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# SHERWOOD BANC CORPORATION



*Privately Traded...*

*...Community Invested*

**2013 Annual Report**

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# PRESIDENT'S MESSAGE

Dear Valued Shareholders and Customers:

I am very pleased to report that The Sherwood State Bank had another successful year. This success can be measured in many ways like increased earnings and another strong dividend paid to shareholders.

It takes the shareholder investment, customer loyalty, and dedicated employees to ensure the success of a Community Bank. Even after paying out a strong dividend in the amount of \$0.40 per share, the retained earnings and stockholder's equity still increased by 2.1%.

New business growth allowed for a 4.2% increase in Net Loans. The local economy appears to be stabilizing as individuals have adjusted their budgets to lower wages and increased cost of living. This stabilization allowed the bank's past due loans to decrease by 44% to a ten year low of 1.36%.



2013 provided many challenges for your bank with technological improvements and changes. The bank went through an unforeseen computer network service provider change in late 2013. The new technology provider has brought many improvements and new ideas that should aid in a more secure and efficient computer environment within the bank. Our product offerings were expanded to include Business Bill Pay through the Internet. We also now have WIFI guest access at all locations. In early 2014, we hope to have Mobile Banking live, allowing customers the opportunity to do transactions while on the move. Additionally, our business customers will have access to the Automated Clearing House (ACH) systems and wire transfer abilities.

Customers saw a new look to our Debit and ATM cards. We converted to MasterCard® to increase security and reduce fraud along with lowering the bank's long-term cost structure. The new card process positions the bank to handle EMV (Europay, MasterCard and Visa) mandates that are coming in 2015 and 2016. Also, we will be able to offer customers immediate access to cards through a new Instant Issue card system sometime in 2014.

Recommending your bank to others is one of the best things you can do in 2014 to ensure a stronger community. Thank you for your continued support.

Respectfully,

A handwritten signature in blue ink, appearing to read "Mickey C. Schwarzbek".

Mickey C. Schwarzbek  
President / CEO

**Sherwood Banc Corporation**

Accountants' Compilation Report and  
Consolidated Financial Statements

December 31, 2013 and 2012



**Sherwood Banc Corporation**  
December 31, 2013 and 2012

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## 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, 2013 and 2012, and the related consolidated statements of income, comprehensive 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 of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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 of America. 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 17, 2014

**Sherwood Banc Corporation**  
**Consolidated Balance Sheets**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and due from banks	\$ 2,088,408	\$ 1,592,199
Federal funds sold	2	55,002
Interest-bearing demand deposits	85,809	636,173
Cash and cash equivalents	2,174,219	2,283,374
Investment securities, available-for-sale	11,989,471	13,220,216
Loans held for sale	96,133	—
Loans, net of allowance for loan losses of \$406,886 and \$427,773	35,738,821	34,302,481
Premises and equipment	999,112	878,057
Cost basis stock investments	469,900	469,900
Interest receivable	171,447	222,684
Life insurance contract	606,352	583,889
Other real estate owned	17,100	112,100
Other assets	132,216	237,989
Total assets	\$ 52,394,771	\$ 52,310,690
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest bearing	\$ 5,831,007	\$ 5,823,884
Interest bearing	38,045,039	37,951,541
Total deposits	43,876,046	43,775,425
Short-term borrowings	1,066,000	—
Long-term borrowings	1,479,473	2,492,054
Interest payable	46,619	62,055
Other liabilities	141,584	312,569
Total liabilities	46,609,722	46,642,103
<b>Stockholders' Equity</b>		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 241,666 and 240,966 shares in 2013 and 2012, respectively	604,165	602,415
Additional paid-in capital	1,918,357	1,902,747
Retained earnings	3,255,938	2,930,755
Accumulated other comprehensive income	6,589	232,670
Total stockholders' equity	5,785,049	5,668,587
Total liabilities and stockholders' equity	\$ 52,394,771	\$ 52,310,690

