

 **Range Financial Corporation**

COMMITTED TO **OUR PEOPLE**

 **RangeBank.**



**ANNUAL
REPORT** | **2019**



ANNUAL LETTER TO OUR SHAREHOLDERS

Roxanne M. Daust, *Chairman, President & Chief Executive Officer*

Last year was an exceptional year – we delivered strong financial results, opened a full-service office in a new market and executed on the strategic initiatives we developed for 2019. Our accomplishments were possible due to the dedication of our talented employees. The Board of Directors, leadership team and employees of Range Bank have built a great organization and being a part of this team fills me with pride. As we begin our 133rd year in business, we are focused on growing your company and building on the strong foundation that is centered around a “people-focused” culture.

Our company earned a record \$2,756,000 in net income and operating income of \$18 million in 2019. This is the second year in a row that we have had record earnings, and we expect to continue to deliver in the future. The interest rate environment continues to challenge our net interest margin with three, twenty-five basis point decreases in the federal funds rate in 2019 and more cuts expected in 2020. However, the low-rate environment has been positive to home mortgage volumes and fee income. Our managed assets continue to increase, although we saw a slight decline in on-balance sheet assets due to a shift in deposits to sweep accounts. Managed assets increased to \$811 million, which is a \$37 million increase when compared to prior year. Included in this number are on-balance sheet assets of \$371 million and off-balance sheet assets of \$440 million that include sweep accounts, sold commercial and mortgage loans, along with trust and wealth management assets.

As you will notice when reading our 2019 annual report, our theme for the year is focused on being “Committed to our People” and building a strong culture. This was one of our strategic goals for the year and we feel we have made a great deal of progress in this area. A few of our accomplishments include the addition of our first annual All Employee Training Day, the development of our core values, the addition of Volunteer Time Off (VTO), along with hiring practices and a new Employee Orientation Program centered around culture. In addition, we implemented annual small group meetings where I met with all employees to discuss how to strengthen our culture and improve the customer experience. Maintaining a strong culture requires a focus on continuous improvement and we are committed to making Range Bank even stronger as we enter a new decade.

I am pleased to announce the promotion of several Range Bank officers. Each of these individuals brings a unique set of skills is very deserving of this recognition:

- **Sally Shaver** was promoted to Senior Vice President, Mortgage Underwriting.
- **Rachel Simonsen** was promoted to Vice President, Branch Administration Officer.
- **Lucy Grove** was promoted to Vice President, Human Resources Officer.
- **Kim Kaura** was promoted to Assistant Vice President, Loan Officer.
- **Chris Gobert** was promoted to Assistant Vice President, Loan Officer.

Another strategic initiative for 2019 involved the opening of our full-service office in Green Bay. We celebrated our one-year anniversary on January 14, 2020, and it is exciting to see the traction we have experienced in the market. Adding an office in a totally new market is not an easy endeavor, and as with all our regions, a strong team is the key. We are excited about the team we have built that includes Benjamin Wood as the Community Bank President; Bryan Spaeth, Senior Vice President - Business Banker; Ryan Miller, Home Mortgage Lender; and Megan Eisch, Customer Service Manager. In addition, we have added an outstanding Advisory Board in Green Bay, which has been very helpful as we connect with the community and develop business in the market.

As in previous years, technology continues to be a strategic focus. We have implemented a Strategic Project Committee in order to support innovation and the implementation of new technology. Our focus is on providing technology our customers desire, building internal efficiencies, and keeping customer information safe. Along with many internal efficiency building systems, we were excited to launch our new digital banking platform in 2019. The new system has a modern look and feel, along with increased functionality. The functionality includes mobile deposit, P2P payments, and a financial management tool that was recently added.

It is with a great deal of gratitude that I announce the retirement of three Range Financial Corporation and Range Bank directors. Peter Frazier, Anthony Locatelli and William Verrette have all been instrumental in the success of the bank and I appreciate their many years of dedication and service. In addition, Steve Verrette was elected by the Board of Directors to the Range Financial Corporation and Range Bank Board of Directors. Steve is the Chairman and CEO of Champion Inc. and resides in Iron Mountain, Michigan. We look forward to working with Steve and welcome him to the Board. We currently have ten outside directors in addition to myself, and I appreciate the critical role they play in the success of the bank and corporation.

