

SHERWOOD BANK CORPORATION



"We're Community People"



Sherwood Branch Office



Defiance Branch Office



Ridgeville Corners Branch Office

2010 Annual Report

PRESIDENT'S MESSAGE



Dear Shareholders and Valued Customers:

Through a clear vision and commitment of local citizens, your bank was founded on January 8, 1945. The same belief in the need for a local community bank to meet the financial needs of our communities is very much evident today in your Board of Directors, Management, staff, customers, and, most importantly, the shareholders of Sherwood Banc Corporation. While paying close attention to the safety and soundness of this banking enterprise, your Board of Directors has decidedly looked beyond current economic conditions, ensuring the long-term independence of our bank holding company. Through your approval of the corporate governance changes last year, your company is positioned for additional growth opportunities as the local economy improves.

Our accomplishments in 2010 entailed a 2/1 stock split, securing the services of Community Banc Stocks, Inc. as market maker for our stock, paying two cash dividends, instituting an incentive compensation plan for staff, relocating the office of the president to

Defiance, migrating to a new data processing system providing for greater operational capability, and celebrating our 65th anniversary honoring our many customers and shareholders. The key to this success is our dedicated staff that provides the banking services to you, the shareholder and customer. We instituted new programs, expanded staff, and looked towards the businesses in our communities for growth in loans, deposits, and continued profitability. Your Board of Directors wanted to ensure a strong linkage to the business community in greater Defiance and formed the Defiance Advisory Board which is comprised of well respected community leaders. These members have been identified in this report and we thank them for providing their time, energy, and knowledge in offering insights in continually improving our services.

We are pleased to report that our financial institution continues to grow as a profitable banking enterprise. The strength of our institution is very evident as shown in the provided financial reports. Net income at \$184,916, although slightly down from 2009, is strong despite a stressed economy, higher regulatory fees, maintaining an adequate loan loss reserve, and increased operating expenses. The data processing conversion alone impacted net income around \$40,000 in 2010. Total assets grew to \$47,378,739; deposits grew to \$38,997,917, and loans were at \$30,577,816. Additionally, shareholders received \$0.25 per share in cash dividends for 2010.

Management is committed to the safety and soundness of your bank by continuing to maintain a conservative approach to the growth of loans and deposits. We believe in the development of long-term relationships and ask you as shareholders and customers to recommend Sherwood Banc Corporation/The Sherwood State Bank to friends and business acquaintances.

Respectfully,

A handwritten signature in black ink, appearing to read "Mickey C. Schyrtzbek". The signature is fluid and cursive, written over a white background.

Mickey C. Schyrtzbek
President / CEO

Sherwood Banc Corporation

**Accountants' Compilation Report and
Consolidated Financial Statements**

December 31, 2010 and 2009



Sherwood Banc Corporation

December 31, 2010 and 2009

Contents

Accountants' Compilation Report	1
Consolidated Financial Statements	
Balance Sheets	2
Statements of Income	3
Statements of Stockholders' Equity	4
Supplementary Information	
FDIC §350.4 Disclosures	5

Accountants' Compilation Report

Stockholders and Board of Directors
Sherwood Banc Corporation
Sherwood, Ohio

We have compiled the accompanying consolidated balance sheets of Sherwood Banc Corporation (Company) as of December 31, 2010 and 2009, and the related consolidated statements of income and stockholders' equity and supplementary information for the years then ended. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures and the statements of cash flows required by accounting principles generally accepted in the United States. If the omitted disclosures and statements of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

BKD,LLP

January 20, 2011

Sherwood Banc Corporation

Consolidated Balance Sheets

December 31, 2010 and 2009

(All Share and Per Share Amounts Have Been Adjusted for a 2-for-1 Stock Split Declared June 8, 2010)

