# **2009**ANNUAL REPORT





STANDING STRONG FOR 123 YEARS



People making a difference.

Angie Knauss, Vice President, Mortgage Loan Officer

Range Bank continues to prosper with a strong belief in its people and the communities it serves.

These are changing times in the Upper Peninsula. The economic realities of our state continue to affect our communities. But we stand strong. We stand strong because we stand together, facing new challenges as a close-knit community comprised of family, friends and neighbors.

Like the people of the Upper Peninsula, Range Bank continues to stand strong. For 123 years, we've weathered different economic climates, holding fast to a powerful belief in our people and our purpose. Today, Range Bank is both solid and secure with 14 branches conveniently located throughout the central Upper Peninsula. We offer the resources of a larger, nationwide bank with the friendly, personal service you'd expect from a local bank. Our people are experienced, knowledgeable financial professionals, who are committed to each and every customer. In short, Range Bank serves as a shining beacon for business growth and personal prosperity in the Upper Peninsula.

### Executive Management Team

Back Row: Timothy J. Baroni (left to right) Community President, Copper Country

Front Row: Kenneth A. Palmer Chairman.

President & CEO

William D. Edberg Community President, Dickinson County

Roxanne M. Daust Senior Vice President & Chief Financial Officer Terry Jutila
Senior Vice President
& Chief Credit Officer

Robert W. Martin

Executive Vice President









# A letter to our shareholders.

On behalf of your Board of Directors, we are pleased to present the 2009 Annual Report to the shareholders of Range Financial Corporation, the holding company for Range Bank.

Range Bank was chartered 123 years ago in June 1887 and has remained a strong and growing bank with assets of nearly \$243 million on December 31, 2009. In addition, we manage approximately \$145 million in sold commercial and mortgage loans plus business sweep accounts off-balance sheet, which brings our total assets under management to over \$385 million. Today the bank has 13 banking offices and 13 ATMs located in Marquette, Dickinson and Houghton counties; a 14th office will be opened this year at 827 N. Third Street in Marquette.

I am pleased to report that the financial performance of Range Financial Corporation was solid for the year 2009, with net income and assets continuing to meet our expectations. For the full year 2009 net income was \$2,540,571 an increase of nearly 34% over the previous year. The book value of your shares reached \$122.71 per share at year end, an increase of \$10 or 8.8% per share for the year. The annual dividend for the year was over 3%, bringing the total return on your shares to nearly 12%.

There has been a great deal of news regarding problem assets and losses at many banks across the country. I am pleased to report that our problem assets are at a very manageable level with a strong capital base and a commitment by the Board of Directors and the management team to remain focused on maintaining excellent asset quality. A part of this process has been to strengthen our management team by promoting Terry Jutila to Chief Credit Officer for the company, and Michelle McLaughlin to Senior Credit Analyst. Terry and Michelle are extremely talented and seasoned financial executives with experience in managing credit during different economic cycles. Credit administration is a key function in any financial

institution and we are excited and pleased to have both of them in these roles as we continue to strengthen Range Bank's management team.

I am also pleased to announce that Kelli Hendrickson our Harvey Branch Manager has been promoted to Assistant Vice President in recognition of her excellent performance. Kelli has been with Range Bank for 13 years and is well known and active in the community.

As I reported in my September 2009 dividend letter, there are 132 banks headquartered in Michigan. According to a report published by Financial Management Consulting Group of Russell Springs, Kentucky, Range Bank was ranked 1st out of the 132 banks for both quarters ending March 31, 2009 and June 30, 2009. We sincerely believe that our success is truly the result of our excellent team of employees, the Board of Directors and the management team all working together. As we always say, we are "People Making a Difference."

It has been a pleasure to serve our shareholders during 2009. On behalf of the directors, management and staff of the corporation and bank, we thank you for your continued support and I hope to see you at the Annual Meeting of Shareholders on May 18, 2010. If you have any questions or comments, please feel free to contact me at (906) 475-4151 or email me at kapalmer@rangebank.com.

Sincerely,

Kenneth A. Palmer
Chairman, President &
Chief Executive Officer

Kennett A Palmer



# Isle Royale Queen IV

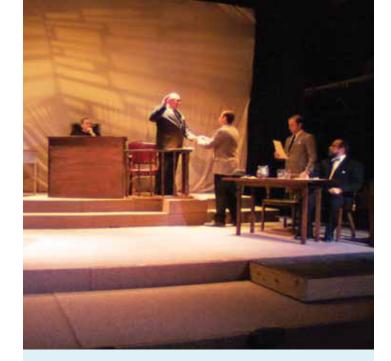
It's not easy keeping a business afloat for 40 years. But Don Kipela, owner of the Isle Royale Queen IV, has done that and more. Under a contract with the National Park Service, Don and his crew have been ferrying visitors from Copper Harbor to Isle Royale since 1971. Range Bank has been with them all the way. "Range Bank is my local bank," explains Don. "I've worked with them ever since I've been in business." Don appreciates Range's commitment to local businesses. "Range really is progressive," says Don. "They go out of their way to support me, personally and professionally. They have a great crew." That's big praise from a guy who rides the big waters of Lake Superior.

