

125 YEARS OF CONNECTING PEOPLE AND COMMUNITIES



EXECUTIVE MANAGEMENT TEAM



**KENNETH A. PALMER**  
Chairman, President & CEO



**ROXANNE M. DAUST**  
Executive Vice President



**TIMOTHY J. BARONI**  
Community President, Copper Country



**WILLIAM D. EDBERG**  
Community President, Dickinson County



**TERRY L. JUTILA**  
Senior Vice President & Chief Credit Officer



**DANNY M. DAWIDOWSKI**  
Senior Vice President  
Trust & Wealth Management



**JOHN C. FROST**  
Vice President & Chief Financial Officer

# A LETTER TO OUR SHAREHOLDERS

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On behalf of the Board of Directors, we are pleased to present the 2011 Annual Report to the shareholders of Range Financial Corporation, the holding company for Range Bank.

Range Bank was chartered in June 1887, and this year we will celebrate our 125th year in business. Since our beginning in 1887, we have been unwavering in our commitment to serve our customers well and help them achieve their financial goals. We are proud of this service and proud that over this time we have remained a strong and growing bank with assets of over \$266 million as of December 31, 2011. In addition, we manage \$178 million of sold commercial and mortgage loans as well as off balance-sheet business sweep accounts, bringing our total assets under management to \$444 million.

I am pleased to report that the financial performance of our Corporation was solid for the year 2011, exceeding our expectations with net income of \$2,105,000. This marks the third consecutive year that net income has exceeded \$2 million. The book value of your shares at year-end was \$137.78 per share, which is an increase of 5.62%. The annual dividend yield was 3.34%, bringing the total return on your shares to 8.96%. Once again, we were able to achieve this level of earnings during a struggling economy due in large part to a hardworking, dedicated staff and the stewardship of your Board of Directors. In addition, our problem assets remain at a very manageable level. Rest assured, we remain committed to maintaining excellent asset quality.

As I've often said in the past, our success is truly the result of an excellent team of employees providing excellent customer service and 2011 was no exception. During the year, we hired four additional bankers with local market experience to help us to continue to grow: Danny Dawidowski, a veteran Trust Officer, and Michele Kontio, a veteran Trust Administrative Assistant, joined us to head our new Trust and Wealth Management Department; Brian Syrjala, a long-time area mortgage banker, joined us as our Mortgage Business Development Officer; and John "Jack" Frost was hired as Chief Financial Officer, replacing Roxanne Daust who was promoted to Executive Vice President. These four individuals bring extensive experience to our company, and we are very pleased to have them as part of our team. Additionally, we have enhanced our customer service by adding mobile banking, online mortgage applications, and we recently purchased a new facility to improve services to our customers in Lake Linden.

In summary, we are proud of our history and thankful to the countless number of employees and directors who have guided us for the past 125 years. Our company story continues to be written. As we move forward we're confident that, with your continued support, we will achieve great success together.

If you have any questions or comments, please feel free to contact me at [kapalmer@rangebank.com](mailto:kapalmer@rangebank.com) or 906-228-8041. As always, we hope to see you at the Annual Meeting of Shareholders on May 15, 2012.

Sincerely,



Kenneth A. Palmer  
Chairman, President & Chief Executive Officer



# 125 YEARS AND GROWING

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A lot has changed since we opened our doors back in 1887. Cars have replaced horses. Elvis and the Beatles have come and gone. And technology is driving the way we work and live. One thing, however, has remained constant: our focus on helping local people and businesses thrive.

From our very beginnings, Range Bank has remained a true community bank. Our commitment to our customers, businesses, and communities has remained steadfast. Our vision has remained clear. And our core values have kept us strong, even in challenging economic times.

Today, Range Bank continues to lead the way by providing our customers the services, resources, and convenience they need to grow and prosper. We have 12 branches conveniently located throughout the central Upper Peninsula. We combine all the resources of a larger, nationwide bank with the friendly, personal service of a community bank.

Like the U.P., Range Bank has come a long way in 125 years. We've grown and stayed close with the people and businesses here. That's why Range Bank is where the U.P. banks.

# ALL ABOUT COMMUNITY

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## Helping a history museum build a brighter future.

After 125 years, Range Bank knows the value of preserving our area's heritage. That's why we were happy to support the building of the new [Marquette Regional History Center](#).

