

sb financialgroup

2020

ANNUAL REPORT

Embracing Disruption

2020 Financial Highlights

24.9% increase
Operating Revenue
2020: $66M
2019: $52.8M

3.36% increase
Net Interest Income
2020: $35.9M
2019: $34.8M

24.8% increase
Net Income
2020: $14.9M
2019: $12.0M

21.1% increase
Total Assets
2020: $1.26B
2019: $1.04B

12.0% decrease
Net Interest Margin (FTE)
2020: 3.35%
2019: 3.82%

5.7% increase
Total Loans
2020: $872.7M
2019: $825.5M

11.1% increase
Dividends Paid
2020: $0.40
2019: $0.36

11.2% increase
Return on Average Assets
2020: 1.29%
2019: 1.16%

19.5% increase
Return on Average Equity
2020: 10.74%
2019: 8.99%

Headquartered in Defiance, Ohio, SB Financial is a diversified financial services holding company for the State Bank & Trust Company (State Bank) and SBFG Title, LLC dba Peak Title (Peak Title). State Bank provides a full range of financial services for consumers and small businesses, including wealth management, private client services, mortgage banking and commercial and agricultural lending, operating through a total of 22 banking centers.

Embracing Disruption

Our corporate theme for 2021 is “Embracing Disruption.” We chose this theme as an ongoing reflection of our staff’s resilient commitment to elite levels of flexibility, focus and service. This resolve captures high performance and creates a seamless value chain, no matter the circumstance. We aim to continually prioritize the health, safety and overall well-being of our team members, families and the communities we loyally serve. Our goal for prosperity remains focused beyond 2021, as we are dedicated to fulfilling our role as your lifetime provider.



To Our Shareholders

We entered 2020 with great optimism on the heels of record-level economic metrics extending from 2019 and all-time high valuations in the equities markets, only to witness the abrupt derailment of each with the advent of the COVID-19 pandemic. The rapidly changing environment surrounding the pandemic drove our teams to *embrace this disruption* with new levels of flexibility and focus, as we sought to serve our customers' needs while doing our best to guard the health and safety of our team members, families and the communities we live and serve.

Our resolve throughout this period allowed us to identify new and innovative initiatives that embraced our "All Aboard" theme for 2020 and delivered another record year of performance. We continued to keep a clear line-of-sight on our vision of high performance and delivered record net income of $14.9 million – the highest core earnings in our history. Our success reflected net income per share of $1.96, representing an increase of $0.45 per share over the prior year or 30%. After dividends of $0.40/share, tangible book value increased $1.06 per share, rising to over $16.00, or an improvement over 2019 of 7%. These results were delivered in the face of numerous disruptions affecting virtually every aspect of our lives. These disruptions created challenges, and these challenges revealed opportunities. These opportunities, in turn, accelerated the need to embrace innovation and agility and modify our 2020 business plan to seize the opportunities and deliver our goals while maintaining our commitment to each of our stakeholders.

Our ongoing responsibilities to each of our stakeholders required a strong adherence to our five long-standing, key performance initiatives:

DIVERSIFY
Revenue Streams

STRENGTHEN
Penetration in all Markets Served

EXPAND
Product and Service Utilization

ACHIEVE
Operational Excellence

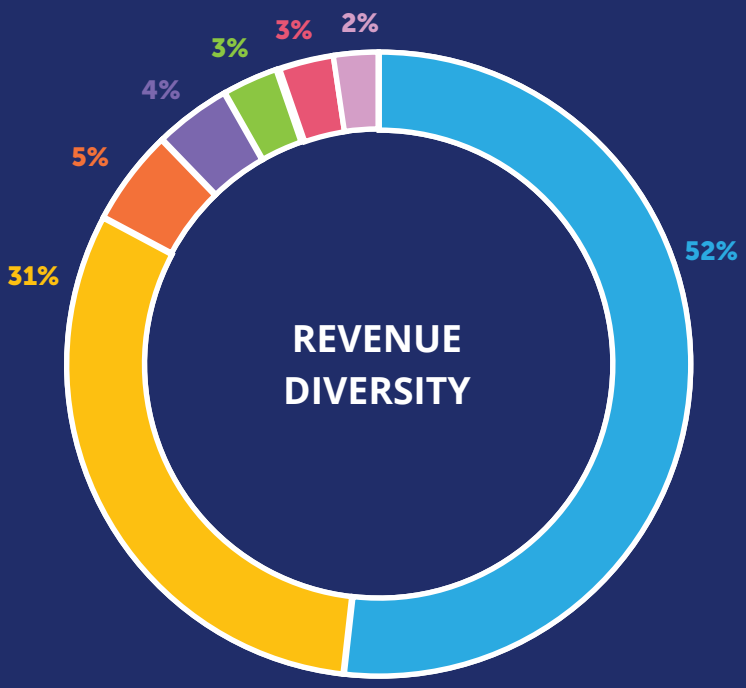
MAINTAIN
Asset Quality

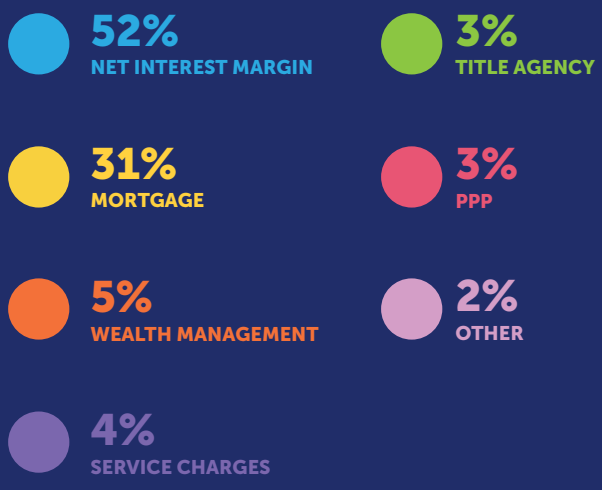
Driving Earnings Growth with Revenue Diversity

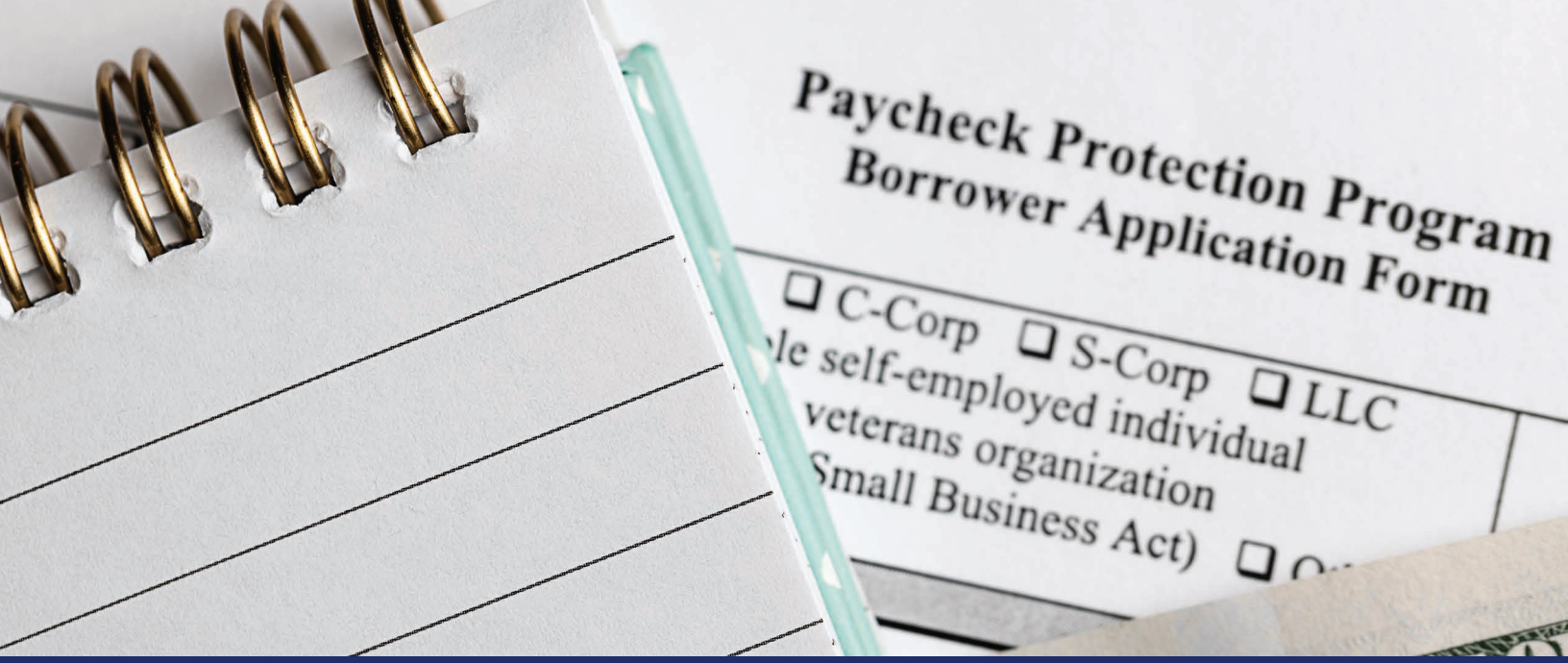
The optimism that we share surrounding the growth of our balance sheet organically was stunned two months into 2020. Traditionally, we've grown our balance sheet by approximately $75 million per year over the last five years. However, with the ensuing economic contraction, we took the opportunity to enhance our growth through a bank merger as well as participating as a key lending partner in the government CARES Act program. The former led us to acquire Edon State Bank and its $54 million in deposits, and the latter embraced the government stimulus plan that allowed us to extend government-backed loans to over 670 businesses, totaling $84 million in commercial loan balances. Together, these two initiatives enabled us to expand our loans by over $47 million and our deposit base by over $209 million. By seizing these opportunities, we delivered greater operating revenue, marked by the expansion of net interest margin to $36 million for an increase of $1.1 million, or 3%, and non-interest income to $30 million for an increase of $12 million, or 67%, all within the context of serving the needs of our individual and business customers.

As we have outlined for a number of years, we continue to expand our traditional margin-based businesses along with our fee-based businesses to enhance the diversity of our operating revenue mix and propel improvement in our core earnings. It is precisely this unique balance in our revenue stream that enables us to perform at a high level in nearly all economic scenarios. Even amidst this non-traditional year, with a number of headwinds exacerbated by the pandemic, we were able to identify and embrace alternative balance sheet growth strategies that allowed us to meet and exceed expectations.

A key component of our fee-based businesses remains our wealth management business line – one that we have built over the last 50+ years. Growth expectations for our assets under management (AUM) in this division were quite high coming into 2020, given the presence of the strong, decade-long economic expansion. These expectations were met head-on with market turmoil induced by the pandemic, even as government stimulus programs ultimately lessened the burden for households and businesses alike. With over $2 trillion identified to aid our country, an ailing economy, and sharp increases in market uncertainty, we set out to reassess each of our clients' risk profiles in the spirit of preserving and growing their wealth. As a result, we were able to grow our AUM by $51 million, or 10%.







SBA LENDING

Another key element of our fee-based revenue strategy is our SBA lending business line. In 2014, we developed a strategy through this program to enhance our competitive positioning, allowing us to be more accommodative and heighten our ability to assist with the capital needs of growing businesses. Looking back, it was the right product at the right time and allowed us to lend over $77 million to 243 clients over six years. As with each of our business lines this year, disruptions surfaced from the pandemic, and SBA lending was no exception. Traditional SBA lending gave way to the government's Paycheck Protection Program (PPP), which enabled us to assist 670 clients with $84 million in low-rate, forgivable funding. Through these efforts, we positioned ourselves as a critical resource to small businesses amid the sharp economic contraction, including both existing and new customers. In fact, 220 of our loans for over $16 million were to new clients that needed our help. No doubt, the pandemic that prompted the stimulus remains a dark cloud for businesses, but another round of relief emerged in early 2021. We intend to participate again in this second stimulus program, but we are also intent on rekindling our traditional SBA 7(a) program. Our continued work as a "Preferred Lender" with SBA gives us a competitive advantage to address client needs, creatively.

SBA LENDING BUSINESS LINE:

$77M loaned

243 clients

6 years

PAYCHECK PROTECTION PROGRAM (PPP) ENABLED US TO ASSIST:

670 clients

$84M in low-rate, forgivable funding

220 loans over $16M were given to new clients

REAL ESTATE LENDING

Real Estate lending also shone a bright light on our company this past year and set records in volume, loan sale gains, and servicing revenue. This year, we originated nearly $700 million in approximately 3,200 loans on our way to loan sale gains of over $25 million, an increase of over 201% compared to 2019. All said, this entire business line delivered $0.97 of our $1.96 EPS, representing 49% of the Company's earnings. Servicing revenue on our sold-portfolio eclipsed the $3.2 million mark and provided meaningful contribution to our fee-based business revenue.

Diversity and balance of residential real estate production were also evident, as each region expanded production over 2019. The Columbus region delivered nearly $400 million in volume in 2020 on their way to being recognized once again as a strong regional player in the residential lending arena. In fact, they claimed third place in total production among all lenders[1] in their market. Our residential real estate lenders in Northwest Ohio and Northeast Indiana delivered over $250 million, or 36% of our total loan production, while our Indianapolis team rounded out our production with an all-time high of $43 million. Collectively, this production enabled us to increase the number of loans serviced to over 8,500 and our servicing portfolio to $1.3 billion, representing an increase of 388 households or 4.8%. With total volume of nearly $700 million in 2020, our vision of producing $1 billion in volume annually is well within reach! To help us achieve this goal, we intend to further build-out our Central Indiana market as well as expand into the Northeast Indiana corridor.

8,500 loans serviced

$1.3B servicing portfolio

388 household increase

[1] Based on Columbus Business First's list of Central Ohio's largest home mortgage lenders, ranked by volume.



Complementing our traditional fee-based business lines is our recent acquisition from 2019, Peak Title. With our strong presence in the residential real estate lending space, Peak Title continued to be a clear complement to our bank's vibrant, core residential real estate business line. This year, Peak facilitated over 1,600 transactions on their way to delivering $2.0 million in revenue – nearly $0.9 million from State Bank and $1.1 million from 29 other clients. As a result, their net income rose to over $550,000, contributing $0.07 in EPS to our shareholders. We intend to engage this division to innovate the digital closing process to improve client intimacy, Peak Title's efficiency, and State Bank's performance.

We realize the importance of revenue diversity and its correlation to consistent financial performance. While fee-based revenue has represented over 39% of total revenue over the last decade, it is particularly noteworthy since we have also grown the balance sheet by nearly 100% over the same timeframe to $1.26 billion and our margin revenue by $16 million to nearly $36 million. The balance of our revenue stream remains one of our strengths.



Advancing Efficiency and Scale with Organic Balance Sheet Growth

Make no mistake, 2020 was a challenging year for growth, especially with our high level of commitment to doing so with sound loan underwriting practices. In order to deliver this growth, we embraced an alternative opportunity to acquire another bank in 2020, which we achieved in June with an all-cash transaction for the assets of Edon State Bank. Adding this 128-year-old franchise to our operation increased our scale with $54 million in lower-cost deposits and $16 million in quality loans. This acquisition, coupled with $84 million in government guaranteed Paycheck Protection Program loans, provided the inertia to grow our deposit base $209 million, or 25%. In the aggregate, these initiatives allowed us to fund lower-yielding loans with cost-effective deposits to drive total revenue higher.

Through our identification of growth opportunities to achieve scale, we delivered total revenue of $66 million and achieved record earnings per share. This increase of over $13 million, or 25%, over 2019 provided the path to a record ROAA of 1.29% and a rank among our peer banks[2] in the 83rd percentile. With approximately 23% of every dollar of revenue directed to net income, our positive operating leverage improved to over 1.6 times and resulted in a record year for operational efficiency.

Our unique combination of fee-based business lines, coupled with expansion of traditional margin revenue from achieving greater scale, provided an avenue to higher-performance and improved market valuation. As a result, the liquidity of our stock improved from 8,500 shares traded daily to 16,000. This achievement helped stabilize our share price, leading to a $135 million market capitalization and the basis for our inclusion in the Russell 2000 Index in June.

This year we defied the market disruption from the pandemic to deliver greater value to our clients. This value stemmed from the pursuit of, and commitment to, our Value Proposition.

"Your lifetime provider of convenient and innovative financial services, delivered by a passionate and caring staff."

We believe that our team members' commitment to deliver on this value proposition better prepared each of us to expand our market presence, deepen the household relationship, and build client loyalty – all of which will be required in our quest to deliver the elite-performing organization we aspire to be in 2021 and beyond.

[2] Peer group consists of SNL 3Q 2020 data for 65 publicly traded bank holding companies in the U.S. on a major exchange with assets between $500 million and $1.315 billion.

Expanding New and Existing Client Relationships

This past year we continued to attract not only new clients and new households but also deepened our relationship with existing ones as well. Accelerating this growth strategy was the acquisition of the Edon State Bank; one that provided 1,314 households, over 3,000 new accounts and 4,200 total services; we intend to leverage our diverse base of products and services to deepen our relationships with these households.

By embracing a cultural tune to work interdependently with and between each business line, we again generated significant new business from referrals as we addressed client needs. This year we identified over 1,600 of them and resolved over 800, or 50%, to deliver an additional $100 million in new business for our Company. When we engage in conversation with each client more deeply, we discover new ways to expand our "client-centric" brand.

EDON STATE BANK ACQUISITION PROVIDED:

1,314 households

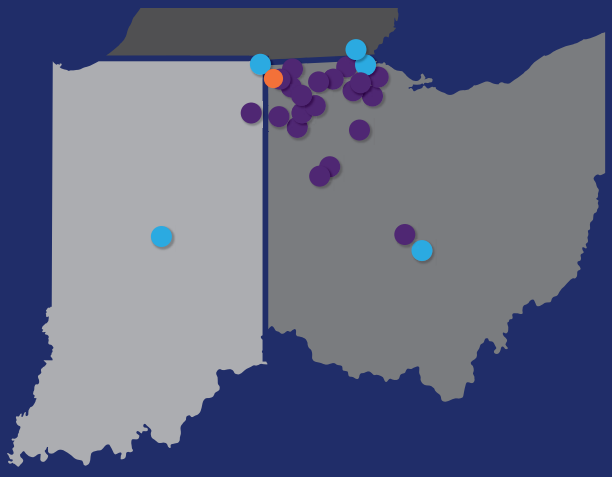
3,000 new accounts

4,200 total services

Our community office locations remain a strong complement to the more customized client connections we have provided through *embracing* newer digital technology. By re-positioning our presence in the Wauseon market with a new office and a new downtown location in the Findlay market, we are creating opportunities for future growth.

Working smarter through the deployment of digital platforms, we delivered a stronger corporate brand that accentuates client loyalty. As such, this year, we launched two strategies to further capitalize on this initiative —nCino to drive process efficiency and Salesforce for a more holistic view of our client relationships.

SB FINANCIAL FOOTPRINT



22 SBFG Full Service Banking Offices

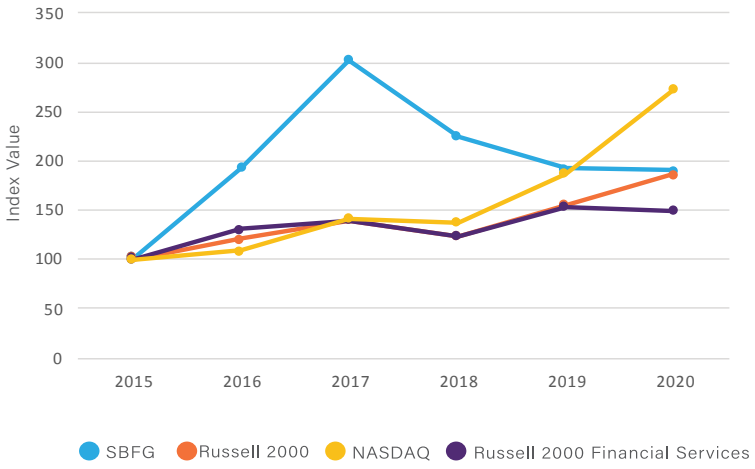
5 SBFG Loan Production Offices

Edon Full Service Banking Office

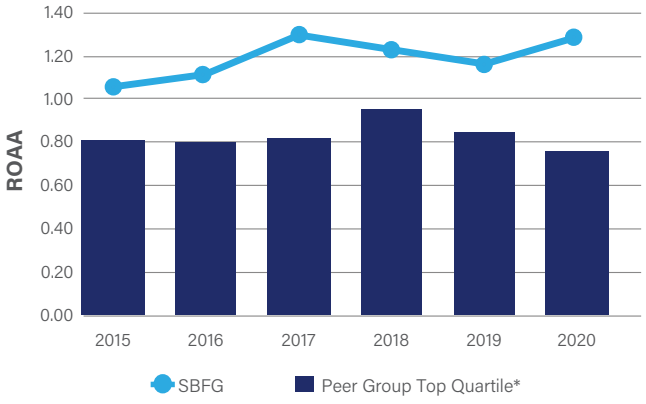
Achieving Operational Excellence

Our goal to achieve operational excellence is embedded in our ability to expand our presence in each of our markets. In addition to building our mortgage servicing portfolio to over $1.3 billion this year, we also expanded our commercial portfolio to $630 million and our consumer portfolio to $243 million. As a result, we grew our total number of households to 32,519, an increase of 7.1%. With a firm commitment to leveraging our client-centric brand through deepening relationships, we are optimistic that we can achieve our aspiration of "five in five;" this includes a $2 Billion bank balance sheet, a $2 Billion mortgage servicing portfolio, and $1 Billion in wealth assets under management (AUM).

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN



RETURN ON AVERAGE ASSETS (ROAA)



[1] Based on Columbus Business First's list of Central Ohio's largest home mortgage lenders, ranked by volume.
[2] Peer group consists of SNL 3Q 2020 data for 65 publicly traded bank holding companies in the U.S. on a major exchange with assets between $500 million and $1.315 billion.

Maintaining our Asset Quality

Asset quality remains the hallmark of all high-performing financial institutions and the foundation of all "elite" aspiring ones. We continue to embrace an attitude that appropriately balances loan yields with risk. This approach has enabled us to improve our loan loss reserve this year to 1.44%, up by 38 bps from our 2019 reserve of 1.06%. Additionally, our loan loss reserve now stands at 174% of nonperforming loans. Even in the midst of significant economic uncertainties, we remain optimistic that our prior attention to prudent loan underwriting will keep the quality of our portfolio strong.

Prospects for 2021

In January 2020, we were coming off the heels of a 10-year bull market and great optimism that the economic expansion would continue well into the next decade. Clearly, as an organization, we were well poised this year to deliver on our corporate theme, "All Aboard". This theme served as a metaphor for our corporate performance expectations, as our success quite literally took the full effort and engagement of 100% of our staff to deliver this high performance. As unfortunate as the disruption presented by the arrival of the pandemic might have been, it was also one that failed to dampen the spirit of our staff to deliver on our commitments. As a result, we all embraced the ambiguity of the past year and became more "agile" to deliver strong results – resulting in 2020 record balance sheet growth, record mortgage production, and record net income. We turned the challenging environment into more opportunities that were responsible for our success.

The disruption we faced this past year also required us to think more critically about how we intend to remain relevant in 2021 in the eyes of each of our clients. In part, the result is to continue to embrace more client intimacy and operational efficiency through information technology and new digital platforms. When delivered by a passionate and caring staff, we reinforce our intent to live our value proposition to literally retain every one of our clients for a lifetime.

Our 2020 results were strong and provide optimism for growth and prosperity in 2021. With continued disciplined thought and actions by our entire staff in this new, post-pandemic world, we will become the elite-performing organization to which we aspire.

On behalf of our board, management, and staff, thank you for your continued trust and confidence as we build one of America's great companies, together.

Sincerely,



Mark A. Klein

Chairman, President & CEO




sb
financialgroup

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-36785

SB FINANCIAL GROUP, INC.
(Exact name of Registrant as specified in its charter)

Ohio	**34-1395608**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
401 Clinton Street, Defiance, Ohio	**43512**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(419) 783-8950**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which
Common Shares, No Par Value	SBFG	The NASDAQ Stock Market, LLC (NASDAQ Capital Market)

Securities registered pursuant to Section 12(g) of the Act:

Not Applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. Non-Accelerated Filer [X] Smaller Reporting Company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The aggregate market value of the common shares of the registrant held by non-affiliates computed by reference to the price at which the common shares were last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $127.5 million.

