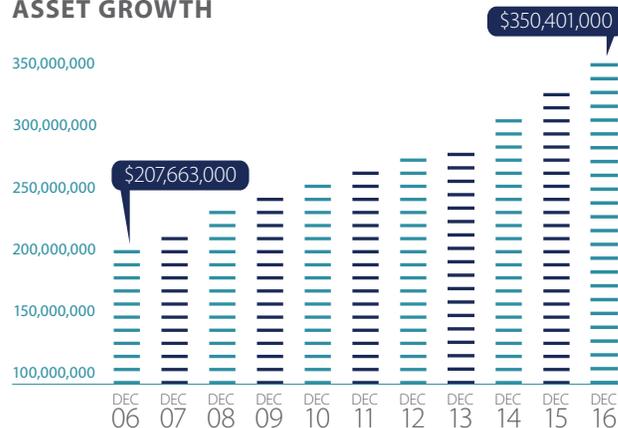
ASC 820 Valuation - Securities Footnote

Y to Y

Date	12/31/16	12/31/15	Change
No.	239	225	14
Par	112,572,271	98,175,277	14,396,994
Book	116,384,753	100,278,925	16,105,828
Market	113,992,467	101,201,612	12,790,855
Gain/Loss	(-2,392,286)	922,687	(-3,314,973)
	Book-Par change		1,708,834



ASSET GROWTH



DEPOSIT GROWTH



LOAN GROWTH



Combined Statement of Condition (unaudited, in thousands)

As of December 31,	2016	2015
ASSETS		
Cash and Due from Banks	12,851	20,363
Investment Securities		
Held to Maturity	-	-
Available for sale (stated at fair value)	114,612	101,087
Federal funds sold and securities purchased under agreements to resell	-	-
Loans, net of unearned income	206,911	192,810
Allowance for possible loan loss	(2,397)	(2,186)
Loans, net	204,514	190,624
Bank Premises, Furniture and Equipment	11,709	10,633
Real Estate owned other than bank premises	1,316	102
Goodwill	1,772	1,772
All Other Assets	3,627	3,655
Total Assets	\$350,401	\$328,236
LIABILITIES		
Total Deposits	317,178	293,062
Total Demand Deposits	162,636	148,134
Total Time and Savings Deposits	154,542	144,929
All Other Liabilities	3,164	4,372
Total Liabilities (excluding subordinated notes and debentures)	\$320,342	\$297,435
EQUITY CAPITAL		
Common Stock (\$1 par value)		
1,000,000 shares authorized, 179,735 shares outstanding	180	180
Capital in Excess of Par	4,984	4,951
Retained Earnings	26,378	25,098
Unrealized gain (loss) on securities available for sale	(1,483)	572
Total Equity Capital	\$30,059	\$30,801
Total Liabilities and Equity Capital	\$350,401	\$328,236
Memo Item: Standby Letters of Credit	\$1,179	\$1,179

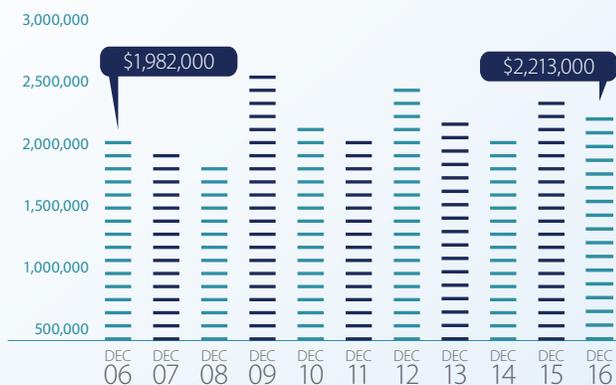
Reconciliation of Equity Capital Accounts

	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders' Equity
Balance, December 31, 2015	\$5,131,309	\$25,098,046	\$572,065	\$30,801,420
Net Income		2,213,035		2,213,035
Cash dividends declared, \$5.20 per share		(933,357)		(933,357)
Issuance of shares	139,232			139,232
Acquisition of shares outstanding	(106,188)			(106,188)
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes			(2,055,282)	(2,055,282)
Balance, December 31, 2016	\$5,164,353	\$26,377,724	\$(1,483,217)	\$30,058,860

Combined Statement of Income (in thousands)

As of December 31,	2016	2015
INTEREST INCOME		
Interest and fees on loans	10,685	10,335
Interest on investment securities:		
Taxable	970	968
Tax-exempt	1,118	924
Total Interest Income	12,773	12,227
INTEREST EXPENSE		
Interest expense on deposits	828	852
Interest expense on borrowings	93	86
Total Interest Expense	921	938
Net interest income	11,852	11,289
Provision for loan losses	(575)	(450)
Net Interest Income After Provision for Loan Losses	11,277	10,839
OTHER INCOME		
Service charges	344	348
Other operating income	1,495	1,247
Total Other Income	1,839	1,595
OPERATING EXPENSES		
Salaries and employee benefits	6,349	5,565
Occupancy	949	956
Other operating expenses	3,459	3,385
Total Operating Expenses	10,757	9,906
Income before provision for income taxes	2,359	2,528
Provision for income taxes	(511)	(517)
Income before other gains and losses	1,848	2,011
Security gains (losses)	365	305
Extraordinary gains (losses)	-	-
Net Income	2,213	2,316
	2016	2015
Earnings Per Common Share	12.31	12.90

NET INCOME GROWTH



BOOK VALUE



Corporate Office

Range Financial Corporation

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

Marquette County

Marquette Headquarters
Negaunee
Marquette, McClellan Avenue
Marquette, Third Street
Marquette Township
Harvey
Koski Korners

Copper Country

Calumet
Houghton
Lake Linden

Dickinson County

Kingsford
Quinnesec

Brown County

Green Bay Loan Servicing Office

Officers

Kenneth A. Palmer, Chairman, President & CEO

Roxanne M. Daust, Executive Vice President

John C. Frost,

Senior Vice President & Chief Financial Officer

Timothy J. Baroni,

Community Bank President - Copper Country

Benjamin M. Wood,

Community Bank President- Dickinson County

Terry L. Jutila,

Senior Vice President & Chief Credit Officer

Danny M. Dawidowski,

Senior Vice President, Trust &
Wealth Management Officer

James P. Markham, Jr., Senior Vice President

Brian L. Syrjala, Senior Vice President

Kristy M. Sibilsky, Senior Vice President

Charlotte L. Gaudreau, Vice President

Kelly L. Jandron, Vice President

Angela M. Knauss, Vice President

John W. Lenten, CPA, Vice President

Sally L. Shaver, Vice President

Christopher H. DeRoche, Vice President

Diane R. Root, Vice President

Michelle M. McLaughlin, Vice President

Glenn A. Johnson, Vice President

Kelli J. Hendrickson, Assistant Vice President

Linda M. Turri, Assistant Vice President

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

Rachel M. Simonsen, Operations Officer

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.

