STOCKMAN FINANCIAL CORP.
2010 ANNUAL REPORT

IN GOOD COMPANY

IT'S THE COMPANY WE KEEP.

A strong, successful company is nothing without its employees, its customers and its communities. It is the company that Stockman keeps, in all regards, that makes us strong, successful and poised for the future.

Late in 2010, I received a call from national banking expert Alex Sheshunoff, who is a recognized name in banking for providing guidance, expertise and information. He was calling Stockman to invite us to join The Partnership For Banking Excellence. The Partnership's goal is to bring together the nation's best bankers to share proven solutions and innovative approaches.

Mr. Sheshunoff asked how Stockman manages to be so dynamic and successful in a time when many financial institutions are struggling. I stated first and foremost because Stockman exclusively serves Montana and the border areas surrounding Montana. Our customers predominantly embrace the western work ethic and way of life, and abide by the code of the west. The entrepreneurial spirit is alive and well here.

Mr. Sheshunoff said that in all his decades of analyzing banks he had never heard a banker credit the character of his customers as the reason for the bank's success. Then he went on to say "you have opened my eyes to the major importance that the character and values of your customers have upon the bank's long term success and hence it's ability to serve the community."

I said it's all about values and explained that our employees are cut from the same cloth as our customers. They are dedicated, hardworking and loyal with a strong bond of teamwork and a deep understanding of what it means to be part of a community. Most everyone at Stockman grew up here and many were raised with an Ag background. They truly care about their customers. They are empowered to do the right thing and possess the integrity to properly exercise their power. Needless to say, Mr. Sheshunoff was impressed with Stockman and our unique organization.

From the Executive Team and ownership of Stockman, I thank our employees, customers and communities for making us the best of the best.

Wm. Coffee • Chairman & Chief Executive Officer

"Coming together is a
BEGINNING.
Keeping together is
PROGRESS.
Working together is SUCCESS."
HENRY FORD

IT'S THE COMPANY THAT MAKES A DIFFERENCE.

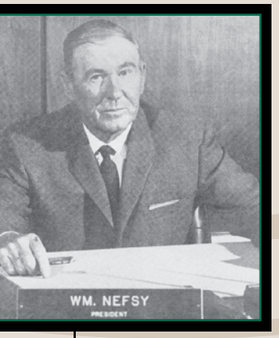
It's been said that you can judge a man by the company he keeps. We hold our company to that principle and we're pleased to find ourselves in the midst of strong communities who value hard work, honesty and a commitment to doing the right thing. We're proud of the communities we serve and feel privileged to be able to give back and support our neighbors.

Throughout the year, each of our branches generously sponsor events and causes that make our towns better places. You can always find Stockman employees donating their time and talents by getting involved at the ground level. We have a passion for helping, from high school and college sports programs to larger, national organizations that truly make a difference. We are committed to helping in all of the communities we serve.

These communities are more than just businesses and buildings – this is where we live, where we work and play, where we raise our families and spend our lives. When your neighbors are the catalyst for your success, it only makes sense to give back and be a gracious community partner.

"SUCCESS IS SIMPLE. DO WHAT'S RIGHT, THE RIGHT WAY, AT THE RIGHT TIME."

ARNOLD H. GLASGOW



1953 Wm. Nefsy purchased controlling interest of the Miles City Bank.

1959 Western Exchange, a separate company offering deferred payment contracts, was established to cater to the needs of Montana Ag Producers.

1979 A bank holding company was formed to facilitate growth. First Security Bank & Trust of Miles City, formerly the Miles City Bank, became the lead bank.

1980 Richland National Bank & Trust of Sidney was acquired.

1984 The First National Bank of Glendive was acquired.

1989 First Security Bank of Glendive was acquired.

1992 A fourth bank, Richey National Bank, was purchased.

1993 Stockman Insurance was established through an acquisition of the Richey Insurance Agency, in Richey.

1994 Farmers State Bank of Worden, with a branch office in Hysham, was acquired.

A Stockman Insurance location was added in Worden and later that year was also available at Stockman Bank in Hysham.

