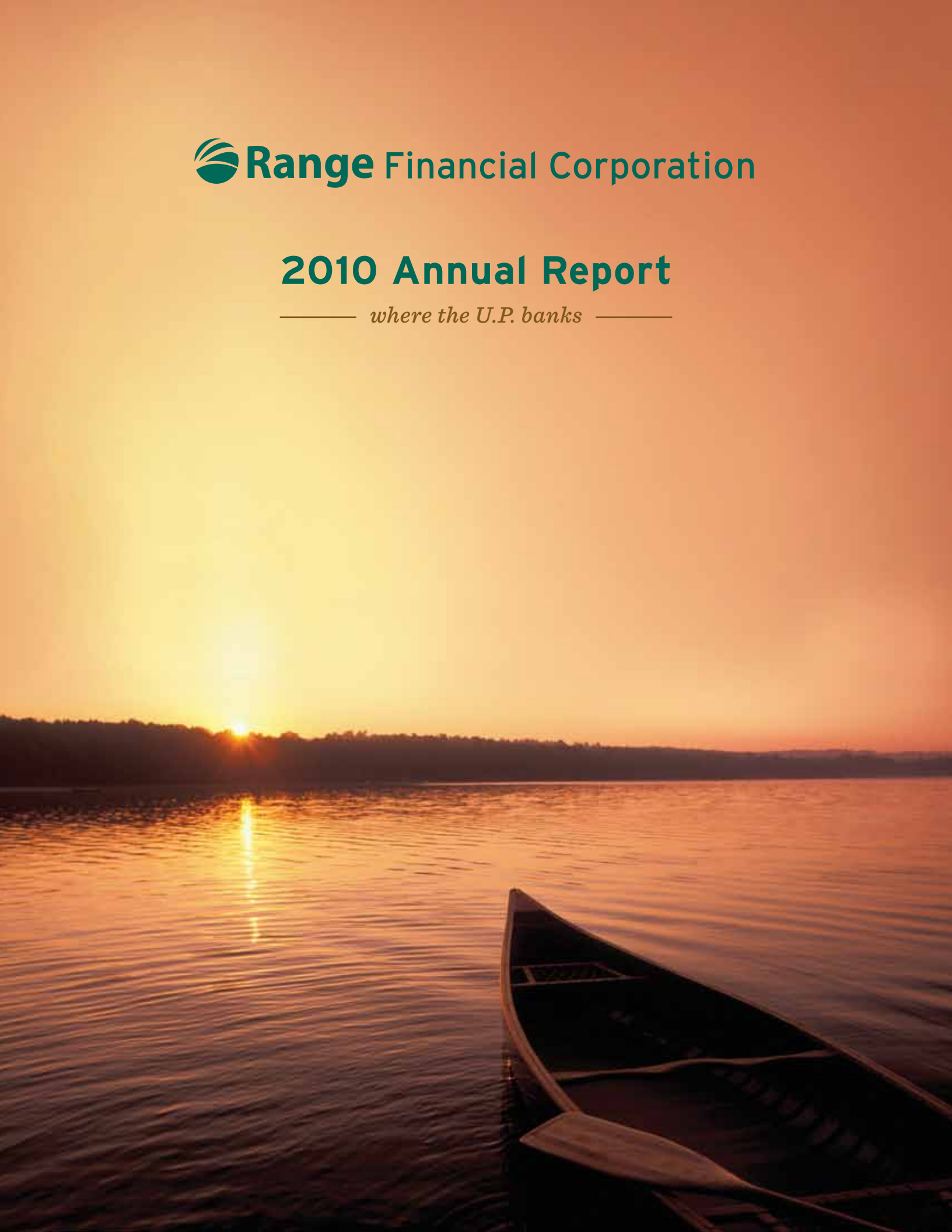
Range Financial Corporation

2010 Annual Report

where the U.P. banks



A letter to our shareholders.

On behalf of the Board of Directors, we are pleased to present the 2010 Annual Report to the Shareholders of Range Financial Corporation, the holding company for Range Bank.

Range Bank was chartered in June 1887 and in June 2011 we will begin our 125th year in business. We are very proud of this history and proud as well that we have remained a strong and growing bank with assets of nearly $255 million on December 31, 2010. In addition, we manage approximately $170 million in sold commercial and mortgage loans plus off-sheet business sweep accounts which brings our total assets under management to $425 million. Today your bank has 14 banking offices and 14 ATMs conveniently located throughout Marquette, Dickinson and Houghton counties.

