RICHWOOD
BANCSHARES, INC.

OFFERING CIRCULAR

Memorandum No. __________

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

RICHWOOD BANCSHARES, INC.
an Ohio corporation

Up to 139,373 Common Shares

Subscription Price: $57.40 per share

Richwood Bancshares, Inc., a bank holding company incorporated in the State of Ohio (the "Company"), hereby offers for sale (the "Offering") a maximum of 139,373 common shares of the Company at a price of $57.40 per share (the "Offered Shares") pursuant to this Confidential Private Placement Memorandum (the "Offering Memorandum").

The Offered Shares are being offered on a no-minimum, "best efforts" basis. All subscription funds will be immediately available to the Company. **The Offering will begin on the date hereof (the "Commencement Date") and will terminate on March 31, 2019 (the "Termination Date"), unless the Offering is completed or terminated sooner or extended in our sole discretion through June 30, 2019 (the "Extended Termination Date").** The entire amount of the purchase price for the Offered Shares must be paid to the Company upon execution and delivery of a Subscription Agreement in substantially the form attached to this Offering Memorandum. See "THE OFFERING" and "HOW TO INVEST."

The Offering is made in reliance upon the exemption from compliance with the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), contained in Section 3(a)(11) and Rule 147 of the General Rules and Regulations promulgated by the Securities and Exchange Commission (the "SEC"). Specifically, the Offering is made without general or public solicitation or advertisement and is made only to residents of the State of Ohio. See "INVESTOR ELIGIBILITY."

The Offered Shares involve a high degree of risk. See "RISK FACTORS."

Prior to the Offering there has been no public market, and there is currently no public market, for the Common Shares. None of the Offered Shares will be registered for resale, and they cannot be resold unless an exemption from the registration requirements under the Securities Act applies. Following the Offering, there will still be no public market for the Common Shares. Furthermore, the Offering involves a high degree of risk and is suitable only for investors of substantial means who have no need for liquidity in the foreseeable future in the investment and who can afford to lose their entire investment. See "RISK FACTORS," "INVESTOR ELIGIBILITY," and "RESTRICTIONS ON RESALE."

THESE SECURITIES ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"), ANY OTHER GOVERNMENTAL AGENCY OR OTHERWISE, AND ARE SUBJECT TO INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES AUTHORITIES OF ANY STATE, INCLUDING THE OHIO DIVISION OF SECURITIES ("ODS"), THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM ("FEDERAL RESERVE"), THE FDIC, THE OFFICE OF THE COMPTROLLER OF CURRENCY ("OCC") OR THE OHIO DIVISION OF FINANCIAL INSTITUTIONS ("ODFI"), NOR HAS THE COMMISSION, THE FEDERAL RESERVE, THE FDIC, THE OCC OR ANY STATE COMMISSION OR AUTHORITY, INCLUDING ODS AND ODFI, PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL AND A CRIMINAL OFFENSE.

	Price	Estimated Expenses (1)	Proceeds to Company
Per Share	$57.40		
Maximum Offering (139,373 Shares)	$8,000,010.20	$110,000	$7,890,010.20

(1) Includes legal expenses, related disbursements and filing fees, and printing and mailing costs in connection with the Offering.

The date of this Confidential Private Placement Memorandum is December 13, 2018.

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This Confidential Private Placement Memorandum contains all the representations by the Company concerning the Offering, and no investor should rely on different or broader statements than those contained herein. Investors are cautioned not to rely upon any information unless it is expressly set forth in this Confidential Private Placement Memorandum.

NOTICES TO INVESTORS

The Principal Business Address of the Company is:
Richwood Bancshares, Inc.
28 North Franklin Street
Richwood, Ohio 43344

Prospective investors must not construe the contents of this Confidential Private Placement Memorandum (the "Offering Memorandum") or any prior or subsequent communication from the Company, or any of its officers, directors, agents or affiliates, or any person associated with the Offering, as legal, financial, tax or investment advice.

The investment described herein involves significant risks, many of which are disclosed under "RISK FACTORS." The purchase of the Offered Shares is suitable only if an investor has substantial financial resources, does not anticipate that the investor will be required to liquidate any portion of the investment acquired hereunder in the foreseeable future, understands or has been advised with respect to the risk factors associated with this investment and is familiar with the nature and risks attendant to investments of this nature and has determined that the purchase of the securities is consistent with the investor's projected income and investment objectives. Each investor will be required to represent and warrant to the Company, in writing in the subscription documents, that the above facts and circumstances are true, that the investor is purchasing the securities for investment only and not with a view toward resale and that the investor has, individually, the requisite knowledge, experience and skill in business and financial matters to be capable of evaluating the merits and risks of making an investment in the Company. See "RISK FACTORS" and "INVESTOR ELIGIBILITY."

This Offering Memorandum includes certain statements, estimates and forecasts of the Company with respect to the anticipated future performance of the Company. Such statements, estimates and forecasts reflect various assumptions of management which assumptions may or may not prove to be correct. See "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS."

This Offering Memorandum does not constitute an offer or a solicitation to anyone who is not a resident of the State of Ohio. Acceptance of a prospective investor's subscription for Offered Shares will be made only after the Company reasonably determines that a prospective investor satisfies the requirements for an exemption from federal registration requirements and the investor eligibility standards set forth in "INVESTOR ELIGIBILITY."

This Offering Memorandum has been prepared in connection with our private offering of the Offered Shares and may not be reproduced in whole or in part or used for any other purpose. Any distribution of this Offering Memorandum except to the person to whom this investment proposal is addressed is unauthorized without our prior written consent. In no event shall this Offering Memorandum be deemed to be an offer to any person other than the person to whom it is addressed or to any person who does not meet the minimum requirements set forth herein. Any action contrary to these instructions may place both you and the Company in violation of applicable securities laws.

We have agreed to provide to each prospective investor, prior to the submission of a Subscription Agreement, the opportunity to ask questions of, and receive answers from, us or any person acting on our behalf concerning the terms and conditions of the Offering, and to make available any additional information, to the extent we possess such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information set forth herein.

The execution of a Subscription Agreement by an investor constitutes an unconditional obligation to purchase the Offered Shares. No subscriber will have the right to withdraw his subscription payment. We reserve the right to reject any subscription for any reason, and no sale of any shares will be deemed to have occurred until we have accepted an investor's subscription and fully executed a counterpart of the Subscription Agreement. If for any reason, a subscriber's offer to purchase Offered Shares is not accepted by us, all amounts paid by such subscriber will promptly be returned without interest.

The Company plans to register the Offering with the State of Ohio's Division of Securities ("ODS"). However, in reliance upon one or more exemptions from the registration requirements of such act and laws the Offered Shares have not been and will not be registered under the Securities Act with the SEC or with any other state regulatory authority. Any representation to the contrary is unlawful. The Offered Shares may not be resold or otherwise transferred to non-Ohio residents for a period of six months following the closing of the Offering. During and after such period, the Offered Shares may only be transferred if the shares are registered pursuant to the Securities Act and any applicable state securities laws or if, in the opinion of counsel for the Company, such registration is not required. Accordingly, an investor must continue to bear the economic risk of an investment in the securities for an indefinite period of time.

The ODS has not endorsed the Offering or passed upon the adequacy of the investment.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum, including documents incorporated herein by reference, includes “forward-looking statements,” which can be identified by the use of forward-looking terminology, such as “may”, “might”, “could”, “would”, “believe”, “expect”, “intend”, “plan”, “seek”, “anticipate”, “estimate”, “project” or “continue” or the negative version of such terms or comparable terminology. All statements other than statements of historical fact included in this Offering Memorandum, including statements regarding our outlook, financial position, results of operation, liquidity, capital resources and interest rate sensitivity are forward-looking statements.

Forward-looking statements speak only as of the date on which they are made and, except as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date on which the statement is made. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. Although we believe the assumptions, judgments and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such assumptions, judgments and expectations will prove to have been correct. Important factors that could cause actual results to differ materially from those in the forward-looking statements included in this Offering Memorandum include, but are not limited to:

- the success, impact, and timing of the implementation of the Company’s business strategies;
- the Company’s ability to integrate future acquisitions, including the pending merger with Home City Financial Corporation, may be unsuccessful or may be more difficult, time-consuming, or costly than expected;
- the Company’s ability to obtain regulatory approvals of the proposed merger of the Company with Home City Financial Corporation on the proposed terms and schedule;
- the Company may incur increased charge-offs in the future;
- the Company may face competitive loss of customers;
- changes in the interest rate environment may have results on the Company’s operations materially different from those anticipated by the Company’s market risk management functions;
- changes in general economic conditions and increased competition could adversely affect the Company’s operating results;
- changes in regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact the Company’s operating results;
- the Company may experience difficulties growing loan and deposit balances;
- the current economic environment poses significant challenges for us and could adversely affect our financial condition and results of operations;
- deterioration in the financial condition of the U.S. banking system may impact the valuations of investments the Company has made in the securities of other financial institutions resulting in either actual losses or other-than-temporary impairments on such investments;
- difficulties with technology or data security breaches, including cyberattacks, that could negatively affect the Company's ability to conduct business and its relationships with customers, vendors, and others; and
- government intervention in the U.S. financial system, including the effects of recent legislative, tax, accounting, and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Jumpstart Our Business Startups Act, the Consumer Financial Protection Bureau, the capital ratios of Basel III as adopted by the federal banking authorities, and the Tax Cuts and Jobs Act.