	<u>2010</u>	<u>2009</u>
Assets		
Cash and due from banks	\$ 1,452,077	\$ 1,398,090
Federal funds sold	—	154,000
Interest-bearing demand deposits	<u>78,575</u>	<u>108,411</u>
Cash and cash equivalents	1,530,652	1,660,501
Investment securities, available for sale	12,343,286	9,217,848
Loans held for sale	50,338	245,625
Loans, net of allowance for loan losses of \$495,783 and \$454,099	30,577,816	31,940,662
Premises and equipment	918,527	896,573
Cost basis stock investments	469,900	364,900
Interest receivable	219,795	244,593
Life insurance contract	539,050	516,794
Other real estate owned	390,000	—
Other assets	<u>339,375</u>	<u>433,757</u>
Total assets	<u>\$ 47,378,739</u>	<u>\$ 45,521,253</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$ 3,876,078	\$ 4,148,611
Interest bearing	<u>35,121,839</u>	<u>32,956,864</u>
Total deposits	38,997,917	37,105,475
Short-term borrowings	508,000	851,977
Long-term borrowings	3,754,764	3,333,645
Interest payable	91,614	120,163
Other liabilities	<u>22,584</u>	<u>120,387</u>
Total liabilities	<u>43,374,879</u>	<u>41,531,647</u>
Stockholders' Equity		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 200,000 shares, in 2010 and 2009	500,000	500,000
Additional paid-in capital	1,103,999	1,103,999
Retained earnings	2,399,843	2,264,927
Accumulated other comprehensive income	<u>18</u>	<u>120,680</u>
Total stockholders' equity	<u>4,003,860</u>	<u>3,989,606</u>
Total liabilities and stockholders' equity	<u>\$ 47,378,739</u>	<u>\$ 45,521,253</u>

Sherwood Banc Corporation
Consolidated Statements of Income
Years Ended December 31, 2010 and 2009

(All Share and Per Share Amounts Have Been Adjusted for a 2-for-1 Stock Split Declared June 8, 2010)

	2010	2009
Interest Income		
Loans receivable		
Taxable	\$ 2,095,601	\$ 2,242,304
Tax exempt	9,387	11,235
Investment securities		
Taxable	260,705	334,241
Tax exempt	137,237	119,675
Federal funds sold	2,378	1,493
Deposits with financial institutions	32	564
Total interest income	2,505,340	2,709,512
Interest Expense		
Deposits	467,582	683,308
Short-term borrowings	6,103	39,213
Long-term borrowings	153,751	179,686
Total interest expense	627,436	902,217
Net Interest Income	1,877,904	1,807,295
Provision for Loan Losses	314,198	285,238
Net Interest Income After Provision for Loan Losses	1,563,706	1,522,057
Noninterest Income		
Service charges on deposit accounts	114,523	107,486
Gain on sale of loans	32,177	38,678
Net realized gain on sales of available-for-sale securities	56,003	7,747
Other income	212,396	186,876
Total noninterest income	415,099	340,787
Noninterest Expenses		
Salaries and employee benefits	843,294	811,512
Net occupancy expenses	211,414	214,744
Data and item processing fees	131,920	121,808
Printing and office supplies	73,679	57,348
Director and committee fees	60,000	48,000
ATM expenses	47,161	49,250
Deposit insurance and examination expense	113,183	106,665
Other expenses	288,212	198,689
Total noninterest expenses	1,768,863	1,608,016
Income Before Income Taxes	209,942	254,828
Provision for Income Taxes	25,026	27,255
Net Income	\$ 184,916	\$ 227,573

Sherwood Banc Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2010 and 2009

(All Share and Per Share Amounts Have Been Adjusted for a 2-for-1 Stock Split Declared June 8, 2010)

	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid-in Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balances, January 1, 2009	188,800	\$ 497,000	\$ 1,082,111		\$ 2,037,354	\$ 45,775	\$ 3,662,240
Comprehensive income							
Net income				\$ 227,573	227,573		227,573
Other comprehensive income, net of tax, unrealized gains on securities, net of reclassification adjustment				74,905		34,905	74,905
Comprehensive income				\$ 302,478			
Purchase of stock	(1,300)	(3,250)	(23,634)				(26,884)
Sale of stock	2,300	6,230	45,322				51,552
Balances, December 31, 2009	200,000	500,000	1,103,999		2,264,927	120,680	3,989,606
Comprehensive income							
Net income				\$ 184,916	184,916		184,916
Other comprehensive loss, net of tax, unrealized loss on securities, net of reclassification adjustment				(120,662)		(120,662)	(120,662)
Comprehensive income				\$ 64,254			
Cash dividends (\$0.25 per share)					(50,000)		(50,000)
Balances, December 31, 2010	200,000	\$ 500,000	\$ 1,103,999		\$ 2,289,843	\$ 18	\$ 4,003,850

Supplementary Information

Sherwood Banc Corporation
FDIC §350.4 Disclosures
Years Ended December 31, 2010 and 2009
 (Table Dollar Amounts in Thousands)