I am pleased to report that the financial performance of Range Financial Corporation was solid for the year 2010, with net income and assets meeting our expectations. For the full year 2010 net income was $2,155,327, marking the second year in the history of our Corporation that net income exceeded $2 million. The book value of your shares was $130.45 per share at year end representing an increase of nearly $8.00 per share or 6.3% for the year. The annual dividend for the year was over 3.00% bringing the total return on your shares to over 9.00%. We feel fortunate that we were able to generate this level of earnings during these difficult economic times and you can rest assured that we will continue to make our decisions based on what is best for the long-term success of our company.

Over the past few years there has been a great deal of news regarding problem assets at many financial institutions across the country. I am pleased to report that our problem assets remain 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. I am also pleased to report that Bauer Financial, Inc. – a leading source for unbiased bank and credit union ratings – has given Range Bank its highest rating; five stars.

At Range Bank we are continually looking for ways to better serve our customers and during 2010 we opened a new branch office on North Third St. in Marquette and we also made significant improvements to our website and on-line banking services. If you haven't visited our website recently we encourage you to visit us at www.rangebank.com.

As I've said in the past, our success is truly the result of our excellent team of employees and during 2010 four employees were promoted to officer status in recognition of their efforts and contributions to our success. Kristin Knapp was promoted to Loan Officer at the Negaunee Main Office; Joyce Gurchinoff was promoted to Loan Officer at the Kingsford Office; Kim Kaura was promoted to Loan Officer at the Houghton Office and Chris Gobert was promoted to Branch Manager/Loan Officer at our new North Third St. Office in Marquette. In addition, Glenn Johnson a veteran area banker joined our staff as a Compliance Specialist.

It has been a pleasure to serve our shareholders during 2010. On behalf of the directors, management and staff, I thank you for your continued support and hope to see you at the Annual Meeting of Shareholders on May 17, 2011. If you have any questions or comments please feel free to contact me at (906) 475-4151 or at kapalmer@rangebank.com.

Sincerely,

Kenneth A. Palmer
Chairman, President and Chief Executive Officer

Building healthy communities.

There's something special about the Upper Peninsula. It's a place of rare beauty and incredible resources that inspires us everyday. It's also a place where hard-working, deeply committed people choose to live and flourish. For many of these people, Range Bank is their bank. And with good reason.

For 124 years, Range Bank has been building healthy communities throughout the U.P. We have done so by supporting the people and businesses that call the U.P. home. We are active members in the many communities we serve, donating our time, talents and resources to community businesses, organizations, events, and activities. Whether it's the Negaunee Irontown Pioneer Days, the events at the Calumet Theatre, the programs at the Marquette and Dickinson Area YMCA's, or one of the many other community activities throughout the U.P., Range Bank is there, actively supporting the success of the events and the fulfillment of their goals.

Today, Range Bank continues to build healthy communities by offering our customers the financial strength and resources they need to thrive. We have 14 branches conveniently located throughout the central Upper Peninsula. We offer all 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. For these, and many other reasons, Range Bank is where the U.P. banks.

Executive Management Team

Standing *(left to right)*:

Timothy J. Baroni
Community President
Copper Country

Kenneth A. Palmer
Chairman, President & CEO

William D. Edberg
Community President
Dickinson County

Sitting *(left to right)*:

Terry Jutila
Senior Vice President
& Chief Credit Officer

Roxanne M. Daust
Senior Vice President
& Chief Financial Officer

A healthy bank supporting healthy communities.

Range Bank recently made a pledge to the Marquette General Foundation in support of the hospitals Accelerating the Future Capital Campaign.

Range Bank has stood strong for 124 years. Throughout our history, we have taken great measures to ensure the economic health of our bank and the customers we serve. Today, we are in a healthy position to make a real and lasting difference in the well-being of the people and communities we serve. We're accomplishing this by supporting U.P. hospitals and health systems, helping them to expand their services and add state-of-the-art technology.

Most recently, Range Bank made a $15,000 corporate pledge to the Marquette General Foundation in support of the hospital's Accelerating the Future Capital Campaign. Funds raised from the campaign will allow the Marquette General Cancer Center to make major upgrades with new technology and services.

In addition to our involvement with Marquette General Hospital, we also support a variety of other organizations, activities and events that promote a healthy, active lifestyle.

- Bell Hospital
- Teaching Family Homes
- Beacon House
- Negaunee Irontown Association
- Lake Superior Community Partnership
- Dickinson Area YMCA
- Portage Lake Library – Calumet
- Keweenaw Community Foundation
- Historical Foundation Glider Project – Iron Mtn.
- Pine Mountain Music Festival
- Bay Cliff Health Camp
- Calumet Theatre
- Marquette General Hospital Capital Campaign
- YMCA – Strong Kids Program
- Excellence in Education Awards
- Little Brothers/Friends of the Elderly
- Evergreen Award
- Marquette Regional History Center
- United Way
- Lake Superior Theatre – Marquette
- Little League and Girls Softball – Negaunee
- Big Brothers/Sisters

Range Bank supports a variety of organizations and events throughout the U.P. with our time, talents and resources.