SUMMARY

The following summary is intended for reference purposes only. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere herein. Prospective investors must read carefully this entire Offering Memorandum, including the documents attached hereto as exhibits, before making a decision to invest:

ISSUER:	Richwood Bancshares, Inc. (the "Company") is a bank holding company incorporated in 1985 under the laws of the State of Ohio. The Company has one wholly-owned subsidiary, The Richwood Banking Company (the "Bank"), an Ohio-chartered commercial bank founded in 1867. Unless otherwise noted, the "Company," "us," "we," and "our" refer to Richwood Bancshares, Inc., together with the Bank. The Company's principal executive offices are located at 28 North Franklin Street, Richwood, Ohio 43344, and its telephone number is (740) 943-2317.
SECURITIES OFFERED:	***Common Shares***—the Company is offering up to 139,373 common shares of the Company at a price of $57.40 per share (the "Offered Shares").
MINIMUM SUBSCRIPTION PER PURCHASER:	125 shares
MAXIMUM SUBSCRIPTION PER PURCHASER:	Subscribers who are current shareholders or who, prior this Offering, did not own any of the Company's common shares (the "Common Shares"), must represent to the Company that following the purchase of Offered Shares, combined with any of its direct or indirect previous holdings of the Company's Common Shares (if any), the subscriber will own less than 5.0% of pro forma ownership of the Company. The preceding sentence shall not apply to a subscriber who owns, directly or indirectly, 5.0% or more of the Company's outstanding Common Shares immediately prior to this Offering, however, such shareholder must represent that, following the Offering, they will own, directly or indirectly, less than 10.0% of pro forma ownership of the Company. See "LIMITATIONS ON INVESTMENT".
PRESENTATION ASSUMPTIONS:	Except as otherwise stated herein, all information in this Offering Memorandum is presented on the assumption that all 139,373 of the Offered Shares will be sold in the Offering at the Offering price. If fewer shares are sold, various factors, such as the net proceeds and ownership percentages, will be affected.
INVESTOR ELIGIBILITY:	The Offering is being made only to residents of the State of Ohio. Subscribers must confirm their residency by completing and returning to the Company an executed Subscription Agreement in the form furnished to each subscriber along with this Offering Memorandum. Members of the Company's Board of Directors and management team are eligible to participate in the Offering, under the same terms and conditions as other purchasers of the Offered Shares.
OFFERING TERMINATION:	The Offering will terminate on March 31, 2019 (the "Termination Date"), unless extended by the Company at its sole discretion through June 30, 2019 (the "Extended Termination Date"). The Company is not obligated to provide notice to investors that it has extended the end date of the Offering.

NET PROCEEDS:	The Company will receive net proceeds in an aggregate of $7,890,010.20 if the maximum Offering is sold (before offering expenses anticipated to be $8,000,010.20, which are payable by the Company).
USE OF PROCEEDS:	We reserve the right to use the net proceeds of this Offering for any purpose which we deem appropriate. The net proceeds of this Offering may be used (i) to invest in the Bank as Tier 1 capital, (ii) for the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business and (iii) for the reduction of Company debt. We may also hold some of a portion of the proceeds at the holding company level. See "USE OF PROCEEDS."
EQUITY ISSUED AND OUTSTANDING AFTER THIS OFFERING:	The Company's issued and outstanding equity will be 1,460,754 Common Shares, $0.625 par value, assuming the sale of 139,373 Common Shares offered hereby.
METHOD OF OFFERING:	The Offered Shares are being offered and sold to Ohio residents only in reliance on exemptions from registration under federal and applicable state securities laws pursuant to Section 3(a)(11) of the Securities Act and Rule 147 promulgated thereunder. The Company plans to solicit investment from existing shareholders, members of the local community and individuals that have previously expressed interest in the Company's Common Shares. The Offered Shares sold will be restricted and cannot be resold in the absence of an effective registration statement covering the shares to be resold or an exemption from registration. See "RESTRICTIONS ON RESALES."
RISK FACTORS:	An investment in the Offered Shares involves a high degree of risk. The Offered Shares should only be purchased by persons who can afford the loss of their entire investment. See "RISK FACTORS."
HOW TO INVEST:	You must complete and return the Subscription Agreement attached as <u>Exhibit B</u> to this Offering Memorandum and enclose a check, or other form of payment, made payable to "Richwood Bancshares, Inc.," using the provided envelope. See "HOW TO INVEST." The minimum purchase is 50 shares. However, the Company reserves the right, in its sole discretion, to reject all or any part of any subscription. All subscriptions with payments must be received by the Termination Date, or in the event the Offering is extended, by the Extended Termination Date. If the Offering is oversubscribed, the Company will allocate the Offered Shares among subscribers on a pro-rata basis, based on the number of shares each subscriber requested. The Subscription Agreement should be sent to: Richwood Bancshares, Inc. 28 North Franklin Street, Richwood, Ohio 43344, Attention: Ash Khatib, Chief Financial Officer.
LIMITED TRANSFERABILITY OF OFFERED SHARES:	Pursuant to the terms of the Subscription Agreement, the resale or transfer of the Offered Shares to non-Ohio residents will be prohibited for a period of six months following the closing of the Offering. Additionally, the Offered Shares will not be registered for resale under the Securities Act, and there are no plans or expectations that the Offered Shares

will be registered for resale. Purchasers of the Offered Shares will not be able to resell the Offered Shares to any purchaser, at any time, unless an exemption from the registration requirements under the Securities Act applies. Rule 144 under the Securities Act provides a non-exclusive safe harbor from the registration requirements, but may not be available to all purchasers.

Eligibility for the Rule 144 safe harbor is affected by affiliate status, and for affiliates, the availability of reasonably current public information about the Company:

- Non-affiliates of the Company would qualify for unrestricted resale of the Offered Shares and the Common Shares into which the Offered Shares are convertible under the Rule 144 safe harbor starting after one year following the closing of the Offering.

- If the Company has made publicly available certain reasonably current information about the Company, affiliates of the Company would qualify for resale under the Rule 144 safe harbor after one year following the closing of the Offering, but would be subject to trading volume limitations, manner of sale conditions and notice filing requirements with the SEC. If the Company does not make available publicly that information on which Rule 144 for affiliates is conditioned, the safe harbor would not be available to the Company's affiliates.

Affiliates of the Company would also be subject to the following volume limitations, manner of sale conditions and notice filing requirements with the SEC. An affiliate of the Company would be limited to selling 1% of the outstanding Offered Shares or 1% of the Common Shares in any three-month period. Affiliate resales also would need to be made either directly to a market maker or in a transaction where the seller's broker did not solicit buyers, which may require specialized handling by the affiliate investor's securities broker-dealer. The affiliated investor would be required to file Form 144 with the SEC for anticipated sales of 5,000 shares or an aggregate of $50,000 within any three-month period. Any potential investor who has any doubt as to his affiliate status should consult with his own legal counsel. Especially for affiliates, eligibility to take advantage of Rule 144 is unlikely due to the volume limitations and lack of a public market or market makers for the Common Shares. See "RESTRICTIONS ON RESALES."

INVESTOR ELIGIBILITY

The Offered Shares are being offered only to current residents of the State of Ohio who submit a completed Subscription Agreement attached as **Exhibit B** to this Offering Memorandum.

Each purchaser of Offered Shares (an "investor") will be required to represent that such investor is a resident of the State of Ohio, that such investor has received all information requested with respect to the Company, that the Offered Shares are being acquired for investment for such investor's own account and not with a view to the distribution of the Offered Shares, that such investor is aware of the limited transferability of the Offered Shares and that such investor has no need for liquidity in the investment.

Each investor will also be required to represent that: (i) the investor's overall commitment to investments which are not readily marketable is not (and the investor's acquisition of Offered Shares will not cause such overall commitment to become) disproportionate to the investor's net worth; (ii) the investor has adequate net worth and means of providing for his or her current needs and personal contingencies so sustain a complete loss of his or her investment in the Offered Shares; and (iii) the investor has carefully evaluated the risk of investing, either alone or together with the investor's own representatives.

Members of the Company's Board of Directors and management team are eligible to participate in the Offering, under the same terms and conditions as other purchasers of the Offered Shares.

LIMITATIONS ON INVESTMENT

Each investor must represent to the Company that following the purchase of the Offered Shares, and combined with any of his, her or its direct or indirect current holdings of the Company's Common Shares (if any), the investor will own less than 5.0% of pro forma ownership of the Company. The preceding sentence shall not apply to investors who, directly or indirectly, own 5.0% or more of the Company's outstanding Common Shares immediately prior to this Offering, however, such shareholders must represent that, following the Offering, they will own, directly or indirectly, less than 10.0% of pro forma ownership of the Company. See "LIMITATIONS ON INVESTMENT – Change in Bank Control Act".

The Bank Holding Company Act

The Bank Holding Company Act (12 U.S.C. §1842) (the "BHCA") prohibits, among other things, the acquisition by an entity of control of a bank, or any company that controls a bank, without registration of the acquiring entity as a bank holding company under the BHCA. For this purpose, any acquirer entity has control over a bank or over any company if:

1. the acquirer entity directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25% or more of any class of voting securities of the bank or company;

2. the acquirer entity controls in any manner the election of a majority of the directors or trustees of the bank or company; or

3. the Federal Reserve determines, after notice and opportunity for hearing, that the acquirer entity directly or indirectly exercises a controlling influence over the management or policies of the bank or company.

Each entity that subscribes for Offered Shares in the Offering must represent that following the consummation of the Offering it will not have control of the Company or the Bank within the meaning of 1 or 2 above and is not aware of any basis for the Federal Reserve to make a determination described in 3 above.

Change in Bank Control Act

The Change in Bank Control Act (12 U.S.C. §1817(j)) (the "CIBC Act") and related regulations of the Federal Reserve, provide that no person, acting directly or indirectly or through or in concert with one or more other persons, shall acquire control of any bank holding company such as us through a purchase, assignment, transfer, pledge, or other disposition of voting stock of such bank holding company unless the Federal Reserve has been given sixty days' prior written notice of such proposed acquisition. Each subscriber for Offered Shares will, therefore, be required to represent that as a result of the proposed purchase of Offered Shares, the investor will not own or control, or for purposes of any federal or state banking law be deemed to own or control (whether owned alone, beneficially or in combination with others) (i) more than 9.99% of any class of voting securities of the Company if no other person will control a greater percentage of that class of voting securities immediately after the transaction, (ii) more than 24.99% of any class of voting securities of the Company, or (iii) more than one-third of the total equity of the Company and more than 14.99% of any class of voting securities of the Company, unless the subscriber has, prior to the date of the purchase, completed all required filings under the CIBC Act and related regulations of the Federal Reserve.

THE COMPANY AND MARKET OVERVIEW

The Company

Richwood Bancshares, Inc. (the "Company") is a bank holding company incorporated in 1985 under the laws of the State of Ohio. The Company has one wholly-owned subsidiary, The Richwood Banking Company (the "Bank"), a state-chartered bank founded in 1867. Current shareholders own, and successful subscribers will own, stock of the Company, which in turn is the sole shareholder of the Bank. Unless otherwise noted, the "Company," "us," "we," and "our" refer to Richwood Bancshares, Inc., together with the Bank.

The Company provides retail and commercial banking services to its customers located primarily in Delaware, Logan, Marion and Union Counties in Ohio. The Company's principal executive offices are located at 28 North Franklin Street, Richwood, Ohio. The Company also operates five other branch offices. As a locally owned and managed banking company, the Bank seeks to respond to its customers' banking needs by providing timely, local banking decisions.