It has been a pleasure to serve our shareholders during 2019. 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 19, 2020, at the Masonic Building in downtown Marquette. Please look for details in your annual meeting notice.

Sincerely,

Roxanne M. Daust

Chairman, President and Chief Executive Officer

LEADERSHIP TEAM



(L to R back): **Lucy Grove**, Vice President, Human Resources Officer; **James P. Markham, Jr.**, Community Bank President, Copper Country; **David A. Symons, CPA**, Vice President & Chief Financial Officer; **Roxanne M. Daust**, President & Chief Executive Officer; **Rachel M. Simonsen**, Vice President, Branch Administration Officer; **John C. Frost**, Senior Vice President, Trust & Wealth Management; **Brian L. Syrjala**, Senior Vice President, Home Mortgage Services; (L to R front): **Benjamin M. Wood**, Community Bank President – Dickinson County & Wisconsin Region; **Terry L. Jutila**, Senior Vice President & Chief Lending Officer

RANGE FINANCIAL CORPORATION AND RANGE BANK BOARD OF DIRECTORS

Roxanne M. Daust, Chairman & CEO
Timothy J. Baroni, Retired Community Bank President,
Range Bank – Copper Country
Anita A. Johns, Retired, Holiday Travel Vacations
Allan L. Koskey, Retired, Koskey Funeral Home, Inc.
Anthony N. Kronicich, CPA, President, Kronicich, Hill & Associates
Janet R. Kuru, Retired CEO, Range Bank – Copper Country
Peter A. LaFreniere, DDS, Owner, Dental Practice
John F. Marshall, Retired, Lake Superior & Ishpeming Railroad Co.
John F. Pillote, MD, Retired, Physician
Stephen D. Vairo, President, Calumet Electronics Corp.
Stephen W. Verrette, Chairman & CEO, Champion, Inc.

GREEN BAY ADVISORY BOARD

Gail McNutt, Coach & Consultant, GMM Consulting
Kurt Voss, Owner/CEO, AmeriLux International
Hans Schaupp, President, LCL Bulk Transport Inc.
Randall Peterson, Management Consultant, Retired
Commercial Bank Chairman,
President and CEO

THANK YOU
FOR YOUR SERVICE
ON OUR BOARD
OF DIRECTORS

Peter W. Frazier, retired Chairman of FRACO, Inc., we appreciate your 33 years of service! Peter was elected to the Board of Directors in 1986 and retired in October 2019.

Anthony P. Locatelli, Co-owner, Locatelli Construction Company, we appreciate your 31 years of service! Anthony, who is a lifelong Calumet, MI, resident, was elected to the Board of Directors in 1988 and retired in December 2019.

William C. Verrette, Owner, Champion Inc., we appreciate your 14 years of service! William, an Iron Mountain native and lifelong resident, was elected to the Board of Directors in 2005 and retired in November 2019.



BUILDING a team that **ROCKS**

Range Bank held our first All Employee Training Day on Columbus Day in the fall of 2019. All employees from every region joined us for an all-day training at the new University Center on the campus of Northern Michigan University. The day was fun, engaging and a great success. We have received a lot of positive feedback from employees and everyone is looking forward to the next training day.

CELEBRATING GREEN BAY

“We celebrated our one-year anniversary on January 14, 2020, and it is exciting to see the traction we have experienced in the market. Adding an office in a totally new market is not an easy endeavor, and as with all our regions, a strong team is the key. We are excited about the team we have built that includes Benjamin Wood as the Community Bank President; Bryan Spaeth, Senior Vice President - Business Banker; Ryan Miller, Home Mortgage Lender; and Megan Eisch, Customer Service Manager. In addition, we have added an outstanding Advisory Board in Green Bay, which has been very helpful as we connect with the community and develop business in the market.”

Roxanne M. Daust

Range Bank Chairman, President and Chief Executive Officer



On October 17, we hosted an open house and ribbon-cutting ceremony at our new Green Bay office. Thank you to all Board members, shareholders, customers and community members who attended the event. During the event, we gave tours of our beautiful new office and made connections with members of the community.

