



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

Quarterly Shareholder Letter

THIRD QUARTER 2013

To Our Shareholders,



I was pleased to report quarterly earnings of \$1.34 million for the period ended September 30, 2013. This represents a 3.1 percent increase over the prior year third quarter and increases our YTD earnings to \$4.0 million; a 21 percent improvement over the first nine months of 2012. With this continued improvement in the strength and capital position of our company, we were again pleased to reward our investors with a quarterly cash dividend.

Our key goals this past quarter were to grow our diverse sources of revenue, expand our loan portfolio, improve asset quality and finalize the migration of data processing over to State Bank.

Our diverse sources of revenue continued to be a strength for our company, particularly in this low-rate environment. Our non-interest income remained robust at 41 percent of total revenue, which includes, on an annualized basis, \$2.7 million in revenue from our wealth management division, \$2.5 million in our traditional deposit services and another \$3.2 million in our mortgage banking activities. We value mortgage banking as a core competency and remain committed to expanding on it.

We were also pleased to report loan balance growth of \$11.2 million coming primarily from our Toledo, Defiance and Columbus markets. With margins under pressure, we know we must continue to implement strategies to expand our loan portfolio in order to increase top-line revenue. In fact, we recently implemented a key initiative to expand our retail loan portfolio by re-entering the credit card business. Our highly-competitive, rewards-based program provides us with one more service to offer our client base as we attempt to reverse an industry-wide trend of consumer de-leveraging.

Our asset quality metrics continued to improve with nonperforming assets declining by \$633 thousand from the prior year, standing at 1.4 percent of total assets. Additionally, we continue to be well-provisioned against future loan deterioration with an allowance for loan losses standing at a healthy 1.5 percent of total loans while providing 97 percent coverage of nonperforming loans.

Finally, in order to better position us for expansion of our core banking revenue, we transferred our IT expertise in-house to State Bank from RDSI. This allows our remaining technology division, DCM, to focus on its one and only business line -- Item Processing for our twenty client banks.

We are pleased with our consistent performance trends year-to-date, however, our strategic focus on continued earnings improvement remains a top priority. Critical to this mission is the expansion of our presence in all our markets; this includes leveraging relationships with our existing client base, as well as expanding into new households.

We appreciate your continued support and confidence, and look forward to discussing our full-year results with you early next year.

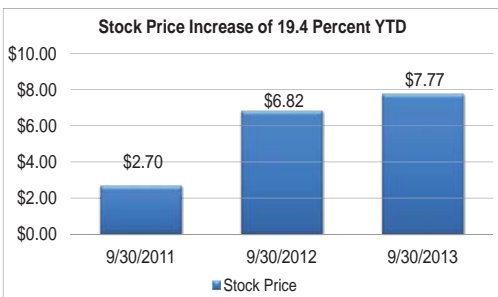
Mark A. Klein
 President and Chief Executive Officer

STOCK PERFORMANCE

NASDAQ: SBFG

| | |
|-----------------------------|-----------|
| Price: | \$8.20 |
| 52-Week High: | \$9.55 |
| 52-Week Low: | \$6.43 |
| Avg. Daily Volume (3 mos.): | 4,503 |
| Shares Outstanding: | 4,866,629 |
| Market Cap: | \$40.0 MM |
| Dividend Yield: | 1.71% |
| Price/Tangible Book: | 104.9% |
| Price / LTM EPS: | 7.30x |
| Institutional Ownership: | 6.47% |
| Insider Ownership: | 19.13% |

As of 10/28/2013 as provided by SNL Financial™ and NASDAQ



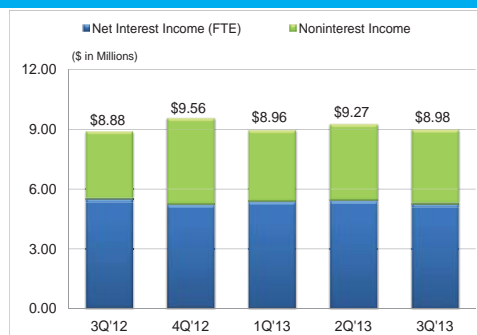
Recent Highlights

- Consolidated earnings up 3.1 percent year over year
- Nonperforming assets declined to 1.4 percent of total assets; down 6.7 percent from 2012
- Revenue expanded despite slowing mortgage origination environment; up 4.5 percent YTD
- Portfolio loans increased \$20.2 million, or 4.4 percent, year over year
- Tangible common equity of 6.2 percent, up 11.6 percent year over year
- Operating expenses down 2.4 percent year over year
- YTD ROA at 83 basis points, ROE at 9.8 percent