"Our relationship with Range has always been strong.
They're a big supporter of us and our business."

Don & Judy Kipela, Owners, Isle Royale Queen IV



Tim Baroni, Calumet office & Jamey Markham, Houghton office



Gary Morse (hand raised), Range Bank employee, performs in Anatomy of a Murder.

# Anatomy of a Murder The 50th Anniversary

Range Bank has always played a big part in the Marquette community. Just ask Gary Morse, System Support Technician at our main office in Negaunee. As part of the Lake Superior Theatre, Gary helped celebrate the 50th anniversary of Anatomy of a Murder, which Range Bank supported as primary sponsor. The cast performed the famous play about a real-life Upper Peninsula murder at the Lake Superior Theatre. The theatre is a popular venue near Marquette's lower harbor. They also performed at the Lumberjack Bar in Big Bay, where the real murder took place. "It was a fantastic community event," explains Gary. Like many people at Range Bank, Gary loves playing a role outside the bank. "It's a rush to be up on stage. You really feel a connection." Staying connected to the community; that's what we're all about at Range Bank.

this way...it's a rush."

Gary Morse,
System Supports Technician, Range Bank

"I love connecting

with the community

The Lake Superior Theatre occupies a working boathouse in Marquette's lower harbor. It has been bringing live theatre to the community since 1999.

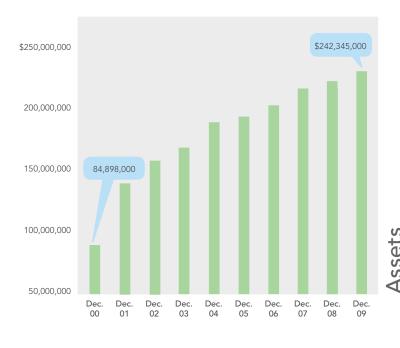


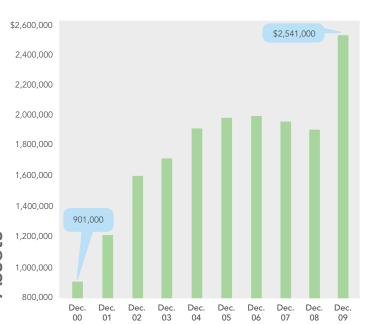


Standing: (left to right) Kelli Hendrickson, Kimberly Kaura, Sally Shaver & Angie Knauss Sitting: (left to right) Cheryl O'Brien, Kristin Knapp & Joyce Coron

# Making dream homes a reality. Meet the Range Bank Mortgage Team.

Despite the challenging economy, the Range Bank Mortgage Team has continued helping home buyers finance the homes of their dreams. In fact, the Range team turned in a record year in support of affordable home ownership. Our Mortgage Team members are experienced, trusted professionals who remain committed to making home ownership a reality for as many people as possible. Such performance is further proof of our commitment to the families and communities we serve.





Net Income

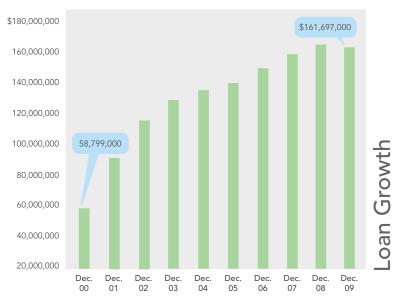
When it comes to buying the home of their dreams, more people are turning to the trusted mortgage professionals at Range Bank.

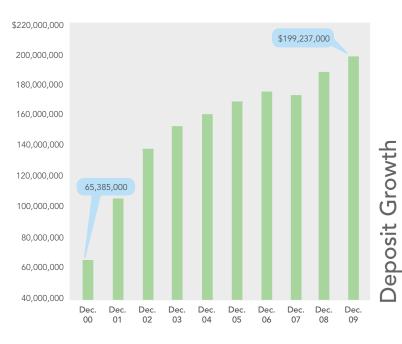


### There's strength in these numbers.

For 123 years, Range Bank has stood strong and stable by offering our customers smart, sound banking solutions.

Today, more Upper Peninsula residents look to us to help create a brighter future.







