




SHERWOOD BANC CORPORATION



Privately Traded...
...Community Invested

2014 Annual Report



PRESIDENT'S MESSAGE

Dear Valued Shareholders and Customers:

Last year has been yet another solid year for your bank. Net profits increased 18.6% to \$499,228. Additionally, 2014 provided for 4.28% growth in Assets. This growth was driven by a 5.45% increase in Net Loans and a 6.02% increase in total Deposits.

The retained earnings and stockholder's equity increased by 8.8% to \$6,298,856. This growth came after paying out yet another respectful dividend of \$0.45 per share in 2014. The dividend in the amount of \$0.45 per share is a 12.5% or five cent per share increase over prior year.



We continued to keep pace with the latest technology by rolling out Mobile Banking for smart phones and tablets in May. Customers can now handle many of their banking functions while on the move. Please stop in any of our locations to find out more. In June, we opened an Operations Center in an empty building downtown Sherwood to handle the accounting functions of the bank. By relocating the accounting we were then able to move all our Loan Processing to the back room of our Sherwood branch. These moves have already proven to provide for a better working environment and improved work efficiencies within both departments.

You can help us continue a strong growth pattern by referring others to us. We feel we have great products and services that can be tailored to everyone's needs. We hope to continue our strong dividend payout history and increase in your share value. Thank you for supporting your Community Bank.

Respectfully,

A handwritten signature in blue ink, appearing to read "Mickey C. Schwarzbek". The signature is fluid and cursive, with a large, stylized initial "M".

Mickey C. Schwarzbek
President / CEO

Sherwood Banc Corporation

Accountants' Compilation Report and
Consolidated Financial Statements

December 31, 2014 and 2013



Sherwood Banc Corporation

December 31, 2014 and 2013

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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, 2014 and 2013, 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

Fort Wayne, Indiana
January 16, 2015

Sherwood Banc Corporation

Consolidated Balance Sheets

December 31, 2014 and 2013

	2014	2013
Assets		
Cash and due from banks	\$ 1,026,952	\$ 2,088,408
Federal funds sold	861,005	2
Interest-bearing demand deposits	<u>67,962</u>	<u>85,809</u>
Cash and cash equivalents	1,955,919	2,174,219
Investment securities, available-for-sale	12,658,256	11,989,471
Loans held for sale	—	96,133
Loans, net of allowance for loan losses of \$373,735 and \$407,058	37,688,331	35,738,821
Premises and equipment	959,145	999,112
Cost basis stock investments	484,900	469,900
Interest receivable	194,047	171,447
Life insurance contract	628,283	606,352
Other real estate owned	—	17,100
Other assets	<u>70,842</u>	<u>132,216</u>
Total assets	<u>\$ 54,639,723</u>	<u>\$ 52,394,771</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$ 6,065,118	\$ 5,831,007
Interest bearing	<u>40,452,155</u>	<u>38,045,039</u>
Total deposits	46,517,273	43,876,046
Short-term borrowings	—	1,066,000
Long-term borrowings	1,469,346	1,479,473
Interest payable	45,874	46,619
Other liabilities	<u>308,374</u>	<u>141,584</u>
Total liabilities	<u>48,340,867</u>	<u>46,609,722</u>
Stockholders' Equity		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 241,666 and 241,666 shares in 2014 and 2013, respectively	604,165	604,165
Additional paid-in capital	1,918,357	1,918,357
Retained earnings	3,646,416	3,255,938
Accumulated other comprehensive income	<u>129,918</u>	<u>6,589</u>
Total stockholders' equity	<u>6,298,856</u>	<u>5,785,049</u>
Total liabilities and stockholders' equity	<u>\$ 54,639,723</u>	<u>\$ 52,394,771</u>

Sherwood Banc Corporation
Consolidated Statements of Income
Years Ended December 31, 2014 and 2013

