

Sherwood Banc Corporation

Accountant's Compilation Report and
Consolidated Financial Statements

December 31, 2015 and 2014



Sherwood Banc Corporation

December 31, 2015 and 2014

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Accountant's Compilation Report

Stockholders and Board of Directors
Sherwood Banc Corporation
Sherwood, Ohio

Management is responsible for the accompanying consolidated financial statements of Sherwood Banc Corporation (Company), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, comprehensive income and stockholders' equity for the years then ended in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these 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 assets, liabilities, equity, revenue and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Other Matter

The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

BKD, LLP

Fort Wayne, Indiana
January 13, 2016

Sherwood Banc Corporation

Consolidated Balance Sheets

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and due from banks	\$ 1,759,904	\$ 1,026,952
Federal funds sold	644,080	861,005
Interest-bearing demand deposits	<u>2,121,308</u>	<u>67,962</u>
Cash and cash equivalents	4,525,292	1,955,919
Investment securities, available-for-sale	13,707,881	12,658,256
Loans, net of allowance for loan losses of \$321,828 and \$373,735	36,427,851	37,688,331
Premises and equipment	904,446	959,145
Cost basis stock investments	484,900	484,900
Interest receivable	222,805	194,047
Life insurance contracts	1,153,699	628,283
Other assets	<u>314,161</u>	<u>70,842</u>
Total assets	<u>\$ 57,741,035</u>	<u>\$ 54,639,723</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$ 7,786,853	\$ 6,065,118
Interest bearing	<u>41,078,442</u>	<u>40,452,155</u>
Total deposits	48,865,295	46,517,273
Long-term borrowings	1,435,585	1,469,346
Interest payable	30,980	45,874
Other liabilities	<u>125,489</u>	<u>308,374</u>
Total liabilities	<u>50,457,349</u>	<u>48,340,867</u>
Stockholders' Equity		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 267,578 and 241,666 shares in 2015 and 2014, respectively	668,945	604,165
Additional paid-in capital	2,598,382	1,918,357
Retained earnings	3,928,044	3,646,416
Accumulated other comprehensive income	<u>88,315</u>	<u>129,918</u>
Total stockholders' equity	<u>7,283,686</u>	<u>6,298,856</u>
Total liabilities and stockholders' equity	<u>\$ 57,741,035</u>	<u>\$ 54,639,723</u>

Sherwood Banc Corporation
Consolidated Statements of Income
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Interest Income		
Loans receivable		
Taxable	\$ 2,086,483	\$ 2,122,178
Tax-exempt	2,866	4,416
Investment securities		
Taxable	153,263	158,985
Tax-exempt	182,342	177,429
Federal funds sold	<u>4,036</u>	<u>3,196</u>
Total interest income	<u>2,428,990</u>	<u>2,466,204</u>
Interest Expense		
Deposits	186,320	203,569
Short-term borrowings	1,531	2,033
Long-term borrowings	<u>44,339</u>	<u>62,185</u>
Total interest expense	<u>232,190</u>	<u>267,787</u>
Net Interest Income	2,196,800	2,198,417
Provision for Loan Losses	<u>60,594</u>	<u>6,955</u>
Net Interest Income After Provision for Loan Losses	<u>2,136,206</u>	<u>2,191,462</u>
Noninterest Income		
Service charges on deposit accounts	114,263	136,272
Gain on sale of loans	33,199	21,475
Net realized gain on sales of available-for-sale securities	20,357	—
Other income	<u>362,006</u>	<u>385,969</u>
Total noninterest income	<u>529,825</u>	<u>543,716</u>
Noninterest Expenses		
Salaries and employee benefits	1,077,139	1,054,641
Net occupancy expenses	257,948	252,283
Data and item processing fees	272,444	250,590
Printing and office supplies	52,865	53,728
Director and committee fees	80,400	72,000
ATM expenses	46,692	48,330
Deposit insurance and examination expense	60,800	46,743
State franchise tax expense	34,084	37,917
Other expenses	<u>303,459</u>	<u>251,260</u>
Total noninterest expenses	<u>2,185,831</u>	<u>2,067,492</u>
Income Before Income Taxes	480,200	667,686
Provision for Income Taxes	<u>89,822</u>	<u>168,458</u>
Net Income	<u>\$ 390,378</u>	<u>\$ 499,228</u>

Sherwood Banc Corporation
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2015 and 2014

	2015	2014
Net Income	\$ <u>390,378</u>	\$ <u>499,228</u>
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$(14,510) and \$63,533 for 2015 and 2014, respectively	(28,167)	123,329
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$6,921 and \$0, for 2015 and 2014, respectively	<u>(13,436)</u>	<u>—</u>
	<u>(41,603)</u>	<u>123,329</u>
Total comprehensive income	\$ <u><u>348,775</u></u>	\$ <u><u>622,557</u></u>

Sherwood Banc Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2015 and 2014

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares Outstanding	Amount				
Balances, January 1, 2014	240,966	\$ 604,165	\$ 1,918,357	\$ 3,255,938	\$ 6,589	\$ 5,785,049
Net income				499,228		421,094
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	241,666	604,165	1,918,357	3,646,416	129,918	6,298,856
Net income				390,378		390,378
Other comprehensive loss					(41,603)	(41,603)
Cash dividends (\$0.45 per share)				(108,750)		(108,750)
Issuance of stock, net of offering costs of \$48,102	<u>25,912</u>	<u>64,780</u>	<u>680,025</u>			<u>744,805</u>
Balances, December 31, 2015	<u>267,578</u>	<u>\$ 668,945</u>	<u>\$ 2,598,382</u>	<u>\$ 3,928,044</u>	<u>\$ 88,315</u>	<u>\$ 7,283,686</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

	2015	2014
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	702	501
Total	\$ 702	\$ 501

Allowance for Loan Losses

	2015	2014
Allowance for loan losses		
Balances, January 1	\$ 374	\$ 407
Provision for losses	61	7
Recoveries on loans	13	5
Loans charged off	(126)	(45)
Balances, December 31	\$ 322	\$ 374

Federal Deposit Insurance Corporation Disclaimer

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