The number of common shares of the registrant outstanding at February 26, 2021 was 7,389,626.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its Annual Meeting of Shareholders to be held on April 26, 2021 are incorporated by reference into Part III of this Annual Report on Form 10-K.

SB FINANCIAL GROUP, INC.

2020 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. Business.

Certain statements contained in this Annual Report on Form 10-K which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See "Cautionary Statement Regarding Forward-Looking Information" under Item 1A. Risk Factors on page 22 of this Annual Report on Form 10-K.

General

SB Financial Group, Inc., an Ohio corporation (the "Company"), is a financial holding company subject to regulation under the Bank Holding Company Act of 1956, as amended, and to inspection, examination and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). The Company was organized in 1983. The executive offices of the Company are located at 401 Clinton Street, Defiance, Ohio 43512.

Through its direct and indirect subsidiaries, the Company is engaged in a variety of financial activities, including commercial banking, and wealth management services, as explained in more detail below.

State Bank and Trust Company

The State Bank and Trust Company ("State Bank") is an Ohio state-chartered bank and wholly owned subsidiary of the Company. State Bank offers a full range of commercial banking services, including checking accounts, savings accounts, money market accounts and time certificates of deposit; automatic teller machines; commercial, consumer, agricultural and residential mortgage loans; personal and corporate trust services; commercial leasing; bank credit card services; safe deposit box rentals; internet banking; private client group services; and other personalized banking services. The trust and financial services division of State Bank offers various trust and financial services, including asset management services for individuals and corporate employee benefit plans, as well as brokerage services through Cetera Investment Services, an unaffiliated company. State Bank presently operates 21 banking centers, located within the Ohio counties of Allen, Defiance, Franklin, Fulton, Hancock, Lucas, Paulding, Wood and Williams, and one banking center located in Allen County, Indiana. State Bank also presently operates five loan production offices, located in Franklin, Lucas and Seneca Counties, Ohio, Hamilton County, Indiana and Monroe County, Michigan. At December 31, 2020, State Bank had 238 full-time equivalent employees.

SBFG Title, LLC

SBFG Title, LLC dba Peak Title Agency ("SBFG Title") was formed as an Ohio limited liability company in March 2019 and purchased all of the assets and real estate of an Ohio-based title agency effective March 15, 2019. At December 31, 2020, SBFG Title, LLC had six full-time equivalent employees.

RFCBC

RFCBC, Inc. ("RFCBC") is an Ohio corporation and wholly owned subsidiary of the Company that was incorporated in August 2004. RFCBC operates as a loan subsidiary in servicing and working out problem loans and is presently inactive. At December 31, 2020, RFCBC had no employees.

Rurbanc Data Services

Rurbanc Data Services, Inc. dba RDSI Banking Systems ("RDSI") was formed in 1964 and became an Ohio corporation in June 1976. In September 2006, RDSI acquired Diverse Computer Marketers, Inc. ("DCM"), which was merged into RDSI effective December 31, 2007. Effective January 1, 2018, the Company completed the sale of the customer contracts and certain other assets of RDSI's remaining check and statement processing business operated through the DCM division. As a result of the sale, RDSI is presently inactive and had no material operations or employees at December 31, 2020.

Rurban Mortgage Company

Rurban Mortgage Company ("RMC") is an Ohio corporation and wholly owned subsidiary of State Bank. RMC is a mortgage company and is presently inactive. At December 31, 2020, RMC had no employees.

SBT Insurance

SBT Insurance, LLC ("SBI") is an Ohio corporation and wholly owned subsidiary of State Bank. SBI is an insurance company that engages in the sale of insurance products to retail and commercial customers of State Bank. At December 31, 2020, SBI had no employees.

SB Captive

SB Captive, Inc. ("SB Captive") is a Nevada corporation and wholly owned subsidiary of SB Financial Group, Inc. SB Captive is a self-insurance company that provides coverage to State Bank and SB Financial Group. The purpose of the Captive is to mitigate insurance risk by participating in a pool with other banks. At December 31, 2020, SB Captive, Inc. had no employees.

Rurban Statutory Trust II

Rurban Statutory Trust II ("RST II") is a trust that was organized in August 2005. In September 2005, RST II closed a pooled private offering of 10,000 Capital Securities with a liquidation amount of $1,000 per security. The proceeds of the offering were loaned to the Company in exchange for junior subordinated debentures with terms similar to the Capital Securities. The sole assets of RST II are the junior subordinated debentures and the back-up obligations, which in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of RST II under the Capital Securities.

Competition

The Company experiences significant competition in attracting depositors and borrowers. Competition in lending activities comes principally from other commercial banks in the lending areas of State Bank, and to a lesser extent, from savings associations, insurance companies, governmental agencies, credit unions, securities brokerage firms and pension funds. The primary factors in competing for loans are interest rates and overall banking services.

State Bank's competition for deposits comes from other commercial banks, savings associations, money market funds and credit unions as well as from insurance companies and securities brokerage firms. The primary factors in competing for deposits are interest rates paid on deposits and convenience of office location. State Bank operates in the highly competitive wealth management services field and its competition consists primarily of other bank wealth management departments.

Supervision and Regulation

The following is a description of the significant statutes and regulations applicable to the Company and its subsidiaries. The description is qualified in its entirety by reference to the full text of the statutes, regulations and policies that are described. Also, such statutes, regulations and policies are continually under review by the U.S. Congress and state legislatures and federal and state regulatory agencies. A change in statutes, regulations or regulatory policies applicable to the Company or its subsidiaries could have a material effect on our business.

Regulation of Bank Holding Companies and Their Subsidiaries in General

The Company is a financial holding company and, as such, is subject to regulation under the Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"). The Bank Holding Company Act requires the prior approval of the Federal Reserve Board ("FRB") before a financial or bank holding company may acquire direct or indirect ownership or control of more than 5 percent of the voting shares of any bank (unless the bank is already majority owned by the bank holding company), acquire all or substantially all of the assets of another bank or another financial or bank holding company, or merge or consolidate with any other bank holding company. Subject to certain exceptions, the Bank Holding Company Act also prohibits a financial or bank holding company from acquiring 5 percent or more of the voting shares of any company

that is not a bank and from engaging in any business other than banking or managing or controlling banks. The primary exception to this prohibition allows a bank holding company to own shares in any company the activities of which the FRB had determined, as of November 19, 1999, to be so closely related to banking as to be a proper incident thereto.

As a result of the Gramm-Leach-Bliley Act of 1999, also known as the Financial Services Modernization Act of 1999, which amended the Bank Holding Company Act, bank holding companies that are financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (1) financial in nature or incidental to such financial activity (as determined by the FRB in consultation with the Secretary of the Treasury), or (2) complementary to a financial activity, and that does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and making merchant banking investments. On January 2, 2019, the Company elected, and received approval from the FRB, to become a financial holding company.

The Company is subject to the reporting requirements of, and examination and regulation by, the FRB. The FRB has extensive enforcement authority over bank holding companies, including, without limitation, the ability to assess civil money penalties, issue cease and desist or removal orders, and require that a bank holding company divest subsidiaries, including its subsidiary banks. In general, the FRB may initiate enforcement actions for violations of laws and regulations and for unsafe or unsound practices. A bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with extensions of credit and/or the provision of other property or services to a customer by the bank holding company or its subsidiaries.

Various requirements and restrictions under the laws of the United States and the State of Ohio affect the operations of State Bank, including requirements to maintain reserves against deposits, restrictions on the nature and amount of loans that may be made and the interest that may be charged thereon, restrictions relating to investments and other activities, limitations on credit exposure to correspondent banks, limitations on activities based on capital and surplus, limitations on payment of dividends, and limitations on branching.

Various consumer laws and regulations also affect the operations of State Bank. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) established the Consumer Financial Protection Bureau (the “CFPB”), which regulates consumer financial products and services and certain financial services providers. The CFPB is authorized to prevent unfair, deceptive or abusive acts or practices and ensures consistent enforcement of laws so that consumers have access to fair, transparent and competitive markets for consumer financial products and services. Since it was established, the CFPB has exercised extensively its rulemaking and interpretative authority.

The Federal Home Loan Bank (“FHLB”) provide credit to their members in the form of advances. As a member of the FHLB of Cincinnati, State Bank must maintain certain minimum investments in the capital stock of the FHLB of Cincinnati. State Bank was in compliance with these requirements at December 31, 2020.

Economic Growth, Regulatory Relief and Consumer Protection Act

On May 25, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Regulatory Relief Act") was enacted, which repealed or modified certain provisions of the Dodd-Frank Act and eased restrictions on all but the largest banks (those with consolidated assets in excess of $250 billion). Bank holding companies with consolidated assets of less than $100 billion, including the Company, are no longer subject to enhanced prudential standards. The Regulatory Relief Act also relieves bank holding companies and banks with consolidated assets of less than $100 billion, including the Company, from certain record-keeping, reporting and disclosure requirements. Certain other regulatory requirements applied only to banks with consolidated assets in excess of $50 billion and so did not apply to the Company even before the enactment of the Regulatory Relief Act.

Restrictions on Dividends

There can be no assurance as to the amount of dividends which may be declared in future periods with respect to the common shares of the Company, since such dividends are subject to the discretion of the Company's Board of Directors, cash needs, and general business conditions, dividends from the Company's subsidiaries and applicable governmental regulations and policies.

The ability of the Company to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends that may be declared by State Bank and the Company's other subsidiaries. State Bank may not pay dividends to the Company if, after paying such dividends, it would fail to meet the required minimum levels under the risk-based capital guidelines and the minimum leverage ratio requirements. In addition, State Bank must obtain the approval of the FRB and the Ohio Division of Financial Institutions ("ODFI") if a dividend in any year would cause the total dividends for that year to exceed the sum of the current year's net profits and the retained net profits for the preceding two years, less required transfers to surplus. At December 31, 2020, State Bank had $26.9 million of excess earnings over the preceding three years.

Payment of dividends by State Bank may be restricted at any time at the discretion of the regulatory authorities, if they deem such dividends to constitute an unsafe and/or unsound banking practice. Moreover, the FRB expects the Company to serve as a source of strength to its subsidiary banks, which may require it to retain capital for further investment in the subsidiary, rather than for dividends to shareholders of the Company.

Affiliate Transactions

The Company and State Bank are separate and distinct legal entities. The FRB's Regulation W and various other legal limitations restrict State Bank from lending funds to, or engaging in other "covered transactions" with, the Company (or any other affiliate), generally limiting such covered transactions with any one affiliate to 10 percent of State Bank's capital and surplus and limiting all such covered transactions with all affiliates to 20 percent of State Bank's capital and surplus. Covered transactions, including extensions of credit, sales of securities or assets and provision of services, also must be on terms and conditions consistent with safe and sound banking practices, including credit standards, that are substantially the same or at least as favorable to State Bank as those prevailing at the time for transactions with unaffiliated companies.

A bank's authority to extend credit to executive officers, directors and greater than 10 percent shareholders, as well as entities such persons control, is subject to Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O promulgated thereunder by the FRB. Among other things, these loans must be made on terms (including interest rates charged and collateral required) that are substantially the same as those offered to unaffiliated individuals or be made as part of a benefit or compensation program and on terms widely available to employees, and must not involve a greater than normal risk of repayment. In addition, the amount of loans a bank may make to these persons is based, in part, on the bank's capital position, and certain approval procedures must be followed in making loans which exceed specified amounts.

Federally insured banks are subject, with certain exceptions, to certain additional restrictions (including collateralization) on extensions of credit to their parent holding companies or other affiliates, on investments in the stock or other securities of affiliates and on the taking of such stock or securities as collateral from any borrower. In addition, such banks are prohibited from engaging in certain tying arrangements in connection with any extension of credit or the providing of any property or service.

The Coronavirus Aid, Relief, and Economic Security Act of 2020

In response to the novel COVID-19 pandemic ("COVID-19"), the Coronavirus Aid, Relief, and Economic Security Act of 2020, as amended (the "CARES Act"), was signed into law on March 27, 2020, to provide national emergency economic relief measures. Many of the CARES Act's programs are dependent upon the direct involvement of U.S. financial institutions, such as the Company and State Bank, and have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the FRB and other federal banking agencies, including those with direct supervisory jurisdiction over the Company and State Bank. Furthermore, as COVID-19 evolves, federal

regulatory authorities continue to issue additional guidance with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19. In addition, it is possible that Congress will enact supplementary COVID-19 response legislation, including amendments to the CARES Act or new bills comparable in scope to the CARES Act. For example, on December 27, 2020, the Consolidated Appropriations Act, 2021 (the "CAA") was signed into law, which, among other things, allowed certain banks to temporarily postpone implementation of the current expected credit loss model (accounting standard), which is described below. The Company is continuing to assess the impact of the CARES Act and other statues, regulations and supervisory guidance related to COVID-19.

The CARES Act amended the loan program of the Small Business Administration (the "SBA"), in which State Bank participates, to create a guaranteed, unsecured loan program, the Paycheck Protection Program (the "PPP"), to fund operational costs of eligible businesses, organizations and self-employed persons during COVID-19. In June 2020, the Paycheck Protection Program Flexibility Act was enacted, which, among other things, gave borrowers additional time and flexibility to use PPP loan proceeds.

Shortly thereafter, and due to the evolving impact of COVID-19, additional legislation was enacted authorizing the SBA to resume accepting PPP applications on July 6, 2020, and extending the PPP application deadline to August 8, 2020. As a participating lender in the PPP, State Bank continues to monitor legislative, regulatory, and supervisory developments related thereto. On September 29, 2020, the federal bank regulatory agencies issued a final rule that neutralizes the regulatory capital and liquidity coverage ratio effects of participating in certain COVID-19 liquidity facilities due to the fact there is no credit or market risk in association with exposures pledged to such facilities. As a result, the final rule supports the flow of credit to households and businesses affected by COVID-19.

The CARES Act encouraged the FRB, in coordination with the Secretary of the Treasury, to establish or implement various programs to help mitigate the adverse effects of COVID-19 on midsize businesses, nonprofits, and municipalities. In April 2020, the Federal Reserve established the Main Street Lending Program ("MSLP") to implement certain of these recommendations. The MSLP supported lending to small and medium-sized businesses that were in sound financial condition before the onset of COVID-19. On November 19, 2020, Treasury Secretary Steven Mnuchin indicated that he would not reauthorize extending the MSLP past December 31, 2020. However, the FRB extended the program to January 8, 2021, in order to process loans that were submitted on or before December 14, 2020. The program ended on January 8, 2021.

Regulatory Capital

The risk-based capital guidelines adopted by the federal banking agencies are based on the "International Convergence of Capital Measurement and Capital Standard" (Basel I), published by the Basel Committee on Banking Supervision (the "Basel Committee"). In July 2013, the United States banking regulators issued new capital rules applicable to smaller banking organizations which also implement certain of the provisions of the Dodd-Frank Act (the "Basel III Capital Rules"). Community banking organizations, including the Company and State Bank, began transitioning to the new rules on January 1, 2015. The new minimum capital requirements became effective on January 1, 2015, whereas a new capital conservation buffer and deductions from common equity capital phased in from January 1, 2016 through January 1, 2019, and most deductions from common equity tier 1 capital phased in from January 1, 2015 through January 1, 2019.

The Basel III Capital Rules include (a) a minimum common equity tier 1 capital ratio of 4.5%, (b) a minimum Tier 1 capital ratio of 6.0%, (c) a minimum total capital ratio of 8.0%, and (d) a minimum leverage ratio of 4.0%.

Common equity for the common equity tier 1 capital ratio generally includes common stock (plus related surplus), retained earnings, accumulated other comprehensive income (unless an institution elects to exclude such income from regulatory capital), and limited amounts of minority interests in the form of common stock, subject to applicable regulatory adjustments and deductions.

Tier 1 capital generally includes common equity as defined for the common equity tier 1 capital ratio, plus certain non-cumulative preferred stock and related surplus, cumulative preferred stock and related surplus, trust preferred securities that have been grandfathered (but which are not permitted going forward), and limited amounts of minority interests in the form of additional Tier 1 capital instruments, less certain deductions.

Tier 2 capital, which can be included in the total capital ratio, generally consists of other preferred stock and subordinated debt meeting certain conditions plus limited amounts of the allowance for loan and lease losses, subject to specified eligibility criteria, less applicable deductions.

The deductions from common equity tier 1 capital include goodwill and other intangibles, certain deferred tax assets, mortgage-servicing assets above certain levels, gains on sale in connection with a securitization, investments in a banking organization's own capital instruments and investments in the capital of unconsolidated financial institutions (above certain levels).

Under the guidelines, capital is compared to the relative risk related to the balance sheet. To derive the risk included in the balance sheet, one of several risk weights is applied to different balance sheet and off-balance sheet assets, primarily based on the relative credit risk of the counterparty. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Basel III Capital Rules also place restrictions on the payment of capital distributions, including dividends, and certain discretionary bonus payments to executive officers if the banking organization does not hold a capital conservation buffer of greater than 2.5 percent composed of common equity tier 1 capital above its minimum risk-based capital requirements, or if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5 percent at the beginning of the quarter.

In September 2019, the FRB, along with other federal bank regulatory agencies, issued a final rule, effective January 1, 2020, that gave community banks, including the Company, the option to calculate a simple leverage ratio to measure capital adequacy if the community banks met certain requirements. Under the rule, a community bank was eligible to elect the Community Bank Leverage Ratio ("CBLR") framework if it had less than $10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a leverage ratio greater than 9.0%. Under the rule, a community bank is eligible to elect the Community Bank Leverage Ratio ("CBLR") framework if it had less than $10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a leverage ratio greater than 9.0%. Qualifying institutions that elected to use the CBLR framework (each, a CBLR Bank") and that maintain a leverage ratio of greater than 9.0% will be considered to have satisfied the risk-based and leverage capital requirements in the regulatory agencies' generally applicable capital rules and to have met the well-capitalized ratio requirements. No CBLR Bank was required to calculate or report risk-based capital, and each CBLR Bank could opt out of the framework at any time, without restriction, by reverting to the generally applicable risk-based capital rule. Pursuant to the CARES Act, on August 26, 2020, the federal banking agencies adopted a final rule that temporarily lowered the CBLR threshold and provides a gradual transition back to the prior level. Specifically, the CBLR threshold was reduced to 8.0% for the remainder of 2020, increased to 8.5% for 2021, and will return to 9.0% beginning January 1, 2022. This final rule became effective on October 1, 2020. The Company does not intend to elect utilization of the CBLR in assessing capital adequacy and intends to continue to follow existing capital rules.

In December 2018, the federal banking agencies issued a final rule to address regulatory capital treatment of credit loss allowances under the current expected credit loss ("CECL") model (accounting standard). The rule revises the federal banking agencies' regulatory capital rules to identify which credit loss allowances under the CECL model are eligible for inclusion in regulatory capital and to provide banking organizations the option to phase in over three years the day-one adverse effects on regulatory capital that may result from the adoption of the CECL model. The Company currently anticipates recording a one-time cumulative effect adjustment upon adoption, and does not anticipate utilizing the three year phase in. The Company expects to maintain risk-based capital ratios in excess of "well-capitalized" after the impact of the one-time cumulative effect adjustment.

At December 31, 2020, State Bank was in compliance with all of the regulatory capital requirements to which it was subject. For State Bank's capital ratios, see Note 17 to the Consolidated Financial Statements under Item of 8 of this report (the "Consolidated Financial Statements").

The FRB has adopted regulations governing prompt corrective action to resolve the problems of capital deficient and otherwise troubled state-chartered member banks. At each successively lower defined capital category, a bank is subject to more restrictive and numerous mandatory or discretionary regulatory actions or limits, and the FRB has less flexibility in determining how to resolve the problems of the institution. In addition, the FRB generally can downgrade a bank's capital category, notwithstanding its capital level, if, after notice and opportunity for hearings, the bank is deemed to be engaged in an unsafe or unsound practice, because it has not corrected deficiencies that resulted in it receiving a less than satisfactory examination rating on matters other than capital or it is deemed to be in an unsafe or unsound condition. State Bank's capital at December 31, 2020, met the standards for the highest capital category, a "well-capitalized" bank.

In April 2015, the FRB issued a final rule which increased the size limitation for qualifying bank holding companies under the FRB's Small Bank Holding Company Policy Statement from $500 million to $1 billion of total consolidated assets. In August 2018, the FRB issued an interim final rule, as required by the Economic Growth Regulatory Relief, and consumer Protection Act of 2018, to further increase size limitations under the Small Bank Holding Company Policy Statement to $3 billion of total consolidated assets. The Company continues to qualify under the Small Bank Holding Company Policy Statement for exemption from the FRB's consolidated risk-based capital and leverage rules at the holding company level.

Federal Deposit Insurance Corporation

The Federal Deposit Insurance Corporation ("FDIC") is an independent federal agency, which insures the deposits of federally insured banks and savings associations up to certain prescribed limits and safeguards the safety and soundness of financial institutions. The general insurance limit is $250,000 per separately insured depositor. This insurance is backed by the full faith and credit of the United States Government.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by insured institutions, including State Bank, to prohibit any insured institution from engaging in any activity the FDIC determines to pose a threat to the Deposit Insurance Fund ("DIF"), and to take enforcement actions against insured institutions. The FDIC may terminate insurance of deposits of any institution if the FDIC finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or other regulatory agency.

The FDIC assesses a quarterly deposit insurance premium on each insured institution based on risk characteristics of the institution and may also impose special assessments in emergency situations, which fund the DIF. Pursuant to the Dodd-Frank Act, the FDIC has established 2 percent as the Designated Reserve Ratio ("DRR"), which is the amount in the DIF as a percentage of all DIF insured deposits. In March 2016, the FDIC adopted final rules designed to meet the statutory minimum DRR of 1.35 percent by September 30, 2020, the deadline imposed by the Dodd-Frank Act. The Dodd-Frank Act requires the FDIC to offset the effect on insured institutions with assets of less than $10 billion of the increase in the statutory minimum DRR to 1.35% from the former statutory minimum of 1.15%. Although the FDIC's rules reduced assessment rates on all banks, they imposed a surcharge on banks with assets of $10 billion or more to be paid until the DRR reached 1.35%.The DRR met the statutory minimum of 1.35% on September 30, 2018. As a result, the previous surcharge imposed on banks with assets of $10 billion or more was lifted. In addition, preliminary assessment credits have been determined by the FDIC for banks with assets of less than $10 billion, which had previously contributed to the increase of the DRR to 1.35%. On June 30, 2019, the DRR reached 1.40%, and the FDIC applied credits for banks with assets of less than $10 billion ("small bank credits") beginning September 30, 2019. The FDIC will continue to apply small bank credits so long as the DRR is at least 1.35%. State Bank utilized its $0.2 million assessment credit during the [third and fourth quarters of 2019]. The FDIC rules further changed the method of determining risk-based assessment rates for established banks with less than $10 billion in assets to better ensure that banks taking on greater risks pay more for deposit insurance than banks that take on less risk.

The FDIC is authorized to prohibit any insured institution from engaging in any activity that poses a serious threat to the insurance fund and may initiate enforcement actions against a bank, after first giving the institution's primary regulatory authority an opportunity to take such action. The FDIC may also terminate the deposit insurance of any institution that has engaged in or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, order or condition imposed by the FDIC.

Community Reinvestment Act

The Community Reinvestment Act ("CRA") requires State Bank's primary federal regulatory agency, the FRB, to assess State Bank's record in meeting the credit needs of the communities served by State Bank. The FRB assigns one of four ratings: outstanding, satisfactory; needs to improve or substantial noncompliance. The rating assigned to a financial institution is considered in connection with various applications submitted by the financial institution or its holding company to its banking regulators, including applications to acquire another financial institution or to open or close a branch office. In addition, all subsidiary banks of a financial holding company must maintain a satisfactory or outstanding rating in order for the financial holding company to avoid limitations on its activities. State Bank currently maintains a satisfactory CRA rating.

SEC and NASDAQ Regulation

The Company is subject to the jurisdiction of the Securities and Exchange Commission (the "SEC") and certain state securities authorities relating to the offering and sale of its securities. The Company is subject to the registration, reporting and other regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules adopted by the SEC under those acts. The Company's common shares are listed on The NASDAQ Capital Market ("NASDAQ") under the symbol "SBFG". As a result, the Company is subject to NASDAQ rules and regulations applicable to listed companies.

The SEC has adopted rules and regulations governing, among other matters, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. The SEC has also approved corporate governance rules promulgated by NASDAQ. The Company has adopted and implemented a Code of Conduct and Ethics and a copy of that policy can be found on the Company's website at www.YourSBFinancial.com by first clicking "Corporate Governance" and then "Code of Conduct". The Company has also adopted charters of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee, which charters are available on the Company's website at www.YourSBFinancial.com by first clicking "Corporate Governance" and then "Supplementary Info".