The Bank offers a full range of commercial bank services. These include checking and savings accounts, certificates of deposit, individual retirement accounts, agricultural, small business, and commercial and consumer loans, home mortgages and commercial real estate loans, home equity lines, and investment services, safe deposit boxes, drive-through banking, automated teller machines (ATM), credit and debit cards and other business and consumer services.

As of September 30, 2018, the Company had total assets, deposits and shareholders' equity of $527.59 million, $474.66 million and $51.56 million, respectively.

Pending Merger with Home City Federal Savings Bank of Springfield

On July 25, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Home City Financial Corporation ("HCFC"). Pursuant to the terms of the Merger Agreement, upon receipt of all regulatory approvals, and satisfaction of other customary closing conditions, (i) HCFC will merge with and into the Company, with the Company as the surviving entity, and (ii) Home City Federal Savings Bank of Springfield, the wholly owned bank subsidiary of HCFC ("Home City Bank"), will merge with and into the Bank, with the Bank as the surviving entity. Following consummation of the proposed merger, the separate corporate existence of Home City will cease and the Bank, as the resultant institution, will operate the branch offices of Home City as part of the Bank.

At the effective time of the proposed merger, shareholders of HCFC will be entitled to receive cash in the amount of $37.32 for each HCFC common share. The proposed transaction is valued at approximately $30.5 million and it is anticipated that the proposed merger will close late in the fourth quarter of 2018.

Our Strategy

We believe that we have an excellent management team and dedicated employees who will compete very successfully against other banks in our region from a sales and customer service standpoint. Providing "high touch" customer service in lending, deposits and in wealth management products and services will differentiate us from most of our competitors, and we plan to continue to grow our business through strategic acquisitions, as well as through organic loan growth.

The Bank does not do extensive advertising. There is a strong reliance on customer and shareholder referrals. The Bank does however sponsor and participate in many community campaigns and events. The Bank's management team is also active in numerous community organizations. The Company is community focused and supports more than 160 non-profit organizations annually with staff members serving on nearly 60 of those boards. Company employees also participate in nearly 100 community events annually and provide more than 2,600 volunteer hours in support of community activities. The Company, through Richwood Coffee branch services, has generated over $140,000 in donations since inception for our non-profit beneficiaries.

Our ultimate strategy is to operate as the premier community bank in each of our market areas. We drive ourselves to perform well for our shareholders while offering financial solutions and top-notch service for our customers and an excellent work environment for our employees.

Market Area Overview

The Bank's primary service area ("PSA") is Union County with expanding relationships in Delaware, Logan and Marion counties. The marketing thrust has been focused on growth of all of the Bank's offices with management also actively pursuing opportunities in various communities within the counties where we have offices. These areas have been identified as within the Bank's network with prospective customer relationships supported through involvement of Bank management in these communities and support of existing shareholders.

The PSA is economically diverse. It has a broad base of manufacturing firms, retail outlets, and service, transportation and agricultural businesses. The area is not dependent upon any single industry or employer. The region also benefits from well-developed transportation system comprised of interstate, state and county highways, railroads and airports.

Competition

The Bank faces competition in its primary markets from other financial institutions, including state and federal banks, credit unions and certain non-bank consumer lenders. The Bank's primary market consists of Union County, where, as of September 30, 2018, the three offices operated by the Bank maintained approximately 78.69% of the Bank's total deposits. According to the Federal Deposit Insurance Corporation (the "FDIC"), as of June 30, 2018, deposits held by all commercial banks operating offices in Union County totaled $761.4 million. According to information from the FDIC, a total of 9 financial institutions operate a total of 11 branch offices within Union County. The Bank has a market share of 48.87% as of referenced data date and ranks 1st in that category of institutions serving Union County. The next three top-ranked banks in that category in Union County are: The Huntington National Bank, PNC Bank, National Association and JPMorgan Chase Bank N.A. and together with the Bank have a total of 6 branch offices representing an aggregated market share of approximately 83.53%. The remaining 5 financial institutions account for approximately 16.47% of the remaining market share. All of the identified institutions are ranked smaller in deposit size than the Bank.

Ownership Position of the Board of Directors and Management

The following table contains pertinent information concerning the present directors and executive officers of the Company, including a listing of the share ownership of directors and executive officers as of September 30, 2018:

Name	Number of Shares Owned	Percent of Shares Owned	Capacity in Which Shares Are Held*	Position with Company/Principal Occupation Last Five Years
Dan J. Anderson	19,173	1.00%	3	Director/Retired Realtor
David R. Boerger	2,084	0.16%	1,3	Director/Executive Vice President
Chad L. Hoffman	4,344	0.33%	3	Director/President & CEO
Nancy K. Hoffman	15,567	1.00%	1,2	Director/Chairman of the Board
Richard A. Johnson	31,907	2.00%	1,3	Director/Retired Oil Distributor
Mark W. Leibold	6,040	0.46%	1,3	Director/CPA
Jeffrey S. Marsh	39,178	3.00%	1,3	Director/Retired Scotts Co.
Jean Smith	2,299	0.17%	1	Director/Parrott Implement
Kyle Stofcheck	3,057	0.23%	1,3	Director/Stofcheck Ballinger Funeral Home
Joseph W. Wiley	13,068	1.00%	1,2,3	Director/Realtor/Farmer
Ash Khatib	0	0.00%	-	Chief Financial Officer
Mike Karcher	641	.05%	1	Chief Loan Officer
Rachel Weaver	40	0.003%	3	Chief Operating Officer
As a Group (12 persons)	137,398	9.40%		

*All shares of common stock held directly unless otherwise indicated (1)
Shares held by family trust (2)
Shares held jointly with spouse or directly by spouse (3)

Management

CHAD L. HOFFMAN (48)

Chad L. Hoffman is the President and Chief Executive Officer and Director of Richwood Bancshares, Inc./The Richwood Banking Company. He works with the Board of Directors and Leadership to craft and execute the Company's strategic plan. Mr. Hoffman is also responsible for motivating and driving the bank team members for accountability and performance. He joined the bank in 1994 and has held the positions of Teller, Bookkeeper, Loan Officer, Controller and Chief Financial Officer. Mr. Hoffman spent two years in public accounting and received his CPA license in 1994. He has a Six Sigma Green Belt from Villanova University. He serves on several local boards and is frequently requested to speak to different professional groups about leadership and innovation topics.

ASH KHATIB (35)

Ash Khatib is the Chief Financial Officer of the bank where he oversees all aspects of the bank's finances, including the development and management of budgets and the preparation of financial statements. Mr. Khatib brings more than 13 years of experience of which includes big four public accounting, auditing, corporate financing, investor relations, merger & acquisition, and strategic planning functions to the bank. Mr. Khatib joined the bank in October of 2018. Prior to joining the bank, Mr. Khatib most recently served as vice president of finance and chief financial officer for Century Federal Credit Union based in Cleveland, Ohio. From 2011 to 2015, he was the vice president and corporate controller of LNB Bancorp Inc., a publicly traded bank holding company based in Lorain, Ohio. His passion and expertise in community banking and finance make him a valuable resource to the bank.

MIKE KARCHER (49)

Mike Karcher is the Chief Lending Officer of the bank where he oversees the loan officer team and the loan administration team. Mr. Karcher is responsible for coaching and motivating his teams for optimum performance, while managing the overall performance of the loan portfolio. Mr. Karcher is a graduate of The Ohio State University with a degree in Business Finance and brings more than 26 years of experience to the bank. He has served on various local boards in the community, including the Union County Chamber of Commerce, the Union County Community Improvement Corporation, the Union County YMCA, and the United Way of Union County. He currently serves on the board of the Community Care Train of Union County, where he has held that position since 2011. Having worked for large corporate banks, Mr. Karcher joined Richwood Bank in 1996 and remains dedicated and passionate to the Community Banking industry.

RACHEL WEAVER (31)

Rachel Weaver joined Richwood Bank in June of 2014 as a Business Analyst. She Immediately made an impact promoting her into the Chief Retail Officer role, taking the lead of our branch locations. Shortly after, Rachel took on the design and development of products and processes to make all experiences with Richwood Bank as intuitive as possible within her current role, Chief Operating Officer. Rachel is responsible for over delivering for internal and external customers by ensuring their experience is consistent with the values that lead Richwood Bank as an organization every day. She brings 7 years of banking experience to her position. Prior to her work experience, Rachel graduated with her Bachelor’s from Kent State University and currently is completing her Master’s at Tiffin University. Rachel has her Green Belt in Six Sigma from Villanova University. Outside of work, Rachel has a passion to create strong communities by helping individuals become the best versions of themselves through health and fitness by being involved as a CrossFit Level 1 Licensed Coach.

Financial Statements

Attached as **Exhibit C** is the Independent Accountants’ Review Report and Consolidated financial statements of the Company for the year ended December 31, 2017.

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Beneficial Ownership of Other Individuals

As of September 30, 2018, there was no one who was known to executive management of the Company to be the beneficial owner of more than five percent (5%) of our outstanding common stock.

Transactions with Management and Others

During the past year, certain directors and officers and one or more of their associates were customers of and had business transactions with the Bank. All loans included in such transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than a normal risk of collectability or present other unfavorable features. **Directors who have an on-going business relationship with or provide services to the Bank complete and file with the Bank an Affiliate Business Arrangement Disclosure**

Statement, which remains on file with the Bank. The Company expects that from time to time transactions with directors and officers may occur in the future in accordance with applicable federal and state law and regulation.

Legal Proceedings

The Company and the Bank are not currently a party to any material litigation nor is it aware of any threatened litigation against the Bank or the Company, the outcome of which is likely to have a material adverse effect on the financial condition of the Company or the Bank.

Supervision and Regulation

Banking is a complex, highly regulated industry. Consequently, the growth and earnings performance of the Company and the Bank can be affected, not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. The effect of these statutes, regulations and policies and any changes to any of them can be significant and cannot be predicted.

The primary goals of the Bank regulatory scheme are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. In furtherance of these goals, Congress and the Ohio legislature have created several largely autonomous regulatory agencies and enacted numerous laws that govern banks, bank holding companies and the banking industry. The system of supervision and regulation applicable to the Company and the Bank establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's deposit insurance fund, the Bank's depositors and the public, rather than the shareholders and creditors.