In 2007, the Marquette County History Museum – the oldest historical society in the U.P. – began a Capital Campaign to build a state-of-the-art history and cultural center in downtown Marquette. The plans were to renovate an old bus terminal across from the historic courthouse. The entire project was estimated to cost \$4.2 million.

"Range Bank has been wonderful," states Kaye Heibel, executive director of the museum. "Right from the beginning, they saw the value of this project and what it would mean to the community, both culturally and economically. They've been so supportive."

In March 2011, the Marquette Regional History Center opened its doors to the public. "It's been incredible," says Heibel. "It's exceeded all our expectations. Visitors from outside the area are amazed at what we have to offer, especially since we're in a smaller community."

Heibel appreciates the value of working with a community bank like Range. "The most successful banks are those with a direct connection to our community. Range Bank has that."

## 125 years. Two organizations. One incredible ski event.

Like Range Bank, the [Ishpeming Ski Club](#) is celebrating its 125th year. Which is why it made perfect sense for Range Bank to sign on as the title sponsor of the club's annual ski tournament.

"It really helped having Range as the major sponsor," says Bob Hendrickson, ski club vice president. "They helped create more excitement for the event. They also made it easier to attract other sponsors."

Range provided more than just financial support, however. "Range came to the table with some great ideas," says Hendrickson. "They helped market the event with posters, buttons, etc. They provided volunteers, too. They really pitched in."

The tournament, which attracts top ski jumpers from around the country and Europe as well, has been an annual event dating back to 1925. This year's event was held on February 8, 2012, and attracted over 1,000 spectators. "It was the most successful event in decades," adds Hendrickson.

Hendrickson, along with the entire ski club, sees a big advantage in partnering with a community institution like Range Bank. "There's a lot of community pride in our organization," explains Hendrickson. "Range Bank shares that pride. After 125 years, we're both still really connected to our community."





## Our new Trust & Wealth Management team: Growing and protecting your wealth.

For 125 years, Range Bank has been driving new and smarter ways for people to grow and manage their money. Today, we're proud to offer Trust & Wealth Management services to our customers and shareholders throughout the U.P. Our new Trust & Wealth Management team has a wealth of experience and keen insight to help you grow and protect your nest egg.

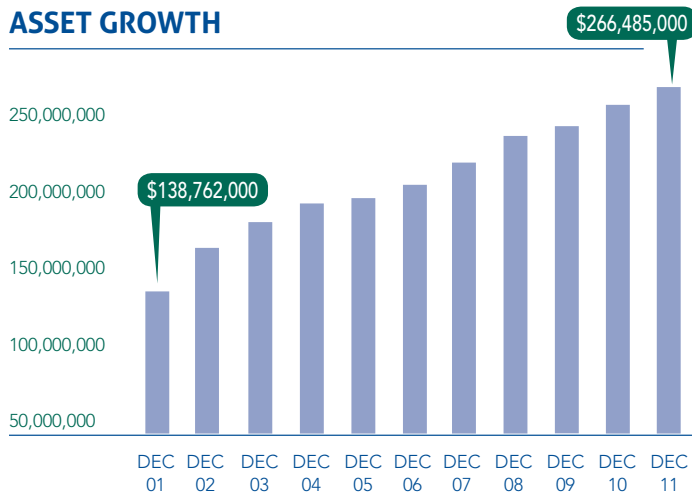
Danny Dawidowski is a trust and investment professional with over 36 years of experience. He has formed close personal relationships with clients throughout the U.P. He provides attentive, personal service for true, peace-of-mind investing and estate planning. He's deeply committed to every client's personal and financial goals. Supporting Danny is Michele Kontio, who has over a decade of trust experience. Michele works closely with clients, managing much of the day-to-day activities. Together, Danny and Michele can guide you through a wide range of trust and investment matters. So whatever your goals are, you can trust the Trust & Wealth Management team at Range Bank.

