




# SHERWOOD BANC CORPORATION



*Privately Traded...*

*...Community Invested*

## 2012 Annual Report



# PRESIDENT'S MESSAGE



Dear Valued Shareholders and Customers:

With the support of the shareholders, customers, employees, and our communities, your Community Bank had one of its most successful years in 2012. We were able to close out the first stock offering since the bank's formation in 1945 and sell a million dollars in new shares. With the sale of new shares of stock and the 2012 retained earnings, stockholders equity increased 18.5%. This increase in equity will provide for a stronger bank leading us into future years.

Your bank was able to put the increase in equity to work by growing net outstanding loans 10.5% to \$34,302,481, while decreasing past due and non-accrual loans by 56.4%. Deposits grew to \$43,775,425, a 2.6% increase. Total assets grew to \$52,310,690, which is an increase of 2.8%.

You will see the increase in earnings from \$203,913 in 2011 to \$413,899 in 2012. The increase in retained earnings for the year was \$326,999. The Directors, management, and staff are excited about what 2013 may offer.

The success in 2012 came even with the bank dealing with national issues like Dodd-Frank implantation, the activation of the Consumer Financial Protection Bureau, and a tough regulatory examination environment.

The bank was able to roll out new technology in the form of E-Sign, allowing customers to sign documents electronically and providing for easier storage and accessibility for our staff. A new product offering came in the way of a Vacation Club Account. This club account allows individuals to save for their vacation and other needs with a payout in April. Our insurance company can now give you a competitive quote through our website for your home and auto coverage.

Please continue to recommend your bank and let us continue to grow in our communities. Thank you for your past and future support.

Respectfully yours,

A handwritten signature in blue 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, 2012 and 2011



**Sherwood Banc Corporation**  
December 31, 2012 and 2011

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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, 2012 and 2011, 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 19, 2013

# Sherwood Banc Corporation

## Consolidated Balance Sheets

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and due from banks	\$ 1,592,199	\$ 2,422,480
Federal funds sold	55,002	1,148,492
Interest-bearing demand deposits	<u>636,173</u>	<u>78,780</u>
Cash and cash equivalents	2,283,374	3,649,752
Investment securities, available for sale	13,220,216	13,578,390
Loans, net of allowance for loan losses of \$427,773 and \$524,110	34,302,481	31,039,183
Premises and equipment	878,057	883,095
Cost basis stock investments	469,900	469,900
Interest receivable	222,684	213,222
Life insurance contract	583,889	561,336
Other real estate owned	112,100	183,600
Other assets	<u>237,989</u>	<u>300,559</u>
Total assets	<u>\$ 52,310,690</u>	<u>\$ 50,879,037</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest bearing	\$ 5,823,884	\$ 5,888,589
Interest bearing	<u>37,951,541</u>	<u>36,769,068</u>
Total deposits	43,775,425	42,657,657
Long-term borrowings	2,492,054	3,213,185
Interest payable	62,055	78,012
Other liabilities	<u>312,569</u>	<u>147,925</u>
Total liabilities	<u>46,642,103</u>	<u>46,096,779</u>
<b>Stockholders' Equity</b>		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 240,966 and 217,337 shares in 2012 and 2011, respectively	602,415	543,343
Additional paid-in capital	1,902,747	1,424,605
Retained earnings	2,930,755	2,603,756
Accumulated other comprehensive income	<u>232,670</u>	<u>210,554</u>
Total stockholders' equity	<u>5,668,587</u>	<u>4,782,258</u>
Total liabilities and stockholders' equity	<u>\$ 52,310,690</u>	<u>\$ 50,879,037</u>