USA Patriot Act

The Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act") gives the United States government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. Title III of the Patriot Act encourages information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions. Among other requirements, Title III and related regulations require regulated financial institutions to establish a program specifying procedures for obtaining identifying information from customers seeking to open new accounts and establish enhanced due diligence policies, procedures and controls designed to detect and report suspicious activity. State Bank has established policies and procedures that State Bank believes comply with the requirements of the Patriot Act.

Office of Foreign Assets Control Regulation

The U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. State Bank is responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

Executive and Incentive Compensation

The Dodd-Frank Act requires that the federal banking agencies, including the FRB and the FDIC, issue a rule related to incentive-based compensation. No final rule implementing this provision of the Dodd-Frank Act has, as of the date of the filing of this Annual Report on Form 10-K, been adopted, but a proposed rule was published in 2016 that expanded upon a prior proposed rule published in 2011. The proposed rule is intended to: (i) prohibit incentive-based payment arrangements that the banking agencies determine could encourage certain financial institutions to take inappropriate risks by providing excessive compensation or that could lead to material financial loss; (ii) require the board of directors of those financial institutions to take certain oversight actions related to incentive-based compensation; and (iii) require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator. Although a final rule has not been issued, the Company has undertaken efforts to ensure that the Company's incentive compensation plans do not encourage inappropriate risks, consistent with the principles identified above.Public company compensation committee members must meet heightened independence requirements and consider the independence of compensation consultants, legal counsel and other advisors to the compensation committee. A compensation committee must have the authority to hire advisors and to have the public company fund reasonable compensation of such advisors.

SEC regulations require public companies to provide various disclosures about executive compensation in annual reports and proxy statements and to present to their shareholders a non-binding vote on the approval of executive compensation.

Public companies will be required, once stock exchanges impose additional listing requirements under the Dodd-Frank Act, to implement "clawback" procedures for incentive compensation payments and to disclose the details of the procedures which allow recovery of incentive compensation that was paid on the basis of erroneous financial information necessitating a restatement due to material noncompliance with financial reporting requirements. This clawback policy is intended to apply to compensation paid within a three-year look-back window of the restatement and would cover all executives who received incentive awards.

Consumer Protection Laws and Regulations

Banks are subject to regular examination to ensure compliance with federal consumer protection statutes and regulations, including, but not limited to, the following:

- The Equal Credit Opportunity Act (prohibiting discrimination in any credit transaction on the basis of any of various criteria);
- The Truth in Lending Act (requiring that credit terms are disclosed in a manner that permits a consumer to understand and compare credit terms more readily and knowledgeably);
- The Fair Housing Act (making it unlawful for a lender to discriminate in housing-related lending activities against any person on the basis of certain criteria);
- The Home Mortgage Disclosure Act (requiring financial institutions to collect data that enables regulatory agencies to determine whether financial institutions are serving the housing credit needs of the communities in which they are located); and

- The Real Estate Settlement Procedures Act (requiring that lenders provide borrowers with disclosures regarding the nature and cost of real estate settlements and prohibits abusive practices that increase borrowers' costs);
- Privacy provisions of the Gramm-Leach-Bliley Act (requiring financial institutions to establish policies and procedures to restrict the sharing of non-public customer data with non-affiliated parties and to protect customer information from unauthorized access).

The banking regulators also use their authority under the Federal Trade Commission Act to take supervisory or enforcement action with respect to unfair or deceptive acts or practices by banks that may not necessarily fall within the scope of a specific banking or consumer finance law.

Cybersecurity

In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish several lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing Internet-based services of the financial institution. The other statement indicates that a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the financial institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the financial institution or its critical service providers fall victim to this type of cyber-attack. If State Bank fails to observe the regulatory guidance, it could be subject to various regulatory sanctions, including financial penalties.

In February 2018, the SEC published interpretive guidance to assist public companies in preparing disclosures about cybersecurity risks and incidents. These SEC guidelines, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. The Company expects this trend of state-level activity in those areas to continue, and is continually monitoring developments in the states in which our customers are located.

In the ordinary course of business, the Company relies on electronic communications and information systems to conduct its operations and to store sensitive data. The Company employs an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. The Company employs a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. The Company has also invested over the last eighteen months to further enhance these tools and mechanisms. Notwithstanding the strength of the Company's defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date, the Company has not detected a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, Company's systems and those of its customers and third-party service providers are under constant threat and it is possible that the Company could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers.

Effect of Environmental Regulation

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon the capital expenditures, earnings or competitive position of the Company and its subsidiaries. The Company believes that the nature of the operations of its subsidiaries has little, if any, environmental impact. The Company, therefore, anticipates no material capital expenditures for environmental control facilities for its current fiscal year or for the near future. The Company's subsidiaries may be required to make capital expenditures for environmental control facilities related to properties which they may acquire through foreclosure proceedings in the future; however, the amount of such capital expenditures, if any, is not currently determinable.

Human Capital Resources

At December 31, 2020, we employed 244 full time equivalent employees. Approximately 69% of our team are female with an average tenure for our entire team of 8.80 years. The success of our business is highly dependent on our team members, who provide value to our customers and communities through their dedication to our Value Proposition – "Your lifetime provider of convenient and innovative financial services, delivered by a passionate and caring staff". We seek to hire a well-qualified team who are a good fit for our organization, and our selection and promotion processes are without bias and include the active recruitment of minorities and women.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

The following are the condensed average balance sheets of the Company for the years ending December 31 and includes the interest earned or paid, and the average interest rate, on each asset and liability:

	2020			2019			2018		
($ in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets									
Taxable securities/cash	$ 185,480	$ 2,328	1.26%	$ 95,216	$ 3,226	3.39%	$ 85,238	$ 2,618	3.07%
Non-taxable securities	6,625	333	5.03%	10,108	345	3.41%	11,379	439	3.86%
Loans, net[1]	880,338	39,974	4.54%	809,651	40,829	5.04%	749,055	36,422	4.86%
Total earning assets	1,072,443	42,635	3.98%	914,975	44,400	4.85%	845,672	39,479	4.67%
Cash and due from banks	14,553			47,135			38,990		
Allowance for loan losses	(10,165)			(8,370)			(8,361)		
Premises and equipment	23,776			23,779			21,795		
Other assets	60,789			50,413			49,170		
Total assets	$1,161,396			$1,027,932			$ 947,266		
Liabilities									
Savings and interest-bearing demand deposits	$ 492,267	$ 3,152	0.64%	$ 427,858	$ 2,846	0.67%	$ 401,577	$ 1,754	0.44%
Time deposits	247,955	2,918	1.18%	262,040	5,814	2.22%	225,467	3,560	1.58%
Repurchase agreements & other	22,832	70	0.31%	15,288	82	0.54%	16,458	37	0.22%
Advances from FHLB	14,186	309	2.18%	16,066	402	2.50%	22,108	460	2.08%
Trust preferred securities	10,310	256	2.48%	10,310	430	4.17%	10,310	401	3.89%
Total interest-bearing liabilities	787,550	6,705	0.85%	731,562	9,574	1.31%	675,920	6,212	0.92%
Demand deposits	211,004			146,401			137,253		
Other liabilities	23,645			16,779			12,999		
Total liabilities	1,022,199			894,742			826,172		
Shareholders' equity	139,197			133,190			121,094		
Total liabilities and shareholders' equity	$1,161,396			$1,027,932			$ 947,266		
Net interest income (tax equivalent basis)		$ 35,930			$ 34,826			$ 33,267	
Net interest income as a percent of average interest-earning assets - GAAP measure			3.35%			3.81%			3.93%
Net interest income as a percent of average interest-earning assets - Non-GAAP measure [2]			3.36%			3.82%			3.95%
-- Computed on a fully tax equivalent basis (FTE)									

[1] Nonaccruing loans and loans held for sale are included in the average balances.

[2] Interest on tax exempt securities and loans is computed on a tax equivalent basis using a 21 percent statutory tax rate, and added to the net interest income. The tax equivalent adjustment was $0.15, $0.17 and $0.14 million in 2020, 2019 and 2018, respectively.

The following tables set forth the effect of volume and rate changes on interest income and expense for the periods indicated. For purposes of these tables, changes in interest due to volume and rate were determined as follows:

- Volume variance - change in volume multiplied by the previous year's rate.
- Rate variance - change in rate multiplied by the previous year's volume.
- Rate/volume variance - change in volume multiplied by the change in rate. This variance allocates the volume variance and rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

($ in thousands)	Total Variance 2020/2019	Variance Attributable To Volume	Variance Attributable To Rate
Interest income			
Taxable securities	$ (898)	$ 3,058	$ (3,956)
Non-taxable securities[1]	(12)	(119)	107
Loans, net of unearned income and deferred fees[1]	(855)	3,565	(4,420)
Total interest income	(1,765)	6,504	(8,269)
Interest expense			
Savings and interest-bearing demand deposits	$ 306	$ 428	$ (122)
Time deposits	(2,896)	(313)	(2,583)
Repurchase agreements & other	(12)	40	(52)
Advances from FHLB	(93)	(48)	(45)
Trust preferred securities	(174)	-	(174)
Total interest expense	(2,869)	107	(2,976)
Net interest income	$ 1,104	$ 6,397	$ (5,293)

[1] Interest on non-taxable securities and loans has been adjusted to fully tax equivalent

II. INVESTMENT PORTFOLIO

A. The fair value of securities available-for-sale as of December 31 in each of the following years are summarized as follows:

($ in thousands)	2020	2019	2018
U.S. Treasury and government agencies	$ 6,864	$ 12,202	$ 18,670
Mortgage-backed securities	127,761	78,182	60,943
State and political subdivisions	12,275	10,564	11,356
Other corporate securities	2,506	-	-
Totals	$ 149,406	$ 100,948	$ 90,969

B. The maturity distribution and weighted-average interest rates of securities available-for-sale at December 31, 2020, are set forth in the table below. The weighted-average interest rates are based on coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were purchased at a premium or discount:

	Maturing				
($ in thousands)	Within One Year	After One Year but within Five	After Five Years but within Ten	After Ten Years	Total
U.S. Treasury and government agencies	$ 2,558	$ 1,057	$ 3,249	$ -	$ 6,864
Mortgage-backed securities	32	2,966	12,377	112,386	127,761
State and political subdivisions	1,072	2,703	2,658	5,842	12,275
Other corporate securities	-	-	2,506	-	2,506
Total securities by maturity	$ 3,662	$ 6,726	$ 20,790	$ 118,228	$ 149,406
Weighted-average yield by maturity[1]	2.85%	2.99%	2.75%	1.59%	1.85%

[1] Yields are presented on a tax-equivalent basis.

C. Excluding those holdings of the investment portfolio in U.S. Treasury securities and other agencies of the U.S. Government, there were no other securities of any one issuer, which exceeded 10 percent of the shareholders' equity of the Company at December 31, 2020.

III. LOAN PORTFOLIO

A. Types of Loans: Total loans on the balance sheet were comprised of the following classifications at December 31 for the years indicated:

($ in thousands)	2020	2019	2018	2017	2016
Loans held for investment (HFI)					
Commercial business and agricultural	$ 260,002	$ 202,041	$ 179,053	$ 153,501	$ 161,227
Commercial real estate	370,820	366,782	340,791	332,154	284,084
Residential real estate	182,165	193,159	187,104	150,854	142,452
Consumer & other loans	61,157	62,808	64,336	59,619	56,335
Total loans	874,144	824,790	771,284	696,128	644,098
Unearned income	(1,421)	720	599	487	335
Total loans, net of unearned income	$ 872,723	$ 825,510	$ 771,883	$ 696,615	$ 644,433

Concentrations of Credit Risk: The Company makes commercial, real estate and installment loans to customers located mainly in the Tri-State region of Ohio, Indiana and Michigan. Commercial loans include loans collateralized by commercial real estate, business assets and, in the case of agricultural loans, crops and farm equipment and the loans are expected to be repaid from cash flow from operations of businesses. As of December 31, 2020, commercial business and agricultural loans made up approximately 29.6 percent of the loans held for investment ("HFI") loan portfolio while commercial real estate loans accounted for approximately 42.5 percent of the HFI loan portfolio. Residential first mortgage loans made up approximately 20.9 percent of the HFI loan portfolio and are secured by first mortgages on residential real estate, while consumer loans to individuals made up approximately 7.0 percent of the HFI loan portfolio and are primarily secured by consumer assets.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates: The following tables show the amounts of commercial, business and agricultural loans and commercial real estate loans outstanding as of December 31, 2020, which, based on remaining scheduled repayments of principal, are due in the periods indicated. Also, the amounts have been classified according to sensitivity to changes in interest rates for loans due after one year (variable-rate loans are those loans with floating or adjustable interest rates).

	Maturing		
($ in thousands)	Commercial Business & Ag.	Commercial Real Estate	Total
Within one year	$ 50,709	$ 30,370	$ 81,079
After one year but within five years	108,820	111,556	220,376
After five years	100,473	228,894	329,367
Totals	$ 260,002	$ 370,820	$ 630,822

($ in thousands)	Interest Sensitivity		
	Fixed Rate	Variable Rate	Total
Commercial Business & Agricultural			
Within one year	$ 32,494	$ 18,215	$ 50,709
Due after one year but within five years	75,580	33,240	108,820
Due after five years	15,163	85,310	100,473
Totals	123,237	136,765	260,002
Commercial RE & Construction			
Within one year	8,723	21,647	30,370
Due after one year but within five years	48,988	62,568	111,556
Due after five years	59,040	169,854	228,894
Totals	116,751	254,069	370,820
Total			
Within one year	41,217	39,862	81,079
Due after one year but within five years	124,568	95,808	220,376
Due after five years	74,203	255,164	329,367
Totals	$ 239,988	$ 390,834	$ 630,822

C. Risk Elements:

1. The accrual of interest income is discontinued when the collection of a loan or interest, in whole or in part, is doubtful. When interest accruals are discontinued, interest income accrued in the current period is reversed. Loans that are past due 90 days or more as to interest or principal payments are considered for nonaccrual status. The following schedule summarizes nonaccrual, past due, and troubled debt restructured (TDR) loans at December 31 for the years indicated:

($ in thousands)	2020	2019	2018	2017	2016
Loans accounted for on a nonaccrual basis	$ 6,426	$ 5,500	$ 2,906	$ 2,704	$ 2,737
Accruing troubled debt restructurings	810	874	928	1,129	1,590
Total nonperforming loans and TDRs	$ 7,236	$ 6,374	$ 3,834	$ 3,833	$ 4,327

Listed below is the interest income on impaired and nonaccrual loans greater than $100,000 at December 31 for the years indicated:

($ in thousands)	2020	2019
Cash basis interest income recognized on impaired loans outstanding	$ 218	$ 340
Interest income actually recorded on impaired loans and included in net income for the period	167	361
Unrecorded interest income on nonaccrual loans	326	76

2. As of December 31, 2020, in addition to the $7.2 million of nonperforming loans reported under Item III.C above (which amount includes all loans classified by management as doubtful or loss), there were approximately $12.0 million in other outstanding loans where known information about possible credit problems of the borrowers caused management to have concerns as to the ability of such borrowers to comply with the present loan repayment terms (loans classified as substandard by management) and which may result in disclosure of such loans pursuant to Item III.C.1. at some future date. In regard to loans classified as substandard,

management believes that such potential problem loans have been adequately evaluated in the allowance for loan losses.

3. Foreign Loans Outstanding

   None

4. Loan Concentrations

   At December 31, 2020, loans outstanding related to agricultural operations or collateralized by agricultural real estate and equipment aggregated approximately $55.2 million, or 6.3 percent of total HFI loans.

D. Other Interest Bearing Assets

There were no other interest bearing assets as of December 31, 2020, which would be required to be disclosed under Item III.C.1 or Item III.C.2. if such assets were loans.

Management believes the allowance for loan losses at December 31, 2020 was adequate to absorb any losses on nonperforming loans, as the allowance balance is maintained by management at a level considered adequate to cover losses that are probable based on past loss experience, general economic conditions, information about specific borrower situations, including their financial position and collateral values, and other factors and estimates which are subject to change over time.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. The following schedule presents an analysis of the allowance for loan losses, average loan data and related ratios at December 31 for the years indicated:

($ in thousands)	2020	2019	2018	2017	2016
Loans					
Loans outstanding at end of period	$ 872,723	$ 825,510	$ 771,883	$ 696,615	$ 644,433
Average loans outstanding during period	$ 880,338	$ 809,651	$ 749,055	$ 660,675	$ 603,875
Allowance for loan losses					
Balance at beginning of period	$ 8,755	$ 8,167	$ 7,930	$ 7,725	$ 6,990
Loans charged off:					
Commercial business and agricultural	(582)	(143)	(227)	(50)	(135)
Commercial real estate	-	-	(42)	(26)	(241)
Residential real estate	(82)	(53)	(30)	(61)	(20)
Consumer & other loans	(79)	(63)	(108)	(94)	(105)
	(743)	(259)	(407)	(231)	(501)
Recoveries of loans previously charged off:					
Commercial business and agricultural	16	9	1	10	420
Commercial real estate	-	1	28	2	5
Residential real estate	40	14	2	6	2
Consumer & other loans	6	23	13	18	59
	62	47	44	36	486
Net loans charged off	(681)	(212)	(363)	(195)	(15)
Provision for loan losses	4,500	800	600	400	750
Balance at end of period	$ 12,574	$ 8,755	$ 8,167	$ 7,930	$ 7,725
Ratio of net charge offs to average loans	0.08%	0.03%	0.05%	0.03%	0.00%

The allowance for loan losses balance and the provision for loan losses are determined by management based upon periodic reviews of the loan portfolio. In addition, management considers the level of charge offs on loans, as well as the fluctuations of charge offs and recoveries on loans, in the factors which caused these changes. Estimating the risk of loss and the amount of loss is necessarily subjective. Accordingly, the allowance is maintained by management at a level

considered adequate to cover losses that are currently anticipated based on past loss experience, economic conditions, information about specific borrower situations, including their financial position and collateral values, and other factors and estimates which are subject to change over time.

B. The following schedule provides a breakdown of the allowance for loan losses allocated by type of loan and related ratios at December 31 for the years indicated:

($ in thousands)	2020 Allowance Amount	2020 Percentage of Loans In Each Category to Total Loans	2019 Allowance Amount	2019 Percentage of Loans In Each Category to Total Loans	2018 Allowance Amount	2018 Percentage of Loans In Each Category to Total Loans	2017 Allowance Amount	2017 Percentage of Loans In Each Category to Total Loans	2016 Allowance Amount	2016 Percentage of Loans In Each Category to Total Loans
Commercial business and agricultural	$ 3,570	29.6%	$ 2,317	24.6%	$ 1,917	23.3%	$ 1,328	22.1%	$ 1,551	25.1%
Commercial real estate	5,451	42.5%	3,602	44.4%	2,923	44.2%	3,779	47.7%	3,321	44.1%
Residential real estate	2,534	20.9%	2,203	23.4%	2,567	24.2%	2,129	21.7%	1,963	22.1%
Consumer & other loans	1,019	7.0%	633	7.6%	760	8.3%	694	8.6%	890	8.7%
Totals	$ 12,574	100.0%	$ 8,755	100.0%	$ 8,167	100.0%	$ 7,930	100.0%	$ 7,725	100.0%

While management's periodic analysis of the adequacy of the allowance for loan losses may allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge offs that occur.

V. DEPOSITS

The average amount of deposits and average rates paid are summarized as follows for the years ended December 31:

($ in thousands)	2020 Average Amount	2020 Average Rate	2019 Average Amount	2019 Average Rate	2018 Average Amount	2018 Average Rate
Savings and interest bearing demand deposits	$ 492,267	0.64%	$ 427,858	0.67%	$ 401,577	0.44%
Time deposits	247,955	1.18%	262,040	2.22%	225,467	1.58%
Demand deposits (non interest bearing)	211,004	-	146,401	-	137,253	-
Totals	$ 951,226		$ 836,299		$ 764,297	

Maturities of time certificates of deposit and other time deposits of $100,000 or more outstanding at December 31, 2020, are summarized as follows:

($ in thousands)	Amount
Three months or less	$ 36,639
Over three months through six months	28,948
Over six months and through twelve months	37,780
Over twelve months	36,407
Total	$ 139,774

VI. RETURN ON EQUITY AND ASSETS

The ratio of net income to average shareholders' equity and average total assets and certain other ratios are as follows for the periods ended December 31:

($ in thousands)	2020	2019	2018
Average total assets	$ 1,161,396	$ 1,027,932	$ 947,266
Average shareholders' equity	$ 139,197	$ 133,190	$ 121,094
Net income	$ 14,944	$ 11,973	$ 11,638
Net income available to common shareholders	$ 14,944	$ 11,023	$ 10,663
Cash dividends declared	$ 0.40	$ 0.36	$ 0.32
Return on average total assets	1.29%	1.16%	1.23%
Return on average shareholders' equity	10.74%	8.99%	9.61%
Dividend payout ratio [1]	20.54%	23.84%	19.60%
Average shareholders' equity to average assets	11.99%	12.96%	12.78%

[1] Cash dividends declared on common shares divided by net income available to common.

VII. SHORT-TERM BORROWINGS

The following information is reported for short-term borrowings, which are comprised of retail repurchase agreements for the periods noted:

($ in thousands)	2020	2019	2018
Amount outstanding at end of year	$ 20,189	$ 12,945	$ 15,184
Weighted-average interest rate at end of year	0.20%	0.51%	0.49%
Maximum amount outstanding at any month end	$ 25,600	$ 22,675	$ 18,312
Average amount outstanding during the year	$ 21,794	$ 15,288	$ 16,458
Weighted-average interest rate during the year	0.32%	0.54%	0.22%

Item 1A. Risk Factors.

Cautionary Statement Regarding Forward-Looking Information

Certain statements contained in this Annual Report on Form 10-K, and in other statements that we make from time to time in filings by the Company with the SEC, in press releases, and in oral and written statements made by or with the approval of the Company which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include: (a) projections of income or expense, earnings per share, the payment or non-payment of dividends, capital structure and other financial items; (b) statements of plans and objectives of the Company or our Board of Directors or management, including those relating to products and services; (c) statements of future economic performance; (d) statements of future customer attraction or retention; and (d) statements of assumptions underlying these statements. Forward-looking statements reflect our expectations, estimates or projections concerning future results or events. These statements are generally identified by the use of forward-looking words or phrases such as "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "should", "will allow", "will continue", "will likely result", "will remain", "would be", or similar expressions.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the "safe harbor" provisions of the Act.

Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those factors discussed in the Risk Factors below. There is also the risk that the Company's management or Board of Directors incorrectly analyzes these risks and forces, or that the strategies the Company develops to address them are unsuccessful.

Forward-looking statements speak only as of that date on which they are made. Except as may be required by law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made. All forward-looking statements attributable to the Company or any person acting on our behalf are qualified in their entirety by the following cautionary statements.

Economic, Market and Political Risks:

The economic impact of COVID-19 or any other pandemic could adversely affect our business, financial condition, liquidity, and results of operations.

In March 2020, the World Health Organization declared COVID-19 a pandemic and the President of the United States declared COVID-19 a national emergency. COVID-19 has caused significant economic dislocation in the United States as many state and local governments have ordered non-essential businesses to close and residents to shelter in place at home. This has resulted in an unprecedented slow-down in economic activity and a related increase in unemployment. Various state governments and federal agencies are requiring lenders to provide forbearance and other relief to borrowers (e.g., waiving late payment and other fees). The federal bank regulatory agencies have encouraged financial institutions to prudently work with affected borrowers, and new legislation has provided relief from reporting loan classifications due to modifications related to COVID-19.

Given the ongoing and dynamic nature of COVID-19, it is difficult to predict the full impact of the outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when COVID-19 can be controlled and abated and when and how the economy may be reopened. As of December 31, 2020, we hold and service PPP loans. These PPP loans are subject to the provisions of the CARES Act and to complex and evolving rules and guidance issued by the SBA and other government agencies. We expect that the great majority of our PPP borrowers will seek full or partial forgiveness of their loan obligations. We have credit risk on the PPP loans if the SBA determines that there is a deficiency in the manner in which we originated, funded or serviced loans, including any issue with the eligibility of a borrower to receive a PPP loan. We could face additional risks in our administrative capabilities to service our PPP loans, and risk with respect to the determination of loan forgiveness. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which we originated, funded or serviced the PPP loan, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty or, if the SBA has already paid under the guaranty, seek recovery of any loss related to the deficiency.