	2014	2013
Interest Income		
Loans receivable		
Taxable	\$ 2,122,178	\$ 2,078,764
Tax-exempt	4,416	5,148
Investment securities		
Taxable	158,985	127,397
Tax exempt	177,429	174,023
Federal funds sold	3,191	2,934
Deposits with financial institutions	<u>5</u>	<u>6</u>
Total interest income	<u>2,466,204</u>	<u>2,388,272</u>
Interest Expense		
Deposits	203,569	211,577
Short-term borrowings	2,033	1,789
Long-term borrowings	<u>62,185</u>	<u>91,627</u>
Total interest expense	<u>267,787</u>	<u>304,993</u>
Net Interest Income	2,198,417	2,083,279
Provision for Loan Losses	<u>6,955</u>	<u>79,811</u>
Net Interest Income After Provision for Loan Losses	<u>2,191,462</u>	<u>2,003,468</u>
Noninterest Income		
Service charges on deposit accounts	136,272	140,394
Gain on sale of loans	21,475	17,657
Net realized gain on sales of available-for-sale securities	—	5,944
Other income	<u>385,969</u>	<u>387,270</u>
Total noninterest income	<u>543,716</u>	<u>551,265</u>
Noninterest Expenses		
Salaries and employee benefits	1,054,641	1,018,160
Net occupancy expenses	252,283	235,855
Data and item processing fees	250,590	215,563
Printing and office supplies	53,728	42,198
Director and committee fees	72,000	72,000
ATM expenses	48,330	51,395
Deposit insurance and examination expense	46,743	37,617
State franchise tax expense	37,917	64,101
Other expenses	<u>251,260</u>	<u>280,726</u>
Total noninterest expenses	<u>2,067,492</u>	<u>2,017,615</u>
Income Before Income Taxes	667,686	537,118
Provision for Income Taxes	<u>168,458</u>	<u>116,024</u>
Net Income	<u>\$ 499,228</u>	<u>\$ 421,094</u>

Sherwood Banc Corporation
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2014 and 2013

	2014	2013
Net Income	\$ <u>499,228</u>	\$ <u>421,094</u>
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$63,533 and \$(114,445), for 2014 and 2013, respectively	123,329	(222,158)
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$0 and \$2,021, for 2014 and 2013, respectively	<u>—</u>	<u>3,923</u>
	<u>123,329</u>	<u>(226,081)</u>
Total Comprehensive Income	<u>\$ 622,557</u>	<u>\$ 195,013</u>

Sherwood Banc Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2014 and 2013

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares Outstanding	Amount				
Balances, January 1, 2013	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>299,735</u>
Balances, December 31, 2013	241,666	604,165	1,918,357	3,255,938	6,589	5,785,049
Net income				499,228		499,228
Other comprehensive income					123,329	123,329
Cash dividends (\$0.45 per share)				(108,750)		(108,750)
Repurchase of stock	(750)	(1,875)	(18,788)			(20,663)
Issuance of stock	<u>750</u>	<u>1,875</u>	<u>18,788</u>			<u>20,663</u>
Balances, December 31, 2014	<u>241,666</u>	<u>\$ 604,165</u>	<u>\$ 1,918,357</u>	<u>\$ 3,646,416</u>	<u>\$ 129,918</u>	<u>\$ 6,298,856</u>

Supplementary Information

Sherwood Banc Corporation
FDIC §350.4 Disclosures
Years Ended December 31, 2014 and 2013
 (Table Dollar Amounts in Thousands)

Past Due and Nonaccrual Loans

	2014	2013
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>501</u>	<u>46</u>
Total	<u>\$ 501</u>	<u>\$ 46</u>

Allowance for Loan Losses

	2014	2013
Allowance for loan losses		
Balances, January 1	\$ 407	\$ 428
Provision for losses	7	80
Recoveries on loans	5	12
Loans charged off	<u>(45)</u>	<u>(113)</u>
Balances, December 31	<u>\$ 374</u>	<u>\$ 407</u>

Federal Deposit Insurance Corporation Disclaimer

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



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
MOBILE BANKING
INTERNET BANKING
BILL PAY & BUSINESS BILL PAY
TELEPHONE BANKING



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;
 Lynn E. Bergman, Secretary-
 General Manager, Sherwood Mutual
 Telephone Association
 John B. Wirth, Chairman-
 President, Wirth's Supermarket Inc.;
 James K. Weaner, Director-
 Attorney, Weaner, Yoder, Hill, &
 Weber LTD;
 (Standing Left-Right)—
 Edward L. Yoder, Director-
 Realtor, Welles Bowen Realty;
 Wesley C. Moats, Director-
 President, Mark Moats Ford;

Advisory Board Members:

Tonya Wichman
 Celebrations/Defiance Drivers Education

Dave Luderman
 Luderman & Konst

Robert Morton
 Defiance Public Schools

Toby Nagel
 Leever Glass/
 Switzer Real Estate

Scott Stambaugh
 Stambaugh Jewelers

Mike Steyer
 Steyer & Co.

John Jacob
 Fitzenrider, Inc.



Staff Members:

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



THE SHERWOOD STATE BANK 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 organizational team recognizes that the customer, the shareholder, the employee, and the community are the keys to our success.

LOCATIONS

Sherwood Main Office
 105 N Harrison Street
 P.O. Box 4546
 Sherwood, OH 43556
 419-899-2111

Defiance Branch
 400 W Third Street
 Defiance, OH 43512
 419-782-0088

Ridgeville Corners Branch
 20478 US Hwy 6
 P.O. Box 87
 Ridgeville Corners, OH 43555
 419-267-5555

Operations Center
 212 N Harrison Street
 Sherwood, OH 43556
 419-899-2111



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

CORPORATE OFFICE

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 800-899-9531



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