OUR TEAM



BENJAMIN WOOD
Community Bank President
Dickinson County & Wisconsin Region



RYAN MILLER
Loan Officer



MEGAN EISCH
Customer Service Manager



BRYAN SPAETH
SVP, Business Banking

RECOGNIZING OUR EMPLOYEES



SALLY SHAVER, Senior Vice President, Mortgage Underwriting

Sally Shaver was promoted to Senior Vice President, Mortgage Underwriting. Sally began her career at Range Bank in 2007 and has made a significant contribution to the Home Mortgage Services department during her time at the bank. We are lucky to have Sally's talents at Range Bank.

RACHEL SIMONSEN, Vice President, Branch Administration Officer

Rachel Simonsen was promoted to Vice President, Branch Administration. Rachel started as a Management Trainee 10 years ago and has had several positions within the bank prior to moving to branch administration. Rachel plays a significant role as part of the Leadership Team and has contributed to many positive changes within Range Bank.



LUCY GROVE, Vice President, Human Resources Officer

Lucy Grove was promoted to Vice President, Human Resources. Lucy began her career at Range Bank two years ago and plays an important role in making it a great place to work. Lucy also contributes as part of the Range Bank Leadership Team.



KIM KAURA, Assistant Vice President, Loan Officer

Kim Kaura was promoted to Assistant Vice President, Loan Officer, in the Copper Country region. Kim had her 20th anniversary with Range Bank in February 2020. Kim has developed into one of the premier lenders in the bank and market and has played a major role in the growth within the Copper Country market.



CHRIS GOBERT, Assistant Vice President, Loan Officer

Chris Gobert was promoted to Assistant Vice President, Loan Officer, in the Marquette County region. Chris has been with Range Bank for 10 years. He consistently produces a high mortgage volume and does a great job taking care of his customers and promoting Range Bank within the community.



2019 Financial Summary

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

As of December 31,	2019	2018	2017	2016	2015
AT YEAR END					
Total Assets	\$371,110	\$382,402	\$371,046	\$350,401	\$328,236
Total Deposits	328,789	346,034	335,754	317,178	293,062
Net Loans	232,598	218,881	216,465	204,514	190,624
Investments	85,381	99,583	106,940	114,612	101,087
Capital Funds	37,440	32,922	32,226	30,059	30,801

EARNINGS

Operating Income	18,039	16,581	15,406	14,977	14,127
Operating Expense	14,828	13,575	12,365	12,253	11,294
Income Tax Expense	510	368	577	511	517
Net Income	2,756	2,637	2,464	2,213	2,316
Return on Average Assets	0.74%	0.70%	0.68%	0.65%	0.73%
Return on Average Equity	7.43%	7.85%	7.37%	6.59%	7.27%

PER SHARE DATA

Net Income	\$15.37	\$14.71	\$13.76	\$12.31	\$12.90
Cash Dividends	\$5.40	\$5.40	\$5.25	\$5.20	\$4.90
Book Value	\$208.76	\$183.61	\$179.97	\$167.24	\$171.58

Reconciliation of Reserve for Bad Debt

(in thousands)

As of December 31,	2019	2018
Balance beginning of period	\$2,914	\$2,577
Recoveries credited to reserve	53	19
Provision for possible loan losses	720	970
Losses charged to reserve	(94)	(652)
Balance end of period	\$3,593	\$2,914

ASC 820 Valuation – Securities Footnote

Y to Y

Date	12/31/19	12/31/18	Change
No.	140	206	(66)
Par	81,946,516	98,351,642	(16,405,126)
Book	83,290,046	100,937,759	(17,647,713)
Market	84,264,469	98,466,430	(14,201,961)
Gain/Loss	974,423	(2,471,329)	3,445,752
		Book-Par change	(1,242,587)

Combined Statement of Condition (unaudited, in thousands)