The spread of COVID-19 has also caused us to modify our business practices, including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences. Further, technology in employees' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to such employees to be more limited or less reliable. The continuation of these work-from-home measures also introduces additional operational risk, including increased cybersecurity risk from phishing, malware, and other cybersecurity attacks, all of which could expose us to risks of data or financial loss and could seriously disrupt our operations and the operations of any impacted customers.

COVID-19 or a new pandemic could subject us to any of the following risks, any of which could, individually or in the aggregate, have a material adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline, making it difficult to grow assets and income;

- if the economy is unable to substantially reopen, and high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- our allowance for loan losses may have to be increased if borrowers experience financial difficulties beyond forbearance periods, which will adversely affect our net income;
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;
- as the result of the decline in the Federal Reserve Board's target federal funds rate, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities, reducing our net interest margin and spread and reducing net income;
- a material decrease in net income or a net loss over several quarters could result in a decrease in the rate of our quarterly cash dividend;
- a prolonged weakness in economic conditions resulting in a reduction of future projected earnings could result in our recording a valuation allowance against our current outstanding deferred tax assets;
- we rely on third party vendors for certain services and the unavailability of a critical service due to COVID-19 could have an adverse effect on us; and
- continued adverse economic conditions could result in protracted volatility in the price of our Common Shares.

Moreover, our future success and profitability substantially depend on the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to COVID-19 or any similar pandemic could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

Even after the COVID-19 pandemic subsides, the U.S. economy will likely require time to recover, the length of which is unknown and during which the United States may experience a recession. Our business could be materially and adversely affected by such recession.

To the extent the effects of COVID-19 adversely impact our business, financial condition, liquidity or results of operations, it may also have the effect of heightening many of the other risks described in this section.

Changes in economic and political conditions could adversely affect our earnings through declines in deposits, loan demand, the ability of our customers to repay loans and the value of collateral securing our loans.

Our success depends to a large extent upon local and national economic conditions, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, fiscal and monetary policy, tariffs, a U.S. withdrawal from or significant renegotiation of trade agreements, trade wars, the election of a new U.S. President and changes in the membership of Congress in 2020, and other factors beyond our control may adversely affect our deposit levels and composition, the quality of investment securities available for purchase, demand for loans, the ability of our borrowers to repay their loans, and the value of the collateral securing loans made by us. Recent political developments have resulted in substantial changes in economic and political conditions for the U.S. and the remainder of the world. Disruptions in U.S. and global financial markets, and changes in oil production in the Middle East also affect the economy and stock prices in the U.S., which can affect our earnings capital, as well as the ability of our customers to repay loans. The potential effects of the United Kingdom leaving the European Union (Brexit) on the United States are still unknown. Because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral and our ability to sell the collateral upon foreclosure. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings and cash flows. In addition, our lending and deposit gathering activities are concentrated primarily in Northwest Ohio. As a result, our success depends in large part on the general economic conditions of these areas, particularly given that a significant portion of our lending relates to real estate located in this region. Therefore, adverse changes in the economic

conditions in these areas, including those resulting from COVID-19, could adversely impact our earnings and cash flows.

We may be unable to manage interest rate risks, which could reduce our net interest income.

Our results of operations are affected principally by net interest income, which is the difference between interest earned on loans and investments and interest expense paid on deposits and other borrowings. The spread between the yield on our interest-earning assets and our overall cost of funds may be compressed, and our net interest income may continue to be adversely impacted by changing rates. We cannot predict or control changes in interest rates. National, regional and local economic conditions and the policies of regulatory authorities, including monetary policies of the Federal Reserve Board, affect the movement of interest rates and our interest income and interest expense. If the interest rates paid on deposits and other borrowed funds increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest paid for deposits rises more quickly than the interest received on loans and other investments.

In addition, certain assets and liabilities may react in different degrees to changes in market interest rates. For example, interest rates on some types of assets and liabilities may fluctuate prior to changes in broader market interest rates, while interest rates on other types may lag behind. While the bulk of our variable rate commercial assets have interest rate floors, some of our assets, such as adjustable rate mortgages, have features that restrict changes in their interest rates, including rate caps.

Interest rates are highly sensitive to many factors that are beyond our control. Some of these factors include: inflation, recession, unemployment, money supply, international disorders, and instability in domestic and foreign financial markets. Changes in interest rates may affect the level of voluntary prepayments on our loans and may also affect the level of financing or refinancing by customers. We believe that the impact on our cost of funds will depend on a number of factors, including but not limited to, the competitive environment in the banking sector for deposit pricing, opportunities for clients to invest in other markets such as fixed income and equity markets, and the propensity of customers to invest in their businesses. The effect on our net interest income from a change in interest rates will ultimately depend on the extent to which the aggregate impact of loan re-pricings exceeds the impact of increases in our cost of funds.

A transition away from London Inter-Bank Offered Rate ("LIBOR") as a reference rate for financial contracts could negatively affect our income and expenses and the value of various financial contracts.

LIBOR is used extensively in the U.S. and globally as a benchmark for various commercial and financial contracts, including adjustable rate mortgages, corporate debt, interest rate swaps and other derivatives. LIBOR is set based on interest rate information reported by certain banks, which may stop reporting such information after 2021. In November 2020, the Federal Reserve Board issued a statement supporting the release of a proposal and supervisory statements designed to provide a clear end date for U.S. Dollar LIBOR ("USD LIBOR"), and the federal banking agencies issued a release encouraging banks to stop entering into USD LIBOR contracts by the end of 2021, noting that most legacy contracts will mature prior to the date LIBOR ceases to be issued. It is uncertain at this time the extent to which those entering into financial contracts will transition to any other particular benchmark. Other benchmarks may perform differently than LIBOR or other alternative benchmarks or may have other consequences that cannot currently be anticipated. It is also uncertain what will happen with instruments that rely on LIBOR for future interest rate adjustments and which remain outstanding if LIBOR ceases to exist.

The Company's primary exposure to LIBOR relates to its promissory notes with borrowers, swap contracts with clients, offsetting swap contracts with third parties related to the swap contracts with clients, and the Company's LIBOR-based borrowings (if any). The Company's contracts generally include a LIBOR term (for example, one month, three month, or one year) plus an incremental margin rate. The Company is working through this transition via a multi-disciplinary project team. We do not believe the change to a benchmark like SOFR will have a material impact on our financial condition, results of operations or cash flows.

Risks Related to Our Business Operations:

If our actual loan losses exceed our allowance for loan losses, our net income will decrease.

Our loan customers may not repay their loans according to their terms, and the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which could have a material adverse effect on our operating results. In accordance with accounting principles generally accepted in the United States, we maintain an allowance for loan losses to provide for loan defaults and non-performance, which when combined, we refer to as the allowance for loan losses. Our allowance for loan losses may not be adequate to cover actual credit losses, and future provisions for credit losses could have a material adverse effect on our operating results. Our allowance for loan losses is based on prior experience, as well as an evaluation of the risks in the current portfolio. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond our control, and these losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review our loans and allowance for loan losses. We cannot guarantee that we will not further increase the allowance for loan losses or that regulators will not require us to increase this allowance. Either of these occurrences could have a material adverse effect on our financial condition and results of operations.

Moreover, the Financial Accounting Standards Board ("FASB") has changed its requirements for establishing the allowance for loan losses.

On June 16, 2016, the FASB issued Accounting Standard Update ("ASU") 2016-13 "Financial Instruments - Credit Losses", which replaces the incurred loss model with an expected loss model, and is referred to as the current expected credit loss ("CECL") model. Under the incurred loss model, loans are recognized as impaired when there is no longer an assumption that future cash flows will be collected in full under the originally contracted terms. The new accounting guidance is effective for annual reporting periods and interim reporting periods within those annual periods, beginning after December 15, 2019. However, the FASB has deferred the effective date for this ASU for smaller reporting companies, such as the Company, to annual reporting periods and interim reporting periods within those annual periods, beginning after December 15, 2022. Under the CECL model, financial institutions will be required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan. The transition to the CECL model will bring with it significantly greater data requirements and changes to methodologies to accurately account for expected losses under the new parameters. If the methodologies and assumptions that we use in the CECL model are proven to be incorrect or inadequate, the allowance for credit losses may not be sufficient, resulting in the need for additional allowance for credit losses to be established, which could have a material adverse impact on our financial condition and results of operations.

We may further experience increased delinquencies, credit losses, and corresponding charges to capital, which could require us to increase our provision for loan losses associated with impacts related to the coronavirus outbreak due to quarantines, market downturns, increased unemployment rates, changes in consumer behavior related to pandemic fears, and related emergency response legislation. We cannot predict the full impact of the coronavirus outbreak or any other future global pandemic on our business, but we may experience increased delinquencies and credit losses as a result of the outbreak. Further, if real estate markets or the economy in general deteriorate (due to the coronavirus outbreak or otherwise), State Bank may experience increased delinquencies and credit losses. The allowance for loan losses may not be sufficient to cover actual loan-related losses. Additionally, banking regulators may require State Bank to increase its allowance for loan losses in the future, which could have a negative effect on the Company's financial condition and results of operations. Additions to the allowance for loan losses will result in a decrease in net earnings and capital and could hinder our ability to grow our assets.

Any significant increase in our allowance for loan losses or loan charge offs, including increases required by applicable regulatory authorities, might have a material adverse effect on the Company's financial condition and results of operations.

Our success depends upon our ability to attract and retain key personnel.

Our success depends upon the continued service of our senior management team and upon our ability to attract and retain qualified financial services personnel. Competition for qualified employees is intense. We cannot guarantee that we will be able to retain our existing key personnel or attract additional qualified personnel. If we lose the services of our key personnel, or are unable to attract additional qualified personnel, our business, financial condition and results of operations could be adversely affected.

We depend upon the accuracy and completeness of information about customers.

In deciding whether to extend credit or enter into other transactions with customers, we may rely on information provided to us by customers, including financial statements and other financial information. We may also rely on representations of customers as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, we may assume that the customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer, and we may also rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

We may not be able to grow, and if we do, we may have difficulty managing that growth.

Our business strategy is to continue to grow our assets and expand our operations, including through potential strategic acquisitions. Our ability to grow depends, in part, upon our ability to expand our market share, successfully attract core deposits, and to identify loan and investment opportunities as well as opportunities to generate fee-based income. We can provide no assurance that we will be successful in increasing the volume of our loans and deposits at acceptable levels and upon terms acceptable to us. We also can provide no assurance that we will be successful in expanding our operations organically or through strategic acquisitions while managing the costs and implementation risks associated with this growth strategy.

We expect to continue to experience growth in the number of our employees and customers and the scope of our operations, but we may not be able to sustain our historical rate of growth or continue to grow our business at all. Our success will depend upon the ability of our officers and key employees to continue to implement and improve our operational and other systems, to manage multiple, concurrent customer relationships, and to hire, train and manage our employees. In the event that we are unable to perform all these tasks and meet these challenges effectively, including continuing to attract core deposits, our operations, and consequently our earnings, could be adversely impacted.

Future acquisitions or other expansion may adversely impact our financial condition and results of operations.

In the future, we may acquire other financial institutions or branches or assets of other financial institutions. We may also open new branches, enter into new lines of business, or offer new products or services. Any such acquisition or expansion of our business will involve a number of expenses and risks, which may include some or all of the following:

- the time and expense associated with identifying and evaluating potential acquisitions or expansions;
- the potential inaccuracy of estimates and judgments used to evaluate credit, operations, management and market risk with respect to target institutions;
- the time and costs of evaluating new markets, hiring local management and opening new offices, and the delay between commencing these activities and the generation of profits from the expansion;
- any financing required in connection with an acquisition or expansion;

- the diversion of management's attention to the negotiation of a transaction and the integration of the operations and personnel of the combining businesses;
- entry into unfamiliar markets and the introduction of new products and services into our existing business;
- the possible impairment of goodwill associated with an acquisition and possible adverse short-term effects on our results of operations; and
- the risk of loss of key employees and customers.

We may incur substantial costs to expand, and we can give no assurance that such expansion will result in the levels of profits we expect. Neither can we assure that integration efforts for any future acquisitions will be successful. We may issue equity securities in connection with acquisitions, which could dilute the economic and voting interests of our existing shareholders.

Our information systems may experience an interruption or security breach.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

Unauthorized disclosure of sensitive or confidential client information, or breaches in security of our systems, could severely harm our business.

We collect, process and store sensitive consumer data by utilizing computer systems and telecommunications networks operated by both third-party service providers and us. State Bank's necessary dependence upon automated systems to record and process State Bank's transactions poses the risk that technical system flaws, employee errors, tampering or manipulation of those systems, or attacks by third parties will result in losses and may be difficult to detect. We have security and backup and recovery systems in place, as well as a business continuity plan, to ensure the computer systems will not be inoperable, to the extent possible. We also routinely review documentation of such controls and backups related to third party service providers. Our inability to use or access these information systems at critical points in time could unfavorably impact the timeliness and efficiency of our business operations. In recent years, some banks have experienced denial of service attacks in which individuals or organizations flood the bank's website with extraordinarily high volumes of traffic, with the goal and effect of disrupting the ability of the bank to process transactions.

We could be adversely affected if one of our employees causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. State Bank is further exposed to the risk that the third-party service providers may be unable to fulfill their contractual obligations (or will be subject to the same risks as we are). These disruptions may interfere with service to our customers, cause additional regulatory scrutiny and result in a financial loss or liability.

Misconduct by employees could include fraudulent, improper or unauthorized activities on behalf of clients or improper use of confidential information. We may not be able to prevent employee errors or misconduct, and the precautions we take to detect this type of activity might not be effective in all cases. Employee errors or misconduct could subject us to civil claims for negligence or regulatory enforcement actions, including fines and restrictions on our business.

In addition, there have been instances where financial institutions have been victims of fraudulent activity in which criminals pose as customers to initiate wire and automated clearinghouse transactions out of customer accounts. The massive breach of the systems of a credit bureau in 2019 presents additional

threats as criminals now have more information than ever before about a larger portion of our country's population, which could be used by criminals to pose as customers initiating transfers of money from customer accounts. Although we have policies and procedures in place to verify the authenticity of our customers, we cannot assure that such policies and procedures will prevent all fraudulent transfers.

We have implemented security controls to prevent unauthorized access to our computer systems, and we require that our third-party service providers maintain similar controls. However, the Company's management cannot be certain that these measures will be successful. A security breach of the computer systems and loss of confidential information, such as customer account numbers and related information, could result in a loss of customers' confidence and, thus, loss of business. We could also lose revenue if competitors gain access to confidential information about our business operations and use it to compete with us. While we maintain specific "cyber" insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be covered under our cyber insurance coverage.

Further, we may be affected by data breaches at retailers and other third parties who participate in data interchanges with us and our customers that involve the theft of customer credit and debit card data, which may include the theft of our debit card PIN numbers and commercial card information used to make purchases at such retailers and other third parties. Such data breaches could result in us incurring significant expenses to reissue debit cards and cover losses, which could result in a material adverse effect on our results of operations.

To date, we have not experienced any material losses relating to cyber-attacks or other information security breaches, but there can be no assurance that we will not suffer such attacks or attempted breaches, or incur resulting losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, and our plans to continue to implement internet and mobile banking capabilities to meet customer demand. As cyber and other data security threats continue to evolve, we may be required to expend significant additional resources to continue to modify and enhance its protective measures or to investigate and remediate any security vulnerabilities.

Our assets at risk for cyber-attacks include financial assets and non-public information belonging to customers. We use several third-party vendors who have access to our assets via electronic media. Certain cyber security risks arise due to this access, including cyber espionage, blackmail, ransom, and theft. As cyber and other data security threats continue to evolve, we may be required to expend significant additional resources to continue to modify and enhance our protective measures or to investigate and remediate any security vulnerabilities.

Our business could be adversely affected through third parties who perform significant operational services on our behalf.

The third parties performing operational services for the Company are subject to risks similar to those faced by the Company relating to cybersecurity, breakdowns or failures of their own systems, or misconduct of their employees. Like many other community banks, State Bank also relies, in significant part, on a single vendor for the systems which allow State Bank to provide banking services to State Bank's customers.

One or more of the third parties utilized by us may experience a cybersecurity event or operational disruption and, if any such event does occur, it may not be adequately addressed, either operationally or financially, by such third party. Further, the operations of our third-party vendors could fail or otherwise become delayed as a result of COVID-19. Certain of these third parties may have limited indemnification obligations to us in the event of a cybersecurity event or operational disruption, or may not have the financial capacity to satisfy their indemnification obligations.

Financial or operational difficulties of a third party provider could also impair our operations if those difficulties interfere with such third party's ability to serve the Company. If a critical third-party provider is unable to meet the needs of the Company in a timely manner, or if the services or products provided by such third party are terminated or otherwise delayed and if the Company is not able to develop alternative sources for these services and products quickly and cost-effectively, our business could be materially adversely effected.

Additionally, regulatory guidance adopted by federal banking regulators addressing how banks select, engage and manage their third-party relationships, affects the circumstances and conditions under which we work with third parties and the cost of managing such relationships.

Strong competition within our market area may reduce our ability to attract and retain deposits and originate loans.

We face competition both in originating loans and in attracting deposits within our market area. We compete for clients by offering personal service and competitive rates on our loans and deposit products. The type of institutions we compete with include large regional financial institutions, community banks, thrifts and credit unions operating within our market areas. Nontraditional sources of competition for loan and deposit dollars come from captive auto finance companies, mortgage banking companies, internet banks, brokerage companies, insurance companies and direct mutual funds. As a result of their size and ability to achieve economies of scale, certain of our competitors offer a broader range of products and services than we offer. We expect competition to remain intense in the future due to legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. In addition, to stay competitive in our markets we may need to adjust the interest rates on our products to match the rates offered by our competitors, which could adversely affect our net interest margin. As a result, our profitability depends upon our continued ability to successfully compete in our market areas while achieving our investment objectives.

We may be required to repurchase loans we have sold or indemnify loan purchasers under the terms of the sale agreements, which could adversely affect our liquidity, results of operations and financial statements.

When State Bank sells a mortgage loan, it agrees to repurchase or substitute a mortgage loan if it is later found to have breached any representation or warranty State Bank made about the loan or if the borrower is later found to have committed fraud in connection with the origination of the loan. While we have underwriting policies and procedures designed to avoid breaches of representations and warranties as well as borrower fraud, there can be no assurance that no breach or fraud will ever occur. Required repurchases, substitutions or indemnifications could have an adverse impact on our liquidity, results of operations and financial statements.

Legislative, Legal and Regulatory Risks:

FDIC insurance premiums may increase materially, which could negatively affect our profitability.

The FDIC insures deposits at FDIC insured financial institutions, including State Bank. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund at a certain level. During 2008 and 2009, there were higher levels of bank failures which dramatically increased resolution costs of the FDIC and depleted the deposit insurance fund. The FDIC collected a special assessment in 2009 to replenish the Deposit Insurance Fund and also required a prepayment of an estimated amount of future deposit insurance premiums. The FDIC recently adopted rules revising the assessments in a manner benefiting banks with assets totaling less than $10 billion. There can be no assurance, however, that assessments will not be changed in the future.

We operate in a highly regulated industry, and the laws and regulations that govern our operations, corporate governance, executive compensation and financial accounting, or reporting, including changes in, or failure to comply with the same, may adversely affect the Company.

The banking industry is highly regulated. We are subject to supervision, regulation and examination by various federal and state regulators, including the FRB, the SEC, the CFPB, the FDIC, Financial Industry Regulatory Authority, Inc. ("FINRA"), and various state regulatory agencies. The statutory and regulatory framework that governs the Company is generally designed to protect depositors and customers, the Deposit Insurance Fund, the U.S. banking and financial system, and financial markets as a whole and not to protect shareholders. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on our business activities (including foreclosure and collection practices), limit the dividends or distributions that we can pay, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in capital than would otherwise be required under generally accepted accounting principles in the United States of America. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. Both the scope of the laws and regulations and the intensity of the supervision to which we are subject have increased in recent years in response to the perceived state of the financial services industry, as well as other factors such as technological and market changes. Such regulation and supervision may increase our costs and limit our ability to pursue business opportunities. Further, our failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject the Company to restrictions on business activities, fines, and other penalties, any of which could adversely affect results of operations, the capital base, and the price of our common shares. Further, any new laws, rules, or regulations could make compliance more difficult or expensive or otherwise adversely affect our business and financial condition.

Legislative or regulatory changes or actions could adversely impact our business.

The financial services industry is extensively regulated. We are subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of our operations. Laws and regulations may change from time to time and are primarily intended for the protection of consumers, depositors, borrowers, the Deposit Insurance Fund and the banking system as a whole, and not to benefit our shareholders. Regulations affecting banks and financial services businesses are undergoing continuous change, especially in light of COVID-19 and the stimulus programs issued in connection therewith, and management cannot predict the effect of these changes. While such changes are generally intended to lessen the regulatory burden on financial institutions, the impact of any changes to laws and regulations or other actions by regulatory agencies may negatively impact us or our ability to increase the value of our business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of a financial institution, the classification of assets held by a financial institution, the adequacy of a financial institution's allowance for loan losses and the ability to complete acquisitions. Additionally, actions by regulatory agencies against us could cause us to devote significant time and resources to defending our business and may lead to penalties that materially affect us and our shareholders. Even the reduction of regulatory restrictions could have an adverse effect on us and our shareholders if such lessening of restrictions increases competition within our industry or our market area.

In light of conditions in the global financial markets and the global economy that occurred in the last decade, regulators have increased their focus on the regulation of the financial services industry. In the last several years, Congress and the federal bank regulators have acted on an unprecedented scale in responding to the stresses experienced in the global financial markets. Some of the laws enacted by Congress and regulations promulgated by federal bank regulators subject us and other financial institutions to additional restrictions, oversight and costs that may have an adverse impact on our business and results of operations. In addition to laws, regulations and supervisory and enforcement actions directed at the operations of financial institutions, proposals to reform the housing finance market consider significant changes to Fannie Mae and Freddie Mac, which could negatively affect our sales of loans.

Changes in accounting standards could influence our results of operations.

The accounting standard setters, including the FASB, the SEC and other regulatory bodies, periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can be difficult to predict and can materially affect how we record and report our financial condition and results of operations. In some cases, we could be required to apply a

new or revised standard retroactively, which would result in the restatement of our financial statements for prior periods.

The preparation of consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make significant estimates that affect the financial statements. Due to the inherent nature of these estimates, actual results may vary materially from management's estimates. In June 2016, FASB issued a new accounting standard for recognizing current expected credit losses, commonly referred to as CECL. CECL will result in earlier recognition of credit losses and requires consideration of not only past and current events but also reasonable and supportable forecasts that affect collectability. The Company will be required to comply with the new standard in the first quarter of 2023. Upon adoption of CECL, credit loss allowances may increase, which would decrease retained earnings and regulatory capital. The federal banking regulators have adopted a regulation that will allow banks to phase in the day-one impact of CECL on regulatory capital over three years. CECL implementation poses operational risk, including the failure to properly transition internal processes or systems, which could lead to call report errors, financial misstatements, or operational losses.

Noncompliance with the Bank Secrecy Act and other anti-money laundering statutes and regulations could cause a material financial loss.

The Bank Secrecy Act and the USA Patriot Act contain anti-money laundering and financial transparency provisions intended to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the USA Patriot Act, requires depository institutions and their holding companies to undertake activities including maintaining an anti-money laundering program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. Financial Crimes Enforcement Network ("FinCEN"), a unit of the Treasury Department that administers the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the federal bank regulatory agencies, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service.

There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control ("OFAC"). If the Company's policies, procedures, and systems are deemed deficient, or if the policies, procedures, and systems of the financial institutions that the Company has already acquired or may acquire in the future are deficient, the Company may be subject to liability, including fines and regulatory actions such as restrictions on State Bank's ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain planned business activities, including acquisition plans, which could negatively impact our business, financial condition, and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for the Company.

We could face legal and regulatory risk arising out of our residential mortgage business.

Numerous federal and state governmental, legislative and regulatory authorities are investigating practices in the business of mortgage and home equity lending and servicing and in the mortgage-related insurance and reinsurance industries. We could face the risk of class actions, other litigation and claims from: the owners of or purchasers of such loans originated or serviced by us, homeowners involved in foreclosure proceedings or various mortgage-related insurance programs, downstream purchasers of homes sold after foreclosure, title insurers, and other potential claimants. Included among these claims are claims from purchasers of mortgage and home equity loans seeking the repurchase of loans where the loans allegedly breached origination covenants, representations, and warranties made to the purchasers in the purchase and sale agreements. The CFPB has issued new rules for mortgage origination and mortgage servicing. Both the origination and servicing rules create new private rights of action for consumers against lenders and servicers in the event of certain violations.