SELECTED FINANCIAL RESULTS

The following tables set forth certain information concerning the consolidated financial position of the Company at September 30, 2018 and December 31, 2017, 2016 and 2015, and the capitalization of the Company for the nine months ended September 30, 2018 and September 30, 2017. This selected consolidated financial data should be read in conjunction with the consolidated financial statements available as described under "WHERE YOU CAN FIND MORE INFORMATION," as well as the information presented in "FINANCIAL INFORMATION."

Consolidated Financial Position of Richard Bancshares, Inc. (in thousands)

	Unaudited As of Nine Months Ended	*Unaudited* As of Nine Months Ended	Years Ended December 31,		
For the Period Ended	**9/30/2018**	**9/30/2017**	**2017**	**2016**	**2015**
Net Income	$ 2,832	$ 2,968	$ 4,057	$ 4,266	$ 4,227
Net Income/Common Share *	$ 2.14	$ 2.27	$ 3.08	$ 3.27	$ 3.26
Dividends/Common Share *	$ 0.31	$ 0.30	$ 0.60	$ 0.58	$ 0.56
Return in Common Equity	7.29%	8.70%	7.71%	8.83%	8.88%
Return on Consolidated Assets	0.75%	0.81%	0.80%	0.91%	0.95%
Net Interest Margin	3.68%	3.75%	3.78%	3.71%	3.71%
Efficiency Ratio	72.30	73.76	75.02	70.04	66.42
Assets	527,596	510,926	508,047	470,327	444,546
Loans, net	321,865	280,708	294,767	249,885	225,220
Securities	154,375	176,282	159,303	174,869	179,081
Deposits	474,666	452,580	452,349	408,020	390,181
Shareholders' Equity	51,560	55,903	52,632	48,298	47,613
Equity-to-Assets Ratio	9.77%	10.94%	10.36%	10.27%	10.71%
Book Value/Common Share *	$ 39.02	$ 42.66	$ 40.00	$ 37.01	$ 36.72
Common Shares of Stock Outstanding	1,321,381	1,310,390	1,315,887	1,305,162	1,296,483
Full-Time Equivalent Employees	114	$ 116	119	109	104

*All per share data and total outstanding number of share figures (shares in thousands) have been adjusted to reflect all stock splits and dividends.

Capitalization of Richwood Bancshares, Inc. for Nine Month Period (Unaudited)

The following table sets forth the capitalization of the Company as of September 30, 2018 and September 30, 2017.

	Unaudited September 30, 2017	*Unaudited* September 30, 2018
Common Stock ($2.50 par value)	818,994	825,863
Additional paid-in capital	7,091,196	7,700,683
Retained Earnings	43,829,764	47,888,875
Accumulated other comprehensive income	4,312,225	(4,685,772)
Tresury Stock (at cost)	(149,252)	(169,593)
	$ 55,902,927	**$ 51,560,056**

RISK FACTORS

You should consider carefully the following risk factors and all other information contained in this Offering Memorandum before you decide to purchase Offered Shares. Investing in the Shares is speculative and involves a high degree of risk. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Company currently believes are immaterial, could harm the business, financial condition and operating results of the Company and could result in a loss of part or all of your investment. See "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS" elsewhere in this Offering Memorandum.

Risks Related to the Company and its Banking Operations

Our level of assets categorized as doubtful, substandard or special mention may expose us to increased lending risk. If our allowance for loan losses is insufficient to absorb losses in our loan portfolio, our earnings could decrease.

Lending money is a substantial part of our business, and each loan carries a risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- the financial condition and cash flows of each borrower and/or project being financed;
- the changes and uncertainties as to the future value of the collateral, in the case of a collateralized loan;
- the duration of the loan;
- the credit history of a particular borrower; and
- changes in economic and industry conditions.

At September 30, 2018, our non-accrual loans and loans past due 90 days and still accruing interest totaled $2.25 million , which represented 0.69% of total loans, and our allowance for loan losses totaled $1.89 million, which represented 0.58% of total loans. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the probability of receiving payment, as well as the value of real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, significant factors considered include loss experience in particular segments of the portfolio, trends and absolute levels of classified and criticized loans, trends and absolute levels in delinquent loans, trends in risk ratings, trends in industry charge-offs by particular segments and changes in existing general economic and business conditions affecting our lending areas and the national economy. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to the allowance. Material additions to our allowance could materially decrease net income. Our regulators, as an integral part of their examination process, periodically review our allowance for loan losses and may require us to increase our allowance for loan losses by recognizing additional provisions for loan losses charged to expense, or to decrease our allowance for loan losses by recognizing loan charge-offs, net of recoveries. Any such additional provisions for loan losses or charge-offs, as required by these regulatory agencies, could have a material adverse effect on our financial condition and results of operations.

Our emphasis on commercial mortgage lending may expose us to increased lending risks.

At September 30, 2018, approximately 41.22% of our total loan portfolio consisted of commercial real estate loans, and we intend to continue to emphasize the origination of commercial real estate loans. Commercial real estate loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. In addition, since such loans generally entail greater credit risk than one- to four-family residential mortgage loans, we may need to increase our allowance for loan losses in the future to account for the likely increase in probable incurred credit losses associated with the growth of such loans. Also, we expect that many of our commercial borrowers will have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

Changing real estate values may adversely affect our loan portfolio.

Dramatic declines in the housing and commercial real estate market over the past several years, with falling property prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of real estate related loans and resulted in significant write-downs of asset values by financial institutions. Any declines in the future could have a significant adverse effect on our business

We face significant competition from other financial institutions and financial services providers, which may materially and adversely affect us.

Consumer and commercial banking is highly competitive. Our markets contain a large number of community and regional banks as well as a significant presence of the country's largest commercial banks. We compete with other state and national financial institutions, including savings and loan associations, savings banks and credit unions, for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies, as well as major retailers, in providing various types of loans and other financial services.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Increased competition among financial services companies due to consolidation of certain competing financial institutions may adversely affect our ability to market our products and services. Technological advances have lowered barriers to entry and made it possible for banks to compete in our market without a retail footprint by offering competitive rates, and numerous non-banks to offer products and services traditionally provided by banks.

We may not be able to compete with our larger competitors for larger customers because our lending limits will be lower than theirs.

We are limited in the amount we can loan a single borrower by the amount of the Bank's capital. The legal lending limit is 15% of the sum of the Bank's capital and surplus (generally tier 1 capital plus the amount of the allowance for loan losses). The lending limit is increased by an additional 10% for extensions of credit fully secured by readily marketable securities as defined in federal regulations when the Bank has obtained a perfected security interest in the collateral under applicable law. Based on the Bank's experience of profits or losses, our capital level will change, and therefore so will our lending limit. Our lending limit will be significantly less than the limit for our larger competitors. This may affect our ability to seek relationships with larger businesses in our market area. We intend to accommodate larger loans by selling participations in those loans to other financial institutions. We cannot guarantee, however, that we will succeed in attracting or maintaining customers seeking larger loans or that we will be able to engage in participation of these loans on favorable terms.

Pricing decisions of competitors may adversely affect our profitability.

Changes in interest rates and pricing decisions by our loan competitors may adversely affect demand for our loan products and the revenue realized on the sale of loans, and may ultimately reduce our net income.

Our ability to operate profitably may depend on our ability to successfully introduce new products and services.

From time to time, we may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible.

Our success depends, in part, on the ability to adapt products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices. This can reduce net interest income and noninterest income from fee-based products and services. In addition, the widespread adoption of new technologies could require us to make substantial capital expenditures to modify or adapt existing products and services or develop new products and services. We may not be successful in introducing new products and services in response to industry trends or developments in technology, or those new products may not achieve market acceptance. As a result, we could lose business, be forced to price products and services on less advantageous terms to retain or attract clients, or be subject to cost increases. As a result, our business, financial condition or results of operations may be adversely affected.

The financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and may enable us to reduce costs. Our future success may depend, in part, on our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in our operations.

Our growth strategy is based, in part, on the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business. The expansion into new products and geographies has demanded greater management attention and dedication of resources to manage the increasing complexity of operations and regulatory compliance. This growth strategy involves a number of risks, including the risk that the expected synergies from a newly developed product or strategic alliance will not be realized, that the expected results will not be achieved, that new strategies are not appropriately planned for or integrated, that the new strategies may conflict, detract from or compete against our existing businesses, that the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate or that our information systems and technology, including related security systems, may prove to be inadequate. We may also incur significant charges in connection with such investments, which ultimately may result in significant losses and costs. Such losses could adversely impact our business, results of operations and financial condition, as well as do harm to our professional reputation.

The fair value of our investment securities portfolio can fluctuate due to market conditions outside of our control.

As of September 30, 2018, the fair value of our investment securities portfolio was approximately $151.42 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could have a material adverse effect on us. The process for determining whether impairment of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security.

Downgrades in U.S. Government and federal agency securities could adversely affect the Bank.

The long-term impact of the downgrade of the U.S. Government and federal agencies from an AAA to an AA+ credit rating is currently unknown. However, in addition to causing economic and financial market disruptions, the downgrade, and any future downgrades and/or failures to raise the U.S. debt limit if necessary in the future, could, among other things, materially and adversely affect the market value of the U.S. and other government and governmental agency securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition. In particular, it could increase interest rates and disrupt payment systems, money markets, and long-term or short-term fixed income markets, adversely affecting the cost and availability of funding, which could negatively affect profitability. Also, the adverse consequences as a result of the downgrade could extend to the borrowers of the loans the Bank makes and, as a result, could adversely affect its borrowers' ability to repay their loans.

We are affected by a variety of factors, including changes in interest rates, which can impact the value of financial instruments held by us.

Like other financial services institutions, we have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, inflation, currency values, market conditions, the availability and terms (including cost) of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties and the level and volatility of trading markets. Such factors can affect customers and counterparties of a financial services institution and may affect the value of financial instruments held by a financial services institution.

Our earnings and cash flows largely depend upon the level of our net interest income, which is the difference between the interest income we earn on loans, investments and other interest-earning assets, and the interest we pay on interest-bearing liabilities, such as deposits and borrowings. Because different types of assets and liabilities may react differently and at different times to market interest rate changes, changes in interest rates can increase or decrease our net interest income. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a period, an increase in interest rates would reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly, and because the magnitude of repricing of interest-earning assets is often greater than interest-bearing liabilities, falling interest rates would reduce net interest income. Accordingly, changes in the level of market interest rates affect our overall results. Changes in interest rates may also have a significant impact on any future loan origination revenues.

Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume and revenues usually decline during periods of rising or high interest rates and increase during periods of declining or low interest rates. Changes in interest rates also have a significant impact on the carrying value of loans held for sale and investment securities on our balance sheet. We may incur debt in the future and that debt may also be sensitive to interest rates and any increase in interest rates could materially and adversely affect us. Interest rates are highly sensitive to many factors beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Board of Governors of the Federal Reserve System (the “Federal Reserve”). Adverse changes in the Federal Reserve’s interest rate policies or other changes in monetary policies and economic conditions could materially and adversely affect us.

We may not be able to retain or develop a strong core deposit base or other low-cost funding sources.

We depend on checking and savings deposit account balances and other forms of customer deposits as our primary source of funding for our lending activities. Our future growth will largely depend on our ability to retain and grow a strong, low-cost deposit base. Because 23.35% of our deposit base as of September 30, 2018 consists of time deposits, it may prove harder to maintain and grow our deposit base than would otherwise be the case. During the 12 months following September 30, 2018, $61.77 million, or 55.69%, of our time deposits are scheduled to mature.

Customers may withdraw deposits in an effort to ensure that the amount that they have on deposit with us is fully insured and may place them in other institutions or make investments that are perceived as being more secure. Further, even if we are able to grow and maintain our deposit base, the account and deposit balances can decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits, we could lose a relatively low cost source of funds, increasing our funding costs and reducing our net interest income and net income. Additionally, any such loss of funds could result in lower loan originations, which could materially and adversely affect us.

The banking facilities of the Bank are concentrated in relatively few locations.

The Bank has physical banking facilities in Union, Delaware, Logan and Marion Counties, Ohio. If there is an economic downturn or other adverse development in one or more of those counties, it could have a more significant adverse effect on the Bank than might be the case if the Bank maintained facilities in more locations.

Additionally, the counties in which our banking facilities are located are experiencing slower than average returns to pre-recessionary conditions.

Our business is highly susceptible to credit risk.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that the collateral securing the payment of their loans (if any) may not be sufficient to assure repayment. The risks inherent in making any loan include risks with respect to the ability of borrowers to repay their loans and, if applicable, the period of time over which the loan is repaid, risks relating to proper loan underwriting and guidelines, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly in light of market developments in recent years. Additionally, we may restructure originated or acquired loans if we believe the borrowers are unlikely to fully repay their restructured obligations. We may also be subject to legal or regulatory requirements for restructured loans. For our originated loans, if interest rates or other terms are modified subsequent to extension of credit or if terms of an existing loan are renewed because a borrower is experiencing financial difficulty and a concession is granted, we may be required to classify such action as a troubled debt restructuring (which we refer to herein as a "TDR"). With respect to restructured loans, we may grant concessions to borrowers experiencing financial difficulties in order to facilitate repayment of the loan by (1) reduction of the stated interest rate for the remaining life of the loan to lower than the current market rate for new loans with similar risk or (2) extension of the maturity date. In situations where a TDR is unsuccessful and the borrower is unable to satisfy the terms of the restructured loan, the loan would be placed on nonaccrual status and written down to the underlying collateral value less estimated selling costs.

We depend on our executive officers and key personnel to implement our strategy and could be harmed by the loss of their services.

We believe that the implementation of our strategy will depend in large part on the skills of our executive management team and our ability to motivate and retain these and other key personnel. Accordingly, the loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our growth strategy and materially and adversely affect us. Although we believe our management team is stable, leadership changes will occur from time to time, and if significant resignations were to occur, we may not be able to recruit additional qualified personnel in an acceptable time frame. We believe our executive management team possesses valuable knowledge about the banking industry and that their knowledge and relationships would be very difficult to replicate. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively impact our banking operations. The loss of key senior personnel, or the inability to recruit and retain qualified personnel in the future, could have a material adverse effect on us.

We are dependent on our information technology and telecommunications systems and third-party servicers, and systems failures, interruptions or breaches of security could have a material adverse effect on us.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us.

In addition, we provide our customers with the ability to bank remotely, including over the Internet and on mobile devices. The secure transmission of confidential information over the Internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could materially and adversely affect us.

Additionally, financial products and services have become increasingly technology-driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on the ability to keep pace with technological advances and to invest in new technology as it becomes available. Many of our competitors have greater resources to invest in technology than we do and may be better equipped to market new technology-driven products and services. The ability to keep pace with technological change is important, and the failure to do so could have a material adverse impact on our business and therefore on our financial condition and results of operations.

We may engage in acquisitions of other businesses from time to time. These acquisitions may not produce revenue or earnings enhancements or cost savings at levels or within timeframes originally anticipated and may result in unforeseen integration difficulties.

From time to time we evaluate opportunities to strengthen our current market position by acquiring and investing in banks and in other complementary businesses, or opening new branches, and when appropriate opportunities arise, subject to regulatory approval, we plan to engage in acquisitions of other businesses and in opening new branches. As previously discussed, we are currently in the process of acquiring Home City Financial Corporation and its wholly-owned banking subsidiary, Home City Federal Savings Bank of Springfield. The Home City acquisition and such other transactions could, individually or in the aggregate, have a material effect on our operating results and financial condition, including short and long-term liquidity. Our acquisition activities could be material to our business. These activities could require us to use a substantial amount of cash and/or other liquid assets, incur debt, and/or issue equity securities. For example, we could issue additional equity securities in a purchase transaction, which could dilute current shareholders' value or ownership interest. Our acquisition activities could involve a number of additional risks, including the risks of:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;
- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- the time and expense required to integrate the operations and personnel of the combined businesses;
- experiencing higher operating expenses relative to operating income from the new operations;
- creating an adverse short-term effect on our results of operations;
- losing key employees and customers as a result of an acquisition that is poorly received; or
- significant problems relating to the conversion of the financial and customer data of the entity being acquired into our financial and customer product systems.

Depending on the condition of any institutions or assets that are acquired, any acquisition may, at least in the near term, materially and adversely affect our capital and earnings and, if not successfully integrated following the acquisition, may continue to have such effects. We may not be successful in overcoming these risks or any other problems encountered in connection with pending or potential acquisitions. Our inability to overcome these risks could have an adverse effect on levels of reported net income, return on equity and return on assets, and the ability to achieve our business strategy and maintain market value.

The success of future acquisition transactions would depend on our ability to successfully identify and consummate acquisitions that meet our investment objectives. Because of the intense competition for acquisition opportunities and the limited number of potential targets, we may not be able to successfully consummate acquisitions on attractive terms, or at all.

The success of future acquisition transactions would depend on our ability to successfully identify and consummate transactions with targets that meet our investment objectives. There are significant risks associated with our ability to identify and successfully consummate these acquisitions. There are a limited number of acquisition opportunities, and we expect to encounter intense competition from other banking organizations competing for acquisitions and also from other investment funds and entities looking to acquire financial institutions. Many of these entities are well established and have extensive experience in identifying and consummating acquisitions directly or through affiliates. Many of these competitors possess ongoing banking operations with greater financial, technical, human and other resources and access to capital than we do. Our competitors may be able to achieve greater cost savings, through consolidating operations or otherwise, than we could. These competitive limitations may give others an advantage in pursuing certain acquisitions. In addition, increased competition may drive up the prices for the acquisitions we may pursue and make the other acquisition terms more onerous, which could make the identification and successful consummation of those acquisitions less attractive to us. Competitors may be willing to pay more for acquisitions than we believe is justified, which could result in us having to forego the opportunity. As a result, we may be unable to successfully identify and consummate acquisitions on attractive terms, or at all, that are part of our business plan.

We will generally establish the pricing of transactions and the capital structure of banking franchises to be acquired by us on the basis of financial projections for such banking franchises. In general, projected operating results will be based on the judgment of our management team. Projections are estimates of future results that are based upon assumptions made at the time that the projections are developed and the projected results may vary significantly from actual results. General economic, political and market conditions can have a material adverse impact on the reliability of such projections. In the event that the projections made in connection with our acquisitions, or future projections with respect to new acquisitions, are not accurate, such inaccuracies could materially and adversely affect us.

If we do not open or acquire new branches as planned or do not achieve profitability on new branches, earnings may be reduced.

We may choose to acquire or open new branches. The opening of new branches is subject to regulatory approvals. We cannot predict whether the banking regulators will agree with our growth plans or if or when they will provide the necessary branch approvals. Numerous factors contribute to the performance of a new branch, such as the ability to select a suitable location, competition, our ability to hire and retain qualified personnel, and the effectiveness of our marketing strategy. It takes time for a new branch to generate significant deposits and loan volume to offset expenses, some of which, like salaries and occupancy expense, are relatively fixed costs. These new branches may not become profitable. During the period of time before a branch can become profitable, operating a branch will negatively impact net income.

To the extent that we are unable to increase loans through organic loan growth, we may be unable to successfully implement our growth strategy, which could materially and adversely affect us.

In addition to growing our business through strategic acquisitions, we also intend to grow our business through organic loan growth. Our loan balances have increased by 18.30% from $250.82 million to $296.73 million from December 31, 2016 to December 31, 2017. Since December 31, 2017, loans increased 10.43% to $327.68 million at September 30, 2018. If the Bank is unsuccessful with growing or diversifying its loan originations, our results of operations and financial condition could be negatively impacted.

We may not be able to effectively manage our intended growth.

Our future operating results depend to a large extent on our ability to successfully manage our intended growth. Our intended growth may place significant demands on our operations and management. Whether through strategic acquisitions or organic growth, our current plan to expand our business is dependent upon our ability to:

- continue to implement and improve our operational, credit, financial, management and other internal risk controls and processes and our reporting systems and procedures in order to manage a growing number of client relationships;
- scale our technology platform;
- integrate our acquisitions and develop consistent policies throughout the various businesses; and
- attract and retain management talent.

We may not successfully implement improvements to, or integrate, our management information and control systems, procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in loan volume in various markets and the infrastructure that comes with new banking centers and banks. Thus, our growth strategy may divert management from our existing franchises and may require us to incur additional expenditures to expand our administrative and operational infrastructure and, if we are unable to effectively manage and grow our banking franchise, we could be materially and adversely affected. In addition, if we are unable to manage future expansion in our operations, we may experience compliance and operational problems, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could materially and adversely affect us.

As a result of an investment or acquisition transaction, we may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition and results of operations.