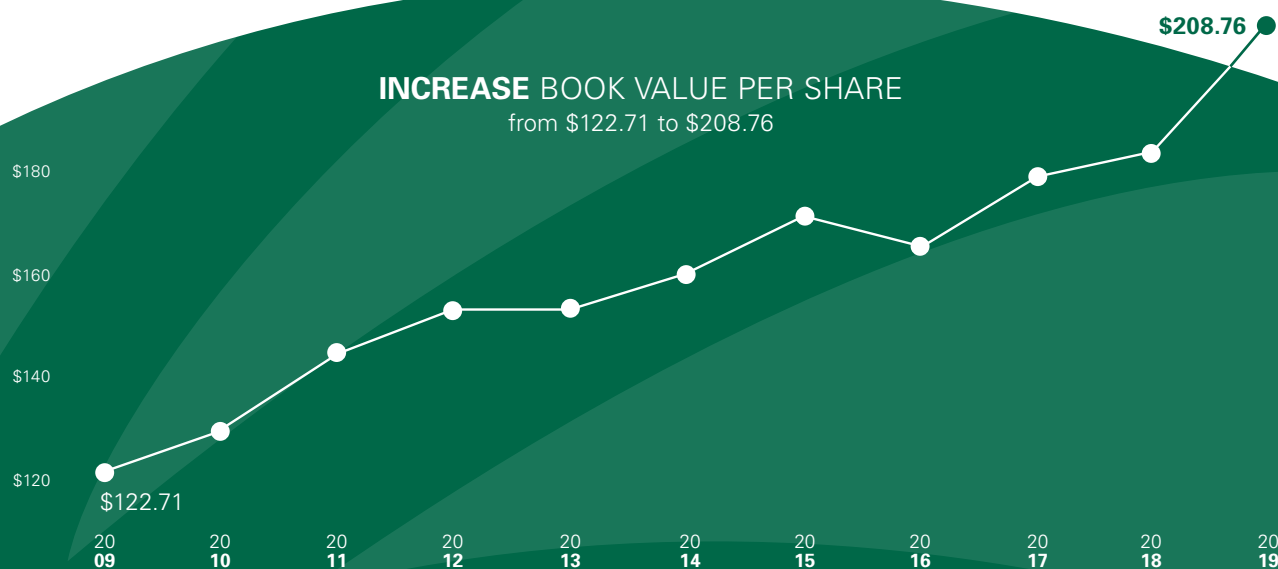
As of December 31,	2019	2018
ASSETS		
Cash and Due from Banks	29,219	37,866
Investment Securities		
Held to Maturity	-	-
Available for sale (stated at fair value)	85,381	99,583
Federal funds sold and securities purchased under agreements to resell	-	-
Loans, net of unearned income	236,191	221,795
Allowance for possible loan loss	(3,593)	(2,914)
Loans, net	232,598	218,881
Bank Premises, Furniture and Equipment	11,054	12,222
Real Estate owned other than bank premises	324	1,147
Goodwill	1,772	1,772
All Other Assets	10,762	10,931
Total Assets	\$371,110	\$382,402
LIABILITIES		
Total Deposits	328,789	346,034
Total Demand Deposits	158,548	150,715
Total Time and Savings Deposits	170,241	195,319
All Other Liabilities	4,881	3,446
Total Liabilities (excluding subordinated notes and debentures)	\$333,670	\$349,480
EQUITY CAPITAL		
Common Stock (\$1 par value)		
1,000,000 shares authorized, 179,340 shares outstanding	179	179
Capital in Excess of Par	4,930	4,923
Retained Earnings	31,561	29,772
Unrealized gain (loss) on securities available for sale	770	(1,952)
Total Equity Capital	\$37,440	\$32,922
Total Liabilities and Equity Capital	\$371,110	\$382,402
Memo Item: Standby Letters of Credit	\$1,203	\$1,199

Reconciliation of Equity Capital Accounts

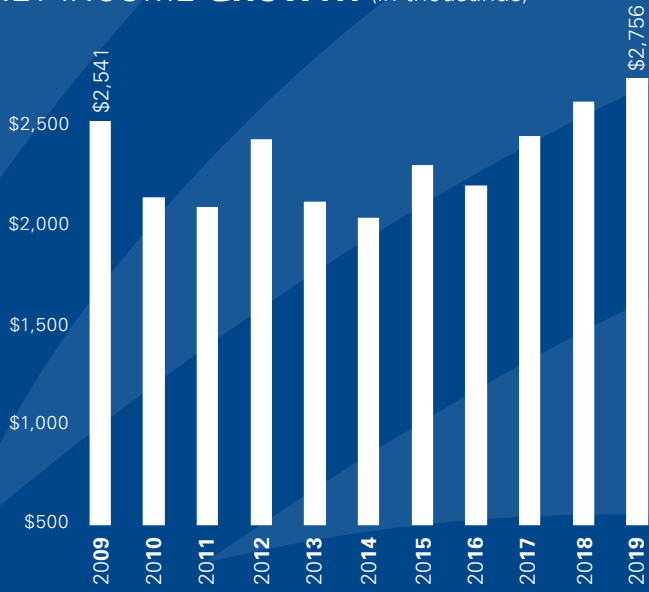
	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders' Equity
Balance, December 31, 2018	\$5,102,338	\$29,772,413	(\$1,952,351)	\$32,922,400
Net Income		2,756,221		2,756,221
Cash dividends declared, \$5.40 per share		(967,700)		(967,700)
Issuance of shares	117,130			117,130
Acquisition of shares outstanding	(110,335)			(110,335)
Change in unrealized gain (loss) on securities available-for- sale, net of applicable deferred income taxes			2,722,145	2,722,145
Balance, December 31, 2019	\$5,109,133	\$31,560,934	\$769,794	\$37,439,861