Risks Related to Our Capital and Common Shares:

Our ability to pay cash dividends is limited, and we may be unable to pay cash dividends in the future even if we elect to do so.

We are dependent primarily upon the earnings of our operating subsidiaries for funds to pay dividends on our common and depositary shares. The payment of dividends by us is also subject to regulatory restrictions. As a result, any payment of dividends in the future will be dependent, in large part, on our ability to satisfy these regulatory restrictions and our subsidiaries' earnings, capital requirements, financial condition and other factors. There can be no assurance as to if or when the Company may pay dividends or as to the amount of any dividends which may be declared and paid to shareholders in future periods. Failure to pay dividends on our shares could have a material adverse effect on the market price of our shares.

A limited trading market exists for our common shares, which could lead to price volatility.

The ability to sell our common shares depends upon the existence of an active trading market for those shares. While our shares are listed for trading on the NASDAQ Capital Market, there is moderate trading volume in these shares. As a result, shareholders may be unable to sell our shares at the volume, price and time desired. The limited trading market for our shares may cause fluctuations in the market value of our shares to be exaggerated, leading to price volatility in excess of that which would occur in a more active trading market. In addition, even if a more active market of our shares should develop, we cannot guarantee that such a market will continue.

The market price of our common shares may be subject to fluctuations and volatility.

The market price of our common shares may fluctuate significantly due to, among other things, changes in market sentiment regarding our operations, financial results or business prospects, the banking industry generally or the macroeconomic outlook. Certain events or changes in the market or banking industry generally are beyond our control. In addition to the other risk factors contained or incorporated by reference herein, factors that could affect our trading price:

- our actual or anticipated operating and financial results, including how those results vary from the expectations of management, securities analysts and investors;
- changes in financial estimates or publications of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to us or other financial institution;
- failure to declare dividends on our common shares from time to time;
- reports in the press or investment community generally or relating to our reputation or the financial services industry;
- developments in our business or operations or in the financial sector generally;
- any future offerings by us of our common shares;
- any future offerings by us of debt or preferred shares, which would be senior to our common shares upon liquidation and for purposes of dividend distributions;
- legislative or regulatory changes affecting our industry generally or our business and operations specifically;
- the operating and share price performance of companies that investors consider to be comparable to us;

- announcements of strategic developments, acquisitions, restructurings, dispositions, financings and other material events by us or our competitors;

- actions by our current shareholders, including future sales of common shares by existing shareholders, including our directors and executive officers;

- proposed or final regulatory changes or developments;

- anticipated or pending regulatory investigations, proceedings, or litigation that may involve or affect us; and

- other changes in U.S. or global financial markets, global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Equity markets in general and our shares have experienced volatility over the past few years. The market price of our shares may continue to be subject to volatility unrelated to our operating performance or business prospects, which could result in a decline in the market price of our shares.

Investors could become subject to regulatory restrictions upon ownership of our common shares.

Under the Federal Change in Bank Control Act, a person may be required to obtain prior approval from the Federal Reserve before acquiring 10 percent or more of our common shares or the power to directly or indirectly control our management, operations, or policies.

We have implemented anti-takeover devices that could make it more difficult for another company to purchase us, even though such a purchase may increase shareholder value.

In many cases, shareholders may receive a premium for their shares if we were purchased by another company. Ohio law and our Articles and Amended and Restated Regulations, as amended ("Regulations"), make it difficult for anyone to purchase us without the approval of our Board of Directors. Consequently, a takeover attempt may prove difficult, and shareholders may not realize the highest possible price for their securities.

We may be compelled to seek additional capital in the future, but capital may not be available when needed.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. In addition, federal banking agencies have proposed extensive changes to their capital requirements; including raising required amounts and eliminating the inclusion of certain instruments from the calculation of capital. In addition, we may elect to raise additional capital to support our business or to finance acquisitions, if any, or we may otherwise elect to raise additional capital. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot be assured of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed, it may have a material adverse effect on our financial condition, results of operations and prospects.

We may be the subject of litigation, which could result in legal liability and damage to our business and reputation.

From time to time, we may be subject to claims or legal action from customers, employees or others. Financial institutions like the Company and State Bank are facing a growing number of significant class actions, including those based on the manner of calculation of interest on loans and the assessment of overdraft fees. Future litigation could include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We are also involved from time to time in other reviews, investigations and proceedings (both formal and informal) by governmental and other agencies regarding our business. These matters also could result in adverse judgments, settlements, fines, penalties,

injunctions or other relief. Like other large financial institutions, we are also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information.

Our insurance may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation exceed our insurance coverage, they could have a material adverse effect on our financial condition and results of operations. In addition, we may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms, if at all.

General Risk Factors:

Our earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies.

The policies of the Federal Reserve Board impact us significantly. The Federal Reserve Board regulates the supply of money and credit in the United States. Its policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest-bearing deposits, and can also affect the value of financial instruments we hold. Those policies determine to a significant extent our cost of funds for lending and investing. Changes in those policies are beyond our control and are difficult to predict. Federal Reserve Board policies can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve Board could reduce the demand for a borrower's products and services. This could adversely affect the borrower's earnings and ability to repay its loan, which could have a material adverse effect on our financial condition and results of operations.

A default by another larger financial institution could adversely affect financial markets generally.

The commercial soundness of many financial institutions may be closely interrelated as a result of relationships between and among the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect our business.

Changes in tax laws could adversely affect our performance.

We are subject to extensive federal, state and local taxes, including income, excise, sales/use, payroll, franchise, withholding and ad valorem taxes. Changes to tax laws could have a material adverse effect on our results of operations; fair values of net deferred tax assets and obligations of state and political subdivisions held in our investment securities portfolio. In addition, our customers are subject to a wide variety of federal, state and local taxes. Changes in taxes paid by our customers may adversely affect their ability to purchase homes or consumer products, which could adversely affect their demand for our loans and deposit products. In addition, such negative effects on our customers could result in defaults on the loans we have made.

The preparation of our financial statements requires the use of estimates that may vary from actual results.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make significant estimates that affect the financial statements. Two of our most critical estimates are the level of the allowance for loan losses and the accounting for goodwill and other intangibles. Because of the inherent nature of these estimates, we cannot provide complete assurance that we will not be required to adjust earnings for significant unexpected loan losses, nor that we will not recognize a material provision for impairment of our goodwill. For additional information regarding these critical estimates, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 42 of this Annual Report on Form 10-K.

We are at risk of increased losses from fraud.

Criminals are committing fraud at an increasing rate and are using more sophisticated techniques. In some cases, these individuals are part of larger criminal rings, which allow them to be more effective. Such fraudulent activity has taken many forms, ranging from debit card fraud, check fraud, mechanical devices attached to ATM machines, social engineering and phishing attacks to obtain personal information, or impersonation of clients through the use of falsified or stolen credentials. Additionally, an individual or business entity may properly identify itself, yet seek to establish a business relationship for the purpose of perpetrating fraud. An emerging type of fraud even involves the creation of synthetic identification in which fraudsters "create" individuals for the purpose of perpetrating fraud. Further, in addition to fraud committed directly against the Company, the Company may suffer losses as a result of fraudulent activity committed against third parties. Increased deployment of technologies, such as chip card technology, defray and reduce certain aspects of fraud; however, criminals are turning to other sources to steal personally identifiable information, such as unaffiliated healthcare providers and government entities, in order to impersonate the consumer and thereby commit fraud.

We need to constantly update our technology in order to compete and meet customer demands.

The financial services market, including banking services, is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and may enable us to reduce costs. Our future success will depend, in part, on our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in our operations. Some of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological changes affecting the financial services industry could negatively affect our growth, revenue and profit.

Climate change, severe weather, natural disasters, acts of war or terrorism and other external events could significantly impact our business.

Natural disasters, including severe weather events of increasing strength and frequency due to climate change, acts of war or terrorism, and other adverse external events could have a significant impact on our ability to conduct business or upon third parties who perform operational services for us or our customers. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue or cause us to incur additional expenses.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company's principal executive offices are located at 401 Clinton Street, Defiance, Ohio. State Bank owns this facility, with a portion of the facility utilized as a retail banking center. In addition, State Bank owns the land and buildings occupied by twenty-one of its banking centers and leases one other property used as a banking center. The Company also occupies office space from various parties for loan production and other business purposes on varying lease terms. There is no outstanding mortgage debt on any of the properties which are owned by State Bank.

Listed below are the banking centers, loan production offices and service facilities of the Company and their addresses, all of which are located in Allen, Defiance, Delaware, Fulton, Franklin, Hancock, Lucas, Paulding, Williams and Wood counties of Ohio; Allen and Hamilton counties of Indiana; and Monroe county of Michigan:

SB Financial Group, Inc. Property List as of December 31, 2020

($ in thousands)	Description/Address	Leased/ Owned	Total Deposits 12/31/20
Main Banking Center & Corporate Office			
401	Clinton Street, Defiance, OH	Owned	$ 266,066
Banking Centers/Drive-Thru's			
1419	West High Street, Bryan, OH	Owned	55,266
510	Third Street, Defiance, OH (Drive-thru)	Owned	N/A
1600	North Clinton Street, Defiance, OH	Leased	40,370
312	Main Street, Delta, OH	Owned	22,147
4080	West Dublin Granville Road, Dublin, OH	Owned	68,074
201	East Lincoln Street, Findlay, OH	Owned	16,443
408	South Main Street Suite A, Findlay, OH	Leased	-
12832	Coldwater Road, Fort Wayne, IN	Owned	25,742
1232	North Main Street, Bowling Green, OH	Owned	13,513
235	Main Street, Luckey, OH	Owned	36,662
133	East Morenci Street, Lyons, OH	Owned	23,099
930	West Market Street, Lima, OH	Owned	65,239
1201	East Main Street, Montpelier, OH	Owned	46,885
218	North First Street, Oakwood, OH	Owned	25,021
220	North Main Street, Paulding, OH	Owned	63,184
610	East South Boundary Street, Perrysburg, OH	Owned	16,641
119	South State Street, Pioneer, OH	Owned	36,343
6401	Monroe Street, Sylvania, OH	Owned	80,093
311	Main Street, Walbridge, OH	Owned	34,437
101	North Michigan Street, Edon, OH	Owned	53,931
1379	North Shoop Avenue, Wauseon, OH	Owned	59,854
Loan Production Offices			
307	North Wayne Street, Angola, IN	Owned	N/A
10100	Lantern Road, Suite 240, Fishers, IN	Leased	N/A
94	Granville Street, Gahanna, OH	Owned	N/A
8194	Secor Road, Lambertville, MI	Leased	N/A
1900	Monroe Street, Suite 108, Toledo, OH	Leased	N/A
Service Facilities (SBT/ SBFG Title)			
104	Depot Street, Archbold, OH	Leased	N/A
105	East Holland Street, Archbold, OH	Leased	N/A
1911	Baltimore Road, Defiance, OH	Leased	N/A
9101	Antares Avenue, Columbus, OH	Owned	N/A
	Total deposits		$ 1,049,011

SB Captive operates from office space located at 101 Convention Center Dr., Suite 850, Las Vegas, NV 89109.

The Company's subsidiaries have several noncancellable leases for business use that expire over the next five years. Aggregate rental expense for these leases was $0.18 million and $0.19 million for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments under operating leases are:

	($ in thousands)
2021	$ 195
2022	144
2023	132
2024	129
2025	129
Thereafter	883
Total minimum lease payments	$ 1,611

Item 3. Legal Proceedings.

In the ordinary course of our business, the Company and its subsidiaries are parties to various legal actions, which we believe are incidental to the operation of our business. Although the ultimate outcome and amount of liability, if any, with respect to these legal actions cannot presently be ascertained with certainty, in the opinion of management, based upon information currently available to us, any resulting liability is not likely to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not Applicable

Supplemental Item: Information about our Executive Officers

The following table lists the names and ages of the executive officers of the Company as of February 26, 2021, the positions presently held by each executive officer, and the business experience of each executive officer during their employment at the Company. Unless otherwise indicated, each person has held his or her principal occupation(s) for more than five years.

Name	Age	Position(s) Held with the Company and its Subsidiaries and Principal Occupation(s)
Mark A. Klein	66	Chairman of the Company since April 2015; Director of the Company since February 2010; President and Chief Executive Officer of the Company since January 2010 and of State Bank since January 2006; Director of State Bank since 2006; President of RDSI since October 2011; Member of State Bank Trust Investment Review Committee since March 2007.
Anthony V. Cosentino	59	Executive Vice President and Chief Financial Officer of the Company and State Bank since March 2010; Chief Financial Officer of RDSI since October 2011; Member of State Bank Trust Investment Review Committee since June 2010.

Ernesto Gaytan	49	Executive Vice President and Chief Technology Innovation and Operations Officer of the Company since July 2018; Chief Technology Innovation Officer since November 2017.
Jonathan R. Gathman	47	Executive Vice President and Senior Lending Officer of the Company since October 2005; Senior Vice President and Commercial Lending Manager from June 2005 through October 2005; Vice President and Commercial Lender from February 2003 through June 2005. Began working for State Bank in May 1996.
Keeta J. Diller	64	Executive Vice President and Chief Risk Officer of the Company since July 2019; Senior Vice President and Chief Enterprise Risk Management Officer from August 2018 through July 2019; Senior Vice President and Audit Coordinator and Director of Operations from December 2011 through August 2018; Vice President and Internal Auditor from January 2010 through December 2011; Corporate Secretary for the Company since 1996; Began working for State Bank in February 1990 as the Accounting Supervisor.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

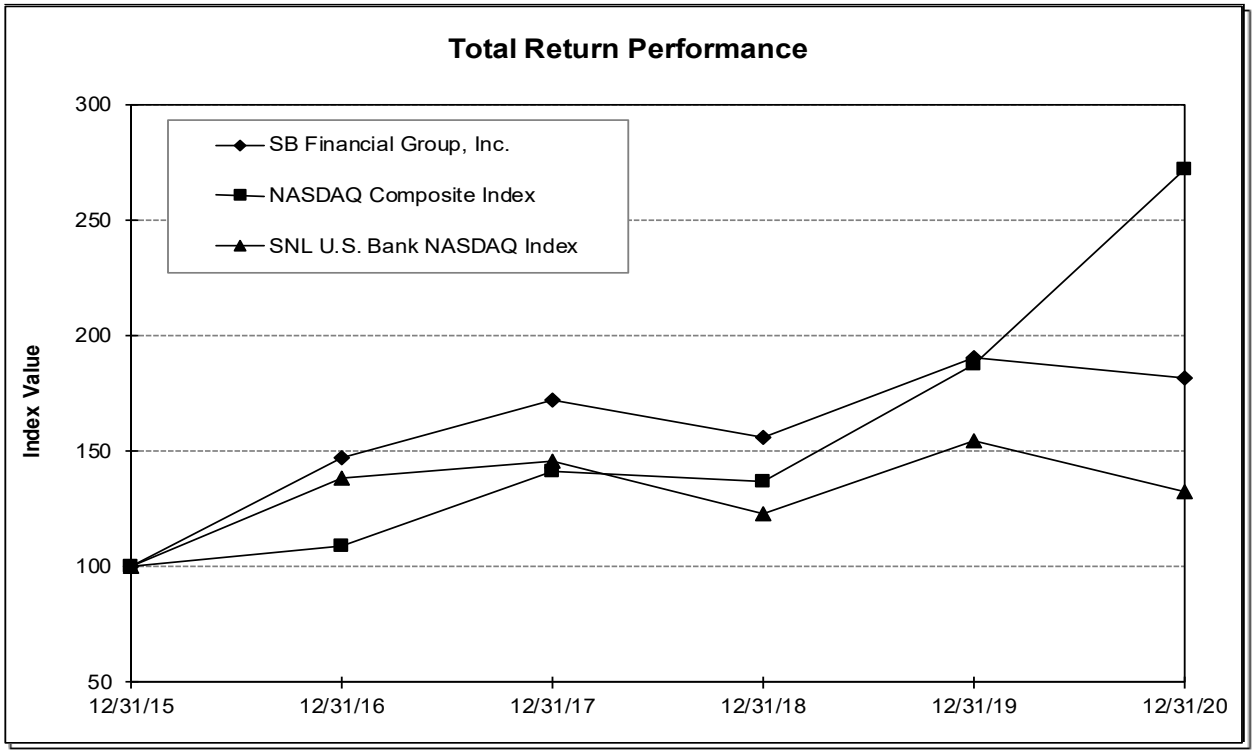
Market Information

Our common shares are traded on the NASDAQ Capital Market under the symbol "SBFG". There were 7,407,034 common shares outstanding as of December 31, 2020, which were held by approximately 1,236 record holders.

The Company paid quarterly dividends on its common shares in the aggregate amounts of $0.40 per share and $0.36 per share in 2020 and 2019, respectively. The Company presently anticipates continuing to pay quarterly dividends in the future at similar levels. However, there is no guarantee that dividends on our common shares will continue in the future.

Payment of dividends by State Bank may be restricted at any time at the discretion of the regulatory authorities, if they deem such dividends to constitute an unsafe and/or unsound banking practice. These provisions could have the effect of limiting the Company's ability to pay dividends on its outstanding shares. Moreover, the Federal Reserve Board expects the Company to serve as a source of strength to its subsidiary banks, which may require it to retain capital for further investment in State Bank, rather than for dividends to shareholders of the Company.

SB Financial Group, Inc.



	Period Ending					
Index	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/18**	**12/31/19**	**12/31/20**
SB Financial Group, Inc.	100.00	147.20	172.30	155.92	190.51	181.48
NASDAQ Composite Index	100.00	108.87	141.13	137.12	187.44	271.64
SNL U.S. Bank NASDAQ Index	100.00	138.65	145.97	123.04	154.47	132.56

Source: S&P Global Market Intelligence
© 2021

The table below reflects the common shares repurchased by the Company during the three months ended December 31, 2020. The Company has 253,360 shares remaining of the 500,000 approved under the existing share repurchase program which was authorized on July 21, 2020 and expires December 31, 2021.

	(a)	(b)	(c)	(d)
Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
10/01/20 - 10/31/20	44,641	$ 15.50	118,158	381,842
11/01/20 - 11/30/20	62,349	18.20	180,507	319,493
12/01/20 - 12/31/20	66,133	18.38	246,640	253,360
Totals	173,123	$ 17.57	246,640	253,360

Item 6. Selected Financial Data.

Financial Highlights

Year Ended December 31,

($ in thousands, except per share data)

Earnings	**2020**	**2019**	**2018**	**2017**	**2016**
Interest income	$ 42,635	$ 44,400	$ 39,479	$ 32,480	$ 29,051
Interest expense	6,705	9,574	6,212	4,094	3,198
Net interest income	35,930	34,826	33,267	28,386	25,853
Provision for loan losses	4,500	800	600	400	750
Noninterest income	30,096	18,016	16,624	17,217	17,889
Noninterest expense	43,087	37,410	34,847	31,578	30,091
Provision for income taxes	3,495	2,659	2,806	2,560	4,117
Net income	14,944	11,973	11,638	11,065	8,784
Preferred stock dividends	-	950	975	975	975
Net income available to common	14,944	11,023	10,663	10,090	7,809
Per Common Share Data					
Basic earnings	$ 1.96	$ 1.71	$ 1.72	$ 2.10	$ 1.60
Diluted earnings	1.96	1.51	1.51	1.74	1.38
Cash dividends declared	0.40	0.36	0.32	0.28	0.24
Total equity per share	19.39	17.53	16.36	15.03	13.75
Total tangible equity per share	16.30	15.23	15.39	13.27	11.59
Average Balances					
Average total assets	$1,161,396	$1,027,932	$ 947,266	$ 854,569	$ 789,045
Average equity	139,197	133,190	121,094	89,538	84,540
Ratios					
Return on average total assets	1.29%	1.16%	1.23%	1.29%	1.11%
Return on average equity	10.74	8.99	9.61	12.36	10.39
Cash dividend payout ratio[1]	20.54	23.84	19.60	13.50	15.11
Average equity to average assets	11.99	12.96	12.78	10.48	10.71
Period End Totals					
Total assets	$1,257,839	$1,038,577	$ 986,828	$ 876,627	$ 816,005
Total investments; fed funds sold	149,406	100,948	90,969	82,790	90,128
Loans held for sale	7,234	7,258	4,445	3,940	4,434
Total loans & leases	872,723	825,510	771,883	696,615	644,433
Allowance for loan losses	12,574	8,755	8,167	7,930	7,725
Total deposits	1,049,011	840,219	802,552	729,600	673,073
Advances from FHLB	8,000	16,000	16,000	18,500	26,500
Trust preferred securities	10,310	10,310	10,310	10,310	10,310
Total equity	142,923	136,094	130,435	94,000	86,548

[1] Cash dividends on common shares divided by net income available to common.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

SB Financial Group, Inc. ("SB Financial"), is a financial holding company registered with the Federal Reserve Board and subject to regulation under the Bank Holding Company Act of 1956, as amended. Through its direct and indirect subsidiaries, SB Financial is engaged in commercial and retail banking, wealth management and private client financial services.

The following discussion provides a review of the consolidated financial condition and results of operations of SB Financial and its subsidiaries (collectively, the "Company"). This discussion should be read in conjunction with the Company's consolidated financial statements and related footnotes as of and for the years ended December 31, 2020 and 2019.

Strategic Discussion

The focus and strategic goal of the Company is to grow into and remain a top decile (>90th percentile) independent financial services company. The Company intends to achieve and maintain that goal by executing our five key initiatives.

Increase profitability through ongoing diversification of revenue streams: For the twelve months ended December 31, 2020, the Company generated $30.1 million in noninterest income, or 45.6 percent of total operating revenue from fee-based products. These revenue sources include fees generated from saleable residential mortgage loans, retail deposit products, wealth management services, saleable business-based loans (small business and farm service) and title agency revenue. For the twelve months ended December 31, 2019, the Company generated $18.0 million in revenue from fee-based products, or 34.1 percent of total operating revenue.

Strengthen our penetration in all markets served: Over our 118-year history of continuous operation in Northwest Ohio, we have established a significant presence in our traditional markets in Defiance, Fulton, Paulding and Williams counties in Ohio. In our newer markets of Bowling Green, Columbus, Findlay, Toledo (Ohio) and Ft. Wayne (Indiana), our current market penetration is minimal but we believe our potential for growth is significant. We have expanded and committed additional resources to our presence in the Findlay and Wauseon markets. We continue to seek to expand the presence and penetration in all of our markets.

Expand product utilization by new and existing customers: As of December 31, 2020, we served 32,519 households and provided 95,210 products and services (2.93 products & services per household) to these households. Our strategy is to continue to expand the scope of our relationship with each household via our dynamic "on-boarding" process. Proactively identifying client needs is a key ingredient of our value proposition. As of December 31, 2019, we served 30,377 households and provided 91,154 products and services (3.00 products & services per household) to these households.

Deliver gains in operational excellence: Our management team believes that becoming and remaining a high-performance financial services company will depend upon seamlessly and consistently delivering operational excellence, as demonstrated by the Company's leadership in the origination and servicing of residential mortgage loans. As of December 31, 2020, the Company serviced 8,543 residential mortgage loans with a principal balance of $1.3 billion. As of December 31, 2019, the Company serviced 8,155 loans with a principal balance of $1.2 billion.

Sustain asset quality: As of December 31, 2020, the Company's asset quality metrics remained strong. Specifically, total nonperforming assets were $7.3 million, or 0.58 percent of total assets. Total delinquent loans at December 31, 2020 were 0.75 percent of total loans. As of December 31, 2019, the Company had total nonperforming assets of $5.3 million, or 0.51 percent of total assets. Total delinquent loans at December 31, 2019 were 0.28 percent of total loans.

Critical Accounting Policies

The accounting and reporting policies of the Company are in accordance with generally accepted accounting principles in the United States and conform to general practices within the banking industry.

The Company's significant accounting policies are described in detail in the notes to the Company's Consolidated Financial Statements for the years ended December 31, 2020 and 2019. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The Company's financial position and results of operations can be affected by these estimates and assumptions and are integral to the understanding of reported results. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Company's financial condition and results, and they require management to make estimates that are difficult, subjective or complex.

