

Sherwood Banc Corporation

Accountant's Compilation Report and
Consolidated Financial Statements

December 31, 2019 and 2018

Sherwood Banc Corporation
December 31, 2019 and 2018

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Stockholders and Board of Directors
Sherwood Banc Corporation
Sherwood, Ohio

Management is responsible for the accompanying financial statements of Sherwood Banc Corporation, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 consolidated 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 FDIC §350.4 Disclosures supplementary information 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, 2020

Sherwood Banc Corporation
Consolidated Balance Sheet
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and due from banks	\$ 1,773,912	\$ 1,965,310
Federal funds sold	244,083	81
Interest-bearing demand deposits	2,874,784	1,178,973
Cash and cash equivalents	4,892,779	3,144,364
Investment securities, available for sale	11,915,523	14,562,060
Loans, net of allowance for loan losses of \$531,686 and \$472,439	52,369,551	47,639,124
Premises and equipment	1,887,657	1,872,033
Other real estate owned	60,000	-
Cost basis stock investments	523,556	523,556
Interest receivable	290,046	278,034
Life insurance contracts	1,320,964	1,279,682
Other assets	183,095	152,733
Total assets	\$ 73,443,171	\$ 69,451,586
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 12,899,978	\$ 11,526,102
Interest-bearing	47,503,433	43,485,166
Total deposits	60,403,411	55,011,268
Short-term borrowings	-	1,844,000
Long-term borrowings	4,270,174	4,538,120
Interest payable	100,802	51,226
Other liabilities	398,314	301,240
Total liabilities	65,172,701	61,745,854
Stockholders' Equity		
Common stock, without par value		
Authorized, 1,000,000 shares		
Issued and outstanding – 274,471 and 279,706 shares in 2019 and 2018, respectively	686,178	699,265
Additional paid-in capital	2,770,002	2,918,769
Retained earnings	4,794,590	4,492,032
Accumulated other comprehensive income (loss)	19,700	(404,334)
Total stockholders' equity	8,270,470	7,705,732
Total liabilities and stockholders' equity	\$ 73,443,171	\$ 69,451,586

Sherwood Banc Corporation
Consolidated Statements of Income
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Interest Income		
Loans receivable		
Taxable	\$ 2,826,696	\$ 2,358,307
Tax-exempt	1,330	4,166
Investment securities		
Taxable	199,577	232,673
Tax-exempt	119,524	137,733
Federal funds sold and other	22,059	12,031
Total interest income	<u>3,169,186</u>	<u>2,744,910</u>
Interest Expense		
Deposits	374,924	228,443
Short-term borrowings	14,380	17,962
Long-term borrowings	135,434	78,540
Total interest expense	<u>524,738</u>	<u>324,945</u>
Net Interest Income	2,644,448	2,419,965
Provision for Loan Losses	<u>163,664</u>	<u>98,806</u>
Net Interest Income After Provision for Loan Losses	<u>2,480,784</u>	<u>2,321,159</u>
Noninterest Income		
Service charges on deposit accounts	172,503	164,621
Gain on sale of loans	3,586	3,555
Net realized gain on sales of available-for-sale securities	10,833	-
Interchange and card income	144,234	148,480
Other income	325,831	329,958
Total noninterest income	<u>656,987</u>	<u>646,614</u>
Noninterest Expense		
Salaries and employee benefits	1,407,445	1,283,094
Net occupancy expenses	323,689	330,070
Data and item processing fees	378,347	348,138
Printing and office supplies	61,451	61,330
Director and committee fees	67,200	67,200
ATM expenses	85,424	84,621
Deposit insurance and examination expense	23,631	31,693
State franchise tax expense	61,646	58,855
Other expenses	227,285	307,811
Total noninterest expense	<u>2,636,118</u>	<u>2,572,812</u>
Income Before Income Taxes	501,653	394,961
Provision for Income Taxes	<u>74,274</u>	<u>45,453</u>
Net Income	<u>\$ 427,379</u>	<u>\$ 349,508</u>

Sherwood Banc Corporation
Consolidated Statements of Comprehensive Income
December 31, 2019 and 2018

	2019	2018
Net Income	\$ 427,379	\$ 349,508
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$114,993 and \$(32,522) for 2019 and 2018, respectively	432,593	(122,344)
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$2,274 and \$0 for 2019 and 2018, respectively	(8,559)	-
	424,034	(122,344)
Total comprehensive income	\$ 851,413	\$ 227,164

Sherwood Banc Corporation
Consolidated Statements of Stockholders' Equity
December 31, 2019 and 2018

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares Outstanding	Amount				
Balance, January 1, 2018	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	279,706	699,265	2,918,769	4,492,032	(404,334)	7,705,732
Net income				427,379		427,379
Other comprehensive income					424,034	424,034
Cash dividends (\$0.45 per share)				(124,821)		(124,821)
Purchase of stock	(5,850)	(14,625)	(167,288)			(181,913)
Issuance of stock	615	1,538	18,521			20,059
Balance, December 31, 2019	274,471	\$ 686,178	\$ 2,770,002	\$ 4,794,590	\$ 19,700	\$ 8,270,470

Supplementary Information

Sherwood Banc Corporation
FDIC §350.4 Disclosures
Years Ended December 31, 2019 and 2018
(Table Dollar Amounts in Thousands)

Past Due and Nonaccrual Loans

	2019	2018
Past due 90 days or more and still accruing interest	\$ —	\$ —
Past due 90 days or more and not accruing interest	<u>91</u>	<u>240</u>
Total	<u>\$ 91</u>	<u>\$ 240</u>

Allowance for Loan Losses

	2019	2018
Allowance for loan losses		
Balance, January 1	\$ 472	\$ 398
Provision for losses	164	99
Recoveries on loans	26	22
Loans charged off	<u>(130)</u>	<u>(47)</u>
Balance, December 31	<u>\$ 532</u>	<u>\$ 472</u>

Federal Deposit Insurance Corporation Disclaimer

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