

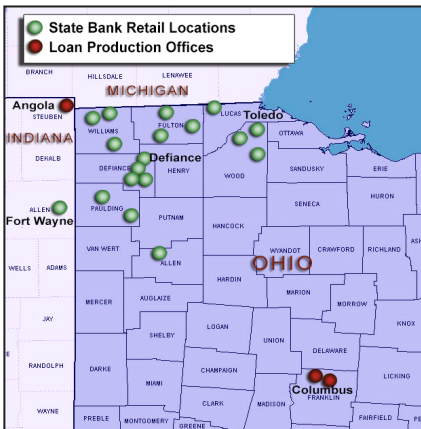


401 Clinton Street, P.O. Box 467
 Defiance, OH 43512
 www.YourStateBank.com
 www.YourSBFinancial.com

Quarterly Shareholder Letter

SECOND QUARTER 2013

To Our Shareholders,



I am pleased to report quarterly earnings of \$1.3 million for the period ended June 30, 2013. This represents a 30 percent increase over the prior year second quarter and increases our YTD earnings to \$2.6 million; a 33 percent improvement over the first six months of 2012. This performance improvement not only improves the strength of our company and capital position but provides the stream of revenue that enables us to continue to reward our investors with a market return on their investment with another quarterly dividend.

Our asset quality metrics continued to improve in the second quarter, with nonperforming assets declining by \$1.26 million over the past twelve months, standing at 1.2 percent of assets. Despite this improvement, we continue to take prudent measures to build our loan loss reserve, which has increased 6 percent over the prior year. We have begun to witness some of the economic recovery in our markets this year and this improvement is reflected in our positive year over year loan growth of 2.6 percent.

STOCK PERFORMANCE

NASDAQ: SBFG

Price:	\$7.90
52-Week High:	\$9.55
52-Week Low:	\$6.20
Avg. Daily Volume (3 mos.):	3,232
Shares Outstanding:	4,866,629
Market Cap:	\$38.4 MM
Dividend Yield:	1.52%
Price/Tangible Book:	104.4%
Price / LTM EPS:	7.05x
Institutional Ownership:	6.23%
Insider Ownership:	19.10%

As of 7/31/2013 as provided by SNL Financial™

Revenue growth and revenue diversity continue to be the linchpins of our success. For this quarter, fee income made up 41.7 percent of total revenue placing us in the 90th percentile of our peer banks¹. Our unique business model provides a balanced stream of fee income from selling residential mortgage loans, managing assets in our wealth management division and developing and expanding traditional retail and small business banking services. Collectively, the revenue expansion of 8.2 percent over same period last year has helped position us to offset the revenue decline in our technology subsidiary, RDSI.

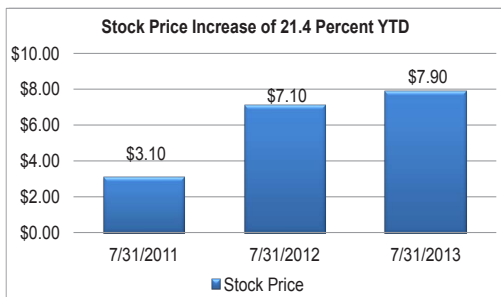
Overall, the first six months of the year have progressed as anticipated. Our key strategies continue to be to maintain our revenue diversity, prudently expand our loan portfolio, and sustain the level of asset quality. We have made significant progress over the past six quarters, but there is much yet to do to become a high-performing (top quartile) financial services provider. Thank you for your continued support and confidence. I look forward to speaking with you again next quarter.

Mark A. Klein
 President and Chief Executive Officer

¹ - Peer group consists of 76 publicly traded U.S. banks with assets between \$500M - \$1B. 1Q2013 data used, provided by SNL Financial™.

Recent Highlights

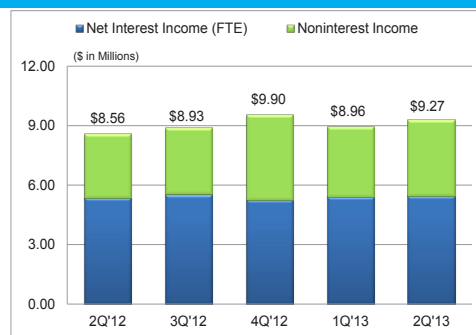
- Consolidated earnings up 30 percent year over year
- Year to Date ROA at 82 basis points
- Nonperforming assets declined to 1.20 percent of total assets
- Portfolio loans increased \$11.9 million, or 2.6 percent, year over year
- Tangible leverage of 6.00 percent, up 15.2 percent year over year
- Revenue growth of 8.2 percent year over year
- Net interest margin at 3.86 percent, up 5 basis points year over year