Allowance for Loan Losses: The allowance for loan losses provides coverage for probable losses inherent in the Company's loan portfolio. Management evaluates the adequacy of the allowance for loan losses each quarter based on changes, if any, in the nature and amount of problem assets and associated collateral, underwriting activities, loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, regulatory guidance and economic factors. This evaluation is inherently subjective, as it requires the use of significant management estimates. Many factors can affect management's estimates of specific and expected losses, including volatility of default probabilities, rating migrations, loss severity and economic and political conditions. The allowance is increased through provisions charged to operating earnings and reduced by net charge offs.

The Company determines the amount of the allowance based on relative risk characteristics of the loan portfolio. The allowance recorded for commercial loans is based on reviews of individual credit relationships and an analysis of the migration of commercial loans and actual loss experience. The allowance recorded for homogeneous consumer loans is based on an analysis of loan mix, risk characteristics of the portfolio, fraud loss and bankruptcy experiences, and historical losses, adjusted for current trends, for each homogeneous category or group of loans. The allowance for credit losses relating to impaired loans is based on each impaired loan's observable market price, the collateral for certain collateral-dependent loans, or the discounted cash flows using the loan's effective interest rate.

Regardless of the extent of the Company's analysis of customer performance, portfolio trends or risk management processes, certain inherent, but undetected, losses are probable within the loan portfolio. This is due to several factors including inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions, the subjective nature of individual loan valuations, collateral assessments and the interpretation of economic trends. Volatility of economic or customer-specific conditions affecting the identification and estimation of losses for larger non-homogeneous credits and the sensitivity of assumptions utilized to establish allowances for homogenous groups of loans are also factors. The Company estimates a range of inherent losses related to the existence of these exposures. The estimates are based upon the Company's evaluation of imprecise risk associated with the commercial and consumer allowance levels and the estimated impact of the current economic environment.

Goodwill and Other Intangibles: The Company records all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangibles, at fair value as required. Goodwill is subject, at a minimum, to annual tests for impairment. Other intangible assets are amortized over their estimated useful lives using straight-line and accelerated methods, and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. The initial goodwill and other intangibles recorded and subsequent impairment analysis requires management to make subjective judgments concerning estimates of how the acquired asset will perform in the future. Events and factors that may significantly affect the estimates include, among others, customer attrition, changes in revenue growth trends, specific industry conditions and changes in competition.

Deferred Tax Liability: The Company has evaluated its deferred tax liability to determine if it is more likely than not that the liability will be realized in the future. The Company's most recent evaluation has determined that the Company will more likely than not be able to realize the remaining deferred tax liability.

Income Tax Accounting: The Company files a consolidated federal income tax return. The provision for income taxes is based upon income in the consolidated financial statements, rather than amounts reported on our income tax return. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities

and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in rates on the deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date.

Changes in Financial Condition

Total assets at December 31, 2020, were $1.26 billion, compared to $1.04 billion at December 31, 2019. Loans (excluding loans held for sale) were $872.7 million at December 31, 2020, compared to $825.5 million at December 31, 2019. Total deposits were $1.05 billion at December 31, 2020, compared to $840.2 million at December 31, 2019. Deposit and loan balances were elevated due to the PPP initiative and the acquisition of the Edon State Bank.

Total equity was $142.9 million at December 31, 2020, up 5.0 percent from $136.1 million at December 31, 2019. Net income less dividends increase retained earnings by $11.8 million for 2020.

($ in thousands)	Years Ended December 31,		
Total loans	2020	2019	% Change
Commercial business & agriculture	$ 258,507	$ 202,761	27.5%
Commercial real estate	370,984	366,782	1.1%
Residential real estate	182,076	193,159	-5.7%
Consumer & other	61,156	62,808	-2.6%
Loans held for investment	$ 872,723	$ 825,510	5.7%
Loans held for sale	$ 7,234	$ 7,258	-0.3%
Total deposits	2020	2019	% Change
Noninterest bearing demand	$ 251,649	$ 158,357	58.9%
Interest-bearing demand	176,785	131,084	34.9%
Savings & money market	391,028	293,025	33.4%
Time deposits	229,549	257,753	-10.9%
Total deposits	$ 1,049,011	$ 840,219	24.8%
Total shareholders' equity	$ 142,923	$ 136,094	5.0%

Loans held for investment increased $47.2 million, or 5.7 percent, to $872.7 million at December 31, 2020. The largest component of this increase was in commercial business loans, which rose $55.7 million. The 2020 results were impacted by the Company's participation in the PPP, which increased commercial balances by approximately $70.5 million. In addition, the Company acquired the Edon State Bank in June of 2020 that increased loan balances by $16.4 million.

Deposits increased $208.8 million, or 24.9 percent, to $1.05 billion at December 31, 2020. Deposit growth for the year included $139.0 million in demand deposits and $98.0 million in savings and money market deposits. The Company added approximately $51.0 million in deposit balances from the Edon State Bank acquisition in 2020.

Stockholders' equity at December 31, 2020, was $142.9 million or 11.4 percent of total assets compared to $136.1 million or 13.1 percent of total assets at December 31, 2019.

Asset Quality	Years Ended December 31,		
($ in thousands)	2020	2019	% Change
Nonaccruing loans	$ 6,426	$ 5,500	16.8%
Accruing restructured loans (TDRs)	810	874	-7.3%
OREO & repossessed assets	23	305	-92.5%
Nonperforming assets	7,259	6,679	8.7%
Net charge offs	681	212	221.2%
Loan loss provision	4,500	800	462.5%
Allowance for loan losses	12,574	8,755	43.6%
Nonperforming assets/total assets	0.58%	0.64%	-9.3%
Net charge offs/average loans	0.08%	0.03%	166.7%
Allowance/loans	1.44%	1.06%	35.9%
Allowance/nonperforming loans	173.22%	137.35%	26.1%

Nonperforming assets consisting of loans, Other Real Estate Owned ("OREO") and accruing TDRs totaled $7.3 million, or 0.58 percent of total assets at December 31, 2020, an increase of $0.6 million or 8.7 percent from 2019. Net charge offs were up during 2020, at $0.68 million, which was a $0.47 million increase compared to 2019. The Company's loan loss allowance at December 31, 2020, now covers nonperforming loans at 174 percent, up from 137 percent at December 31, 2019.

As detailed in the risk factors, the CARES Act provided for significant consumer and small business relief due to the impact of the COVID-19 pandemic. The Company provided payment relief to a number of consumer and small business customers throughout 2020. As detailed in the table below, loans in forbearance/deferral status as of December 31, 2020 were $23.2 million. An additional $11.7 million of sold mortgage relationships were also in deferral at year-end.

Loans in Deferral Status ($ in thousands, except ratios)	**Dec. 2020**	**Sep. 2020**	**Jun. 2020**	**Linked Qtr. Change**
Total Commercial	$ 23,175	$ 36,366	$ 142,682	$ (13,191)
Total Consumer	-	28	350	(28)
Total Portfolio Mortgage	-	1,959	10,274	(1,959)
Total Balance Sheet Deferrals	$ 23,175	$ 38,353	$ 153,306	$ (15,178)
% of Total loans	2.66%	4.33%	17.00%	-1.67%
Total Sold Mortgage	$ 11,685	$ 42,317	$ 41,751	$ (30,632)

Regulatory capital reporting is required for State Bank only, as the Company is now exempt from quarterly regulatory capital level measurement pursuant to the Small Bank Holding Company Policy Statement. As of December 31, 2020, State Bank met all regulatory capital levels required to be considered well-capitalized (See Note 17 to the Consolidated Financial Statements).

Earnings Summary – 2020 vs. 2019

Net income for 2020 was $14.9 million, or $1.96 per diluted share, compared with net income of $12.0 million and net income available to common of $11.0 million, or $1.51 per diluted share, for 2019. State Bank reported net income for 2020 of $16.0 million, which was up from the $12.5 million in net income in 2019. SBFG Title reported net income for 2020 of $0.6 million, which was up from the $0.3 million in 2019.

Positive results for 2020 included loan growth of $47.2 million, and deposit growth of $208.8 million. The mortgage banking business line continues to contribute significant revenues, with residential real estate loan production of $694.2 million for the year, resulting in $25.4 million of revenue from gains on sale. The level of mortgage origination was up from the $445.3 million in 2019. The Company's loans serviced for

others ended the year at $1.3 billion, up from $1.2 billion at December 31, 2019. The Company realized over $1.4 million in revenue from the PPP initiative.

Operating revenue was up compared to the prior year by $13.2 million, or 25.0 percent, which was impacted by a $3.6 million temporary OMSR impairment. Our 2020 results include the full year impact from SBFG Title with net income of $0.6 million, and SB Captive, with net income of $0.9 million. Net interest margin on a fully tax equivalent basis ("FTE") for 2020 was 3.36 percent, down 46 basis points from 2019.

Operating expense was up compared to the prior year by $5.7 million, or 15.2 percent, due to compensation and fringe benefit cost increases as a result of higher mortgage commission levels. Operating leverage (growth in revenue divided by growth in operating expense) for the year was a positive 1.6 times.

Net charge offs for 2020 of $0.68 million resulted in a loan loss provision of $4.5 million, compared to net charge offs of $0.21 million and a $0.8 million loan loss provision in 2019.

Results of Operations

	Years Ended December 31,		
($ in thousands, except per share data)	2020	2019	% Change
Total assets	$ 1,257,839	$ 1,038,577	21.1%
Total investments	149,406	100,948	48.0%
Loans held for sale	7,234	7,258	-0.3%
Loans, net of unearned income	872,723	825,510	5.7%
Allowance for loan losses	12,574	8,755	43.6%
Total deposits	1,049,011	840,219	24.8%
Total operating revenue[1]	$ 66,026	$ 52,842	24.9%
Net interest income	35,930	34,826	3.2%
Loan loss provision	4,500	800	462.5%
Noninterest income	30,096	18,016	67.1%
Noninterest expense	43,087	37,410	15.2%
Net income	14,944	11,973	24.8%
Net income available to common shareholders	14,944	11,023	35.6%
Diluted earnings per share	1.96	1.51	29.8%

[1] Operating revenue equals net interest income plus noninterest income.

Net Interest Income	Years Ended December 31,		
($ in thousands)	2020	2019	% Change
Total net interest income	$ 35,930	$ 34,826	3.2%

Net interest income was $35.9 million for 2020 compared to $34.8 million for 2019, an increase of $1.1 million or 3.2 percent. Average earning assets increased to $1.07 billion in 2020, compared to $915.0 million in 2019, an increase of $157.4 million or 17.2 percent due to higher loan volume. The consolidated 2020 full year net interest margin on an FTE basis decreased 46 basis points to 3.36 percent compared to 3.82 percent for the full year of 2019. PPP activity during 2020 increased margin revenue by $2.0 million for the full year of 2020. We will continue to realize fee income from the forgiveness of these Phase I PPP loans throughout 2021 and we are beginning Phase II of the program in early 2021.

Provision for loan losses of $4.5 million was taken in 2020 compared to $0.8 million taken for 2019. For 2020, net charge offs totaled $0.68 million, or 0.08 percent of average loans. This charge off level was higher than 2019, in which net charge offs were $0.21 million or 0.03 percent of average loans.

Noninterest Income	Years Ended December 31,		
($ in thousands)	2020	2019	% Change
Wealth management fees	$ 3,245	$ 3,093	4.9%
Customer service fees	2,807	2,761	1.7%
Gains on sale of residential loans & OMSR's	25,350	8,413	201.3%
Mortgage loan servicing fees, net	(5,138)	(397)	1194.2%
Gain on sale of non-mortgage loans	453	1,255	-63.9%
Title Insurance income	1,913	1,120	70.8%
Net gain on sale of securities	-	206	N/M
Gain (loss) on sale/disposal of assets	3	(5)	-160.0%
Other	1,463	1,570	-6.8%
Total noninterest income	$ 30,096	$ 18,016	67.1%

Total noninterest income was $30.1 million for 2020 compared to $18.0 million for 2019, representing an increase of $12.1 million, or 67.0 percent, year-over-year. This increase was driven by a 201.3 percent increase in gains on sale of residential real estate loans and the addition of our title agency. The Company sold $598.5 million of originated mortgages into the secondary market in 2020, which allowed our serviced loan portfolio to grow to $1.3 billion at December 31, 2020 from $1.2 billion at December 31, 2019. The higher servicing balance of the portfolio led to the 13.7 percent increase in mortgage loan servicing income. Sales of non-mortgage loans (small business and farm credits) decreased in 2020 as compared to 2019, as SBA activity was focused on the PPP initiative. The Company continued to expand its wealth management assets under care, which resulted in a 4.9 percent increase in wealth fee income.

Noninterest Expense	Years Ended December 31,		
($ in thousands)	2020	2019	% Change
Salaries & employee benefits	$ 25,397	$ 22,064	15.1%
Net occupancy expense	2,891	2,603	11.1%
Equipment expense	3,186	2,828	12.7%
Data processing fees	3,055	1,973	54.8%
Professional fees	3,307	2,476	33.6%
Marketing expense	658	895	-26.5%
Telephone and communications	535	466	14.8%
Postage and delivery expense	415	340	22.1%
State, local and other taxes	1,146	1,092	4.9%
Employee expense	535	795	-32.7%
Other expense	1,962	1,878	4.5%
Total noninterest expense	$ 43,087	$ 37,410	15.2%

Total noninterest expense was $43.1 million for 2020 compared to $37.4 million for 2019, representing a $5.7 million, or 15.2 percent, increase year-over-year. Total full-time equivalent employees ended 2020 at 244, which was down 8 from year end 2019.

Salaries and benefits were driven by higher compensation costs in the mortgage division. Professional fees were higher due to higher spending on legal in connection with acquisition activities. The addition of our title agency added $0.5 million in operating expense for the year. Our acquisition of The Edon State Bank Company of Edon, Ohio in June 2020 added $1.2 million in merger related non-recurring expense and a minimal amount of ongoing operating expense. (See Notes 3 and 8 to the Consolidated Financial Statements for additional information)

Earnings Summary – 2019 vs. 2018

Net income for 2019 was $12.0 million, and net income available to common shareholders was $11.0 million, or $1.51 per diluted share, compared with net income of $11.6 million and net income available to common of $10.7 million, or $1.51 per diluted share, for 2018. State Bank reported net income for 2019 of $12.5 million, which was down from the $12.9 million in net income in 2018. SBFG Title reported net income for 2019 of $0.3 million.

Positive results for 2019 included loan growth of $53.6 million, and deposit growth of $37.7 million. The mortgage banking business line continues to contribute significant revenues, with residential real estate loan production of $445.3 million for the year, resulting in $8.4 million of revenue from gains on sale. The level of mortgage origination was up from the $342.1 million in 2018. The Company's loans serviced for others ended the year at $1.2 billion, up from $1.1 billion at December 31, 2018.

Operating revenue was up compared to the prior year by $3.0 million, or 5.9 percent, which was impacted by a $1.1 million temporary OMSR impairment. Our 2019 results include the impact from our two new subsidiaries: SBFG Title with net income of $0.3 million and SB Captive with net income of $0.9 million. Net interest margin on a fully tax equivalent basis ("FTE") for 2019 was 3.82 percent, down 13 basis points from 2018.

Operating expense was up compared to the prior year by $2.6 million, or 7.4 percent, due to compensation and fringe benefit cost increases as a result of higher mortgage commission levels.

Net charge offs for 2019 of $0.21 million resulted in a loan loss provision of $0.8 million, compared to net charge offs of $0.36 million and a $0.6 million loan loss provision in 2018.

Goodwill, Intangibles and Capital Purchases

The Company completed its most recent annual goodwill impairment test as of December 31, 2020. At December 31, 2020, the Company's reporting unit was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the reporting unit exceeded its carrying value, resulting in no impairment. The main changes to goodwill for the year included the purchase of the Edon State Bank. The Company's goodwill is further reviewed in Note 8 to the Consolidated Financial Statements.

Management plans to continue from time to time to purchase additional premises and equipment and improve current facilities to meet the current and future needs of the Company's customers. These purchases will include buildings, leasehold improvements, furniture and equipment. Management expects that cash on hand and cash generated from current operations will fund these capital expenditures and purchases.

Liquidity

Liquidity relates primarily to the Company's ability to fund loan demand, meet deposit customers' withdrawal requirements and provide for operating expenses. Sources used to satisfy these needs consist of cash and due from banks, interest-bearing deposits in other financial institutions, securities available-for-sale, loans held for sale and borrowings from various sources. These assets, excluding the borrowings, are commonly referred to as liquid assets. Liquid assets were $303.2 million at December 31, 2020, compared to $135.3 million at December 31, 2019.

The Company's commercial real estate, first mortgage residential, agricultural and multi-family mortgage portfolio of $608.4 million at December 31, 2020, can and is readily used to collateralize borrowings, which is an additional source of liquidity. Management believes the Company's current liquidity level, without these borrowings, is sufficient to meet its current and anticipated liquidity needs. At December 31, 2020, all eligible commercial real estate, residential first, multi-family mortgage and agricultural loans were pledged under a Federal Home Loan Bank ("FHLB") blanket lien.

Significant additional off-balance-sheet liquidity is available in the form of FHLB advances, unused federal funds lines from correspondent banks and the national certificate of deposit market. Management expects the risk of changes in off-balance-sheet arrangements to be immaterial to earnings. Based on the current collateralization requirements of the FHLB, approximately $103.5 million of additional borrowing capacity existed at December 31, 2020.

At December 31, 2020 and 2019, the Company had $41.0 million in federal funds lines available. The Company also had $67.5 million in unpledged securities at December 31, 2020 available for additional borrowings.

The cash flow statements for the periods presented provide an indication of the Company's sources and uses of cash as well as an indication of the ability of the Company to maintain an adequate level of liquidity. A discussion of the cash flow statements for 2020 and 2019 follows:

The Company experienced positive cash flows from operating activities in 2020 and 2019. Net cash from operating activities was $23.9 million and $18.8 million for the years ended December 31, 2020 and 2019, respectively. Significant operating items for 2020 included gain on sale of loans of $25.8 million and net income of $14.9 million. Cash provided by the sale of loans held for sale were $603.2 million. Cash used in the origination of loans held for sale were $582.5 million.

The Company experienced negative cash flows from investing activities in 2020 and 2019. Net cash used in investing activities was $57.2 million and $67.6 million for the years ended December 31, 2020 and 2019, respectively. The changes for 2020 include the purchase of available-for-sale securities of $129.8 million, and net increase in loans of $31.7 million. The changes for 2019 include the purchase of available-for-sale securities of $22.5 million and net increase in loans of $65.5 million. The Company had proceeds from repayments, maturities, sales and calls of securities of $84.0 million and $22.5 million in 2020 and 2019, respectively.

The Company experienced positive cash flows from financing activities in 2020 and 2019. Net cash from financing activities was $146.9 million and $27.5 million for the years ended December 31, 2020 and 2019, respectively. Positive cash flows of $157.7 million and $37.7 million is attributable to the change in deposits for 2020 and 2019, respectively.

The Company uses an Economic Value of Equity ("EVE") analysis to measure risk in the balance sheet incorporating all cash flows over the estimated remaining life of all balance sheet positions. The EVE analysis calculates the net present value of the Company's assets and liabilities in rate shock environments that range from -400 basis points to +400 basis points. The results of this analysis are reflected in the following table.

Economic Value of Equity December 31, 2020 ($ in thousands)			
Change in rates	$ Amount	$ Change	% Change
+400 basis points	$ 243,779	$ 61,586	33.80%
+300 basis points	231,590	49,397	27.11%
+200 basis points	217,936	35,743	19.62%
+100 basis points	202,260	20,067	11.01%
Base Case	182,193	-	-
-100 basis points	154,509	(27,684)	-15.19%

Economic Value of Equity December 31, 2019 ($ in thousands)			
Change in rates	$ Amount	$ Change	% Change
+400 basis points	$ 222,686	$ 26,861	13.72%
+300 basis points	218,252	22,427	11.45%
+200 basis points	212,838	17,013	8.69%
+100 basis points	205,405	9,580	4.89%
Base Case	195,825	-	-
-100 basis points	180,152	(15,673)	-8.00%
-200 basis points	156,430	(39,395)	-20.12%

Tabular Disclosure of Contractual Obligations

The following table details the Company's contractual obligations as of December 31, 2020, which were comprised of long-term debt obligations, other debt obligations, operating lease obligations and other long-term liabilities. Long-term debt obligations are comprised of FHLB Advances of $8.0 million. Other debt obligations are comprised of Trust Preferred securities of $10.3 million and operating leases of $1.6 million. The other long-term liabilities include time deposits of $229.5 million.

	Payment due by period				
($ in thousands) Contractual obligations	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt obligations	$ 8,000	$ 2,500	$ 5,500	$ -	$ -
Other debt obligations	10,310	-	-	-	10,310
Operating lease obligations	1,611	195	276	257	883
Other long-term liabilities Reflected on the registrant's balance sheet under GAAP	229,549	156,761	65,917	6,689	182
Totals	$ 249,470	$ 159,456	$ 71,693	$ 6,946	$ 11,375

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Asset liability management involves developing, executing and monitoring strategies to maintain appropriate liquidity, maximize net interest income and minimize the impact that significant fluctuations in market interest rates would have on current and future earnings. The business of the Company and the composition of its balance sheet consist of investments in interest-earning assets (primarily loans, mortgage-backed securities, and securities available-for-sale) which are primarily funded by interest-bearing liabilities (deposits and borrowings). With the exception of specific loans which are originated and held for sale, all of the financial instruments of the Company are for other than trading purposes. All of the Company's transactions are denominated in U.S. dollars with no specific foreign exchange exposure. In addition, the Company has limited exposure to commodity prices related to agricultural loans. The impact of changes in foreign exchange rates and commodity prices on interest rates are assumed to be insignificant. The Company's financial instruments have varying levels of sensitivity to changes in market interest rates resulting in market risk. Interest rate risk is the Company's primary market risk exposure; to a lesser extent, liquidity risk also impacts market risk exposure.

Interest rate risk is the exposure of a banking institution's financial condition to adverse movements in interest rates. Accepting this risk can be an important source of profitability and shareholder value; however, excessive levels of interest rate risk could pose a significant threat to the Company's earnings and capital base. Accordingly, effective risk management that maintains interest rate risks at prudent levels is essential to the Company's safety and soundness.

Evaluating a financial institution's exposure to changes in interest rates includes assessing both the adequacy of the management process used to control interest rate risk and the organization's quantitative level of exposure. When assessing the interest rate risk management process, the Company seeks to ensure that appropriate policies, procedures, management information systems and internal controls are in place to maintain interest rate risks at prudent levels of consistency and continuity. Evaluating the quantitative level of interest rate risk exposure requires the Company to assess the existing and potential future effects of changes in interest rates on its consolidated financial condition, including capital adequacy, earnings, liquidity and asset quality (when appropriate).

The FRB together with the OCC and the FDIC adopted a Joint Agency Policy Statement on interest rate risk effective June 26, 1996. The policy statement provides guidance to examiners and bankers on sound practices for managing interest rate risk, which will form the basis for ongoing evaluation of the adequacy of interest rate risk management at supervised institutions. The policy statement also outlines fundamental elements of sound management that have been identified in prior Federal Reserve guidance and discusses the importance of these elements in the context of managing interest rate risk. Specifically, the guidance emphasizes the need for active board of director and senior management oversight and a comprehensive risk management process that effectively identifies, measures and controls interest rate risk.

Financial institutions derive their income primarily from the excess of interest collected over interest paid. The rates of interest an institution earns on its assets and owes on its liabilities generally are established contractually for a period of time. Since market interest rates change over time, an institution is exposed to lower profit margins (or losses) if it cannot adapt to interest rate changes. For example, assume that an institution's assets carry intermediate or long-term fixed rates and that those assets are funded with short-term liabilities. If market interest rates rise by the time the short-term liabilities must be refinanced, the increase in the institution's interest expense on its liabilities may not be sufficiently offset if assets continue to earn at the long-term fixed rates. Accordingly, an institution's profits could decrease on existing assets because the institution will either have lower net interest income or possibly, net interest expense. Similar risks exist when assets are subject to contractual interest rate ceilings, or rate-sensitive assets are funded by longer-term, fixed-rate liabilities in a declining rate environment.

There are several ways an institution can manage interest rate risk including: 1) matching repricing periods for new assets and liabilities, for example, by shortening or lengthening terms of new loans, investments, or liabilities; 2) selling existing assets or repaying certain liabilities; and 3) hedging existing assets, liabilities, or anticipated transactions. An institution might also invest in more complex financial instruments intended to hedge or otherwise change interest rate risk. Interest rate swaps, futures contracts, options on futures contracts, and other such derivative financial instruments can be used for this purpose. Because these instruments are sensitive to interest rate changes, they require management's expertise to be effective. The Company has not purchased derivative financial instruments in the past, but during 2019 and 2018 the Company entered into interest rate swap agreements as an accommodation to certain loan customers (see

Note 10 to the Consolidated Financial Statements). The Company may purchase such instruments in the future if market conditions are favorable.

