



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

Quarterly Shareholder Letter

THIRD QUARTER 2014

To Our Shareholders,



We were quite pleased with the results for our Company this past quarter. We reported GAAP earnings of \$1.51 million, or \$0.31 per diluted share, which was a 22 percent increase over the linked quarter and a 13 percent increase over the year-ago quarter. Included in the results this quarter is a \$425,000 pretax prepayment penalty on the early redemption of one of our trust preferred securities. When we adjust our quarterly earnings for this prepayment, our net income increases to \$1.79 million, or \$0.37 per diluted share.

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 stayed even with the linked quarter at \$88 million. At September 30, 2014, our mortgage servicing portfolio was \$649.7 million, an increase of 8.8 percent from the year-ago quarter.

Our fee income continues to be a competitive strength, particularly in the current interest rate environment, at 41.6 percent of total revenue for the quarter, reflecting high-performance levels compared to our peers.

Asset quality improvement continues to be a key driver. Nonperforming assets at September 30, 2014, were down 38.8 percent from the year-ago quarter. Our 0.81 percent 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.

This past quarter we completed the filing of a Registration Statement on Form S-1 with the Securities and Exchange Commission ("SEC"), which was subsequently declared effective by the SEC on November 10, 2014. The Registration Statement describes SB Financial Group's intent to raise up to \$15,000,000 pursuant to a proposed public offering of up to 1,500,000 depository shares, each representing 1/100th ownership interest in a 6.50% Noncumulative Convertible Perpetual Preferred Share, Series A, of the Company. We intend to use approximately \$7,000,000 of the net proceeds from the proposed offering to pay off debt incurred in connection with our redemption of Trust Preferred Securities completed on September 7, 2014. Additionally, we expect to use the remainder of the net proceeds from the sale of the depository shares for general corporate purposes.

We have grown our balance sheet, scaled our business lines into new and existing households and improved our asset quality to escalate our performance; all on the heels of a marginally improving economy. Collectively, these qualities should provide the inertia needed to deliver a strong finish to 2014. We thank you for your continued investment and confidence.

Mark A. Klein

President and Chief Executive Officer

STOCK PERFORMANCE

NASDAQ: SBFG

Price:	\$8.92
52-Week High:	\$9.25
52-Week Low:	\$7.51
Avg. Daily Volume (3 mos.):	3,603
Shares Outstanding:	4,875,131
Market Cap:	\$43.4 MM
Dividend Yield:	1.79%
Price/Tangible Book:	100.1%
Price / LTM EPS:	8.80x
Institutional Ownership:	12.01%
Insider Ownership:	20.21%

As of 10/23/2014 as provided by SNL FinancialSM and NASDAQ



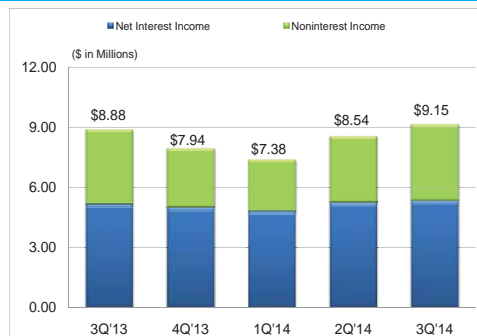
Recent Highlights

- Net income of \$1.5 million in third quarter represents a 22 percent increase over the linked quarter and a 13 percent increase over the year-ago quarter
- Quarterly results included a \$0.43 million prepayment penalty for the early redemption of fixed rate trust preferred securities which impacted net income by \$0.06 per diluted share
- Loan growth is up \$30.7 million, or 6.5 percent, from the prior year
- The ratio of nonperforming assets to total assets continue to decline to 0.81 percent
- Operating expenses, excluding prepayment penalty, were flat compared to year-ago and linked quarters.

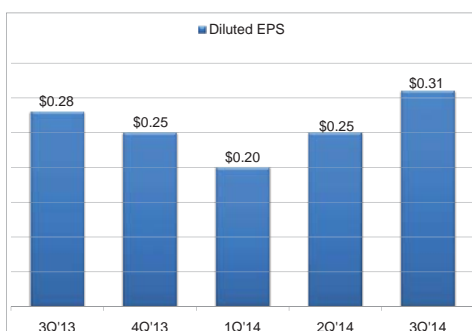
Company Profile

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 16 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 Capital Market under the symbol SBFG.

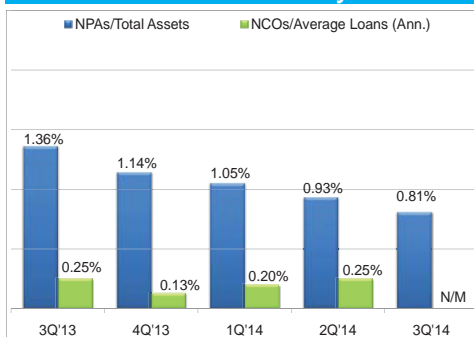
Total Revenue



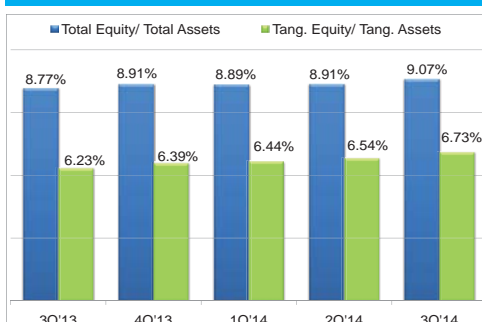
Earnings Per Share



Asset Quality



Equity to Assets



Contact Information:

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EVP and Chief Financial Officer
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SELECTED FINANCIAL DATA

(\$000s except per share data)

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

Financial Condition	2014	2013	2013	2012
Assets	\$664,556	\$633,412	\$631,754	\$638,234
Loans, Net of unearned income	505,924	475,233	477,303	463,389
Deposits	535,261	521,543	518,234	527,001
Equity	60,266	55,537	56,269	53,284
Operating Results				
Net Interest Income*	\$5,446	\$5,274	\$21,210	\$21,091
Prov. For Loan Losses	150	401	900	1,350
Non-Interest Income	3,809	3,710	14,046	14,845
Non-Interest Expense	6,888	6,562	26,511	27,484
Net Income	1,513	1,344	5,205	4,814
Per Share Data				
Diluted Earnings per Share	\$0.31	\$0.28	\$1.07	\$0.99
Dividends per Share	\$0.040	\$0.030	\$0.12	--
Book Value per Share	\$12.36	\$11.41	\$11.55	\$10.96
Tang. Book Value per Share	\$8.94	\$7.89	\$7.98	\$7.28
Selected Ratios				
Return on Assets	0.90%	0.84%	0.81%	0.75%
Return on Equity	10.14%	9.82%	9.52%	9.57%
NIM*	3.64%	3.72%	3.75%	3.76%
Tang. Equity/Tang. Assets	6.73%	6.23%	6.33%	5.70%
NPAs/Assets	0.81%	1.36%	1.14%	1.40%
NCO/Avg. Loans (Annualized)	NM	0.25%	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 Capital Market under the symbol SBFG.

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.