Supporting a beacon for our community.

At Range Bank, we take our role as community stewards very seriously. That's why we support organizations like Beacon House. Beacon House is a hospitality house for patients and their families as they receive care at Marquette General Hospital. With over 34 private guest rooms, it is one of the largest hospitality houses in the nation. Since opening its new doors in 2002, Beacon House has provided over 90,000 guest night stays to families from across the U.P. It relies largely on the donations of business and community members for its ongoing operation. Range Bank has consistently supported Beacon House's mission of service and comfort. With our community's help, Beacon House will continue to offer a warm, comforting welcome to visiting families from across the U.P.

There's strength in these numbers.

Like the Portage Lake Lift Bridge in the Copper Country, Range Bank has stood strong for many years, connecting people to better financial possibilities.

Five-star financial performance.

At Range Bank, we continue to receive high ratings for our financial strength and performance. Bauer Financial Inc. – a leading source for unbiased bank and credit union ratings – has given Range Bank its highest rating; five stars. This rating is based on a thorough, independent analysis of the quarterly financial reports Range (and all banks) are required to file with federal regulators. This five-star rating is further proof that Range Bank is strong, healthy, and fully prepared to meet the needs of the many communities we serve.

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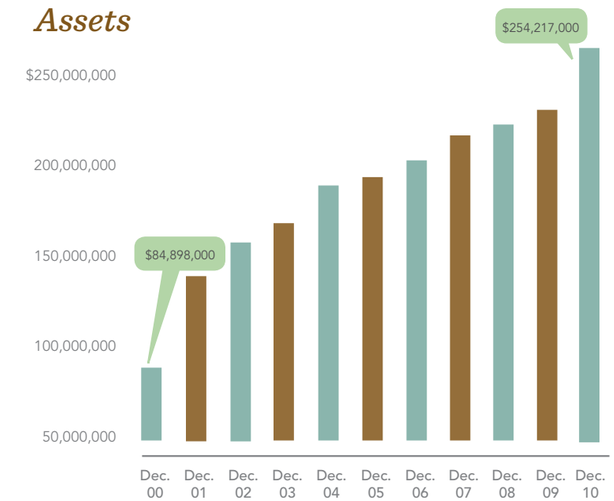
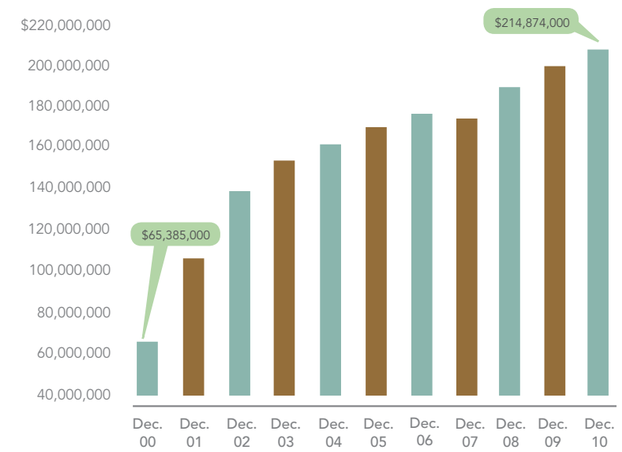
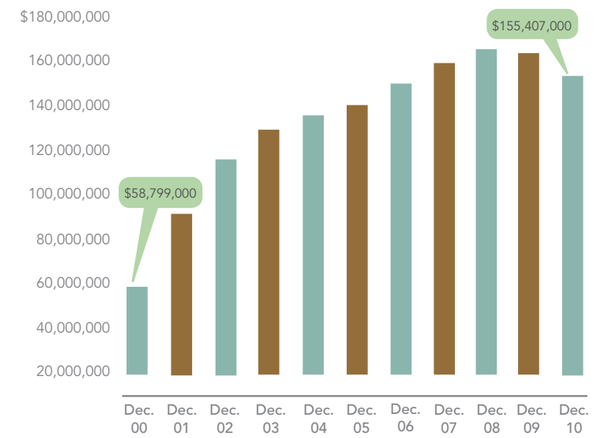
Assets