The following table details quantitative disclosures of market risk and provides information about the Company's financial instruments used for purposes other than trading that are sensitive to changes in interest rates as of December 31, 2020. The table does not present when these items may actually reprice. For loans receivable, securities, and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities as well as the historical impact of interest rate fluctuations on the prepayment of loans and mortgage backed securities. For core deposits (demand deposits, interest-bearing checking, savings, and money market deposits) that have no contractual maturity, the table presents principal cash flows and applicable related weighted-average interest rates based upon the Company's historical experience, management's judgment and statistical analysis, as applicable, concerning their most likely withdrawal behaviors. The current historical interest rates for core deposits have been assumed to apply for future periods in this table as the actual interest rates that will need to be paid to maintain these deposits are not currently known. Weighted-average variable rates are based upon contractual rates existing at the reporting date.

Principal/Notional Amount Maturing or Assumed to be Withdrawn in:

($ in thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Rate sensitive assets							
Variable rate loans	$ 77,748	$ 27,786	$ 14,253	$ 11,861	$ 13,649	$ 74,207	$ 219,504
Average interest rate	3.91%	3.61%	3.50%	3.12%	3.10%	2.71%	3.35%
Adjustable rate loans	29,892	27,155	25,048	24,771	23,568	220,525	350,959
Average interest rate	4.41%	4.42%	4.27%	4.20%	4.17%	4.07%	4.15%
Fixed rate loans	49,655	76,172	32,715	16,641	15,855	111,222	302,260
Average interest rate	3.51%	2.25%	4.57%	4.44%	4.13%	3.89%	3.53%
Total loans	157,295	131,113	72,016	53,273	53,072	405,954	872,723
Average interest rate	3.88%	2.99%	4.25%	4.03%	3.88%	3.77%	3.73%
Fixed rate investment securities	32,367	13,758	8,658	8,318	6,540	83,065	152,706
Average interest rate	1.17%	1.60%	1.81%	2.09%	2.07%	1.91%	1.73%
Variable rate investment securities	96	96	101	105	84	1,522	2,004
Average interest rate	2.74%	2.75%	2.74%	2.73%	2.61%	3.34%	3.19%
Fed funds sold & other	-	-	-	-	-	-	-
Average interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total rate sensitive assets	$189,758	$144,967	$ 80,775	$ 61,696	$ 59,696	$490,541	$ 1,027,433
Average interest rate	3.41%	2.85%	3.99%	3.77%	3.68%	3.45%	3.44%

Rate sensitive liabilities							
Demand - noninterest bearing	$ 35,520	$ 30,506	$ 26,201	$ 22,501	$ 19,327	$117,594	$ 251,649
Demand - interest-bearing	21,032	18,529	16,326	14,383	12,673	93,842	176,785
Average interest rate	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Money market accounts	27,097	23,702	20,731	18,131	15,859	110,644	216,164
Average interest rate	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%
Savings	75,796	12,833	11,168	9,722	8,461	56,884	174,864
Average interest rate	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Certificates of deposit	156,843	47,367	18,253	4,328	2,482	276	229,549
Average interest rate	1.51%	1.57%	1.65%	1.09%	0.62%	0.99%	1.51%
Fixed rate FHLB advances	2,500	3,000	2,500	-	-	-	8,000
Average interest rate	2.77%	2.88%	2.93%	0.00%	0.00%	0.00%	2.86%
Variable rate FHLB advances	-	-	-	-	-	-	-
Average interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fixed rate notes payable	-	-	-	-	-	-	-
Average interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Variable rate notes payable	-	-	-	-	-	10,310	10,310
Average interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	2.02%	2.02%
Fed funds purchased, repos & other	20,189	-	-	-	-	-	20,189
Average interest rate	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.20%
Total rate sensitive liabilities	$338,977	$135,937	$ 95,179	$ 69,065	$ 58,802	$389,550	$ 1,087,510
Average interest rate	0.78%	0.68%	0.48%	0.17%	0.13%	0.17%	0.45%

Comparison of 2020 to 2019

($ in thousands)	First Year	Years 2 - 5	Thereafter	Total
Total rate sensitive assets:				
December 31, 2020	$ 189,758	$ 347,134	$ 490,541	$ 1,027,433
December 31, 2019	164,736	300,359	466,010	931,105
Increase (decrease)	$ 25,022	$ 46,775	$ 24,531	$ 96,328
Total rate sensitive liabilities:				
December 31, 2020	$ 338,977	$ 358,983	$ 389,550	$ 1,087,510
December 31, 2019	286,957	310,950	281,567	879,474
Increase (decrease)	$ 52,020	$ 48,033	$ 107,983	$ 208,036

The above table reflects expected maturities, not expected repricing. The contractual maturities adjusted for anticipated prepayments and anticipated renewals at current interest rates, as shown in the preceding table, are only part of the Company's interest rate risk profile. Other important factors include the ratio of rate-sensitive assets to rate-sensitive liabilities (which takes into consideration loan repricing frequency but not when deposits may be repriced) and the general level and direction of market interest rates. For core deposits, the repricing frequency is assumed to be longer than when such deposits actually reprice. For some rate-sensitive liabilities, their repricing frequency is the same as their contractual maturity. For variable-rate loans receivable, repricing frequency can be daily or monthly. For adjustable-rate loans receivable, repricing can be as frequent as annually for loans whose contractual maturities range from one to thirty years.

The Company manages its interest rate risk by the employment of strategies to assure that desired levels of both interest-earning assets and interest-bearing liabilities mature or reprice with similar time frames. Such strategies include: 1) loans receivable which are renewed (and repriced) annually, 2) variable rate loans, 3) certificates of deposit with terms from one month to six years, 4) securities available-for-sale which mature at various times primarily from one through ten years, 5) federal funds borrowings with terms of one day to 90 days, and 6) FHLB borrowings with terms of one day to ten years.

The majority of assets and liabilities of the Company are monetary in nature, and therefore the Company differs greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. However, inflation does have an important impact on the growth of total assets in the banking industry and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Inflation significantly affects noninterest expense, which tends to rise during periods of general inflation.

Management believes the most significant impact on financial results is the Company's ability to react to changes in interest rates. Management seeks to maintain an essentially balanced position between interest sensitive assets and liabilities and actively manages loan, security, and liability maturities in order to protect against the effects of wide interest rate fluctuations on net income and shareholders' equity.

Item 8. Financial Statements and Supplementary Data.

Our Consolidated Financial Statements and notes thereto and other supplementary data begin on the following page.

SB Financial Group, Inc.
Consolidated Balance Sheets
at December 31,

($ in thousands)

	2020	2019
Assets		
Cash and due from banks	$ 140,690	$ 27,064
Interest bearing time deposits	5,823	-
Available-for-sale securities	149,406	100,948
Loans held for sale	7,234	7,258
Loans, net of unearned income	872,723	825,510
Allowance for loan losses	(12,574)	(8,755)
Premises and equipment, net	23,557	23,385
Federal Reserve and Federal Home Loan Bank Stock, at cost	5,303	4,648
Foreclosed assets held for sale, net	23	305
Interest receivable	3,799	3,106
Goodwill	22,091	17,792
Cash value of life insurance	17,530	17,221
Mortgage servicing rights	7,759	11,017
Other assets	14,475	9,078
Total assets	$ 1,257,839	$ 1,038,577
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Non interest bearing demand	$ 251,649	$ 158,357
Interest bearing demand	176,785	131,084
Savings	174,864	119,359
Money market	216,164	173,666
Time deposits	229,549	257,753
Total deposits	1,049,011	840,219
Repurchase agreements	20,189	12,945
Federal Home Loan Bank advances	8,000	16,000
Trust preferred securities	10,310	10,310
Interest payable	616	1,191
Other liabilities	26,790	21,818
Total liabilities	1,114,916	902,483
Commitments & Contingent Liabilities	-	-
Shareholders' Equity		
Preferred stock, no par value; authorized 200,000 shares; 2020 - 0 shares outstanding, 2019 - 0 shares outstanding	-	-
Common stock, no par value; authorized 10,000,000 shares; 2020 - 8,180,712 shares issued, 2019 - 8,180,712 shares issued	54,463	54,463
Additional paid-in capital	14,845	15,023
Retained earnings	84,578	72,704
Accumulated other comprehensive income	2,210	659
Treasury stock, at cost; (2020 - 808,456 common shares, 2019 - 417,785 common shares)	(13,173)	(6,755)
Total shareholders' equity	142,923	136,094
Total liabilities and shareholders' equity	$ 1,257,839	$ 1,038,577

See Notes to Consolidated Financial Statements

SB Financial Group, Inc.
Consolidated Statements of Income
Years Ended December 31,

($ in thousands, except per share data)	2020	2019
Interest Income		
Loans		
Taxable	$ 39,735	$ 40,529
Tax exempt	239	300
Securities		
Taxable	2,328	3,226
Tax exempt	333	345
Total interest income	42,635	44,400
Interest Expense		
Deposits	6,070	8,660
Repurchase agreements & other	70	82
Federal Home Loan Bank advance expense	309	402
Trust preferred securities expense	256	430
Total interest expense	6,705	9,574
Net Interest Income	35,930	34,826
Provision for loan losses	4,500	800
Net interest income after provision for loan losses	31,430	34,026
Noninterest Income		
Wealth management fees	3,245	3,093
Customer service fees	2,807	2,761
Gain on sale of mortgage loans & OMSR	25,350	8,413
Mortgage loan servicing fees, net	(5,138)	(397)
Gain on sale of non-mortgage loans	453	1,255
Title insurance income	1,913	1,120
Net gain on sale of securities	-	206
Other income	1,466	1,565
Total noninterest income	30,096	18,016
Noninterest Expense		
Salaries and employee benefits	25,397	22,064
Net occupancy expense	2,891	2,603
Equipment expense	3,186	2,828
Data processing fees	3,055	1,973
Professional fees	3,307	2,476
Marketing expense	658	895
Telephone and communications	535	466
Postage and delivery expense	415	340
State, local and other taxes	1,146	1,092
Employee expense	535	795
Other expense	1,962	1,878
Total noninterest expense	43,087	37,410
Income before income tax	18,439	14,632
Provision for income taxes	3,495	2,659
Net Income	$ 14,944	$ 11,973
Preferred share dividends	-	950
Net income available to common shareholders	$ 14,944	$ 11,023
Basic earnings per common share	$ 1.96	$ 1.71
Diluted earnings per common share	$ 1.96	$ 1.51

See Notes to Consolidated Financial Statements

SB Financial Group, Inc.
Consolidated Statements of Comprehensive Income
Years Ended December 31,

($ in thousands)	2020	2019
Net income	$ 14,944	$ 11,973
Other comprehensive income		
Available for sale investment securities:		
Gross unrealized holding gain arising in the period	1,963	1,327
Related tax expense	(412)	(279)
Less: reclassification adjustment for gain realized in income	-	206
Related tax expense	-	(43)
Net effect on other comprehensive income	1,551	1,211
Total comprehensive income	$ 16,495	$ 13,184

See Notes to Consolidated Financial Statements

SB Financial Group, Inc.
Consolidated Statements of Stockholders' Equity
Years Ended December 31,

($ in thousands, except per share data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
January 1, 2020	$ -	$ 54,463	$ 15,023	$ 72,704	$ 659	$ (6,755)	$ 136,094
Net income				14,944			14,944
Other comprehensive income					1,551		1,551
Dividends on common, $0.40 per share				(3,070)			(3,070)
Restricted stock vesting			(307)			307	-
Stock options exercised			(253)			441	188
Repurchased stock						(7,166)	(7,166)
Stock based compensation expense			382				382
December 31, 2020	$ -	$ 54,463	$ 14,845	$ 84,578	$ 2,210	$ (13,173)	$ 142,923

($ in thousands, except per share data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
January 1, 2019	$ 13,979	$ 40,485	$ 15,226	$ 64,012	$ (552)	$ (2,715)	$ 130,435
Net income				11,973			11,973
Other comprehensive income					1,211		1,211
Conversion of preferred to common	(13,979)	13,978					(1)
Stock reissue for purchase of Peak Title			22			117	139
Dividends on common, $0.36 per share				(2,331)			(2,331)
Dividends on preferred, $0.65 per share				(950)			(950)
Restricted stock vesting			(321)			321	-
Stock options exercised			(321)			572	251
Repurchased stock						(5,050)	(5,050)
Stock based compensation expense			417				417
December 31, 2019	$ -	$ 54,463	$ 15,023	$ 72,704	$ 659	$ (6,755)	$ 136,094

See Notes to Consolidated Financial Statements

SB Financial Group, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31,

($ in thousands)

	2020	2019
Operating Activities		
Net Income	$ 14,944	$ 11,973
Items not requiring (providing) cash		
Depreciation and amortization	1,937	1,879
Provision for loan losses	4,500	800
Expense of share-based compensation plan	382	417
Amortization of premiums and discounts on securities	643	314
Amortization of intangible assets	46	8
Amortization of originated mortgage servicing rights	4,762	2,126
Impairment of mortgage servicing rights	3,586	1,094
Deferred income taxes	(2,444)	(279)
Proceeds from sale of loans held for sale	603,178	368,154
Originations of loans held for sale	(582,538)	(364,472)
Gain from sale of loans	(25,803)	(9,668)
Loss (gain) on sales of assets	(2)	5
Net gains on sales of securities	-	(206)
Changes in		
Interest receivable	(693)	(284)
Other assets	(5,209)	(3,680)
Interest payable & other liabilities	6,618	10,648
Net cash provided by operating activities	23,907	18,829
Investing Activities		
Purchases of available-for-sale securities	(129,796)	(38,455)
Proceeds from maturities of interest bearing time deposits	5,719	-
Proceeds from maturities of available-for-sale securities	84,021	22,527
Proceeds from sales of available-for-sale securities	-	7,375
Proceeds from sales of portfolio loans	-	11,265
Net change in loans	(31,706)	(65,504)
Purchase of premises, equipment	(1,980)	(2,043)
Proceeds from sales of premises, equipment	301	24
Purchase of bank owned life insurance	-	(50)
Purchase of Federal Reserve and Federal Home Loan Bank Stock	(538)	(525)
Proceeds from sale of foreclosed assets	500	372
Acquisition, net of cash acquired	16,263	(2,600)
Net cash used in investing activities	(57,216)	(67,614)
Financing Activities		
Net increase in demand deposits, money market, interest checking & savings accounts	195,501	21,376
Net increase (decrease) in time deposits	(37,762)	16,291
Net increase (decrease) in securities sold under agreements to repurchase	7,244	(2,239)
Repayment of Federal Home Loan Bank advances	(8,000)	-
Net proceeds from share-based compensation plans	188	251
Stock repurchase plan	(7,166)	(5,050)
Issuance of common shares	-	139
Conversion of preferred stock	-	(1)
Dividends on common shares	(3,070)	(2,331)
Dividends on preferred shares	-	(950)
Net cash provided by financing activities	146,935	27,486
Increase (decrease) in cash and cash equivalents	113,626	(21,299)
Cash and cash equivalents, beginning of year	27,064	48,363
Cash and cash equivalents, end of year	$ 140,690	$ 27,064
Supplemental cash flow information		
Interest paid	$ 7,280	$ 9,292
Income taxes paid	$ 5,180	$ 3,084
Fair value of assets acquired - premises and equipment (Peak Title)	$ -	$ 1,161
Supplemental non-cash disclosure		
Initial recognition of right-of-use lease assets	$ 248	$ 293
Transfer of loans to loans held for sale	$ -	$ 11,114
Transfer of loans to foreclosed assets	$ 207	$ 551
In conjunction with the Edon acquisition, liabilities assumed were:		
Fair value of assets acquired	$ 66,769	$ -
Cash paid in acquisition	(15,493)	-
Liabilities assumed	$ 51,276	$ -

See Notes to Consolidated Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

SB Financial Group, Inc. (the "Company") is a financial holding company whose principal activity is the ownership and management of its wholly-owned subsidiaries, The State Bank and Trust Company ("State Bank"), SBFG Title, LLC dba Peak Title Agency ("SBFG Title"), SB Captive, Inc. ("SB Captive"), RFCBC, Inc. ("RFCBC"), Rurbanc Data Services, Inc. dba RDSI Banking Systems ("RDSI"), and Rurban Statutory Trust II ("RST II"). State Bank owns all the outstanding stock of Rurban Mortgage Company ("RMC"), and State Bank Insurance, LLC ("SBI"). The Company is primarily engaged in providing a full range of banking and wealth management services to individual and corporate customers primarily located in Ohio, Indiana, and Michigan. The Company is subject to competition from other financial institutions, and regulated by certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company, State Bank, SBFG Title, SB Captive, RFCBC, RDSI, RMC, RST II, and SBI. All significant intercompany accounts and transactions were eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, loan servicing rights, and fair value of financial instruments.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of interest-bearing and noninterest bearing demand deposit balances held by correspondent banks.

At December 31, 2020, the Company's correspondent cash accounts exceeded federally insured limits by $10.6 million. Additionally, the Company had approximately $115.9 million of cash held by the FRB and the FHLB, which is not federally insured.

Securities

Available-for-sale securities, which include any debt security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

For debt securities with fair value below carrying value when the Company does not intend to sell the debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, the Company recognizes the credit component of an other-than-temporary impairment of the debt security in earnings and the remaining portion in other comprehensive income.

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income. The Company utilizes third-party hedges to minimize the impact of interest rate risk fluctuations, and their impact is realized through noninterest income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoffs, are reported at their outstanding principal balances adjusted for any charge offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are placed on nonaccrual status not later than 90 days past due. Past due status is based on the contractual terms of the loan. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the non-collectability of a loan balance is probable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as new information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected on the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration each of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial, agricultural, and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

When a loan moves to nonaccrual status, total unpaid interest accrued to date is reversed from income. Subsequent payments are applied to the outstanding principal balance with the interest portion of the

payment recorded on the balance sheet as a contra-loan. Interest received on impaired loans may be realized once all contractual principal amounts are received or when a borrower establishes a history of six consecutive timely principal and interest payments. It is at the discretion of management to determine when a loan is placed back on accrual status upon receipt of six consecutive timely payments.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, individual consumer and residential loans are not separately identified for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method for buildings and equipment over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases.

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset's cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Federal Reserve Bank and Federal Home Loan Bank Stock

FRB and FHLB stock are required investments for institutions that are members of the FRB and FHLB systems. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or the fair value less cost to sell. Revenue and expenses from operations related to foreclosed assets and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Goodwill

Goodwill is tested for impairment annually. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value.

Core Deposits and Other Intangibles

Intangible assets are being amortized on a straight-line basis over weighted-average periods ranging from one to fifteen years. Such assets are periodically evaluated as to the recoverability of their carrying value. Purchased software is being amortized using the straight-line method over periods ranging from one to three years.

Derivatives

The Company utilizes derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. Additionally, the Company enters into forward contracts for the future delivery of mortgage loans to third-party investors and enters into interest rate lock commitments ("IRLCs") with potential borrowers to fund specific mortgage loans that will be sold into the secondary

market. The forward contracts are entered into in order to economically hedge the effect of changes in interest rates resulting from the Company's commitment to fund the loans.

The IRLCs and forward contracts are not designated as accounting hedges and are recorded at fair value with the changes in fair value reflected in noninterest income on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets, while the derivative instruments with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets.

For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance, (Accounting Standards Codification "ASC" 806-50), servicing rights from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment based on fair value at each reporting date.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost of service, the discount rate, the custodial earning rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with "Mortgage loan servicing fees, net" in the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Share-Based Employee Compensation Plan

At December 31, 2020 and 2019, the Company had a share-based employee compensation plan (see Note 19 to the Consolidated Financial Statements).

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company

does not maintain effective control over the transferred assets through an agreement to repurchase them before the maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the term “upon examination” also includes resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiaries. With a few exceptions, the Company is no longer subject to U.S. Federal, State and Local examinations by tax authorities for the years before 2017. As of December 31, 2020, the Company had no uncertain income tax positions.

Treasury Shares

Treasury stock is stated at cost. Cost is determined by the weighted-average cost method.

Earnings Per Share

Earnings per common share is computed using the two-class method. Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflect additional potential common shares and convertible preferred shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options which are determined using the treasury stock method and convertible preferred shares which are determined using the converted method. Treasury stock shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities. AOCI consists solely of the cumulative unrealized gains and losses on available-for-sale securities net of income tax.

Revenue Recognition

The Company recognizes revenues as they are earned based on contractual terms, as transactions occur, or services are provided and collectability is reasonably assured. The Company's principal source of revenue is interest income from loans and leases and investment securities. The Company also earns noninterest income from various banking and financial services offered through State Bank.

Interest income is the largest source of revenue for the Company which is primarily recognized on an accrual basis.

Noninterest income is earned through a variety of financial and transaction services provided to corporate and consumer clients such as trust and wealth advisory, deposit account, debit card, mortgage banking and insurance.

New and applicable accounting pronouncements:

ASU No. 2017-04: Intangibles – Goodwill and Other (Topic 350)

This ASU simplifies the test for goodwill impairment. Specifically, these amendments eliminate Step 2 from the goodwill impairment test, and also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The Company has adopted this ASU, and management did not believe the changes will have a material effect on the Company's accounting and disclosures.

ASU No. 2018-13: Fair Value Measurement - Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)

The updated guidance improves the disclosure requirements for fair value measurements. The ASU removes certain disclosures required by Topic 820 related to transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. The ASU modifies certain disclosures required by Topic 820 related to disclosure of transfers into and out of Level 3 of the fair value hierarchy; the requirement to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly for investments in certain entities that calculate net asset value; and clarification that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The ASU adds certain disclosure requirements related to changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information in lieu of the weighted- average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2019. The impact of this new guidance did not have a material impact on the Company's consolidated financial statements.

Accounting standards not yet adopted:

ASU No. 2020-04: Reference Rate Reform – Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)

This guidance provides temporary options to ease the potential burden in accounting for reference rate reform. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective as of March 12, 2020 through December 31, 2022. The Company anticipates being fully prepared to implement a replacement for the reference rate and has determined that any change will not have a material impact to the consolidated financial statements.

ASU No. 2020-01: Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323 and Topic 815

This guidance was issued in January 2020 to clarify that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments-Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarify that when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The guidance is effective beginning after December 15, 2020. The Company is currently assessing the impact on its accounting and disclosures.

ASU No. 2016-13: Financial Instruments – Credit Losses (Topic 326)

This ASU, which is commonly known as "CECL," replaces the current GAAP incurred impairment methodology regarding credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this update affect an entity to varying degrees depending on the credit quality of the assets held by the entity, their duration, and how the entity applies current GAAP.

The adoption of ASU 2016-13 is likely to result in an increase in the allowance for loan losses as a result of changing from an "incurred loss" model, which encompasses allowances for current known and inherent losses within the portfolio, to an "expected loss" model, which encompasses allowances for losses expected to be incurred over the life of the portfolio. Furthermore, ASU 2016-13 will necessitate that we establish an allowance for expected credit losses on debt securities.

In December 2018, the OCC, the Federal Reserve Board, and the FDIC approved a final rule to address changes to credit loss accounting under GAAP, including banking organizations' implementation of CECL. The final rule provides banking organizations the option to phase in over a three-year period the day-one adverse effects on regulatory capital that may result from the adoption of the new accounting standard.

On November 15, 2019, the FASB delayed the effective date for certain small public companies and other private companies. As the Company is currently a smaller reporting company, the amendment will delay the effective date of ASU No. 2016-13 to the fiscal year beginning January 1, 2023.

While we are currently unable to reasonably estimate the impact of adopting ASU 2016-13, we expect that the impact of adoption will be significantly influenced by the composition, characteristics and quality of our loan and securities portfolios as well as the prevailing economic conditions and forecasts as of the adoption date. The Company implemented a process to track required data by utilizing accounting software in preparation for compliance. We anticipate being fully prepared for implementation by January 1, 2023.

Reclassifications:

Certain reclassifications have been made to prior period financial statements to conform to the current financial statement presentation. These reclassifications had no effect on net income.

