



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

Quarterly Shareholder Letter

FIRST QUARTER 2014

To Our Shareholders,



The hurdles facing the entire banking industry constrained our performance in the first quarter, yet we did make progress against our strategic plan to expand our loan portfolio, reduce our expenses and to improve our asset quality.

We remain committed to becoming a top-quartile performing financial services company through the ongoing execution of our key strategies:

- 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 diversity in sources of fee income includes revenue from wealth management, deposit fees and mortgage banking income. For the first quarter, assets under management stood at \$335.9 million and fee income as a percent of total revenue was 34.7 percent. Our fee income continues to be a competitive strength, particularly in the current interest-rate environment. While the mortgage origination business was down for all banks, we still added \$33.6 million in originations during the quarter. The strategic decisions made during the past year to reduce our expense levels are helping us make progress towards our goal of operational excellence. To increase our efficiency we will be closing our one and only “in-store” branch location in the third quarter.

Total assets as of March 31, 2014, were \$646.3 million, which is up 1.0 percent from the year-ago quarter, and our growth in total loans of nearly 6.0 percent for the same period was certainly a bright spot. Additionally, we are focused on the sales of other government guaranteed credits, like SBA and USDA. We were just granted preferred lending status from the Small Business Administration, allowing us to increase production of that lending product. Consumer loans included the growth in our branded credit card portfolio, which at quarter end was at \$900,000 in balances with \$5.6 million in available credit lines.

Asset quality continues to be a key driver in staying on track with our strategic goals. We showed improvement in this metric with nonperforming assets declining by \$1.5 million, or 18.4 percent, from the year-ago quarter. Our 1.05 percent level of nonperforming to total assets was the lowest it has been since the fourth quarter of 2008.

We are determined to continue our improvement in the coming quarters towards reaching our goal of being a top-performing financial services company. Thank you for your continued confidence.

Mark A. Klein
 President and Chief Executive Officer

STOCK PERFORMANCE

NASDAQ: SBFG

Price:	\$8.20
52-Week High:	\$9.00
52-Week Low:	\$7.14
Avg. Daily Volume (3 mos.):	5,622
Shares Outstanding:	4,874,000
Market Cap:	\$39.7 MM
Dividend Yield:	1.96%
Price/Tangible Book:	98.9%
Price / LTM EPS:	8.20x
Institutional Ownership:	6.79%
Insider Ownership:	20.01%

As of 5/5/2014 as provided by SNL Financial™ and NASDAQ



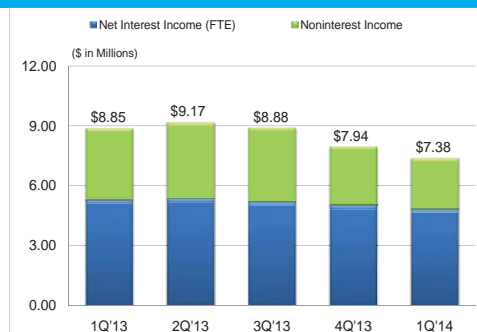
Recent Highlights

- Earnings per share were \$0.20, a decline from the linked quarter and the year-ago quarter
- Nonperforming assets declined \$1.5 million to 1.05 percent of total assets
- Operating expenses were down \$600 thousand year-over-year
- Portfolio loans increased by \$26.5 million, or 5.8 percent year-over-year

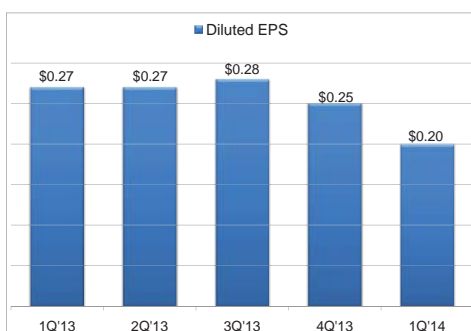
Company Profile

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.

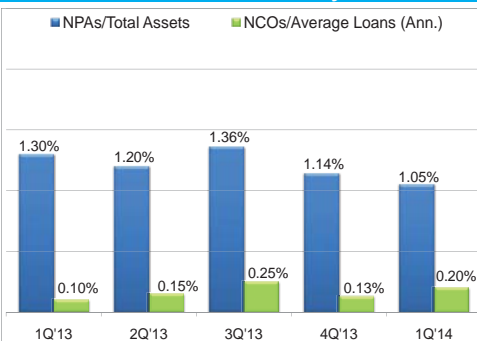
Total Revenue



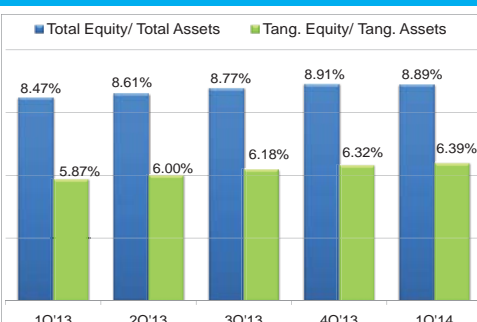
Earnings Per Share



Asset Quality



Equity to Assets



Contact Information:

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SELECTED FINANCIAL DATA

(\$000s except per share data)

Three Months Ended Mar. 31, Fiscal Year Ended Dec. 31,

Financial Condition	2014	2013	2013	2012
Assets	\$646,302	\$641,300	\$631,754	\$638,234
Loans, Net of unearned income	481,924	455,443	477,303	463,389
Deposits	532,719	532,259	518,234	527,001
Equity	57,435	54,295	56,269	53,284
Operating Results				
Net Interest Income*	\$4,923	\$5,392	\$21,210	\$21,091
Prov. For Loan Losses	--	299	900	1,350
Non-Interest Income	2,559	3,567	14,046	14,845
Non-Interest Expense	6,079	6,670	26,511	27,484
Net Income	980	1,318	5,205	4,814
Per Share Data				
Diluted Earnings per Share	\$0.20	\$0.27	\$1.07	\$0.99
Dividends per Share	\$0.035	--	\$0.12	--
Book Value per Share	\$11.78	\$11.16	\$11.55	\$10.96
Tang. Book Value per Share	\$8.24	\$7.52	\$7.98	\$7.28
Selected Ratios				
Return on Assets	0.61%	0.83%	0.81%	0.75%
Return on Equity	6.88%	9.82%	9.52%	9.57%
NIM*	3.46%	3.86%	3.75%	3.76%
Tang. Equity/Tang. Assets	6.39%	5.87%	6.33%	5.70%
NPAs/Assets	1.05%	1.30%	1.14%	1.40%
NCO/Avg. Loans (Annualized)	0.20%	0.10%	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.