

Sherwood Banc Corporation

Accountant's Compilation Report and
Consolidated Financial Statements

December 31, 2016 and 2015



Sherwood Banc Corporation

December 31, 2016 and 2015

Contents

Accountant's Compilation Report	1
Consolidated Financial Statements	
Balance Sheets.....	2
Statements of Income	3
Statements of Comprehensive Income (Loss).....	4
Statements of Stockholders' Equity.....	5
Supplementary Information	
FDIC §350.4 Disclosures	6

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, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, other comprehensive income (loss), 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.

The accompanying 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. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

BKD, LLP

Fort Wayne, Indiana
January 27, 2017

Sherwood Banc Corporation

Consolidated Balance Sheets December 31, 2016 and 2015

	2016	2015
Assets		
Cash and due from banks	\$ 2,199,899	\$ 1,759,904
Federal funds sold	735,080	644,080
Interest-bearing demand deposits	<u>2,177,914</u>	<u>2,121,308</u>
Cash and cash equivalents	5,112,893	4,525,292
Investment securities, available-for-sale	15,644,093	13,707,881
Loans, net of allowance for loan losses of \$369,320 and \$321,828	37,915,040	36,427,851
Premises and equipment	1,879,947	904,446
Cost basis stock investments	523,556	484,900
Interest receivable	277,310	222,805
Life insurance contracts	1,196,506	1,153,699
Other assets	<u>287,784</u>	<u>314,161</u>
Total assets	<u>\$ 62,837,129</u>	<u>\$ 57,741,035</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$ 8,803,133	\$ 7,786,853
Interest bearing	<u>45,045,850</u>	<u>41,078,442</u>
Total deposits	53,848,983	48,865,295
Long-term borrowings	1,403,376	1,435,585
Interest payable	39,394	30,980
Other liabilities	<u>46,100</u>	<u>125,489</u>
Total liabilities	<u>55,337,853</u>	<u>50,457,349</u>
Stockholders' Equity		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 279,706 and 267,578 shares in 2016 and 2015, respectively	699,265	668,945
Additional paid-in capital	2,919,486	2,598,382
Retained earnings	4,023,995	3,928,044
Accumulated other comprehensive income (loss)	<u>(143,470)</u>	<u>88,315</u>
Total stockholders' equity	<u>7,499,276</u>	<u>7,283,686</u>
Total liabilities and stockholders' equity	<u>\$ 62,837,129</u>	<u>\$ 57,741,035</u>

Sherwood Banc Corporation
Consolidated Statements of Income
Years Ended December 31, 2016 and 2015

	2016	2015
Interest Income		
Loans receivable		
Taxable	\$ 2,059,078	\$ 2,086,483
Tax-exempt	4,075	2,866
Investment securities		
Taxable	182,941	153,263
Tax-exempt	168,486	182,342
Federal funds sold	<u>14,731</u>	<u>4,036</u>
Total interest income	<u>2,429,311</u>	<u>2,428,990</u>
Interest Expense		
Deposits	201,417	186,320
Short-term borrowings	2,205	1,531
Long-term borrowings	<u>54,129</u>	<u>44,339</u>
Total interest expense	<u>257,751</u>	<u>232,190</u>
Net Interest Income	2,171,560	2,196,800
Provision for Loan Losses	<u>152,343</u>	<u>60,594</u>
Net Interest Income After Provision for Loan Losses	<u>2,019,217</u>	<u>2,136,206</u>
Noninterest Income		
Service charges on deposit accounts	132,343	114,263
Gain on sale of loans	54,892	33,199
Net realized gain on sales of available-for-sale securities	6,120	20,357
Other income	<u>467,595</u>	<u>362,006</u>
Total noninterest income	<u>660,950</u>	<u>529,825</u>
Noninterest Expenses		
Salaries and employee benefits	1,245,635	1,077,139
Net occupancy expenses	338,957	257,948
Data and item processing fees	295,719	272,444
Printing and office supplies	62,479	52,865
Director and committee fees	64,618	80,400
ATM expenses	90,046	46,692
Deposit insurance and examination expense	28,095	60,800
State franchise tax expense	48,450	34,084
Other expenses	<u>338,449</u>	<u>303,459</u>
Total noninterest expenses	<u>2,512,448</u>	<u>2,185,831</u>
Income Before Income Taxes	167,719	480,200
Provision (Credit) for Income Taxes	<u>(23,397)</u>	<u>89,822</u>
Net Income	<u>\$ 191,116</u>	<u>\$ 390,378</u>

Sherwood Banc Corporation
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2016 and 2015

	2016	2015
Net Income	\$ <u>191,116</u>	\$ <u>390,378</u>
Other Comprehensive Income (Loss)		
Unrealized depreciation on available-for-sale securities, net of taxes of \$(117,323) and \$(14,510) for 2016 and 2015, respectively	(227,746)	(28,167)
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$2,081 and \$6,921, for 2016 and 2015, respectively	<u>(4,039)</u>	<u>(13,436)</u>
	<u>(231,785)</u>	<u>(41,603)</u>
Total comprehensive income (loss)	\$ <u><u>(40,669)</u></u>	\$ <u><u>348,775</u></u>

Sherwood Banc Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2016 and 2015

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares Outstanding	Amount				
Balances, January 1, 2015	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	267,578	668,945	2,598,382	3,928,044	88,315	7,283,686
Net income				191,116		191,116
Other comprehensive loss					(231,785)	(231,785)
Cash dividends (\$0.35 per share)				(95,165)		(95,165)
Issuance of stock, net of offering costs of \$19,692	<u>12,128</u>	<u>30,320</u>	<u>321,104</u>			<u>351,424</u>
Balances, December 31, 2016	<u>279,706</u>	<u>\$ 699,265</u>	<u>\$ 2,919,486</u>	<u>\$ 4,023,995</u>	<u>\$ (143,470)</u>	<u>\$ 7,499,276</u>

Supplementary Information

Sherwood Banc Corporation
FDIC §350.4 Disclosures
Years Ended December 31, 2016 and 2015
(Table Dollar Amounts in Thousands)

Past Due and Nonaccrual Loans

	<u>2016</u>	<u>2015</u>
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>351</u>	<u>702</u>
Total	<u>\$ 351</u>	<u>\$ 702</u>

Allowance for Loan Losses

	<u>2016</u>	<u>2015</u>
Allowance for loan losses		
Balances, January 1	\$ 322	\$ 374
Provision for losses	152	61
Recoveries on loans	43	13
Loans charged off	<u>(148)</u>	<u>(126)</u>
Balances, December 31	<u>\$ 369</u>	<u>\$ 322</u>

Federal Deposit Insurance Corporation Disclaimer

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