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# **Financial Statements**

# Combined Statement of Condition (unaudited)

December 31,				2009	2008
ASSETS					
Cash and Due	from Banks			\$ 11,422,000	\$ 7,358,000
Investment Sec	curities				
Held to Ma	turity			-	-
Available fo	or Sale (Stated at Fair Valu	e)		59,507,000	53,932,000
Federal Fu	nds Sold and Securities			-	1,500,000
Purchased	Under Agreements to Res	sell		-	-
Loans, Net of U	Jnearned Income			161,697,000	163,715,000
Allowance for F	Possible Loan Loss			(1,905,000)	(1,630,000)
Loans, Net				159,792,000	162,085,000
Bank Premises,	, Furniture and Equipment	t		6,224,000	6,061,000
Real Estate Ow	vned Other than Bank Prei	mises		114,000	108,000
Goodwill				1,772,000	1,772,000
All Other Asset	ts			3,514,000	2,006,000
TOTAL ASSETS	S			\$242,345,000	\$234,822,000
LIABILITIES					
Total Deposits				\$ 199,237,000	\$ 186,764,000
Total Dema	and Deposits			95,721,000	78,821,000
Total Time	and Savings Deposits			103,516,000	107,943,000
All Other Liabil	lities			20,759,000	27,683,000
TOTAL LIABILI				\$219,996,000	\$214,447,000
(Excluding sub	oordinated notes and deb	entures)			
<b>EQUITY CA</b>	PITAL				
Common Stock	k (\$1 Par Value)				
1,000,000 S	hares Authorized, 178,588	Shares Outstanding		\$ 179,000	\$ 179,000
Capital in Exce	ess of Par			4,840,000	4,852,000
Retained Earni	ngs			16,896,000	15,106,000
Unrealized Gai	in (Loss) on Securities Avai	lable for Sale		434,000	238,000
TOTAL EQUIT	Y CAPITAL			\$22,349,000	\$20,375,000
TOTAL LIABILI	ITIES AND EQUITY CAPIT	ΓAL		\$242,345,000	\$234,822,000
Memo Item: St	tandby Letters of Credit			\$1,217,300	\$1,259,712
Wemo tem. 30	tandby Letters of Credit			\$1,217,300	Ψ1,237,712
	TION – SECURITIES FOOTNOTE				
Y to Y Date	No.	Par	Book	Market	Gain/Loss
12/31/09	213	56,608,679	57,268,282	57,968,682	700,399
12/31/08	206	51,427,467	51,705,856	52,090,916	385,060
	7	5,181,212	5,562,426	5,877,766	315,339
		K – PAR CHANGE	381,214		

### Combined Statement of Income (unaudited)

December 31,	2009	2008
INTEREST INCOME		
Interest and Fees on Loans	\$ 11,584,000	\$ 11,422,000
Interest on Investment Securities		
Taxable	1,343,000	1,261,000
Tax-exempt	798,000	1,050,000
Other Interest Income	-	-
TOTAL INTEREST INCOME	\$13,725,000	\$13,733,000
INTEREST EXPENSE		
Interest Expense on Deposits	\$ 2,971,000	\$ 4,298,000
Interest Expense on Borrowings	1,039,000	1,094,000
TOTAL INTEREST EXPENSE	\$4,010,000	\$5,392,000
Net Interest Income	\$ 9,715,000	\$ 8,341,000
Provision for Loan Losses	(460,000)	(290,000)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	\$9,255,000	\$8,051,000
OTHER INCOME		
Service Charges	\$ 411,000	\$ 454,000
Other Operating Income	1,430,000	560,000
TOTAL OTHER INCOME	\$1,841,000	\$1,014,000
OPERATING EXPENSES		
Salaries and Employee Benefits	\$ 4,237,000	\$ 3,973,000
Occupancy	632,000	582,000
Other Operating Expenses	2,899,000	2,185,000
TOTAL OPERATING EXPENSES	\$7,768,000	\$6,740,000
Income Before Provision for Income Taxes	\$ 3,328,000	\$ 2,325,000
Provision for Income Taxes	(811,000)	(423,000)
Income Before Other Gains and Losses	2,517,000	1,902,000
Security Gains (Losses)	24,000	1,000
Extraordinary Gains (Losses)	-	-
NET INCOME	\$2,541,000	\$1,903,000
EARNINGS PER COMMON SHARE	\$14.23	\$10.65