1995 First National Bank of Wibaux was purchased, and Stockman Bank of Billings on King Avenue West was established.

1997 Stockman Bank of Montana was adopted as the common name for all banking locations and Stockman Financial Corporation was adopted as the holding company name.

1999 State Bank of Terry was acquired and renamed Stockman Bank.

2000 Six Western Security Bank branches were acquired and Plentywood was added as the eleventh Stockman Bank location. Marquette Bank of Montana was acquired and locations were added in Conrad and Cut Bank. A third location in Billings at Shiloh & Grand was built and opened.

1998 A second Billings full-service bank opened at Hilltop & Main in Billings Heights.

2001 One Glacier Bank and five Western Security Bank branches were acquired resulting in the addition of three Great Falls offices and an office in Havre. A Stockman Insurance location was added in Conrad.

2002 Investment Management Group of Livingston, Montana was acquired and Stockman Asset Management was established to provide investment advisory services to individuals, foundations, corporations and other financial institutions.

2003 Stockman Bank opened a Bozeman office as the 19th Montana banking location.

2004 Stockman Bank received the Montana Family Business of the Year Award.

2005 Stockman Asset Management received a prestigious 5-Star rating from Morning Star, a major investment rating service.

New Belgrade location opened and Beaverhead Bank in Dillon was acquired.

2007 Doubled the size of King Avenue office in Billings.

Helena Loan Processing Office (LPO) opened.

Stockman Insurance opened locations in Miles City and Glendive.

2008 Stockman Insurance opened locations in Billings and Great Falls.

Purchased property in Helena at Custer & Sanders for future expansion.

2009 A second full-service bank in Bozeman opened at Oak & N 19th.

Purchased property in Miles City at Haynes & Comstock for future expansion.

2010 Construction completed on new Belgrade building.

Began construction on Billings' fourth full-service location downtown at 4th & Broadway.

Stockman West opened in Miles City as a conference and training facility.

A SOLID FOUNDATION

"YOU DON'T EARN LOYALTY IN A DAY. YOU EARN LOYALTY DAY-BY-DAY."

JEFFREY GITOMER

You do not grow a good company overnight. Stockman Bank has a strong history of serving our communities by putting their needs first. It's the cornerstone principal we've built upon for 57 years. We are a local bank making local decisions and take time to get to know our customers. We are flexible and make quick decisions. It's the advantage that sets us apart from our competition.

A good company can only be as successful as the individuals who work there. Our employees carry out our guiding principles every day. Each employee in the Stockman Bank family is one part of our whole. It's the dedication and individual talents that make us great. It's Montanans serving Montanans – you couldn't ask for any better company.

STOCKMAN INSURANCE

Our mission is to become the preferred leader in Agribusiness, Commercial, and Personal Insurance by serving our clients needs with personalized and professional customer service.

Stockman Insurance is a "Trusted Choice" insurance agency, offering lines of insurance to include Home, Auto, Business, Life, Crop, and Liability. Our strong partnership with nationally recognized AM Best highly rated insurance carriers has enabled us to offer comprehensive products at the most competitive price.

With these partnerships, our customers can have the peace of mind to know that if or when the unthinkable happens, Stockman Insurance and our partner companies will be there with the financial strength to see them through.

By working with and alongside Stockman Bank and Stockman Asset Management, Stockman Insurance and the entire Stockman family have the teamwork and expertise to handle all of our customers' financial needs.

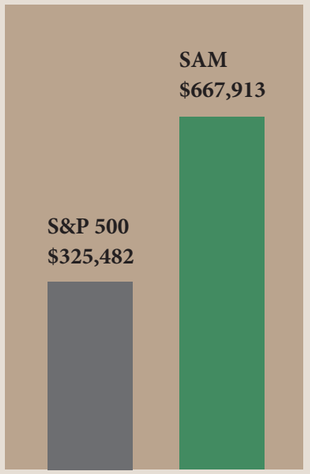
STOCKMAN EXCHANGE, INC.