Combined Statement of Income (in thousands)

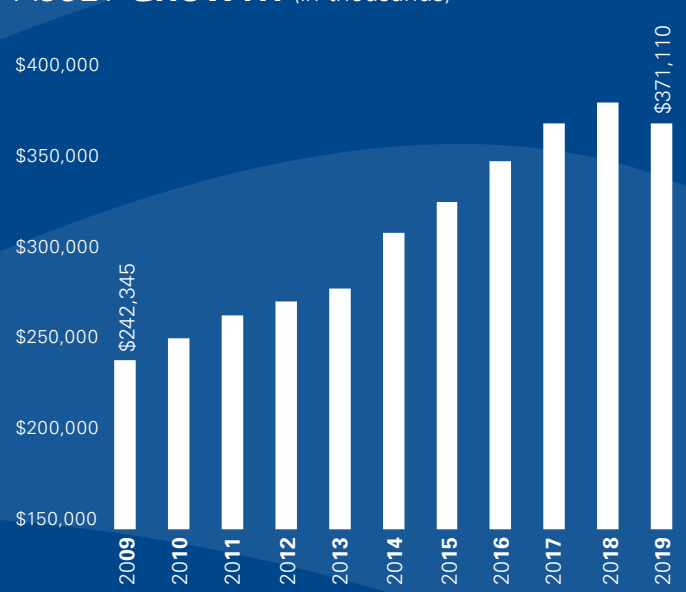
As of December 31,	2019	2018
INTEREST INCOME		
Interest and fees on loans	13,190	12,059
Interest on investment securities:		
Taxable	1,713	1,482
Tax-exempt	680	1,074
Total Interest Income	15,583	14,615
INTEREST EXPENSE		
Interest expense on deposits	1,473	1,066
Interest expense on borrowings	123	118
Total Interest Expense	1,596	1,184
Net interest income	13,987	13,431
Provision for loan losses	(720)	(970)
Net Interest Income After Provision for Loan Losses	13,267	12,461
OTHER INCOME		
Service charges	476	333
Other operating income	2,008	1,634
Total Other Income	2,484	1,967
OPERATING EXPENSES		
Salaries and employee benefits	7,583	7,334
Occupancy	993	974
Other operating expenses	3,936	3,115
Total Operating Expenses	12,512	11,423
Income before provision for income taxes	3,239	3,005
Provision for income taxes	(510)	(368)
Income before other gains and losses	2,729	2,637
Security gains (losses)	27	-
Extraordinary gains (losses)	-	-
Net Income	2,756	2,637
	2019	2018
Earnings Per Common Share	15.37	14.71



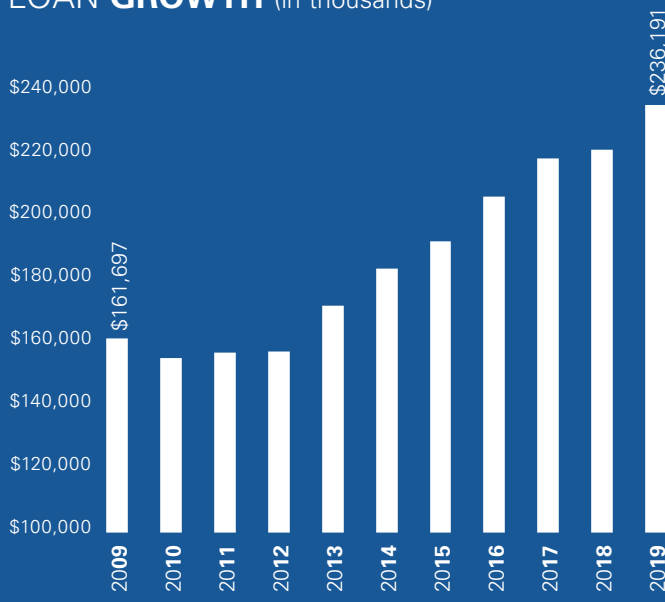
NET INCOME GROWTH (in thousands)