**Sherwood Banc Corporation**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Interest Income</b>		
Loans receivable		
Taxable	\$ 2,078,764	\$ 2,065,044
Tax exempt	5,148	7,361
Investment securities		
Taxable	127,397	164,235
Tax exempt	174,023	151,638
Federal funds sold	2,934	3,548
Deposits with financial institutions	6	6
Total interest income	<u>2,388,272</u>	<u>2,391,832</u>
<b>Interest Expense</b>		
Deposits	211,577	256,016
Short-term borrowings	1,789	2,092
Long-term borrowings	91,627	126,312
Total interest expense	<u>304,993</u>	<u>384,420</u>
<b>Net Interest Income</b>	2,083,279	2,007,412
<b>Provision for Loan Losses</b>	79,811	181,964
<b>Net Interest Income After Provision for Loan Losses</b>	<u>2,003,468</u>	<u>1,825,448</u>
<b>Noninterest Income</b>		
Service charges on deposit accounts	140,394	157,491
Gain on sale of loans	17,657	21,255
Net realized gain on sales of available-for-sale securities	5,944	102,963
Other income	387,270	338,545
Total noninterest income	<u>551,265</u>	<u>620,254</u>
<b>Noninterest Expenses</b>		
Salaries and employee benefits	1,018,160	953,618
Net occupancy expenses	235,855	223,579
Data and item processing fees	215,563	188,823
Printing and office supplies	42,198	43,107
Director and committee fees	72,000	75,000
ATM expenses	51,395	53,369
Deposit insurance and examination expense	37,617	43,658
State franchise tax expense	64,101	59,174
Other expenses	280,726	303,641
Total noninterest expenses	<u>2,017,615</u>	<u>1,943,969</u>
<b>Income Before Income Taxes</b>	537,118	501,733
<b>Provision for Income Taxes</b>	116,024	87,834
<b>Net Income</b>	<u>\$ 421,094</u>	<u>\$ 413,899</u>

**Sherwood Banc Corporation**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Net Income</b>	\$ <u>421,094</u>	\$ <u>413,899</u>
<b>Other Comprehensive Income (Loss)</b>		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of (\$114,445) and \$46,401, for 2013 and 2012, respectively	(222,158)	90,072
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$2,021 and \$35,007, for 2013 and 2012, respectively	<u>3,923</u>	<u>67,956</u>
	<u>(226,081)</u>	<u>22,116</u>
<b>Total Comprehensive Income</b>	\$ <u>195,013</u>	\$ <u>436,015</u>



**Sherwood Banc Corporation**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2013 and 2012**

	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balances, January 1, 2012</b>	217,337	\$ 543,343	\$ 1,424,605	\$ 2,603,756	\$ 210,554	\$ 4,782,258
Net income				413,899		413,899
Other comprehensive income					22,116	22,116
Cash dividends (\$0.37 per share)				(86,900)		(86,900)
Repurchase of stock	(1,600)	(4,000)	(35,560)			(39,560)
Issuance of stock, net of offering costs of \$29,346	<u>25,229</u>	<u>63,072</u>	<u>513,702</u>	<u>          </u>	<u>          </u>	<u>576,774</u>
<b>Balances, December 31, 2012</b>	240,966	602,415	1,902,747	2,930,755	232,670	5,668,587
Net income				421,094		421,094
Other comprehensive loss					(226,081)	(226,081)
Cash dividends (\$0.40 per share)				(95,911)		(95,911)
Repurchase of stock	(11,250)	(28,125)	(254,250)			(282,375)
Issuance of stock	<u>11,950</u>	<u>29,875</u>	<u>269,860</u>	<u>          </u>	<u>          </u>	<u>299,735</u>
<b>Balances, December 31, 2013</b>	<u>241,666</u>	<u>\$ 604,165</u>	<u>\$ 1,918,357</u>	<u>\$ 3,255,938</u>	<u>\$ 6,589</u>	<u>\$ 5,785,049</u>

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## Supplementary Information

**Sherwood Banc Corporation**  
**FDIC §350.4 Disclosures**  
**Years Ended December 31, 2013 and 2012**  
 (Table Dollar Amounts in Thousands)

***Past Due and Nonaccrual Loans***

	<b>2013</b>	<b>2012</b>
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>46</u>	<u>358</u>
Total	<u>\$ 46</u>	<u>\$ 358</u>

***Allowance for Loan Losses***

	<b>2013</b>	<b>2012</b>
Allowance for loan losses		
Balances, January 1	\$ 428	\$ 524
Provision for losses	80	182
Recoveries on loans	12	3
Loans charged off	<u>(113)</u>	<u>(281)</u>
Balances, December 31	<u>\$ 407</u>	<u>\$ 428</u>

