



Quarterly Shareholder Letter

SECOND QUARTER 2014

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

To Our Shareholders,



This was a very encouraging quarter for our Company with earnings of \$1.25 million, a 27% improvement over the first quarter, buoyed by improved economic conditions, including a more stable housing environment and lower unemployment, and the growing optimism of our customers. We saw increased loan demand in our traditional markets and in our low-share markets of Columbus and Toledo, leading to over 12% annualized growth.

Our key initiatives to achieve top-quartile performance remain:

- Grow our diverse sources of revenue;
- Strengthen our presence in the markets we serve;
- Expand our product service utilization by new and existing clients;
- Deliver gains in operational excellence; and
- Sustain our asset quality

Our mortgage volume returned to more normalized levels this quarter, almost doubling the first-quarter volume, representing our transition to the purchase market from the refinance market that dominated our production in the past several quarters. At June 30, 2014, our mortgage servicing portfolio was \$627.2 million, an increase of 9.1% from the year-ago quarter.

Our fee income continues to be a competitive strength, particularly in the current interest rate environment, at 38.6% of total revenue for the quarter, reflecting high-performance levels compared to our peers.

We recently leveraged our internal leadership expertise by appointing David Anderson as Executive Vice President, Chief Wealth Management Officer. David is a well-seasoned leader who previously led the Lima region. He is charged with reorganizing the entire wealth management division for growth, strengthening existing relationships in our Northwest Ohio markets and driving the development of additional talent in the Columbus, Fort Wayne and Toledo markets. Another leader taking charge in our Fort Wayne, Indiana, region is Kent Maggard. Kent is charged with growing market share and expanding relationships. With twenty years of experience in the industry, he is well qualified to drive this region's development.

The introduction of our proprietary, rewards-based credit cards accounted for meaningful growth in the households we service. We had 1,428 accounts with nearly \$1 million in balances at quarter-end. Our goal remains to reach 2,000 accounts and \$2 million in balances at year-end. As we strive for operational excellence, we continue to embrace electronic banking technology, allowing our customers more freedom to access their financial information anywhere, anytime. Our clients clearly made the shift, as monthly electronic volume has increased 42% since January 2011. In the same period, monthly in-store transactions declined 26%. Acting on this trend, we closed our only "in-store" branch location at the end of July, resulting in anticipated annual savings of \$150,000.

Asset quality improvement continues to be a key driver. Nonperforming assets at June 30, 2014, were down 18.6% from the year-ago quarter. Our 0.93% level of nonperforming to total assets was the lowest since the first quarter of 2007, and places us squarely in the top quartile of our peers.

We are determined to continue our performance improvement in the coming quarters and move closer to our goal of being a top-performing financial services company. We thank you for your continued trust and confidence.

Mark A. Klein
 President and Chief Executive Officer

STOCK PERFORMANCE

NASDAQ: SBFG

Price:	\$8.60
52-Week High:	\$9.00
52-Week Low:	\$7.45
Avg. Daily Volume (3 mos.):	6,246
Shares Outstanding:	4,875,000
Market Cap:	\$41.9 MM
Dividend Yield:	1.86%
Price/Tangible Book:	100.1%
Price / LTM EPS:	8.80x
Institutional Ownership:	10.72%
Insider Ownership:	20.03%

As of 7/31/2014 as provided by SNL Financial™ and NASDAQ



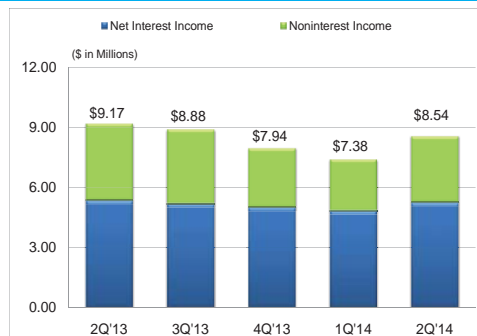
Company Profile

Headquartered in Defiance, Ohio, SB Financial Group, Inc. is a diversified financial services holding company with two wholly-owned operating subsidiaries: State Bank and RDSI Banking Systems (RDSI). State Bank provides a full range of financial services for consumers and small businesses, including wealth management, mortgage banking and commercial and agricultural lending, operating through 17 banking centers in seven northwestern Ohio counties and one center in Fort Wayne, Indiana, as well as three loan production offices located in Columbus, Ohio, and Angola, Indiana. RDSI provides item processing services to community banks located primarily in the Midwest. SB Financial Group, Inc.'s common stock is listed on the NASDAQ Global Market under the symbol SBFG.

