
SHERWOOD BANC CORPORATION



Privately Traded...

...Community Invested

2011 Annual Report

PRESIDENT'S MESSAGE



Dear Valued Shareholders and Customers:

The journey for your Community Bank started many years in the past on January 8, 1945. There have been many new faces walk through our front doors during these past 67 years. Many of the new faces in 2011 came to us in the fourth quarter through the Community Stock Offering. This was the first time since 1945 that new shares of stock were made available to our community. As of year-end record date, we now have a total of 245 stockholders. We welcome the new shareholders to our community bank family. I am sure these new shareholders will soon recognize the many benefits a Community Bank has for the communities it serves.

Beyond the Community Stock Offering, 2011 accomplishments included the release of new logos for the holding company, the bank, and our insurance company, along with new signage at all branch locations. Additionally, we rolled out new technology in the form of E-Documents allowing customers to access their bank statements through on-line banking; implemented an overdraft protection line of credit; drive-up repairs to both Sherwood and Ridgeville Corners branch locations; and increased our knowledge and utilization of our new data processing system implemented in December 2010.

Total assets grew to \$50,879,037 which is an increase of 7.4%. Deposits grew to \$42,657,657 a 9.4% increase and net loans were at \$31,039,183. We were once again able to increase your shareholder value through adding \$203,913 to Capital through retained earnings. This net income is a 10.3% increase over 2010 net income of \$184,916.

We continue to strive to develop new long-term relationships within the communities we serve. If you know of anyone that would benefit from our services, please recommend Sherwood Banc Corporation/The Sherwood State Bank. Thank you for your past and future support.

Respectfully yours,

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

Mickey C. Schwarzbek
President / CEO

Sherwood Banc Corporation

Accountants' Compilation Report and
Consolidated Financial Statements

December 31, 2011 and 2010



Sherwood Banc Corporation

December 31, 2011 and 2010

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Sherwood Banc Corporation

Consolidated Balance Sheets

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and due from banks	\$ 2,422,480	\$ 1,452,077
Federal funds sold	1,148,492	—
Interest-bearing demand deposits	<u>78,780</u>	<u>78,575</u>
	3,649,752	1,530,652
Cash and cash equivalents	3,649,752	1,530,652
Investment securities, available for sale	13,578,390	12,343,286
Loans held for sale	—	50,338
Loans, net of allowance for loan losses of \$524,110 and \$495,783	31,039,183	30,577,816
Premises and equipment	883,095	918,527
Cost basis stock investments	469,900	469,900
Interest receivable	213,222	219,795
Life insurance contract	561,336	539,050
Other real estate owned	183,600	390,000
Other assets	<u>300,559</u>	<u>339,375</u>
	\$ 50,879,037	\$ 47,378,739
Total assets	<u>\$ 50,879,037</u>	<u>\$ 47,378,739</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$ 5,888,589	\$ 3,876,078
Interest bearing	<u>36,769,068</u>	<u>35,121,839</u>
	42,657,657	38,997,917
Total deposits	42,657,657	38,997,917
Short-term borrowings	—	508,000
Long-term borrowings	3,213,185	3,754,764
Interest payable	78,012	91,614
Other liabilities	<u>147,925</u>	<u>22,584</u>
	46,096,779	43,374,879
Total liabilities	<u>46,096,779</u>	<u>43,374,879</u>
Stockholders' Equity		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 217,337 and 200,000 shares in 2011 and 2010, respectively	543,343	500,000
Additional paid-in capital	1,424,605	1,103,999
Retained earnings	2,603,756	2,399,843
Accumulated other comprehensive income	<u>210,554</u>	<u>18</u>
	4,782,258	4,003,860
Total stockholders' equity	<u>4,782,258</u>	<u>4,003,860</u>
Total liabilities and stockholders' equity	<u>\$ 50,879,037</u>	<u>\$ 47,378,739</u>

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, 2011 and 2010, 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 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, 2012