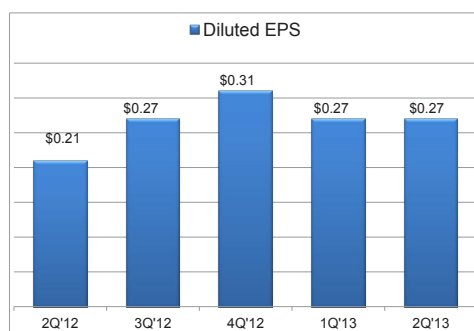
Company Profile

Headquartered in Defiance, Ohio, SB Financial Group, Inc. is a financial services holding company with two wholly-owned operating subsidiaries: The State Bank and Trust Company (State Bank) and RDSI Banking Systems (RDSI). State Bank operates through 17 banking centers in seven Northwestern Ohio counties, and one center in Fort Wayne, Indiana, as well as two loan production offices in Columbus, Ohio and one office in Angola, Indiana. State Bank offers a full range of financial services for consumers and small businesses, including wealth management, mortgage banking, and commercial and agricultural lending. RDSI provides item processing services to community banks located in the Midwest.

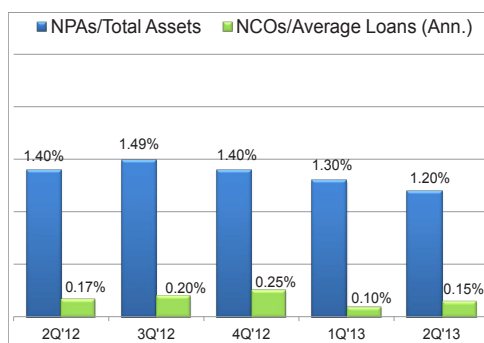
Total Revenue



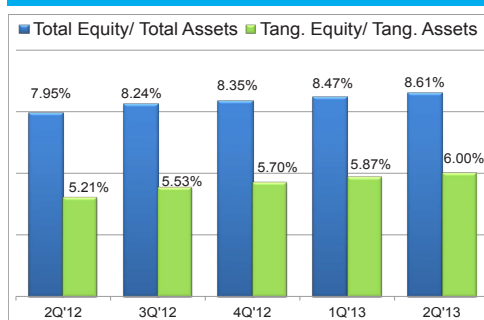
Earnings Per Share



Asset Quality



Equity to Assets



Contact Information:

Mark A. Klein

President and Chief Executive Officer
419.783.8920

Anthony V. Cosentino

EVP and Chief Financial Officer
419.785.3663

SELECTED FINANCIAL DATA

(\$000s except per share data)

Three Months Ended Jun. 30, Fiscal Year Ended Dec. 31,

Financial Condition	2013	2012	2012	2011
Assets	\$631,492	\$632,531	\$638,234	\$628,664
Loans, Net of unearned income	464,035	452,110	463,389	442,554
Deposits	511,378	518,661	527,001	518,765
Equity	54,387	50,274	53,284	47,932
Operating Results				
Net Interest Income*	\$5,448	\$5,356	\$21,091	\$21,252
Prov. For Loan Losses	200	200	1,350	1,994
Non-Interest Income	3,820	3,208	14,845	13,857
Non-Interest Expense	7,080	6,871	27,484	30,253
Net Income	1,319	1,014	4,814	1,664
Per Share Data				
Diluted Earnings per Share	\$0.27	\$0.21	\$0.99	\$0.34
Dividends per Share	\$0.055	\$0.00	\$0.00	\$0.00
Book Value per Share	\$11.18	\$10.34	\$10.96	\$9.86
Tang. Book Value per Share	\$7.57	\$6.59	\$7.28	\$6.08
Selected Ratios				
ROACE	9.70%	8.20%	9.57%	3.54%
ROAA	0.82%	0.63%	0.75%	0.26%
NIM*	3.86%	3.81%	3.76%	3.81%
Tang. Equity/Tang. Assets	6.00%	5.21%	5.70%	4.85%
NPAs/Assets	1.20%	1.40%	1.40%	1.60%
NCO/Avg. Loans (Annualized)	0.15%	0.17%	0.24%	0.50%

*Fully Tax-Equivalent ("FTE")

MARKET MAKERS

The following firms currently make a market in the stock of SB Financial Group traded on the Nasdaq under the symbol SBF6.

Firm	Web Site	Phone
Robert W. Baird & Co., Inc.	www.rwbaird.com	(414) 765-3500
Sweney Cartwright & Co.	www.swencart.com	(614) 228-5391

Forward-Looking Statements

Certain statements within this document, which are not statements of historical fact, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties and actual results may differ materially from those predicted by the forward-looking statements. These risks and uncertainties include, but are not limited to, risks and uncertainties inherent in the national and regional banking, insurance and mortgage industries, competitive factors specific to markets in which SB Financial and its subsidiaries operate, future interest rate levels, legislative and regulatory actions, capital market conditions, general economic conditions, geopolitical events, the loss of key personnel and other factors. Additional factors that could cause results to differ from those described above can be found in SB Financial's Annual Report on Form 10-K and documents subsequently filed by SB Financial with the Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made, and SB Financial undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made except as required by law. All subsequent written and oral forward-looking statements attributable to SB Financial or any person acting on its behalf are qualified by these cautionary statements.