Stockman Exchange offers services tailored to the needs of Ag Producers. Deferred payment contracts allow producers to sell their commodity (primarily grain and livestock) during the current tax year, but defer the income to another tax year. Stockman Exchange, Inc. is located at your local Stockman Bank. Sellers are advised to consult an attorney or tax accountant to discuss the effect of deferred payment contracts on their state and federal income tax liability. **Not FDIC Insured. No Bank Guarantee. May Lose Value.**

STOCKMAN ASSET MANAGEMENT

Stockman Asset Management (SAM) is an SEC registered investment advisory firm managing equity and fixed income portfolios for a broad range of clients including high net-worth individuals, corporations, foundations, retirement plans and community banks. We have a fiduciary duty to act foremost for each client's benefit before our own. SAM provides unbiased, objective, investment advice free of conflicts of interest. Our consistently applied approach is designed to generate performance greater than the market over a market cycle, while taking less risk. SAM provides incomparable customer service and client communication. SAM employees live the company vision that they help to create.

GROWTH OF A $250,000 EQUITY INVESTMENT (1999-2010)



*see below for details

Stockman Asset Management (SAM) is a registered investment adviser with the Securities and Exchange Commission and a wholly owned subsidiary of Stockman Financial Corp., a financial holding company headquartered in Miles City, MT. The above graph assumes an investment of $250,000 in SAM's Large Cap Value Equity Composite, which contains fully discretionary large cap value equity accounts and, for comparison purposes, is measured against the S&P 500 Index. The Large Cap Value Equity Composite assets as of December 31, 2010 were $9.9 million, which represented 0.6% of the firm's total assets under management. Returns are calculated in U.S. dollars. All performance results are net of actual fees and commissions. Performance does not adjust for any withholding tax on dividends, interest or capital gains. Returns take into effect the reinvestment of dividends with the exception of the affiliated account. Had this account's performance included reinvestment of dividends, the performance may be different than reported. As of February 5, 2004, returns for the affiliated account take into account the reinvestment of dividends. The S&P 500 Index is an unmanaged index of the shares of large U.S. companies. It includes dividends and is presented gross of fees. Investors are cautioned that there is a significant possibility of loss in portfolio value. This is not a recommendation, nor a guarantee to reflect similar holdings in a client's portfolio. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector. For our Large Cap Value Equity Composite annual performance and full disclosures, please contact Ron O'Donnell at (406) 655-3960. **Past performance is no guarantee of future results. Not FDIC insured. No bank guarantee. May lose value.**

BALANCE SHEET

	12/31/2010	12/31/2009
Assets		
Cash and Due from Banks	$58,414,759	$51,358,479
Investment Securities	631,307,320	448,288,199
Loans		
Agriculture	207,272,324	261,176,758
Agriculture Real Estate	278,733,101	236,907,662
Commercial	128,153,256	152,318,981
Commercial Real Estate	409,153,265	352,603,443
Residential Real Estate	184,116,765	175,591,589
Consumer	35,349,653	35,235,472
Less Allowance for Loan Losses	(20,425,581)	(18,816,092)
Loans Receivable, Net	1,222,352,783	1,195,017,813
Federal Home Loan Bank Stock	3,443,400	3,443,400
Premises and Equipment	51,130,641	47,238,446
Other Assets	49,218,412	50,070,001
Total Assets	**$2,015,867,315**	**$1,795,416,338**
Liabilities and Stockholders' Equity		
Deposits	$1,456,946,887	$1,271,590,193
Securities Sold Under Repurchase	220,529,911	189,720,221
Federal Funds Purchased	7,000,000	16,150,000
Borrowings	107,143,252	106,935,158
Other Liabilities	46,935,984	46,444,210
Total Liabilities	1,838,556,034	1,630,839,782
Common Stock	8,027,616	7,851,648
Retained Earnings	167,995,054	152,625,502
Other Equity	1,288,611	4,099,406
Total Stockholders' Equity	177,311,281	164,576,556
Total Liabilties and Stockholders' Equity	**2,015,867,315**	**1,795,416,338**