Sherwood Banc Corporation
Consolidated Statements of Income
Years Ended December 31, 2011 and 2010

	2011	2010
Interest Income		
Loans receivable		
Taxable	\$ 1,996,250	\$ 2,095,601
Tax exempt	9,575	9,387
Investment securities		
Taxable	194,106	260,705
Tax exempt	179,057	137,237
Federal funds sold	1,478	2,378
Deposits with financial institutions	15	32
Total interest income	2,380,481	2,505,340
Interest Expense		
Deposits	346,375	467,582
Short-term borrowings	4,680	6,103
Long-term borrowings	146,164	153,751
Total interest expense	497,219	627,436
Net Interest Income	1,883,262	1,877,904
Provision for Loan Losses	405,596	314,198
Net Interest Income After Provision for Loan Losses	1,477,666	1,563,706
Noninterest Income		
Service charges on deposit accounts	162,337	114,523
Gain on sale of loans	30,147	32,177
Net realized gain on sales of available-for-sale securities	129,775	56,003
Other income	322,926	212,396
Total noninterest income	645,185	415,099
Noninterest Expenses		
Salaries and employee benefits	884,617	843,294
Net occupancy expenses	248,045	211,414
Data and item processing fees	142,590	131,920
Printing and office supplies	53,318	73,679
Director and committee fees	74,000	60,000
ATM expenses	62,047	47,161
Deposit insurance and examination expense	34,050	113,183
State franchise tax expense	57,399	54,389
Other expenses	348,351	233,823
Total noninterest expenses	1,904,417	1,768,863
Income Before Income Taxes	218,434	209,942
Provision for Income Taxes	14,521	25,026
Net Income	\$ 203,913	\$ 184,916

Sherwood Banc Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2011 and 2010

	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid-in Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balances, January 1, 2010	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 losses on securities, net of reclassification adjustment				(120,662)		(120,662)	(120,662)
Comprehensive income				<u>\$ 64,254</u>			
Cash dividends (\$0.25 per share)					(50,000)		(50,000)
Balances, December 31, 2010	200,000	500,000	1,103,999		2,399,843	18	4,003,860
Comprehensive income							
Net income				\$ 203,913	203,913		203,913
Other comprehensive income, net of tax, unrealized gains on securities, net of reclassification adjustment				210,536		210,536	210,536
Comprehensive income				<u>\$ 414,449</u>			
Issuance of stock, net of offering costs of \$52,139	17,337	43,343	320,606				363,949
Balances, December 31, 2011	<u>217,337</u>	<u>\$ 543,343</u>	<u>\$ 1,424,605</u>		<u>\$ 2,603,756</u>	<u>\$ 210,554</u>	<u>\$ 4,782,258</u>

Supplementary Information

Sherwood Banc Corporation
FDIC §350.4 Disclosures
Years Ended December 31, 2011 and 2010
 (Table Dollar Amounts in Thousands)

Past Due and Nonaccrual Loans

	<u>2011</u>	<u>2010</u>
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>821</u>	<u>562</u>
Total	<u>\$ 821</u>	<u>\$ 562</u>

Allowance for Loan Losses

	<u>2011</u>	<u>2010</u>
Allowance for loan losses		
Balances, January 1	\$ 496	\$ 454
Provision for losses	406	314
Recoveries on loans	66	29
Loans charged off	<u>(444)</u>	<u>(301)</u>
Balances, December 31	<u>\$ 524</u>	<u>\$ 496</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:

(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, Zimmerman,
Bacon, Yoder, and Hubbard;

(Standing Left-Right)—

Mark C. Moats, Vice Chairman-
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-
Retired President, Ney Oil Company

Advisory Board Members:

Tonya Wichman
Celebrations/Defiance Drivers Education

Scott Stambaugh
Stambaugh Jewelers

Toby Nagel
Leever Glass/Switzer Real Estate

Deb DeTray
DeTray Investments

Mike 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 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:

SHERWOOD BRANCH OFFICE
105 NORTH HARRISON STREET
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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