***Federal Deposit Insurance Corporation Disclaimer***

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

# SHERWOOD STATE BANK

**S S B** A COMMUNITY BANK

COMMUNITY FOCUSED  
CUSTOMER DRIVEN



## THE SHERWOOD STATE BANK PRODUCTS/SERVICES

PERSONAL & BUSINESS CHECKING ACCOUNTS

PERSONAL & BUSINESS SAVINGS ACCOUNTS

KIDS SHER STEP

CERTIFICATES OF DEPOSIT

IRA ACCOUNTS

HSA ACCOUNTS

CHRISTMAS CLUB ACCOUNTS

CLUB ACCOUNTS

REAL ESTATE LOANS

FARM LOANS

HOME EQUITY LOANS

CAR LOANS

AGRICULTURAL LINES OF CREDIT

PERSONAL & BUSINESS LINES OF CREDIT

SAFETY DEPOSIT BOXES

ATM CARDS

MASTERCARD® DEBIT CARDS

BUSINESS MASTERCARD® DEBIT CARDS

MONEY ORDERS

CASHIER'S CHECKS

FAX MACHINE

DOMESTIC & FOREIGN WIRE TRANSFERS

COIN COUNTING

PHOTOCOPIES

INTERNET BANKING

BILL PAY & BUSINESS BILL PAY

TELEPHONE BANKING

## SHERWOOD FINANCIAL SERVICES, LLC

**S F S**

## SHERWOOD FINANCIAL SERVICES PRODUCTS/SERVICES

PROPERTY & CASUALTY INSURANCE

INDIVIDUAL & GROUP BENEFITS

ACCIDENTAL DEATH & DISABILITY INSURANCE

OHIO BUREAU OF WORKERS' COMPENSATION DISCOUNT PROGRAM



## Board Members:

(Seated Left-Right)—

Mickey C. Schwarzbek, Director-President/CEO, Sherwood State Bank;  
John B. Wirth, Chairman-President, Wirth's Supermarket Inc.;  
James K. Weaner, Director-Attorney, Weaner, Yoder, Hill, & Weber LTD;

(Standing Left-Right)—

Mark C. Moats (Retired 2012)-Retired President, Mark Moats Ford;  
Wesley C. Moats, Director-President, Mark Moats Ford;  
Edward L. Yoder, Director-Realtor, Welles Bowen Realty;  
Lynn E. Bergman, Secretary-General Manager, Sherwood Mutual Telephone Association



## Advisory Board Members:

Tonya Wichman  
Celebrations/Defiance Drivers Education

Scott Stambaugh  
Stambaugh Jewelers

Toby Nagel  
Leever Glass/Switzer Real Estate

Dave Luderman  
Luderman & Konst

Mike Steyer  
Steyer & Co.

Robert Morton  
Defiance Public Schools

John Jacob  
Fitzenrider, Inc.



## Staff Members:

Front Row (L-R): Chad Kruse, Business Development Officer; Mickey C. 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

**S S B** A COMMUNITY BANK  
FDIC

## MISSION STATEMENT

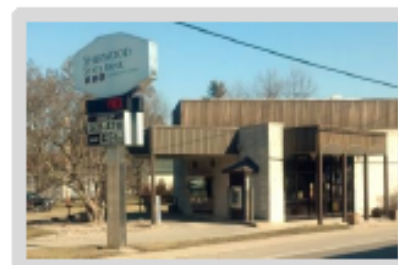
THE SHERWOOD STATE BANK WILL CONTINUE TO BE A STRONG INDEPENDENT COMMUNITY BANK PROVIDING MUTUALLY PROFITABLE FINANCIAL PRODUCTS AND SERVICES TO MEET THE NEEDS OF ALL OUR CUSTOMERS. OUR DIRECTORS, STAFF, AND EMPLOYEES ALL RECOGNIZE THAT THE CUSTOMER, THE SHAREHOLDER, THE EMPLOYEE, AND THE COMMUNITY ARE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

## LOCATIONS:

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P.O. BOX 4546  
SHERWOOD, OH 43556  
419-899-2111

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

RIDGEVILLE CORNERS BRANCH OFFICE  
20478 US HWY. 6  
P.O. BOX 87  
RIDGEVILLE CORNERS, OH 43555  
419-267-5555



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

## CORPORATE OFFICE

105 NORTH HARRISON STREET  
P.O. BOX 4546  
SHERWOOD, OH 43556  
419-899-2111

SHERWOOD  
BANC CORPORATION  
**S B C**

SHERWOOD  
FINANCIAL SERVICES, LLC  
**S F S**

SHERWOOD  
STATE BANK  
**S S B** A COMMUNITY BANK  
FDIC

## CORPORATE INFORMATION:

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