OUR PRESIDENTS

WAYNE NELSON
Billings

DAN MAJERUS
Conrad

CRAIG REHM
Dillon

JIM DRUMMOND
Gallatin Valley

KEITH ROBINSON
Glendive

RANDY WILLIAMS
Great Falls

STANLEY MARKUSON
Miles City

GARTH KALLEVIG
Sidney

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Tim Anderson
Butch Bratsky
Greg Hardy
Ron Haugan
Roger Jacobs
Terry Lee
Tim Ludewig
Bob Popelka
Robert L. Sanderson
Rod Wilson
Dave Zoanni

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Doug Sheble, Vice Chair
Rick Billman
Bob Hodgskiss
John McFarland
Dave Zoanni

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Debora Creger
James McIsacc
Doug Peterson
Dave Zoanni

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Charlene Hoskins
Carl Lehrkind IV
Jane Mersen
Chris Nelson
Gene Spranget
Harrison Trask
Sherm Veltkamp
Ken Walker
Travis Wright
Dave Zoanni

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Gerald Hoffer
Kyle Milne
Keith Robinson
Dave Zoanni

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Julie Duffy
Alison Fried
Mort Malek
Dennis Peterson
Andy Taylor
Dave Zoanni

HAVRE
Chuck Wimmer, Chair
Murray Barkus
Robin Toner
Greg Woods
Dave Zoanni

PLENTYWOOD
Paul Hansen, Chair
Scott Curtiss
Garth Kallevig
Willard "Woody" Michels
Cory Sampsen
Dave Zoanni

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Dr. I.J. Peterson, Chair
Glen Asbeck
Robert J. Goss
Garth Kallevig
Melvin Leland
Michael McCollum
Dave Zoanni

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Butch Bratsky
Gerry Breiland
N C (Pete) Hinson
Michael Reiter
Randy Sian
Dave Zoanni

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C.M. Coffee
Virginia Coffee
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Garth Kallevig
Kelly Klem
Dan Majerus
Stanley Markuson
Wayne Nelson
Sam Ohnstad
Ron Pisk
Craig Rehm
Keith Robinson
Paul Roble
Mary M. Singleton
Dave Zoanni

STOCKMAN BANK LOCATIONS

BELGRADE
6050 Jackrabbit Lane • 388-5025

BILLINGS
2700 King Avenue West • 655-2700
800 Main Street • 896-4800
1450 Shiloh Road • 655-3900

BOZEMAN
1815 South 19th Avenue • 556-4100
1433 North 19th Avenue • 556-4130

CONRAD
420 South Main Street • 278-8200

CUT BANK
125 West Main Street • 873-5517

DILLON
590 North Montana • 683-1600

GLENDIVE
204 West Bell • 377-1000

GREAT FALLS
2425 10th Avenue South • 771-2740
25 5th Street North • 771-2740
711 3rd Street Northwest • 771-2740

HAVRE
324 Third Avenue • 265-3800

HELENA
Mortgage Services
700 West Custer Avenue • 441-1597

HYSHAM
719 Elliott Avenue • 342-5214

MILES CITY
700 Main Street • 234-8420

PLENTYWOOD
102 North Main Street • 765-2460

RICHEY
102 South Main Street • 773-5521

SIDNEY
101 South Central Avenue • 433-8600

TERRY
117 Logan Avenue • 635-5591

WIBAUX
120 South Wibaux Street • 796-2424

WORDEN
450 Main Street • 967-3612