### 5 Year summary (in thousands of dollars, except per share data)

except per share data)	2009	2008	2007	2006	2005
AT YEAR END					
Total Assets	\$242,345	\$234,822	\$219,252	\$207,663	\$197,964
Total Deposits	199,237	186,764	176,515	177,582	170,126
Net Loans	159,792	162,085	149,362	140,887	135,100
Investments	59,507	55,432	52,161	51,152	47,174
Capital Funds	22,349	20,375	18,982	17,616	16,306
E A DAUNICC					
EARNINGS					
Operating Income	\$15,590	\$14,748	\$15,133	\$14,151	\$12,322
Operating Expense	12,238	12,422	12,686	11,620	9,768
Income Tax Expense	811	423	501	549	584
Net Income	2,541	1,903	1,946	1,982	1,970
Return on Average Assets	1.04%	0.84%	0.91%	0.98%	1.01%
Return on Average Equity	10.95%	8.91%	9.86%	10.68%	11.16%
PER SHARE DATA					
Net Income	\$14.23	\$10.65	\$10.94	\$11.01	\$10.94
Cash Dividends	4.20	4.05	4.00	4.00	3.18
Book Value	\$122.71	\$112.70	\$105.95	\$99.12	\$92.06

Reconciliation of Equity Capital Accounts	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders Equity
BALANCE				
DECEMBER 31, 2008	\$5,030,576	\$15,106,032	\$238,751	\$20,375,359
Net Income		2,540,583		2,540,583
Cash Dividends Declared				
\$4.20 Per Share		(750,608)		(750,608)
Issuance of Shares	137,312			137,312
Acquisition of Shares Outstanding	(148,691)			(148,691)
Change in Unrealized Gain (Loss)				
Securities Available-for-Sale				
Net of Application Deferred				
Deferred Income Taxes			195,497	195,497
Balance, December 31, 2009	\$5,019,197	\$16,896,007	\$434,248	\$22,349,452

## Reconciliation of

Reserve for Bad Debt	2009	2008
Balance Beginning of Period	\$1,630,000	\$1,612,000
Recoveries Credited to Reserve	8,000	31,000
Provision for Possible Loan Losses	460,000	290,000
Losses Charged to Reserve	(193,000)	(303,000)
Balance end of Period	\$1,905,000	\$1,630,000

# RANGE FINANCIAL CORPORATION Board of Directors

Kenneth A. Palmer, Chairman, President & CEO
Peter W. Frazier, Chairman, FRACO, Inc.
Anita A. Johns, President, Holiday Travel & Cruise
Allan L. Koskey, President, Koskey Funeral Home
Anthony N. Kroncich, CPA, President, Kroncich & 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 Robert W. Martin, Vice President Roxanne M. Daust, Treasurer John W. Lenten, Secretary Linda M. Turri, Assistant Secretary

### Carol O'Brien retires after 35 years of service.

A lot has changed since Carol joined Range Bank in 1975. But one thing remained constant: Her dedication and professionalism in working with our customers and staff. We're proud of her commitment and grateful for her many years of service. Thanks, Carol and happy retirement!



### RANGE BANK, N.A. Board of Directors

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Anita A. Johns, President, Holiday Travel & Cruise
Allan L. Koskey, President, Koskey Funeral Home
Anthony N. Kroncich, CPA, President, Kroncich & 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, Owner, Bruce Rukkila, CPA PC
Paul R. Symons, President, Symons Hardware
Stephen D. Vairo, President, Calumet Electronics Corp.
William C. Verrette, Chairman, Champion, Inc.
Karl A. Weber, Partner, Plunkett & Cooney Law Firm

Officers Kenneth A. Palmer, Chairman, President & CEO Robert W. Martin, Executive Vice President Roxanne M. Daust, Senior Vice President & Chief Financial Officer Timothy J. Baroni, Community Bank President - Copper Country William D. Edberg, Community Bank President - Dickinson County Terry L. Jutila, Senior Vice President & Chief Credit Officer Christopher H. DeRoche, Vice President 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 Kristy M. Sibilsky, Vice President Kelli J. Hendrickson, Assistant Vice President Paula A. Rasanen, Assistant Vice President Linda M. Turri, Assistant Vice President Patricia S. Couvion, Training & Security Officer

Cheryl L. O'Brien, Branch Manager

David A. Varda, Deposit Services Manager

Michelle M. McLaughlin, Senior Credit Analyst

### **CORPORATE OFFICE**

### Range Financial Corporation

P.O. Box 668 350 Iron Street Negaunee, MI 49866 (906) 475-4151

### www.rangebank.com

Cover image: Eagle Harbor Lighthouse located on the Keweenaw Peninsula

### **RANGE BANK OFFICES**

### Marquette County Region

Marquette, McClellan Avenue Marquette, Third Street Marquette Township Negaunee Main Office Negaunee Pellow

Harvey Palmer

Koski Korners

### Copper Country Region

Calumet Avenue
Calumet Downtown
Houghton

Lake Linden

### Dickinson County Region

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.