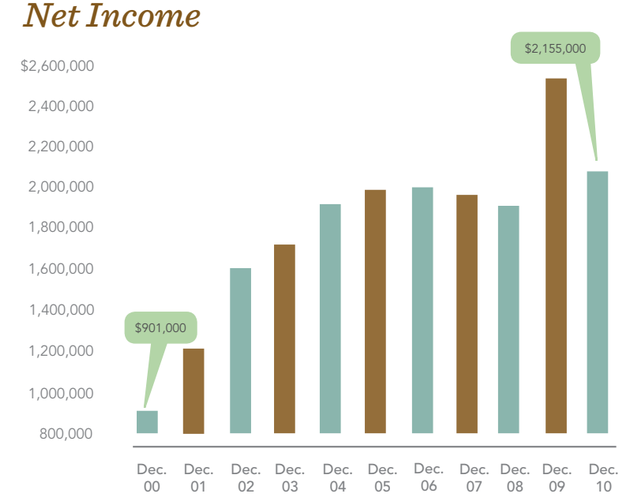
Deposit Growth



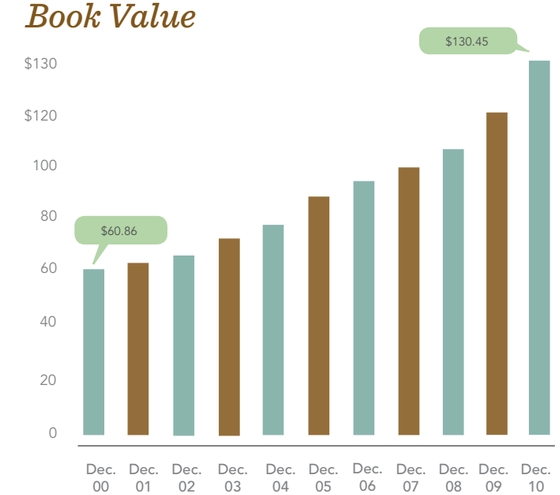
Loan Growth



Net Income



Book Value



Financial Statements

Combined Statement of Condition (unaudited)

December 31,	2010	2009
ASSETS		
Cash and Due from Banks	$ 18,556,000	$ 11,422,000
Investment Securities		
Held to Maturity	-	-
Available for Sale-Stated at Fair Value	60,104,000	59,507,000
Federal Funds Sold and Securities	10,000,000	-
Purchased Under Agreements to Resell	-	-
Loans, Net of Unearned Income	155,407,000	161,697,000
Allowance for Possible Loan Loss	(1,807,000)	(1,905,000)
Loans, Net	153,600,000	159,792,000
Bank Premises, Furniture and Equipment	6,334,000	6,224,000
Real Estate Owned Other Than Bank Premises	650,000	114,000
Goodwill	1,772,000	1,772,000
All Other Assets	3,201,000	3,514,000
TOTAL ASSETS	$254,217,000	$242,345,000
LIABILITIES		
Total Deposits	$ 214,874,000	$ 199,237,000
Total Demand Deposits	101,825,000	95,721,000
Total Time and Savings Deposits	113,049,000	103,516,000
All Other Liabilities	15,901,000	20,759,000
TOTAL LIABILITIES (Excluding subordinated notes and debentures)	$230,775,000	$219,996,000
EQUITY CAPITAL		
Common Stock ($1 Par Value)		
1,000,000 Shares Authorized, 176,359 Shares Outstanding	$ 176,000	$ $179,000
Capital in Excess of Par	4,517,000	4,840,000
Retained Earnings	18,313,000	16,896,000
Unrealized Gain (Loss) on Securities Available for Sale	436,000	434,000
TOTAL EQUITY CAPITAL	$23,442,000	$22,349,000
TOTAL LIABILITIES AND EQUITY CAPITAL	$254,217,000	$242,345,000
Memo Item: Standby Letters of Credit	$1,092,300	$ 1,217,300

FASB 157 VALUATION – SECURITIES FOOTNOTE

Y to Y Date	No.	Par	Book	Market	Gain/Loss
12/31/10	204	57,698,844.00	58,000,030.00	58,702,999.00	702,969.00
12/31/09	213	56,608,679.40	57,268,282.55	57,968,682.38	700,399.83
	9	1,090,164.60	731,747.45	734,316.62	2,569.17
		BOOK – PAR CHANGE	358,417.15		

Combined Statement of Income (unaudited)