Past Due and Nonaccrual Loans

	2010	2009
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>562</u>	<u>597</u>
Total	<u>\$ 562</u>	<u>\$ 597</u>

Allowance for Loan Losses

	2010	2009
Allowance for loan losses		
Balances, January 1	\$ 454	\$ 405
Provision for losses	314	285
Recoveries on loans	29	20
Loans charged off	<u>(301)</u>	<u>(256)</u>
Balances, December 31	<u>\$ 496</u>	<u>\$ 454</u>

Federal Deposit Insurance Corporation Disclaimer

These statements have not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.



Board Members:

(Left-Right) –
 Mark C. Moats, Vice Chairman –
 President, Mark Moats Ford;
 Mickey C. Schwarzbek, Director –
 President/CEO, Sherwood State
 Bank;
 John B. Wirth, Chairman –
 President, Wirth's Supermarket
 Inc.;
 Lynn E. Bergman, Secretary –
 Retired President, Ney Oil
 Company;
 James K. Weaner, Director –
 Attorney, Weaner, Zimmerman,
 Bacon, Yoder, and Hubbard.

Advisory Board Members:

Tonya Wichman
 Celebrations/Defiance Drivers Education

Scott Stambaugh
 Stambaugh Jewelers

Toby Nagel
 Leever Glass/Switzer Real Estate

Deb DeTray
 DeTray Investments

Milko Steyer
 Steyer & Co.

Robert Morton
 Defiance Public Schools

Dave Luderman
 Luderman & Konst

Kraig Beilharz
 Beilharz Architects

John Jacob
 Fitzenrider, Inc.



Staff Members:

Front Row (L-R): Chad Kruse, Business Development Officer; Mickey Schwarzbek, President/CEO; Brian G. Miller, Vice President; John W. Kost, Business Development Officer. Back Row (L-R): Ryan Frederick, Business Development Officer; Lynette J. Beardsley, Retail Banking Officer; Wanda J. Edwards, Assistant Vice President/BSA Officer; Julie A. Boehm, Vice President/Compliance Officer; Sharon L. Colley, Controller/IT Administrator.

SHERWOOD STATE BANK



A COMMUNITY BANK
SINCE 1945

MISSION STATEMENT

THE SHERWOOD STATE BANK WILL CONTINUE TO BE A STRONG INDEPENDENT COMMUNITY BANK PROVIDING MUTUALLY PROFITABLE FINANCIAL PRODUCTS AND SERVICES TO MEET THE NEEDS OF ALL OUR CUSTOMERS. OUR DIRECTORS, STAFF, AND EMPLOYEES ALL RECOGNIZE THAT THE CUSTOMER, THE SHAREHOLDER, THE EMPLOYEE AND THE COMMUNITY ARE THE KEYS TO OUR SUCCESS.

LOCATIONS:

SHERWOOD BRANCH OFFICE
105 NORTH HARRISON STREET
P.O. BOX 4546
SHERWOOD, OHIO 43856
419-899-2111

DEFIANCE BRANCH OFFICE
400 WEST THIRD STREET
DEFIANCE, OHIO 43512
419-782-0088

RIDGEVILLE CORNERS BRANCH OFFICE
20478 US HWY. 6
P.O. BOX 87
RIDGEVILLE CORNERS, OHIO 43885
419-267-3333

ATM'S AT ALL BRANCH OFFICES; INTERNET AND TELEPHONE BANKING 24/7; AND ON-LINE BILL PAY

CORPORATE OFFICE

105 NORTH HARRISON STREET
P.O. BOX 4546
SHERWOOD, OHIO 43856
419-899-2111

Corporate Information:

Market Maker for Sherwood Banc Corporation:
Greig McDonald
Community Banc Investments, Inc.
26 East Main Street
New Concord, OH 43762
800-234-1013

Regulatory Counsel:
Thomas C. Blank
Attorney
Shumaker, Loop & Kendrick
1000 Jackson Street
Toledo, OH 43604
419-241-9000

Bank Counsel:
James K. Weaner
Attorney
Weaner, Zimmerman, Bacon, Yoder & Hubbard
401 Wayne Avenue
Defiance, OH 43512
419-782-3010

SHERWOOD BANC CORPORATION

WWW.SHERWOODSTATEBANK.COM