**Sherwood Banc Corporation**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2012 and 2011**

	2012	2011
<b>Interest Income</b>		
Loans receivable		
Taxable	\$ 2,065,044	\$ 1,996,250
Tax exempt	7,361	9,575
Investment securities		
Taxable	164,235	194,106
Tax exempt	151,638	179,057
Federal funds sold	3,548	1,478
Deposits with financial institutions	<u>6</u>	<u>15</u>
Total interest income	<u>2,391,832</u>	<u>2,380,481</u>
<b>Interest Expense</b>		
Deposits	256,016	346,375
Short-term borrowings	2,092	4,680
Long-term borrowings	<u>126,312</u>	<u>146,164</u>
Total interest expense	<u>384,420</u>	<u>497,219</u>
<b>Net Interest Income</b>	2,007,412	1,883,262
<b>Provision for Loan Losses</b>	<u>181,964</u>	<u>405,596</u>
<b>Net Interest Income After Provision for Loan Losses</b>	<u>1,825,448</u>	<u>1,477,666</u>
<b>Noninterest Income</b>		
Service charges on deposit accounts	157,491	162,337
Gain on sale of loans	21,255	30,147
Net realized gain on sales of available-for-sale securities	102,963	129,775
Other income	<u>338,545</u>	<u>322,926</u>
Total noninterest income	<u>620,254</u>	<u>645,185</u>
<b>Noninterest Expenses</b>		
Salaries and employee benefits	953,618	884,617
Net occupancy expenses	223,579	248,045
Data and item processing fees	188,823	142,590
Printing and office supplies	43,107	53,318
Director and committee fees	75,000	74,000
ATM expenses	53,369	62,047
Deposit insurance and examination expense	43,658	34,050
State franchise tax expense	59,174	57,399
Other expenses	<u>303,641</u>	<u>348,351</u>
Total noninterest expenses	<u>1,943,969</u>	<u>1,904,417</u>
<b>Income Before Income Taxes</b>	501,733	218,434
<b>Provision for Income Taxes</b>	<u>87,834</u>	<u>14,521</u>
<b>Net Income</b>	<u>\$ 413,899</u>	<u>\$ 203,913</u>

**Sherwood Banc Corporation**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Net Income</b>	\$ <u>413,899</u>	\$ <u>203,913</u>
<b>Other Comprehensive Income</b>		
Unrealized appreciation on available-for-sale securities, net of taxes of \$46,401 and \$152,581, for 2012 and 2011, respectively	90,072	296,188
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$35,007 and \$42,123, for 2012 and 2011, respectively	<u>67,956</u>	<u>85,652</u>
	<u>22,116</u>	<u>210,536</u>
<b>Total Comprehensive Income</b>	\$ <u>436,015</u>	\$ <u>414,449</u>



**Sherwood Banc Corporation**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2012 and 2011**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares Outstanding	Amount				
<b>Balances, January 1, 2011</b>	200,000	\$ 500,000	\$ 1,103,999	\$ 2,399,843	\$ 18	\$ 4,003,860
Comprehensive income						
Net income				203,913		203,913
Other comprehensive income					210,536	210,536
Issuance of stock, net of offering costs of \$52,139	17,337	43,343	320,606			363,949
<b>Balances, December 31, 2011</b>	217,337	543,343	1,424,605	2,603,756	210,554	4,782,258
Comprehensive income						
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	25,229	63,072	513,702			576,224
<b>Balances, December 31, 2012</b>	240,966	\$ 602,415	\$ 1,902,747	\$ 2,930,755	\$ 232,670	\$ 5,668,587

## **Supplementary Information**

**Sherwood Banc Corporation**  
**FDIC §350.4 Disclosures**  
**Years Ended December 31, 2012 and 2011**  
 (Table Dollar Amounts in Thousands)

***Past Due and Nonaccrual Loans***

	<u>2012</u>	<u>2011</u>
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>358</u>	<u>821</u>
Total	<u>\$ 358</u>	<u>\$ 821</u>

***Allowance for Loan Losses***

	<u>2012</u>	<u>2011</u>
Allowance for loan losses		
Balances, January 1	\$ 524	\$ 496
Provision for losses	182	406
Recoveries on loans	3	66
Loans charged off	<u>(281)</u>	<u>(444)</u>
Balances, December 31	<u>\$ 428</u>	<u>\$ 524</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 (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

Deb DeTray  
DeTray Investments

Mike Steyer  
Steyer & Co.

Robert Morton  
Defiance Public Schools

Dave Luderman  
Luderman & Konst

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  
MEMBER  
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  
MEMBER  
FDIC

### CORPORATE INFORMATION:

MARKET MAKER FOR SHERWOOD BANC CORPORATION:  
GREIG McDONALD  
COMMUNITY BANC INVESTMENTS, INC.  
26 EAST MAIN STREET  
NEW CONCORD, OH 43762  
800-224-1013

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

[www.sherwoodstatebank.com](http://www.sherwoodstatebank.com)