**“ You want to plan and secure your future with someone you know and trust. Who better than a bank that's been invested in the community for 125 years? ”**

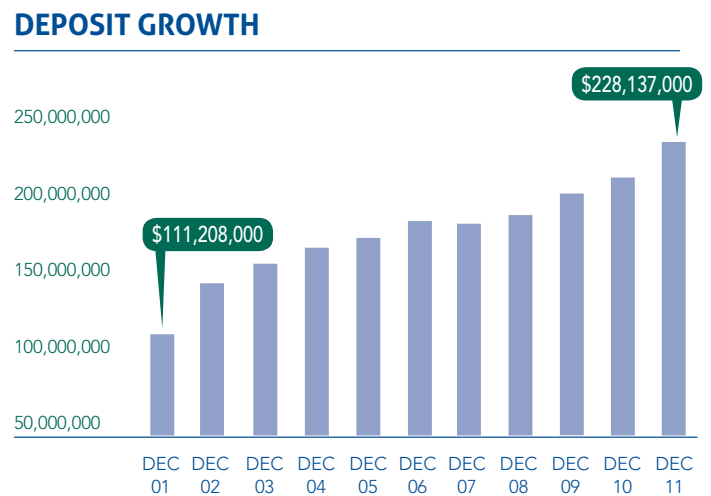
*Danny Dawidowski, Senior Vice President  
Trust & Wealth Management*