December 31,	2010	2009
INTEREST INCOME		
Interest and Fees on Loans	$ 10,861,000	$ 11,584,000
Interest on Investment Securities		
Taxable	1,212,000	1,343,000
Tax-exempt	768,000	798,000
Other Interest Income	-	-
TOTAL INTEREST INCOME	$12,841,000	$13,725,000
INTEREST EXPENSE		
Interest Expense on Deposits	$ 2,351,000	$ 2,971,000
Interest Expense on Borrowings	739,000	1,039,000
TOTAL INTEREST EXPENSE	$ 3,090,000	$4,010,000
Net Interest Income	$ 9,751,000	$ 9,715,000
Provision for Loan Losses	(490,000)	(460,000)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$9,261,000	$9,255,000
OTHER INCOME		
Service Charges	$ 384,000	$ 411,000
Other Operating Income	814,000	1,430,000
TOTAL OTHER INCOME	$1,198,000	$1,841,000
OPERATING EXPENSES		
Salaries and Employee Benefits	$ 4,485,000	$ 4,237,000
Occupancy	674,000	632,000
Other Operating Expenses	2,695,000	2,899,000
TOTAL OPERATING EXPENSES	$ 7,854,000	$7,768,000
Income Before Provision for Income Taxes	$ 2,605,000	$ 3,328,000
Provision for Income Taxes	(518,000)	(811,000)
Income Before Other Gains and Losses	2,087,000	2,517,000
Security Gains (Losses)	68,000	24,000
Extraordinary Gains (Losses)	-	-
NET INCOME	$ 2,155,000	$2,541,000
EARNINGS PER COMMON SHARE	$ 12.22	$14.23

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

	2010	2009	2008	2007	2006
AT YEAR END					
Total Assets	$254,217	$242,345	$234,822	$219,252	$207,663
Total Deposits	214,874	199,237	186,764	176,515	177,582
Net Loans	153,600	159,792	162,085	149,362	140,887
Investments	70,104	59,507	55,432	52,161	51,152
Capital Funds	23,442	22,349	20,375	18,982	17,616
EARNINGS					
Operating Income	$ 14,107	$15,590	$14,748	$15,133	$14,151
Operating Expense	11,434	12,238	12,422	12,686	11,620
Income Tax Expense	518	811	423	501	549
Net Income	2,155	2,541	1,903	1,946	1,982
Return on Average Assets	0.83%	1.04%	0.84%	0.91%	0.98%
Return on Average Equity	8.76%	10.95%	8.91%	9.86%	10.68%
PER SHARE DATA					
Net Income	$ 12.22	$14.23	$10.65	$10.94	$11.01
Cash Dividends	4.20	4.20	4.05	4.00	4.00
Book Value	$130.45	$122.71	$112.70	$105.95	$99.12

Reconciliation of Equity Capital Accounts

	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders Equity
BALANCE DECEMBER 31, 2009	$5,019,197	$16,896,007	$434,248	$22,349,452
Net Income		2,155,327		2,155,327
Cash Dividends Declared				
$4.20 Per Share		(738,213)		(738,213)
Issuance of Shares	271,606			271,606
Acquisition of Shares Outstanding	(598,010)			(598,010)
Change in Unrealized Gain (Loss) Securities Available-for-Sale Net of Application Deferred Deferred Income Taxes			1,593	1,593
Balance, December 31, 2010	**$4,692,793**	**$18,313,121**	**$435,841**	**$23,441,755**

Reconciliation of Reserve for Bad Debt

	2010	2009
Balance Beginning of Period	$1,905,000	$1,630,000
Recoveries Credited to Reserve	17,970	8,000
Provision for Possible Loan Losses	490,000	460,000
Losses Charged to Reserve	(606,586)	(193,000)
Balance End of Period	**$1,806,384**	**$1,905,000**

RANGE FINANCIAL CORPORATION

Board of Directors

Kenneth A. Palmer, Chairman, President & CEO
Peter W. Frazier, Chairman, FRACO, Inc.
Anita A. Johns, VP of Sales, Holiday Travel Vacations
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
Roxanne M. Daust, Treasurer
John W. Lenten, Secretary
Linda M. Turri, Assistant Secretary

RANGE BANK, N.A.

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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, Owner, Bruce Rukkila, CPA PC
Paul R. Symons, President, Symons Hardware
Stephen D. Vairo, President, Calumet Electronics Corp.
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William D. Edberg, Community 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
Michelle M. McLaughlin, Senior Credit Analyst
Christopher J. Gobert, Branch Manager
Joyce M. Gurchinoff, Loan Officer
Kimberley S. Kaura, Loan Officer
Kristin D. Knapp, Loan Officer

CORPORATE OFFICE

Range Financial Corporation

P.O. Box 668

350 Iron Street

Negaunee, MI 49866

(906) 475-4151

www.rangebank.com

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.