We will conduct due diligence investigations of target institutions we intend to acquire. Intensive due diligence is time consuming and expensive due to the operations, accounting, finance and legal professionals who must be involved in the due diligence process, and the time allotted to the due diligence process is typically limited by the target institution. Even if extensive due diligence is conducted on a target institution which we may acquire, this diligence may not reveal all material issues that may affect a particular target institution, and factors outside our control or the control of the target institution may later arise. If, during the diligence process, we fail to identify issues specific to a target institution or the environment in which the target institution operates, we may be forced to later write down or write off assets, restructure operations or incur impairment or other charges that could result in reporting losses. These charges may also occur if we are not successful in integrating and managing the operations of the target institution with which we combine. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject as a result of assuming preexisting debt held by a target institution or by virtue of obtaining debt financing.

Resources could be expended in evaluating potential investment or acquisition transactions that are not consummated, which could materially and adversely affect subsequent attempts to locate and acquire or merge with another business.

We anticipate that the investigation of each specific target institution and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If a decision is made not to complete a specific investment or acquisition transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific target institution, we may fail to consummate the investment or acquisition transaction for any number of reasons, including those beyond our control. Any such event will result in a loss of the related costs incurred, which could materially and adversely affect subsequent attempts to locate and acquire or merge with another institution.

Risks Relating to the Regulation of Our Industry

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could materially and adversely affect us.

We are subject to extensive regulation, supervision, and legislation that govern almost all aspects of our operations. Intended to protect customers, depositors and the Deposit Insurance Fund (the "DIF"), these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividends or distributions that we can pay, restrict the ability of institutions to guarantee our debt, and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than under accounting principles generally accepted in the United States ("GAAP"). Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. Our failure to comply with these laws and regulations, even if the failure follows a good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could materially and adversely affect us. Further, any new laws, rules and regulations could make compliance more difficult or expensive and also materially and adversely affect us.

The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy.

At this time, it is difficult to predict the legislative and regulatory changes that will result from the combination of a new President of the United States and the first year since 2010 in which both Houses of Congress and the White House have majority memberships from the same political party. In recent years both the President and senior members of the House of Representatives have advocated for significant reduction of financial services regulation, to include amendments to the Dodd-Frank Act and structural changes to the Consumer Financial Protection Bureau. The new Administration and Congress also may cause broader economic changes due to changes in governing ideology and governing style. The change in the Federal Reserve Chairperson as well as new appointments to the Board of Governors to the Federal Reserve could affect monetary policy and interest rates, and changes in fiscal policy could affect broader patterns of trade and economic growth. Future legislation, regulation, and government policy could affect the banking industry as a whole, including our business and results of operations, in ways that are difficult to predict. In addition, our results of operations also could be adversely affected by changes in the way in which existing statutes and regulations are interpreted or applied by courts and government agencies.

Federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we become subject as a result of such examinations could materially and adversely affect us.

Federal banking agencies periodically conduct examinations of our business, including our compliance with laws and regulations. If, as a result of an examination, a federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that the Company or its management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers or directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, we could be materially and adversely affected.

The Federal Reserve may require us to commit capital resources to support the Bank.

As a matter of policy, the Federal Reserve, which examines Richwood Bancshares, Inc., expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under this requirement, we could be required to provide financial assistance to the Bank or any other subsidiary banks we may own in the future should they experience financial distress. A capital injection may be required at times when we do not have the resources to provide it and therefore we may be required to borrow the funds or raise additional equity capital from third parties. Any financing that must be done by the holding company in order to make the required capital injection may be difficult and expensive and may not be available on attractive terms, or at all, which likely would have a material adverse effect on us.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "PATRIOT Act") and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements, and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control (the "OFAC"). If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions (such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans), which could materially and adversely affect us. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

Laws relating to privacy, information security, and data protection may impose costs or remedies on us.

We are subject to various laws, rules and regulations related to privacy, information security and data protection, including requirements concerning security breach notification, and we could be negatively impacted by these laws, rules and regulations. For example, we are subject to the guidelines under the Gramm-Leach-Bliley Act (the "GLBA"). The GLBA guidelines require, among other things, that each financial institution develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities and the sensitivity of any customer information at issue. In recent years there also has been increasing enforcement activity in the areas of privacy, information security and data protection at both the federal and state level. Compliance with these laws, rules and regulations regarding the privacy, security and protection of customer and employee data could result in higher compliance and technology costs for us, as well as potentially significant fines, penalties and damage to our global reputation and our brand for non-compliance. In addition to the foregoing enhanced data security requirements, various federal regulatory agencies and many states have enacted data breach notification regulations and laws requiring varying levels of consumer, regulatory and/or law enforcement notification in certain circumstances in the event of a security breach.

Our industry continues to encounter technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Emergence of nonbank alternatives to the financial system could harm our business.

Consumers may decide not to use banks to complete their financial transactions. Technology and other changes, including the emergence of "Fintech Companies" are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can also complete transactions, such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations.

Our Business could be adversely affected by third-party service providers, data breaches and cyber-attacks.

We face the risk of operational disruption, failure or capacity constraints due to its dependency on third-party vendors for components of its business infrastructure. While we have selected these third-party vendors through our vendor management processes, we do not control their operations. As such, any failure on the part of these business partners to perform their various responsibilities could also adversely affect our business and operations.

Further, we may be affected by data breaches at retailers and other third parties who participate in data interchanges with our and our customers that involve the theft of customer credit and debit card data, which may include the theft of debit card PIN numbers and commercial card information used to make purchases at such retailers and other third parties. Such data breaches could result in the Company incurring significant expenses to reissue debit cards and cover losses, which could result in a material adverse effect on the Company's results of operations.

To date, we have not experienced any material losses relating to cyber-attacks or other information security breaches, but there can be no assurance that we will not suffer such attacks or attempted breaches, or incur resulting losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our plans to continue to implement internet and mobile banking to meet customer demand, and the current economic and political environment. As cyber and other data security threats continue to evolve, we may be required to expend significant additional resources to continue to modify and enhance its protective measures or to investigate and remediate any security vulnerabilities.

Our assets at risk for cyber-attacks include financial assets and non-public information belonging to customers. We utilize several third-party vendors who have access to our assets via electronic media. Certain cyber security risks arise due to this access, including cyber espionage, blackmail, ransom, and theft. We employ many preventive and detective controls to protect its assets, and provide mandatory recurring information security training to all employees. The Company also maintains certain insurance coverage to prevent material financial loss from cyber-attacks.

Risks Relating to Our Common Shares

There is currently no public market for our Common Shares, and an active, liquid market for our Common Shares is not likely to develop.

There is currently no public market for our Common Shares and an active, liquid trading market for our Common Shares is not likely to develop. Accordingly, shareholders may not be able to sell their shares of our Common Shares at the volume, prices and times desired. We cannot predict the extent to which investor interest will lead to an active trading market in our Common Shares or how liquid that market might become. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of willing buyers and sellers of our Common Shares at any given time, which presence will be dependent upon the individual decisions of investors, over which we have no control. The lack of an active, liquid trading market could have a material adverse effect on the value of our Common Shares.

Even if an active, liquid trading market develops, the market price of our Common Shares may be highly volatile, which may make it difficult for shareholders to sell their shares of our Common Shares at the volume, prices and times desired. There are many factors that may impact the market price of our Common Shares, including, without limitation:

- general market conditions, including price levels and volume;
- national, regional and local economic or business conditions;
- the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;
- our actual or projected financial condition, liquidity, results of operations, cash flows and capital levels;
- publication of research reports about us, our competitors or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- market valuations, as well as the financial and operating performance and prospects, of similar companies;
- future issuances or sales, or anticipated sales, of our common stock or other securities convertible into or exchangeable or exercisable for our common stock;
- additions or departures of key personnel;
- the availability, terms and deployment of capital;
- the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance);
- unanticipated regulatory or judicial proceedings, and related liabilities and costs;
- the timely implementation of services and products by us and the acceptance of such services and products by customers;
- our ability to continue to grow our business internally and through acquisitions and successful integration of new or acquired financial institutions, banking centers or other banking assets while controlling costs;
- compliance with laws and regulatory requirements, including those of federal, state and local agencies;
- uncertainty and increased compliance costs resulting from the implementation of the Dodd-Frank Act;
- changes in accounting principles, policies and guidelines;
- actual, potential or perceived accounting problems affecting us;
- rapidly changing technology;
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and
- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core markets or the financial services industry.

In recent years, the stock markets in general have experienced substantial fluctuations and volatility that has often been unrelated to the operating performance and prospects of particular companies. These broad market movements may materially and adversely affect the market price of our Common Shares.

We may not pay dividends on our Common Shares in the foreseeable future, and our ability to pay dividends is subject to regulatory limitations.

In 2017, we paid a dividend of $0.60 per Common Share, up from $0.58 in 2016. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, ability to service any equity or debt obligations senior to the Common Shares, and other factors deemed relevant by the board of directors.

In addition, as a bank holding company, we are subject to general regulatory restrictions on the payment of cash dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Further, various federal and state statutory provisions limit the amount of dividends that our bank subsidiary can pay to us as its holding company without regulatory approval. The payment of dividends by the Bank is subject to restrictions by regulatory agencies. These restrictions generally limit dividends to the sum of the current year and prior two years retained earnings. In addition, dividends may not reduce capital levels below the minimum regulatory requirements.

We may issue additional capital stock in the future, which could adversely affect the value or voting power of the Common Shares.

Actual or anticipated issuances or sales of substantial amounts of our capital stock in the future could cause the value of our Common Shares to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any capital stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. Actual issuances of our capital stock could also significantly dilute the voting power of our Common Shares.

Future issuances of debt and equity securities could dilute the holdings of our existing holders of Common Shares and may be senior to our Common Shares for the purposes of making distributions, periodically or upon liquidation, which may negatively affect the market price of our Common Shares.

In the future, we may issue debt or equity securities or incur other borrowings. If we incur debt in the future, our future interest costs could increase and adversely affect our liquidity, cash flows and results of operations. Additional common stock issuances, directly or through convertible or exchangeable securities, warrants or options, will generally dilute the holdings of our existing holders of Common Shares and such issuances may reduce the market price of our Common Shares. If we decide to authorize and issue preferred stock, it will have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to holders of our Common Shares. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital raising efforts is uncertain. Thus, holders of our Common Shares bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the value of our Common Shares.

Shareholders may be deemed to be acting in concert or otherwise in control of us and our bank subsidiary, which could impose prior approval requirements and result in adverse regulatory consequences for such holders.