# RANGE BANK: STRENGTH IN NUMBERS

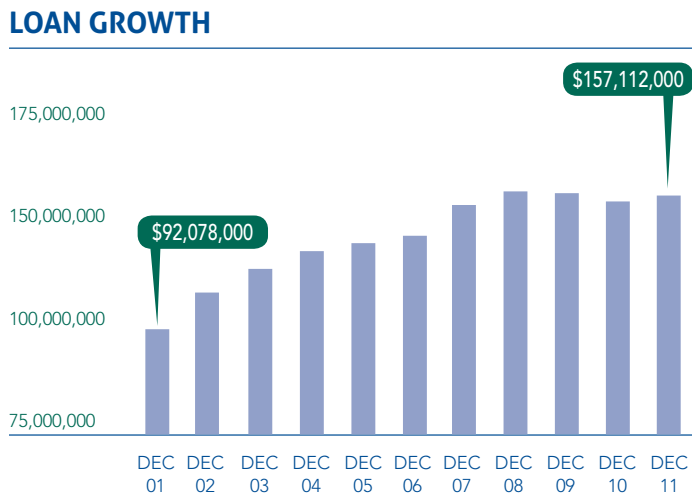
## ASSET GROWTH



## DEPOSIT GROWTH



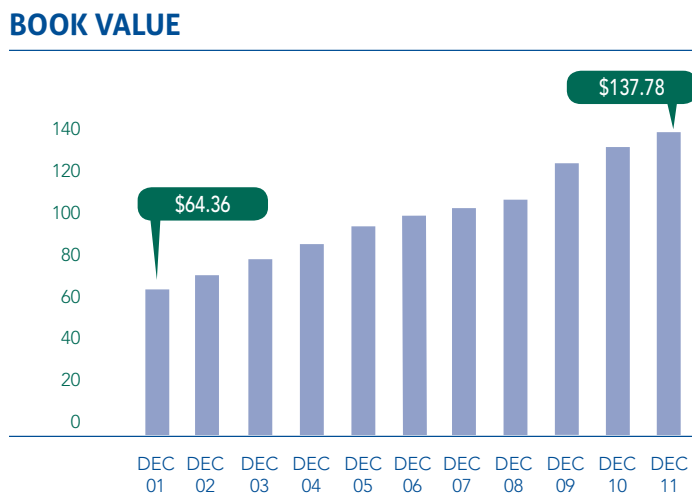
## LOAN GROWTH



## NET INCOME GROWTH



## BOOK VALUE



# Financial Statements

## Combined Statement of Condition (unaudited)

As of December 31,	2011	2010
<b>Assets</b>		
Cash and due from banks	\$ 39,514,000	\$ 18,556,000
Investment Securities		
Held to Maturity	-	-
Available for sale-stated at fair value	60,283,000	60,104,000
Federal funds sold and securities purchased under agreements to resell	-	10,000,000
Loans, net of unearned income	157,112,000	155,407,000
Allowance for possible loan loss	(1,976,000)	(1,807,000)
Loans, net	155,136,000	153,600,000
Bank Premises, Furniture and Equipment	6,206,000	6,334,000
Real Estate owned other than bank premises	507,000	650,000
Goodwill	1,772,000	1,772,000
All Other Assets	3,067,000	3,201,000
<b>Total Assets</b>	<b>\$266,485,000</b>	<b>\$ 254,217,000</b>
<b>Liabilities</b>		
Total Deposits	\$228,137,000	\$214,874,000
Total Demand Deposits	106,774,000	101,825,000
Total Time and Savings Deposits	121,363,000	113,049,000
All Other Liabilities	12,644,000	15,901,000
<b>Total Liabilities (excluding subordinated notes and debentures)</b>	<b>\$240,781,000</b>	<b>\$ 230,775,000</b>
<b>Equity Capital</b>		
Common Stock (\$1 par value)		
1,000,000 shares authorized, 177,085 shares outstanding	\$ 177,000	\$ 176,000
Capital in Excess of Par	4,617,000	4,517,000
Retained Earnings	19,605,000	18,313,000
Unrealized gain (loss) on securities available for sale	1,305,000	436,000
<b>Total Equity Capital</b>	<b>\$ 25,704,000</b>	<b>\$ 23,442,000</b>
<b>Total Liabilities and Equity Capital</b>	<b>\$266,485,000</b>	<b>\$ 254,217,000</b>
Memo Item: Standby Letters of Credit	\$ 1,605,830	\$ 1,092,300

### FASB 157 VALUATION – SECURITIES FOOTNOTE

Y TO Y					
DATE	NO.	PAR	BOOK	MARKET	GAIN/LOSS
12/31/11	195	56,116,759	56,710,186	58,814,901	2,104,715
12/31/10	204	57,700,344	58,331,427	58,704,489	373,062
CHANGE	(9)	(1,583,585)	(1,621,241)	110,412	1,731,653
		BOOK-PAR CHANGE	(37,656)		



## Combined Statement of Income

As of December 31,

	2011	2010
<b>Interest Income</b>		
Interest and fees on loans	\$ 10,144,000	\$ 10,861,000
Interest on investment securities:		
Taxable	858,000	768,000
Tax-exempt	1,073,000	1,212,000
Other interest income	-	-
Total Interest Income	\$ 12,075,000	\$ 12,841,000
<b>Interest Expense</b>		
Interest expense on deposits	\$ 1,843,000	\$ 2,351,000
Interest expense on borrowings	498,000	739,000
Total Interest Expense	\$ 2,341,000	\$ 3,090,000
Net Interest Income	9,734,000	9,751,000
Provision for loan losses	(405,000)	(490,000)
Net Interest Income After Provision for Loan Losses	\$ 9,329,000	\$ 9,261,000
<b>Other Income</b>		
Service charges	\$ 410,000	\$ 384,000
Other operating income	871,000	814,000
Total Other Income	\$ 1,281,000	\$ 1,198,000
<b>Operating Expenses</b>		
Salaries and employee benefits	\$ 4,608,000	\$ 4,485,000
Occupancy	691,000	674,000
Other operating expenses	2,755,000	2,695,000
Total Operating Expenses	\$ 8,054,000	\$ 7,854,000
Income before provision for income taxes	2,556,000	2,605,000
Provision for income taxes	(568,000)	(518,000)
Income before other gains and losses	1,988,000	2,087,000
Security gains (losses)	117,000	68,000
Extraordinary gains (losses)	-	-
Net Income	\$ 2,105,000	\$ 2,155,000
	<b>2011</b>	<b>2010</b>
Earnings Per Common Share	\$ 11.89	\$ 12.22

## 5 YEAR SUMMARY

(in thousands of dollars, except per share data)

As of December 31,	2011	2010	2009	2008	2007
<b>At Year End</b>					
Total Assets	\$ 266,485	\$ 254,217	\$ 242,345	\$ 234,822	\$ 219,252
Total Deposits	228,137	214,874	199,237	186,764	176,515
Net Loans	155,136	153,600	159,792	162,085	149,362
Investments	60,283	70,104	59,507	55,432	52,161
Capital Funds	25,704	23,442	22,349	20,375	18,982
	2011	2010	2009	2008	2007
<b>Earnings</b>					
Operating Income	\$ 13,473	\$ 14,107	\$ 15,590	\$ 14,748	\$ 15,133
Operating Expense	10,800	11,434	12,238	12,422	12,686
Income Tax Expense	568	518	811	423	501
Net Income	2,105	2,155	2,541	1,903	1,946
Return on Average Assets	0.80%	0.83%	1.04%	0.84%	0.91%
Return on Average Equity	8.09%	8.76%	10.95%	8.91%	9.86%
	2011	2010	2009	2008	2007
<b>Per Share Data</b>					
Net Income	\$ 11.89	\$ 12.22	\$ 14.23	\$ 10.65	\$ 10.94
Cash Dividends	4.60	4.20	4.20	4.05	4.00
Book Value	\$ 137.78	\$ 130.45	\$ 122.71	\$ 112.70	\$ 105.95