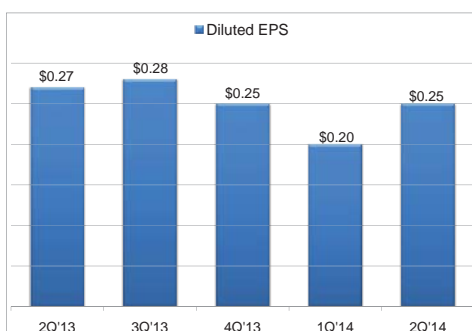
Recent Highlights

- Diluted earnings per share of \$0.25, a 25 percent increase over the linked quarter
- Net income was \$1.25 million, a 27 percent improvement over the linked quarter
- Mortgage volume rebounded to over \$66 million, a 98 percent increase over the linked quarter
- Nonperforming assets now stand at less than 1 percent of total assets
- Portfolio loans increased by over \$42 million, or 9.1 percent year-over-year

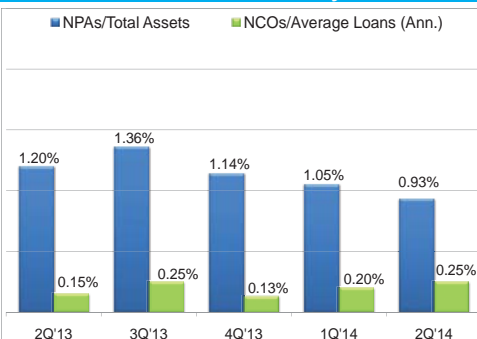
Total Revenue



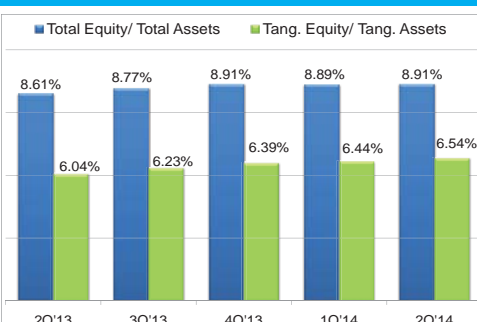
Earnings Per Share



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	2014	2013	2013	2012
Assets	\$662,500	\$631,492	\$631,754	\$638,234
Loans, Net of unearned income	506,127	464,035	477,303	463,389
Deposits	524,067	511,378	518,234	527,001
Equity	59,010	54,387	56,269	53,284
Operating Results				
Net Interest Income*	\$5,347	\$5,448	\$21,210	\$21,091
Prov. For Loan Losses	150	200	900	1,350
Non-Interest Income	3,295	3,820	14,046	14,845
Non-Interest Expense	6,627	7,080	26,511	27,484
Net Income	1,245	1,319	5,205	4,814
Per Share Data				
Diluted Earnings per Share	\$0.25	\$0.27	\$1.07	\$0.99
Dividends per Share	\$0.040	\$0.055	\$0.12	--
Book Value per Share	\$12.10	\$11.17	\$11.55	\$10.96
Tang. Book Value per Share	\$8.67	\$7.63	\$7.98	\$7.28
Selected Ratios				
Return on Assets	0.76%	0.82%	0.81%	0.75%
Return on Equity	8.55%	9.70%	9.52%	9.57%
NIM*	3.60%	3.86%	3.75%	3.76%
Tang. Equity/Tang. Assets	6.54%	6.04%	6.33%	5.70%
NPAs/Assets	0.93%	1.20%	1.14%	1.40%
NCO/Avg. Loans (Annualized)	0.25%	0.15%	0.16%	0.23%

*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.