

Sherwood Banc Corporation

Accountant's Compilation Report and
Consolidated Financial Statements

December 31, 2018 and 2017



Sherwood Banc Corporation
December 31, 2018 and 2017

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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, 2018 and 2017, and the related consolidated 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.

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 15, 2019

Sherwood Banc Corporation
Consolidated Balance Sheet
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and due from banks	\$ 1,965,310	\$ 2,391,058
Federal funds sold	81	1,333,080
Interest-bearing demand deposits	1,178,973	41,067
Cash and cash equivalents	3,144,364	3,765,205
Investment securities, available for sale	14,562,060	16,835,024
Loans, net of allowance for loan losses of \$472,439 and \$398,292	47,639,124	38,925,346
Premises and equipment	1,872,033	1,952,639
Cost basis stock investments	523,556	523,556
Interest receivable	278,034	268,032
Life insurance contracts	1,279,682	1,238,264
Other assets	152,733	112,827
Total assets	\$ 69,451,586	\$ 63,620,893
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 11,526,102	\$ 10,370,255
Interest-bearing	43,485,166	43,805,215
Total deposits	55,011,268	54,175,470
Short-term borrowings	1,844,000	-
Long-term borrowings	4,538,120	1,894,820
Interest payable	51,226	37,854
Other liabilities	301,240	155,835
Total liabilities	61,745,854	56,263,979
Stockholders' Equity		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 279,706 and 272,506 shares in 2018 and 2017, respectively	699,265	681,265
Additional paid-in capital	2,918,769	2,718,608
Retained earnings	4,492,032	4,192,628
Accumulated other comprehensive loss	(404,334)	(235,587)
Total stockholders' equity	7,705,732	7,356,914
Total liabilities and stockholders' equity	\$ 69,451,586	\$ 63,620,893

Sherwood Banc Corporation
Consolidated Statements of Income
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Interest Income		
Loans receivable		
Taxable	\$ 2,358,307	\$ 1,952,232
Tax-exempt	4,166	5,248
Investment securities		
Taxable	232,673	226,864
Tax-exempt	137,733	182,145
Federal funds sold and other	12,031	18,692
Total interest income	<u>2,744,910</u>	<u>2,385,181</u>
Interest Expense		
Deposits	228,443	210,089
Short-term borrowings	17,962	4,615
Long-term borrowings	78,540	47,576
Total interest expense	<u>324,945</u>	<u>262,280</u>
Net Interest Income	2,419,965	2,122,901
Provision for Loan Losses	<u>98,806</u>	<u>113,522</u>
Net Interest Income After Provision for Loan Losses	<u>2,321,159</u>	<u>2,009,379</u>
Noninterest Income		
Service charges on deposit accounts	164,621	169,371
Gain on sale of loans	3,555	63,608
Net realized gain on sales of available-for-sale securities	-	29,458
Other income	478,438	445,490
Total noninterest income	<u>646,614</u>	<u>707,927</u>
Noninterest Expense		
Salaries and employee benefits	1,283,094	1,166,397
Net occupancy expenses	330,070	353,986
Data and item processing fees	348,138	331,231
Printing and office supplies	61,330	61,061
Director and committee fees	67,200	63,200
ATM expenses	84,621	75,859
Deposit insurance and examination expense	31,693	25,826
State franchise tax expense	58,855	59,994
Other expenses	307,811	309,224
Total noninterest expense	<u>2,572,812</u>	<u>2,446,778</u>
Income Before Income Taxes	394,961	270,528
Provision for Income Taxes	<u>45,453</u>	<u>45,954</u>
Net Income	<u>\$ 349,508</u>	<u>\$ 224,574</u>

Sherwood Banc Corporation
Consolidated Statements of Comprehensive Income
December 31, 2018 and 2017

	2018	2017
Net Income	\$ 349,508	\$ 224,574
Other Comprehensive Loss		
Unrealized depreciation on available-for-sale securities, net of taxes of \$(32,522) and \$(37,088) for 2018 and 2017, respectively	(122,344)	(72,674)
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$0 and \$10,015 for 2018 and 2017, respectively	-	(19,443)
	(122,344)	(92,117)
Total comprehensive income	\$ 227,164	\$ 132,457

Sherwood Banc Corporation
Consolidated Statements of Stockholders' Equity
December 31, 2018 and 2017

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares Outstanding	Amount				
Balance, January 1, 2017	279,706	\$ 699,265	\$ 2,919,486	\$ 4,023,995	\$ (143,470)	\$ 7,499,276
Net income				224,574		224,574
Other comprehensive loss					(92,117)	(92,117)
Cash dividends (\$0.20 per share)				(55,941)		(55,941)
Purchase of stock	(7,200)	(18,000)	(200,878)			(218,878)
Balance, December 31, 2017	272,506	681,265	2,718,608	4,192,628	(235,587)	7,356,914
Net income				349,508		349,508
Other comprehensive loss					(122,344)	(122,344)
Adoption of ASU 2018-02				46,403	(46,403)	-
Cash dividends (\$0.35 per share)				(96,507)		(96,507)
Issuance of stock	7,200	18,000	200,161			218,161
Balance, December 31, 2018	<u>279,706</u>	<u>\$ 699,265</u>	<u>\$ 2,918,769</u>	<u>\$ 4,492,032</u>	<u>\$ (404,334)</u>	<u>\$ 7,705,732</u>

Supplementary Information

Sherwood Banc Corporation
FDIC §350.4 Disclosures
Years Ended December 31, 2018 and 2017
(Table Dollar Amounts in Thousands)

Past Due and Nonaccrual Loans

	2018	2017
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>240</u>	<u>814</u>
Total	<u>\$ 240</u>	<u>\$ 814</u>

Allowance for Loan Losses

	2018	2017
Allowance for loan losses		
Balance, January 1	\$ 398	\$ 369
Provision for losses	99	114
Recoveries on loans	22	91
Loans charged off	<u>(47)</u>	<u>(176)</u>
Balance, December 31	<u>\$ 472</u>	<u>\$ 398</u>

Federal Deposit Insurance Corporation Disclaimer

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