## RECONCILIATION OF EQUITY CAPITAL ACCOUNTS

	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders' Equity
Balance, as of December 31, 2010	\$ 4,692,793	\$ 18,313,121	\$ 435,841	\$ 23,441,755
Net Income		2,104,922		2,104,922
Cash dividends declared, \$4.60 per share		(812,488)		(812,488)
Issuance of shares	145,811			145,811
Acquisition of shares outstanding	(44,897)			(44,897)
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes			869,082	869,082
Balance, as of December 31, 2011	\$4,793,707	\$19,605,555	\$1,304,923	\$25,704,185

## Reconciliation of Reserve for Bad Debt

	As of December 31,	2011	2010
Balance beginning of period		\$1,807,000	\$1,905,000
Recoveries credited to reserve		54,000	18,000
Provision for possible loan losses		405,000	490,000
Losses charged to reserve		(290,000)	(606,000)
Balance end of period		\$1,976,000	\$1,807,000

## RANGE FINANCIAL CORPORATION BOARD OF DIRECTORS

Kenneth A. Palmer, Chairman, President & CEO  
Peter W. Frazier, Chairman, FRACO, Inc.  
Anita A. Johns, Owner, Holiday Travel Vacations  
Allan L. Koskey, President, Koskey Funeral Home  
Anthony N. Kronicich, CPA, President, Kronicich & Associates  
Peter A. LaFreniere, DDS, Dental Practice  
John F. Marshall, Retired, Lake Superior & Ishpeming Railroad Co.  
John F. Pillote, M.D., Retired, Marquette Radiology Associates  
Paul R. Symons, President, Symons Hardware  
William C. Verrette, Chairman, Champion, Inc.  
Karl A. Weber, Partner, Plunkett & Cooney Law Firm

## OFFICERS

Kenneth A. Palmer, Chairman, President & CEO  
Roxanne M. Daust, Vice President  
John W. Lenten, Secretary  
Linda M. Turri, Assistant Secretary

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Anthony N. Kronicich, CPA, President, Kronicich & 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, M.D., Retired, Marquette Radiology Associates  
Bruce A. Rukkila, CPA, MA, CVA, CEPA, Owner, Rukkila Negro and Associates, Certified Public Accountants, PC  
Paul R. Symons, President, Symons Hardware  
Stephen D. Vairo, President, Calumet Electronics Corp.  
William C. Verrette, Chairman, Champion, Inc.  
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Danny M. Dawidowski, Senior Vice President  
Trust & Wealth Management Officer  
John C. Frost, Vice President & Chief Financial Officer  
Charlotte L. Gaudreau, Vice President  
Kelly L. Jandron, Vice President  
Angela M. Knauss, Vice President  
John W. Lenten, CPA, Vice President  
James P. Markham, Jr., Vice President  
Sally L. Shaver, Vice President  
Brian L. Syrjala, Vice President  
Kristy M. Sibilsky, Vice President  
Christopher H. DeRoche, Vice President  
Kelli J. Hendrickson, Assistant Vice President  
Paula A. Rautio, Assistant Vice President  
Linda M. Turri, Assistant Vice President  
Glenn A. Johnson, Compliance Officer  
Patricia S. Couvion, Training & Security Officer  
Cheryl L. O'Brien, Branch Manager  
Christopher J. Gobert, Branch Manager  
Michelle M. McLaughlin, Senior Credit Analyst  
Kimberley S. Kaura, Mortgage Lending Officer  
Kristin D. Knapp, Mortgage Lending Officer





## CORPORATE OFFICE

Range Financial Corporation  
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Negaunee, MI 49866  
(906) 475-4151  
[www.rangebank.com](http://www.rangebank.com)

## RANGE BANK OFFICES

### MARQUETTE COUNTY REGION

Negaunee Main Office  
Negaunee Pellow  
Marquette, McClellan Avenue  
Marquette, Third Street  
Marquette Township  
Harvey  
Koski Korner

### COPPER COUNTRY REGION

Calumet Avenue  
Houghton  
Lake Linden

### DICKINSON COUNTY

Kingsford  
Quinnesec

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.