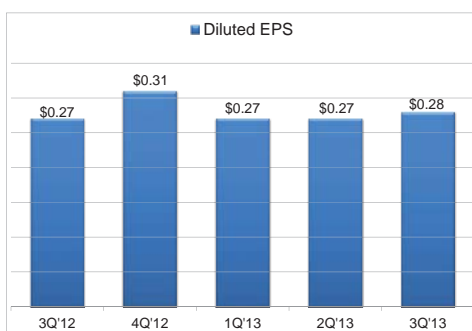
Company Profile

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.

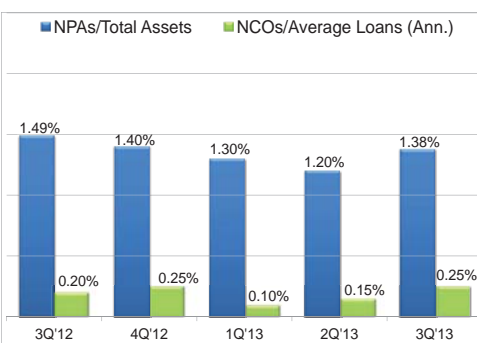
Total Revenue



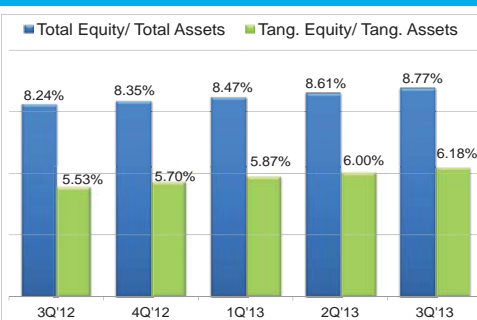
Earnings Per Share



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)

| Financial Condition | Three Months Ended Sep. 30, | | Fiscal Year Ended Dec. 31, | |
|-------------------------------|-----------------------------|-----------|----------------------------|-----------|
| | 2013 | 2012 | 2012 | 2011 |
| Assets | \$633,412 | \$630,205 | \$638,234 | \$628,664 |
| Loans, Net of unearned income | 475,233 | 455,021 | 463,389 | 442,554 |
| Deposits | 521,543 | 515,250 | 527,001 | 518,765 |
| Equity | 55,537 | 51,930 | 53,284 | 47,932 |
| Operating Results | | | | |
| Net Interest Income* | \$5,274 | \$5,525 | \$21,091 | \$21,252 |
| Prov. For Loan Losses | 401 | 300 | 1,350 | 1,994 |
| Non-Interest Income | 3,710 | 3,408 | 14,845 | 13,857 |
| Non-Interest Expense | 6,562 | 6,725 | 27,484 | 30,253 |
| Net Income | 1,344 | 1,304 | 4,814 | 1,664 |
| Per Share Data | | | | |
| Diluted Earnings per Share | \$0.28 | \$0.27 | \$0.99 | \$0.34 |
| Dividends per Share | \$0.03 | \$0.00 | \$0.00 | \$0.00 |
| Book Value per Share | \$11.41 | \$10.68 | \$10.96 | \$9.86 |
| Tang. Book Value per Share | \$7.82 | \$6.97 | \$7.28 | \$6.08 |
| Selected Ratios | | | | |
| ROACE | 9.82% | 10.25% | 9.57% | 3.54% |
| ROAA | 0.84% | 0.82% | 0.75% | 0.26% |
| NIM* | 3.65% | 3.85% | 3.76% | 3.81% |
| Tang. Equity/Tang. Assets | 6.23% | 5.58% | 5.70% | 4.85% |
| NPAs/Assets | 1.38% | 1.49% | 1.40% | 1.60% |
| NCO/Avg. Loans (Annualized) | 0.25% | 0.20% | 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.