We are a bank holding company regulated by the Federal Reserve. Any entity (including a "group" composed of natural persons) owning 25% or more of a class of our outstanding shares of voting stock, or a lesser percentage if such holder or group otherwise exercises a "controlling influence" over us, may be subject to regulation as a "bank holding company" in accordance with the Bank Holding Company Act of 1956, as amended (the "BHCA"). In addition, (1) any bank holding company or foreign bank with a U.S. presence is required to obtain the approval of the Federal Reserve under the BHCA to acquire or retain 5% or more of a class of our outstanding shares of voting stock, and (2) any person may be required to obtain prior regulatory approval under the Change in Bank Control Act to acquire (i) more than 24.9% of any class of voting securities of the Company or (ii) more than one-third of the total equity of the Company and more than 14.9% of any class of voting securities of the Company. Any shareholder that is deemed to "control" the Company for bank regulatory purposes would become subject to prior approval requirements and ongoing regulation and supervision. Such a holder may be required to divest amounts equal to or exceeding 5% of the voting shares of investments that may be deemed incompatible with bank holding company status, such as an investment in a company engaged in non-financial activities. Regulatory determination of "control" of a depository institution or holding company is based on all of the relevant facts and circumstances. Potential investors are advised to consult with their legal counsel regarding the applicable regulations and requirements.

Our voting securities, including the Common Shares, owned by holders determined by a bank regulatory agency to be acting in concert would be aggregated for purposes of determining whether those holders have control of a bank or bank holding company. Each shareholder obtaining control that is a "company" would be required to register as a bank holding company. "Acting in concert" generally means knowing participation in a joint activity or parallel action towards the common goal of acquiring control of a bank or a parent company, whether or not pursuant to an express agreement. The manner in which this definition is applied in individual circumstances can vary and cannot always be predicted with certainty. Many factors can lead to a finding of acting in concert, including where: (i) the shareholders are commonly controlled or managed; (ii) the shareholders are parties to an oral or written agreement or understanding regarding the acquisition, voting or transfer of control of voting securities of a bank or bank holding company; (iii) the shareholders each own stock in a bank and are also management officials, controlling shareholders, partners or trustees of another company; or (iv) both a shareholder and a controlling shareholder, partner, trustee or management official of such shareholder own equity in the bank or bank holding company.

Risks Related to the Offering

We may accept subscriptions in the Offering even if it does not receive sufficient capital for our business plan.

It is possible that the amount raised in this no-minimum, "best efforts" Offering would not be sufficient to provide us with adequate capital to execute our business plan without further financing. As a result, there is a risk we will be undercapitalized in relation to our business plan, and there is no assurance that we will be successful in raising additional capital. If we are undercapitalized in relation to our business plan, we may have insufficient working capital or regulatory capital and thus may need to lengthen the time period over which we intend to implement our business model, or take other actions that could limit the effectiveness or success of the Company's business. Any such action could have a material adverse effect on our financial condition and results of operations. In addition, management's involvement in additional fundraising efforts could divert their attention from operation of our business and potentially delay the implementation of our business model.

We have wide discretion in the use of the proceeds of the Offering.

We intend to invest some of the net proceeds of the Offering in the Bank as Tier 1 capital, for the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business, and for the reduction of Company debt. The Bank currently anticipates using amounts so invested for general corporate purposes, including further growth in the Bank's total assets. We may also hold some of the proceeds at the holding company level. The Bank will have broad discretion with respect to the use of the proceeds, and investors will be relying on the judgment of the Bank's and our management regarding the application of these proceeds. See "USE OF PROCEEDS."

The absence of an active market for the Offered Shares may make it difficult or impossible for a shareholder to liquidate his investment.

No market, public or otherwise, currently exists for the Common Shares, and we do not expect any market to develop. Therefore, a purchaser of Common Shares may be unable to sell or otherwise dispose of all or any portion of his investment. Moreover, in the event a holder of Common Shares was able to sell some or all of his Shares, he might receive less than the amount of his original investment.

There are no plans or expectations that the Offered Shares will be registered for resale, and purchasers of the Offered Shares will not be able to re-sell the Offered Shares unless an exemption from the registration requirements under the Securities Act applies.

The Offered Shares will not be registered for resale under the Securities Act, and there are no plans or expectations that the Offered Shares will be registered for resale. Purchasers of the Offered Shares will not be able to re-sell the Offered Shares unless an exemption from the registration requirements under the Securities Act applies. The "safe harbor" of Rule 144 allows resales of unregistered securities under specified conditions depending on the investor's affiliate status with us, and for affiliates, the availability of certain reasonably current public information about us, assuming compliance with all other applicable securities laws.

- Non-affiliates of the Company would qualify for unrestricted resale under the Rule 144 safe harbor starting after one year following the closing of the Offering.

- Affiliates of the Company are unlikely to qualify for unrestricted resale under the Rule 144 safe harbor because of (i) the lack of public information about the Company, (ii) volume restrictions and (iii) the lack of a public market or market makers for the Common Shares. If the Company has made publicly available certain reasonably current information about the Company, affiliates of the Company would qualify for resale after one year following the closing of the Offering, but would be subject to trading volume limitations, manner of sale conditions and notice filing requirements with the SEC. An affiliate of the Company would be limited to selling 1% of the outstanding shares in any three-month period, and would be required to file Form 144 with the SEC for sales of 5,000 shares or an aggregate of $50,000 within a three-month period. Affiliate resales would need to be made either directly to a market maker or in a transaction where the seller's broker did not solicit buyers. We may or may not make publicly available reasonably current public information that satisfies the condition for affiliates to take advantage of the Rule 144 safe harbor, and have not undertaken any obligation to do so. There can be no assurance that any broker-dealer will make a market in the Common Shares or that, if such market develops, it will continue. Unless one or more securities broker-dealers makes a market in the Common Shares, it is unlikely that affiliates would be able to make any sale of Common Shares under the Rule 144 safe harbor at any time in the foreseeable future. See "RESTRICTIONS ON RESALES" for further information.

THE OFFERING

We are offering for sale up to 139,373 Common Shares at a price of $57.40 per share. The minimum subscription per subscriber is $7,175.00, which is 125 shares. Each subscriber must represent, among other things, that it is a resident of the State of Ohio. All subscription funds will be immediately available to the Company. The Offering will begin on the Commencement Date and will terminate (except to the extent modified below) on the Termination Date.

Ability to Extend

We, in the sole discretion of our Board of Directors, may extend the Offering through June 30, 2019 (the "Extended Termination Date"), unless the Offering is completed or terminated sooner. The Company is not obligated to provide notice to investors that it has extended the end date of the Offering.

Release of Funds

All funds received in payment of the Offering price will be promptly deposited into a non-interest bearing account with the Bank. The Company intends to accept valid subscriptions for the Offered Shares received pursuant to this Offering and issue stock certificates for such shares on a rolling basis. If the Company accepts the subscriptions for the Offered Shares, all funds in the account less amounts payable for the costs of the offering, will be kept by the Company.

Termination; Waiver

We reserve the right, in our sole discretion, to abandon or terminate the Offering at any time, to reject all or part of any subscription from any potential investor for any reason, and in the event that the Offering is oversubscribed, to allocate the Offered Shares among subscribers on a pro-rata basis, based on the number of shares each requested by each subscriber, or according to such other method as we may deem appropriate. We are not obligated to accept subscriptions in the order in which they are received. If a subscriber's subscription is not accepted, we will cause all funds to be refunded promptly to the affected subscribers without interest. The subscription funds and all interest earned thereon, if any, will be paid to us at the time subscriptions are accepted.

Plan of Distribution

We will sell the Offered Shares offered hereby on a "best efforts" basis, which means that the officers and directors of the Company will attempt to sell the Offered Shares without the use of an underwriter. The Company will not pay the officers or directors any commission or other remuneration for their efforts in connection with the Offering.

The Offered Shares are being offered and sold to Ohio residents only in reliance on exemptions from registration under federal securities laws pursuant to Section 3(a)(11) of the Securities Act and Rule 147 promulgated thereunder. The Company plans to solicit investment from existing shareholders, members of the local community and individuals that have previously expressed interest in the Company's Common Shares. The Offered Shares sold will be restricted and cannot be resold in the absence of an effective registration statement covering the shares to be resold or an exemption from registration. The Company plans to register the Offering with the State of Ohio, but it will not register the Offered Shares at the federal level under the Securities Act, and is under no obligation to do so. See "RESTRICTIONS ON RESALE."

Determination of Offering Price

Our board of directors retained a third party firm with experience in evaluating privately held bank stock to determine the Offering Price of the Offered Shares. The third party firm considered a number of factors in determining the fair market value of the Offered Shares, including: (i) the nature of the business and history of the Company; (ii) the economic outlook in general and the condition and outlook of the banking industry in particular; (iii) the financial condition of the Company; (iv) the earnings capacity of the Company; (v) the dividend-paying capacity of the Company; (vi) the nature and value of the tangible and intangible assets of the Company; (vii) trading prices of the Company's shares; (viii) the market price of the common shares of corporations engaged in the same or similar lines of business having their common shares actively traded in a free and open market, either on an exchange or over-the-counter; and (ix) the marketability or lack thereof, of the Company's shares.

There is a no public market for the Common Shares. See "MARKET FOR THE COMMON SHARES" and "RISK FACTORS."

USE OF PROCEEDS

We may use the amounts raised under this Offering for any purposes we deem appropriate. We intend to use the net proceeds of the Offering for one or more of the following: (i) to invest in the Bank as Tier 1 capital, (ii) for the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business, (iii) for the reduction of Company debt; or (iv) general corporate purposes. We may also choose to hold the money at the holding company level.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 2018, and as adjusted to reflect the Offering, assuming that 139,373 Common Shares are issued at $57.40 per share.