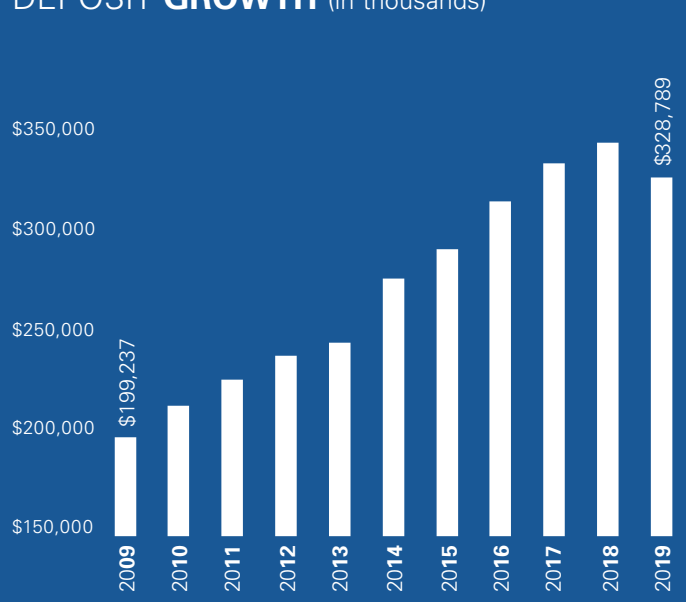
ASSET GROWTH (in thousands)



LOAN GROWTH (in thousands)



DEPOSIT GROWTH (in thousands)





COMMITTED TO OUR PEOPLE



STRENGTHENING OUR CULTURE

Core values describe the bank's beliefs and behaviors. They are things we believe in that will enable the bank to achieve our vision and mission.

RESPECT

We treat fellow co-workers, customers and partners with equal respect.

OWNERSHIP

We are accountable for our actions.

COMMUNITY

We are committed to building strong communities.

KNOWLEDGE

We have the expertise to provide sound financial advice.

STRENGTH

We are financially stable with a strong organizational culture.



Corporate Office

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

Marquette County

Marquette Headquarters
Negaunee
Marquette, McClellan Avenue
Harvey

Copper Country

Calumet
Houghton
Lake Linden

Dickinson County

Kingsford

Brown County

Green Bay

Officers

Roxanne M. Daust, President & Chief Executive 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 & Wisconsin Region
Terry L. Jutila, Senior Vice President & Chief Lending Officer
John C. Frost, Senior Vice President, Trust & Wealth Management Officer
Brian L. Syrjala, Senior Vice President, Home Mortgage Services Officer
Kristy M. Sibilsky, Senior Vice President, Business Banking Officer
Charlotte L. Gaudreau, Senior Vice President, Business Banking Officer
Kelly L. Jandron, Vice President, Regional Branch Administration Officer
Angela M. Knauss, Vice President, Loan Officer
John W. Lenten, CPA, Vice President, Internal Audit & BSA Officer
Sally L. Shaver, Senior Vice President, Mortgage Underwriting
Christopher H. DeRoche, Vice President, Loan Officer
Michelle M. McLaughlin, Chief Credit Officer
Glenn A. Johnson, Vice President, Compliance and Security Officer
Kelli J. Hendrickson, Assistant Vice President, Loan Officer
Rachel M. Simonsen, Vice President, Branch Administration Officer
Eric M. Kucharczyk, Business Banking Officer
Cheryl L. O'Brien, Loan Officer
Christopher J. Gobert, Assistant Vice President, Loan Officer
Kimberley S. Kaura, Assistant Vice President, Loan Officer
Kristin D. Knapp, Loan Officer
Michele M. Kontio, Trust Officer
Lucy Grove, Vice President, Human Resources Officer
Bryan A. Spaeth, Senior Vice President, Business Banker
Alex M. Roy, Business Banking Officer
Stacey L. Sedar, Loan Officer
Ryan Miller, Loan Officer



RANGEBANK.COM

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.