	As of September 30, 2018		
(Dollars in thousands)	Historical		As Adjusted
Deposits:			
Noninterest-bearing demand	$ (706)		(706)
Interest-bearing demand	242,516		242,516
Savings	90,938		90,938
Certificates of deposit	110,911.02		110,911
Total deposits	$ 443,659		$ 443,659
Repurchase agreements	-		-
Federal Home Loan Bank advances	-		-
Line of Credit	-		-
Accrued interest payable and other liabilities	993		993
Total liabilities	$ 444,652		$ 444,652
Shareholders' Equity			
Common Stock, $2.50 par value:			
September 30, 2018, ________ shares authorized, ________ shares issued and outstanding	826	86	912
Additional paid-in capital	7,701	7,804	15,505
Treasury Stock	(170)	-	(170)
Retained Earnings	47,889	-	47,889
Accumulated other comprehensive income	(4,686)	-	(4,686)
Total shareholders' equity	51,560	7,890	59,450
Total liabilities and shareholders' equity	$ 496,212	$ 7,890	$ 504,102

MARKET FOR THE COMMON SHARES

Prior to the Offering there has been no public market for the Common Shares. None of the Offered Shares will be registered for resale under the Securities Act, and they cannot be resold unless an exemption from the registration requirements under the Securities Act applies. Further, purchasers will be prohibited from reselling or transferring the Common Shares to non-Ohio residents for a period of six months following the closing of the Offering. Following the Offering, there will still be no public market for the Common Shares.

DESCRIPTION OF COMMON SHARES

Authorized Shares. The Company has 5,000,000 Common Shares authorized, of which 1,321,381 are issued and outstanding as of September 30, 2018.

Dividends. Dividends on Common Shares will not be mandatory. Holders of the Common Shares will be entitled to receive, if, when, and as declared by our board of directors out of legally available assets, non-cumulative cash dividends. We are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The Federal Reserve is authorized to determine, under certain circumstances relating to the financial condition of a bank holding company, such as the Company, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In addition, we are subject to Ohio state laws relating to the payment of dividends.

Voting. Holders of the Common Shares are entitled to one vote for each share upon all matters presented to the shareholders.

Preemptive Rights. Holders of Common Shares have no preemptive rights to purchase or subscribe for any authorized but unissued capital stock.

Liquidation Rights. In the event of our voluntary or involuntary liquidation, dissolution or winding-up, the holders of the Common Shares at the time outstanding will be entitled to share equally in the assets available for distribution to holders of Common Shares after payment of all prior obligations of the Company. For such purposes, our consolidation or merger with or into any other entity, the consolidation or merger of any other entity with or into us, or the sale of all or substantially all of our property or business, will not be deemed to constitute our liquidation, dissolution, or winding-up.

Mandatory Voting Rights under Ohio Law. Ohio law attaches mandatory voting rights to classes or series of shares that are affected by certain amendments to the articles of incorporation, whether made by filing an amendment to the articles or by a merger or consolidation.

DRIP Program and IRA. Holders of Common Shares are entitled to participate in the Company's Dividend Re-Investment Program (DRIP) affording each shareholder the ability to re-invest their dividends into purchasing additional Common Shares. Additionally, participating shareholders can contribute to their DRIP plan for the purchase of additional shares up to the limit set by the Company. New shareholders automatically receive information on how to participate in the DRIP program. The Company has also incorporated a Self-Directed Individual Retirement Account program for both new investors and existing shareholders to purchase shares in the Company for placement into their Individual Retirement Account.

Antitakeover Provisions. The Company is an Ohio chartered corporation and as an "issuing public corporation" under the laws of Ohio, are subject to the provisions of the Ohio Control Share Acquisition Statute (the "Control Share Acquisition Statute"). Pursuant to this statute, the purchase of certain levels of voting power of the Company (one-fifth or more, one-third or more, or a majority) can be made only with the prior authorization of at least a majority of the total voting power of the Company and a separate prior authorization of the holders of at least a majority of the voting power held by shareholders other than the proposed purchaser, our officers and directors who are also employees. This law has the effect of deterring certain potential acquisitions of the Company that might be beneficial to shareholders. Further, federal law requires approval of the Board of Governors of the Federal Reserve System before any person or company acquires control of a bank holding company such as the Company, and state law requires approval of the Ohio Division of Financial Institutions before any person or company acquires control of the Bank.

In addition, the Company's Articles of Incorporation, as amended, require the approval of at least 80% of the outstanding shares of the Company to approve a business combination, and the approval of two-thirds of the outstanding shares of the Company to amend the Articles of Incorporation.

HOW TO INVEST

If, as an eligible investor, you desire to purchase the Offered Shares, prior to the Termination Date, you should:

(1) Complete, date and execute the Subscription Agreement you received with this Offering Memorandum

(2) Identify, within the Subscription Agreement, whether:

(a) Your investment is to be a Self-Directed Individual Retirement Account purchase; and/or

(b) You wish to participate in the Company's Dividend Re-Investment Plan;

(2) Make a check, or other form of payment, payable to "Richwood Bancshares, Inc." for the amount of Offered Shares you wish to purchase. Deliver the completed Subscription Agreement and, if applicable, check to us at the following address:

Richwood Bancshares, Inc.
28 North Franklin Street
Richwood, Ohio 43344
Attention: Ash Khatib, Chief Financial Officer

We may, in our sole and absolute discretion, reject all or part of the subscription of any potential investor at any time. Each subscriber must indicate, on the signature page to the Subscription Agreement, the number of Offered Shares the subscriber is subscribing for. We will evidence our acceptance of each subscription and the number of Offered Shares accepted in the space provided on the Subscription Agreement, whereupon the Subscription Agreement will be binding upon us and the subscriber. If a prospective investor's subscription is accepted by us, in whole or in part, the subscriber will receive a copy of the Subscription Agreement executed by us. If for any reason, a subscriber's offer to purchase Offered Shares is not accepted by us, all amounts paid by such subscriber will promptly be returned without interest.

If the Offering is oversubscribed, the Company will allocate the Offered Shares among subscribers on a pro-rata basis, based on the number of shares each subscriber requested.

RESTRICTIONS ON RESALE

The Offered Shares will not be registered for resale under the Securities Act, and there are no plans or expectations that the Offered Shares will be registered for resale. Purchasers are prohibited from reselling or transferring the Offered Shares to non-Ohio residents for a period of six months following the closing of the Offering. Additionally, the Offered Shares will be "restricted securities" as that term is defined in Rule 144 of the general rules and regulations under the Securities Act. The Offered Shares will bear an appropriate legend reflecting both transfer restrictions. Purchasers of the Offered Shares will not be able to resell the Offered Shares at any time unless an exemption from the registration requirements under the Securities Act applies. Especially for affiliates, eligibility to take advantage of Rule 144 is unlikely due to the volume limitations and lack of a public market or market makers for the Company's Common Shares.

Rule 144 promulgated under the Securities Act offers a "safe harbor" that, assuming compliance with all other applicable securities laws, permits resales of unregistered securities under specified conditions depending on the investor's affiliate status with the Company, and for affiliates, the availability of reasonably current public information about the Company. An affiliate of the Company is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Company. For this purpose, the term "control" (including the terms "controlling," "controlled by," and "under common control with," means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. A person who does not control the Company acting alone may nonetheless be an affiliate by reason of being part of a controlling group. The application of the definition of affiliate may be very complicated, and the conclusions may change as circumstances change. Any potential investor who has any doubt as to his affiliate status should consult with his own legal counsel.

For purposes of Rule 144, the "person" to whom the rule applies includes any spouse or relative of that person who has the same home as the person, a trust or estate in which that person owns more than 10% of the beneficial interest, or a corporation of which that person beneficially owns collectively more than 10% of a class of equity securities or 10% or more of the equity interests, that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Company.

Eligibility for the Rule 144 safe harbor is affected by affiliate status, and for affiliates, the availability of reasonably current public information about the Company, as follows:

- Non-affiliates of the Company would qualify for unrestricted resale of the Offered Shares under the Rule 144 safe harbor starting after one year following the closing of the Offering.
- If the Company has made publicly available certain reasonably current information about the Company, affiliates of the Company would qualify for resale under the Rule 144 safe harbor after one year following the closing of the Offering, but would be subject to trading volume limitations, manner of sale conditions and notice filing requirements with the SEC. If the Company does not make available publicly that information on which Rule 144 for affiliates is conditioned, the safe harbor would not be available to the Company's affiliates.

For affiliates, Rule 144 is conditioned on the public availability of the following reasonably current information regarding the Company:

- the exact name of us and our predecessor, the address of our principal executive offices, and our state of incorporation;
- the exact title, class, and par value of the security sought to be re-sold;
- the number of shares or total amount of the securities outstanding as of the end of our most recent fiscal year;
- the name and address of the transfer agent;
- the nature of our business;
- the nature of products or services we offer;
- the nature and extent of our facilities;
- the name of our chief executive officer and members of our board of directors;
- our most recent balance sheet and profit and loss and retained earnings statements, and similar financial information for such part of the two preceding fiscal years as we have been in existence;
- whether the broker or dealer or any associated person is affiliated, directly or indirectly, with the issuer; and
- whether the quotation is being submitted or published directly or indirectly on behalf of us, or any director, officer or any person, directly or indirectly the beneficial owner of more than 10% of the outstanding units or shares of any equity security of ours, and, if so, the name of such person, and the basis for any exemption under the federal securities laws for any sales of such securities on behalf of such person.

We currently do not provide sufficient financial information on our website to meet the public information requirement and the Company is under no obligation to do so.

Affiliates of the Company would be subject to the following volume limitations, manner of sale conditions and notice filing requirements with the SEC. An affiliate of the Company would be limited to selling 1% of the outstanding Common Shares in any three-month period. Affiliate resales also would need to be made either directly to a market maker or in a transaction where the seller's broker did not solicit buyers, which may require specialized handling by the affiliate investor's securities broker-dealer. The affiliated investor would be required to file Form 144 with the SEC for anticipated sales of 5,000 shares or an aggregate of $50,000 within any three month period.

Especially for affiliates, eligibility to take advantage of Rule 144 is unlikely due to the volume limitations and lack of a public market or market makers for the Common Shares. Unless one or more securities broker-dealers makes a market in the Common Shares, it is unlikely that affiliates would be able to make any sale of Common Shares under the Rule 144 safe harbor at any time in the foreseeable future. There can be no assurance that any broker-dealer will make a market in the Common Shares or that, if such market develops, it will continue.

Prior to resale of the restricted securities, any investor would need to coordinate with the Company and the Company's counsel to verify the investor qualifies for the safe harbor exemption under Rule 144. Once the exemption has been verified, an investor's eligible share certificates with restrictive legends must be returned to the Company to be replaced with certificates without restrictive legends prior to any resale.

ADDITIONAL INFORMATION

Any other documents which may be relevant to an evaluation of an investment in the Company will also be furnished for an examination upon request. Inquiries should be directed to:

Richwood Bancshares, Inc.
28 North Franklin Street
Richwood, Ohio 43344
Attention: Ash Khatib, Chief Financial Officer (740.943.2317)

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