Note 2: Earnings Per Share

Earnings per common share ("EPS") is computed using the two-class method. Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the applicable period, excluding participating securities. Participating securities include non-vested restricted stock awards. Non-vested restricted stock awards are considered participating securities to the extent the holders of these securities receive non-forfeitable

dividends at the same rate as holders of common shares. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share plus the convertible impact of preferred shares and the dilutive effect of stock compensation using the treasury stock method. EPS for the years ended December 31, 2020 and 2019 is computed as follows:

	Twelve Months Ended Dec. 31,	
($ and outstanding shares in thousands - except per share data)	2020	2019
Distributed earnings allocated to common shares	$ 3,070	$ 2,331
Undistributed (in excess of) earnings allocated to common shares	11,858	8,675
Net earnings allocated to common shares	14,928	11,006
Net earnings allocated to participating securities	16	17
Dividends on convertible preferred shares	-	950
Net Income allocated to common shares and participating securities	$ 14,944	$ 11,973
Weighted average shares outstanding for basic earnings per share	7,613	6,456
Dilutive effect of stock compensation	22	46
Dilutive effect of convertible shares	-	1,433
Weighted average shares outstanding for diluted earnings per share	7,635	7,935
Basic earnings per common share	$ 1.96	$ 1.71
Diluted earnings per common share	$ 1.96	$ 1.51

There were no anti-dilutive shares in 2020 or 2019.

Note 3: Business Combination

Effective June 5, 2020, the Company acquired Edon Bancorp and its subsidiary, The Edon State Bank Company of Edon, Ohio. Edon Bancorp was headquartered in Edon, Ohio and had one retail banking office. The Edon State Bank was merged with and into State Bank, with State Bank surviving. Under the terms of the merger agreement, shareholders of Edon received fixed consideration of $103.50 in cash for each share of Edon common stock for total consideration of $15.5 million. The Company accounted for the transaction under the acquisition method of accounting, which means that the acquired assets and liabilities were recorded at fair value at the date of acquisition.

In accordance with ASC 805, the Company expensed approximately $1.2 million of direct acquisition costs during the twelve months ended December 31, 2020. The $1.2 million in merger expense was split between data processing and professional fees expense. As a result of the acquisition, the Company recorded $4.3 million of goodwill and $0.7 million of intangible assets in the second quarter of 2020. The Company was able to increase both its deposit and loan base and acquire new households in a new market. It is expected that this transaction will result in business synergies and economies of scale. The acquisition was consistent with the Company's strategy to expand its presence in Northwest Ohio and to increase profitability by introducing existing products and services to the acquired customer base. The intangible assets are related to core deposits, which are being amortized over 10 years on a straight-line basis. For tax purposes, goodwill is non-deductible but will be evaluated annually for impairment.

The following table summarizes the fair value of the total consideration transferred as part of the acquisition as well as the fair value of identifiable assets and liabilities assumed as of the effective date of the transaction based on assumptions that are subject to change as management continues to evaluate relevant information as it becomes available. If, prior to the end of the one-year measurement period for

finalizing the purchase price allocation, relevant information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be recorded in the reporting period in which the adjustment amounts are determined. Potential adjustments, if any, will be related to assets that may have changes to valuation amounts that were not readily determinable at the acquisition date.

The contractual principal of loans at the acquisition date was $16.8 million and the estimate of the contractual cash flows not expected to be collected is $0.4 million.

($ in thousands)	June 5, 2020
Fair value of assets acquired	
Cash and cash equivalents	$ 31,756
Interest bearing time deposits	11,542
Investment securities	1,362
Federal Home Loan Bank stock	117
Loans held for investment	16,395
Premises and equipment	446
Goodwill	4,299
Core deposit intangible	660
Other assets	192
Total assets acquired	$ 66,769
Fair value of liabilities assumed	
Deposits	$ 51,053
Other liabilities	223
Total liabilities assumed	51,276
Total purchase price (cash)	$ 15,493

Pro Forma Financial Information

The results of operations of Edon Bancorp have been included in the Company's consolidated financial statements since the acquisition date of June 5, 2020. The following schedule includes the pro forma results for the three and twelve months ended December 31, 2020 and 2019, as if the Edon acquisition had occurred as of the beginning of the reporting periods presented. The acquisition's impact was immaterial to the Company's operating performance for the twelve months ended December 31, 2020.

Summary of Operations ($ in thousands)	Twelve Months Ended December 31 2020	2019
Net interest income	$ 36,429	$ 36,307
Provision for loan losses	4,500	806
Net interest income after provision	$ 31,929	$ 35,501
Non interest income	30,140	18,132
Non interest expense	44,158	38,484
Income before income taxes	$ 17,911	$ 15,149
Income tax expense*	3,384	2,768
Net income	$ 14,527	$ 12,381
Preferred share dividends	-	487
Net income to common shareholders	$ 14,527	$ 11,894
Basic earnings per share	$ 1.90	$ 1.84
Diluted earnngs per share	$ 1.90	$ 1.56

*Income tax expense for Edon calculated using a 21% statuatory rate

Certain nonrecurring costs were included in the pro-forma, specifically $0.7 million was incurred by Edon prior to the acquisition in the 2020 fiscal year and the Company incurred $1.2 million in nonrecurring costs for the acquisition in the 2020 fiscal year. The Company and Edon incurred no acquisition related costs for the 2019 fiscal year.

Note 4: Available-for-Sale Securities

The amortized cost and appropriate fair values, together with gross unrealized gains and losses, of available-for-sale securities are as follows:

($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020:				
U.S. Treasury and Government agencies	$ 6,541	$ 323	$ -	$ 6,864
Mortgage-backed securities	125,973	1,845	(57)	127,761
State and political subdivisions	11,595	680	-	12,275
Other corporate securities	2,500	6	-	2,506
Totals	$ 146,609	$ 2,854	$ (57)	$ 149,406

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2019:				
U.S. Treasury and Government agencies	$ 12,023	$ 181	$ (2)	$ 12,202
Mortgage-backed securities	77,892	492	(202)	78,182
State and political subdivisions	10,199	366	(1)	10,564
Totals	$ 100,114	$ 1,039	$ (205)	$ 100,948

The amortized cost and fair value of securities available-for-sale at December 31, 2020, by contractual maturity, are shown below. Expected maturities differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

($ in thousands)	Amortized Cost	Fair Value
Within one year	$ 3,560	$ 3,630
Due after one year through five years	3,681	3,760
Due after five years through ten years	8,011	8,413
Due after ten years	5,384	5,842
	20,636	21,645
Mortgage-backed securities	125,973	127,761
Totals	$ 146,609	$ 149,406

The fair value of securities pledged as collateral, to secure public deposits and for other purposes, was $53.7 million at December 31, 2020, and $34.8 million at December 31, 2019. Securities delivered for repurchase agreements (not included above) were $28.2 million at December 31, 2020 and $19.5 million at December 31, 2019.

There were no realized gains or losses on available-for-sale securities in 2020. Gross gains of $0.2 million was a reclassification from accumulated other comprehensive income and is included in the net gain on sales of securities for 2019. The related tax expense for net security gains for 2019 was $0.04 million and was a reclassification from accumulated other comprehensive income and is included in the income tax expense line in the income statement.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2020 and 2019, was $27.3 million and $38.8 million, respectively, which was approximately 18 percent and 38 percent, respectively, of the Company's available-for-sale investment portfolio.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The following tables present securities with unrealized losses at December 31, 2020 and 2019:

($ in thousands)	Less than 12 Months		12 Months or Longer		Total	
December 31, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and Government agencies	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities	26,582	(54)	717	(3)	27,299	(57)
State and political subdivisions	-	-	-	-	-	-
Other corporate securities	-	-	-	-	-	-
Totals	$ 26,582	$ (54)	$ 717	$ (3)	$ 27,299	$ (57)

	Less than 12 Months		12 Months or Longer		Total	
December 31, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and Government agencies	$ 872	$ (1)	$ 2,598	$ (1)	$ 3,470	$ (2)
Mortgage-backed securities	30,692	(157)	4,264	(45)	34,956	(202)
State and political subdivisions	339	(1)	-	-	339	(1)
Totals	$ 31,903	$ (159)	$ 6,862	$ (46)	$ 38,765	$ (205)

The unrealized loss on the securities portfolio decreased by $0.15 million as of December 31, 2020, from the prior year. Management reviews these securities on a quarterly basis and has determined that no impairment exists. Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concern warrants such evaluation. When the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

Note 5: Loans and Allowance for Loan Losses

The following tables present the categories of loans at December 31, 2020 and 2019:

	Total Loans		Nonaccrual Loans	
($ in thousands)	December 2020	December 2019	December 2020	December 2019
Commercial & industrial	$ 204,767	$ 151,047	$ 902	$ 1,772
Commercial real estate - owner occupied	113,169	98,488	1,450	1,362
Commercial real estate - nonowner occupied	257,651	268,294	962	464
Agricultural	55,235	50,994	-	-
Residential real estate	182,165	193,159	2,704	1,635
Home equity line of credit (HELOC)	46,310	48,070	390	249
Consumer	14,847	14,738	18	18
Total loans	$ 874,144	$ 824,790	$ 6,426	$ 5,500
Net deferred costs (fees)	$ (1,421)	$ 720		
Total loans, net deferred costs (fees)	$ 872,723	$ 825,510		
Allowance for loan losses	$ (12,574)	$ (8,755)		

The Company makes commercial, agri-business, consumer and residential loans to customers throughout its defined market area. Commitments to extend credit are agreements to lend to a customer as long as

there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

Forward sale commitments are commitments to sell groups of residential mortgage loans that the Company originates or purchases as part of its mortgage banking activities. The Company commits to sell the loans at specified prices in a future period, typically within forty-five days. These commitments are acquired to reduce market risk on mortgage loans in the process of origination and mortgage loans held-for-sales since the Company is exposed to interest rate risk during the period between issuing a loan commitment and the sales of the loan into the secondary market.

Listed below is a summary of loan commitments, unused lines of credit and standby letters of credit as of December 31, 2020 and 2019.

($ in thousands)	2020	2019
Loan commitments and unused lines of credit	$ 215,616	$ 187,855
Standby letters of credit	3,161	2,657
Totals	$ 218,777	$ 190,512

There are various contingent liabilities that are not reflected in the consolidated financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the Company's consolidated financial condition or results of operations.

The risk characteristics of each loan portfolio segment are as follows:

Commercial & Industrial and Agricultural

Commercial & industrial and agricultural loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Commercial Real Estate (Owner and Nonowner Occupied)

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the

Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus non-owner-occupied loans.

Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the completed project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Residential Real Estate, Home Equity Line of Credit ("HELOC") and Consumer

Residential and consumer loans consist of two segments – residential mortgage loans and personal loans. Residential mortgage loans are secured by 1-4 family residences and are generally owner-occupied, and the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. HELOCs are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that these loans are of smaller individual amounts and spread over a large number of borrowers.

The following tables present the balance of the allowance for loan and lease losses ("ALLL") and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2020 and 2019:

($ in thousands)

For the Twelve Months Ended December 31, 2020	Commercial & industrial	Commercial real estate	Agricultural	Residential real estate	Consumer	Total
Beginning balance	$ 1,883	$ 3,602	$ 434	$ 2,203	$ 633	$ 8,755
Charge offs	(582)	-	-	(82)	(79)	(743)
Recoveries	16	-	-	40	6	62
Provision	1,757	1,849	62	373	459	4,500
Ending balance	$ 3,074	$ 5,451	$ 496	$ 2,534	$ 1,019	$ 12,574

December 31, 2020	Commercial & industrial	Commercial real estate	Agricultural	Residential real estate	Consumer	Total
Allowance:						
Ending balance: individually evaluated for impairment	$ -	$ 174	$ -	$ 160	$ 3	$ 337
Ending balance: collectively evaluated for impairment	$ 3,074	$ 5,277	$ 496	$ 2,374	$ 1,016	$ 12,237
Totals	$ 3,074	$ 5,451	$ 496	$ 2,534	$ 1,019	$ 12,574
Loans:						
Ending balance: individually evaluated for impairment	$ 849	$ 2,202	$ -	$ 2,746	$ 162	$ 5,959
Ending balance: collectively evaluated for impairment	$ 203,918	$ 368,618	$ 55,235	$ 179,419	$ 60,995	$ 868,185
Totals	$ 204,767	$ 370,820	$ 55,235	$ 182,165	$ 61,157	$ 874,144

($ in thousands)

For the Twelve Months Ended December 31, 2019	Commercial & industrial	Commercial real estate	Agricultural	Residential real estate	Consumer	Total
Beginning balance	$ 1,435	$ 2,923	$ 482	$ 2,567	$ 760	$ 8,167
Charge offs	(143)	-	-	(53)	(63)	(259)
Recoveries	9	1	-	14	23	47
Provision (credit)	582	678	(48)	(325)	(87)	800
Ending balance	$ 1,883	$ 3,602	$ 434	$ 2,203	$ 633	$ 8,755

December 31, 2019	Commercial & industrial	Commercial real estate	Agricultural	Residential real estate	Consumer	Total
Allowance:						
Ending balance: individually evaluated for impairment	$ 511	$ 147	$ -	$ 68	$ -	$ 726
Ending balance: collectively evaluated for impairment	$ 1,372	$ 3,455	$ 434	$ 2,135	$ 633	$ 8,029
Totals	$ 1,883	$ 3,602	$ 434	$ 2,203	$ 633	$ 8,755
Loans:						
Ending balance: individually evaluated for impairment	$ 1,722	$ 1,558	$ -	$ 2,274	$ 31	$ 5,585
Ending balance: collectively evaluated for impairment	$ 149,325	$ 365,224	$ 50,994	$ 190,885	$ 62,777	$ 819,205
Totals	$ 151,047	$ 366,782	$ 50,994	$ 193,159	$ 62,808	$ 824,790

Credit Risk Profile

The Company categorizes loans into risk categories (loan grades) based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than $100,000 and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

Pass (grades 1 – 4): Loans which management has determined to be performing as expected and in agreement with the terms established at the time of loan origination.

Special Mention (grade 5): Assets have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. Special mention assets are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (grade 6): Loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardized the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful (grade 7): Loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (grade 8): Loans are considered uncollectable and of such little value that continuing to carry them as assets on the Company's financial statement is not feasible. Loans will be classified as loss when it is neither practical nor desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

The following tables present the credit risk profile of the Company's loan portfolio based on rating category as of December 31, 2020 and 2019:

($ in thousands) December 31, 2020	Commercial & industrial	Commercial real estate - owner occupied	Commercial real estate - nonowner occupied	Agricultural	Residential real estate	HELOC	Consumer	Total
Pass (1 - 4)	$ 202,543	$ 108,726	$ 250,405	$ 55,227	$ 178,575	$ 45,866	$ 14,807	$ 856,149
Special Mention (5)	1,485	2,993	3,338	-	-	-	14	7,830
Substandard (6)	151	-	3,026	8	3,560	444	26	7,215
Doubtful (7)	588	1,450	882	-	30	-	-	2,950
Loss (8)	-	-	-	-	-	-	-	-
Total Loans	$ 204,767	$ 113,169	$ 257,651	$ 55,235	$ 182,165	$ 46,310	$ 14,847	$ 874,144

December 31, 2019	Commercial & industrial	Commercial real estate - owner occupied	Commercial real estate - nonowner occupied	Agricultural	Residential real estate	HELOC	Consumer	Total
Pass (1 - 4)	$ 147,667	$ 96,836	$ 265,839	$ 50,994	$ 190,438	$ 47,787	$ 14,706	$ 814,267
Special Mention (5)	597	-	543	-	-	-	-	1,140
Substandard (6)	1,444	290	1,663	-	2,689	283	32	6,401
Doubtful (7)	1,339	1,362	249	-	32	-	-	2,982
Loss (8)	-	-	-	-	-	-	-	-
Total Loans	$ 151,047	$ 98,488	$ 268,294	$ 50,994	$ 193,159	$ 48,070	$ 14,738	$ 824,790

The Company evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. The Company uses a five-year average of historical losses for the general component of the allowance for loan loss calculation. No significant changes were made to the loan risk grading system definitions and allowance for loan loss methodology during the periods presented.

The following tables present the Company's loan portfolio aging analysis as of December 31, 2020 and 2019:

($ in thousands) December 31, 2020	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable
Commercial & industrial	$ 380	$ -	$ 618	$ 998	$ 203,769	$ 204,767
Commercial real estate - owner occupied	-	-	1,450	1,450	111,719	113,169
Commercial real estate - nonowner occupied	-	141	699	840	256,811	257,651
Agricultural	8	-	-	8	55,227	55,235
Residential real estate	12	1,393	1,212	2,617	179,548	182,165
HELOC	190	74	198	462	45,848	46,310
Consumer	123	42	20	185	14,662	14,847
Total Loans	$ 713	$ 1,650	$ 4,197	$ 6,560	$ 867,584	$ 874,144

December 31, 2019	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable
Commercial & industrial	$ 64	$ -	$ 312	$ 376	$ 150,671	$ 151,047
Commercial real estate - owner occupied	-	-	-	-	98,488	98,488
Commercial real estate - nonowner occupied	-	-	215	215	268,079	268,294
Agricultural	13	-	-	13	50,981	50,994
Residential real estate	309	415	644	1,368	191,791	193,159
HELOC	166	91	56	313	47,757	48,070
Consumer	65	93	14	172	14,566	14,738
Total Loans	$ 617	$ 599	$ 1,241	$ 2,457	$ 822,333	$ 824,790

All loans past due 90 days are systematically placed on nonaccrual status.

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in TDRs where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

The following tables present impaired loan activity for the twelve months ended December 31, 2020 and 2019:

($ in thousands)

Twelve Months Ended December 31, 2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial & industrial	$ 849	$ 1,645	$ -	$ 1,878	$ 50
Commercial real estate - owner occupied	1,441	1,441	-	1,573	11
Commercial real estate - nonowner occupied	182	182	-	258	14
Agricultural	-	-	-	-	-
Residential real estate	1,017	1,084	-	1,243	64
HELOC	89	89		98	4
Consumer	7	7	-	12	1
With a specific allowance recorded:					
Commercial & industrial	-	-	-	-	-
Commercial real estate - owner occupied	-	-	-	-	-
Commercial real estate - nonowner occupied	579	579	174	579	3
Agricultural	-	-	-	-	-
Residential real estate	1,729	1,774	160	1,785	14
HELOC	66	66	3	83	6
Consumer	-	-	-	-	-
Totals:					
Commercial & industrial	$ 849	$ 1,645	$ -	$ 1,878	$ 50
Commercial real estate - owner occupied	$ 1,441	$ 1,441	$ -	$ 1,573	$ 11
Commercial real estate - nonowner occupied	$ 761	$ 761	$ 174	$ 837	$ 17
Agricultural	$ -	$ -	$ -	$ -	$ -
Residential real estate	$ 2,746	$ 2,858	$ 160	$ 3,028	$ 78
HELOC	$ 155	$ 155	$ 3	$ 181	$ 10
Consumer	$ 7	$ 7	$ -	$ 12	$ 1

($ in thousands)

Twelve Months Ended December 31, 2019	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial & industrial	$ 722	$ 1,092	$ -	$ 1,377	$ 114
Commercial real estate - owner occupied	-	-	-	-	-
Commercial real estate - nonowner occupied	196	197	-	259	21
Agricultural	-	-	-	-	-
Residential real estate	1,621	1,687	-	2,001	106
HELOC	16	16		18	1
Consumer	15	15	-	19	1
With a specific allowance recorded:					
Commercial & industrial	1,000	1,000	511	823	49
Commercial real estate - owner occupied	1,362	1,362	147	1,362	38
Commercial real estate - nonowner occupied	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential real estate	653	653	68	666	31
HELOC	-	-	-	-	-
Consumer	-	-	-	-	-
Totals:					
Commercial & industrial	$ 1,722	$ 2,092	$ 511	$ 2,200	$ 163
Commercial real estate - owner occupied	$ 1,362	$ 1,362	$ 147	$ 1,362	$ 38
Commercial real estate - nonowner occupied	$ 196	$ 197	$ -	$ 259	$ 21
Agricultural	$ -	$ -	$ -	$ -	$ -
Residential real estate	$ 2,274	$ 2,340	$ 68	$ 2,667	$ 137
HELOC	$ 16	$ 16	$ -	$ 18	$ 1
Consumer	$ 15	$ 15	$ -	$ 19	$ 1

Impaired loans less than $100,000 are included in groups of homogenous loans. These loans are evaluated based on delinquency status.

Interest income recognized on a cash basis does not materially differ from interest income recognized on an accrual basis.

Troubled Debt Restructured (TDR) Loans

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. Loan modifications are considered TDRs when the concessions provided are not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDRs.

TDR Concession Types

The Company's standards relating to loan modifications consider, among other factors, minimum verified income requirements, cash flow analysis, and collateral valuations. Each potential loan modification is reviewed individually and the terms of the loan are modified to meet a borrower's specific circumstances at a point in time. All loan modifications, including those classified as TDRs, are reviewed and approved. The types of concessions provided to borrowers include:

- Interest rate reduction: A reduction of the stated interest rate to a nonmarket rate for the remaining original life of the debt. The Company also may grant interest rate concessions for a limited timeframe on a case by case basis.

- Amortization or maturity date change beyond what the collateral supports, including a change that does any of the following:

    (1) Lengthens the amortization period of the amortized principal beyond market terms. This concession reduces the minimum monthly payment and increases the amount of the balloon payment at the end of the term of the loan. Principal is generally not forgiven.

    (2) Reduces the amount of loan principal to be amortized. This concession also reduces the minimum monthly payment and increases the amount of the balloon payment at the end of the term of the loan. Principal is generally not forgiven.

    (3) Extends the maturity date or dates of the debt beyond what the collateral supports. This concession generally applies to loans without a balloon payment at the end of the term of the loan. In addition, there may be instances where renewing loans potentially require non-market terms and would then be reclassified as TDRs.

- Other: A concession that is not categorized as one of the concessions described above. These concessions include, but are not limited to: principal forgiveness, collateral concessions, covenant concessions, and reduction of accrued interest. Principal forgiveness may result from any TDR modification of any concession type.

There were no new TDRs during the period ended December 31, 2020.

The following table represents new TDR activity for the twelve months ended December 31, 2019:

The following table represents new TDR activity for the twelve months ended December 31, 2019:

($ in thousands)	Number of Loans	Pre-Modification Recorded Balance	Post Modification Recorded Balance
Commercial & industrial	3	$ 763	$ 763
Total modifications	3	$ 763	$ 763

	Interest Only	Term	Combination	Total Modification
Commercial & industrial	$ 150	$ 613	$ -	$ 763

There were no TDRs modified during the past twelve months that have subsequently defaulted.

On March 22, 2020, a statement was issued by the Company's bank regulators and titled the "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" (the "Interagency Statement") that encourages financial institutions to work prudently with borrowers who are unable to meet the contractual payment obligations due to the effects of COVID-19. Additionally, Section 4013 of the CARES Act further provides that a qualified loan modification is exempt by law from classification as a troubled debt restructure as defined by GAAP, from the period beginning March 1, 2020 until the earlier of December 31, 2021 or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates. As of December 31, 2020, the Company had nine loans with a total balance of $23.2 million still on payment deferral.

The Company was an active participant in the Paycheck Protection Program ("PPP") initiative as detailed in the discussion of financial results for 2020. The Company originated approximately 700 loans with a total balance of $83.6 million. As of December 31, 2020, $70.6 million in balances remained outstanding. Fees for the originations were $3.2 million of which $1.4 million was taken into income during 2020.

Note 6: Accounting for Certain Loans Acquired in a Transfer

The Company acquired loans in the acquisition of The Edon State Bank Company of Edon, Ohio, effective June 5, 2020. None of the acquired loans had evidence of deterioration of credit quality since origination, and it was probable, at acquisition, that all contractually required payments would be collected.

The following table presents the carrying amount of the acquired loans included in the balance sheet as of December 31, 2020:

($ in thousands)	December 31, 2020
Commercial & industrial	$ 1,499
Commercial real estate - owner occupied	-
Commercial real estate - nonowner occupied	505
Agricultural	9,180
Residential real estate	3,176
Home equity line of credit (HELOC)	-
Consumer	93
Total loans	$ 14,453

Accretable yield, or income expected to be collected as of December 31, 2020 is $0.3 million.

Note 7: Premises and Equipment

Major classifications of premises and equipment stated at cost were as follows at December 31:

($ in thousands)	2020	2019
Land	$ 3,996	$ 3,945
Buildings and improvements	26,743	26,953
Equipment	11,506	10,786
Construction in process	997	128
	43,242	41,812
Less accumulated depreciation	(19,685)	(18,427)
Net premises and equipment	$ 23,557	$ 23,385

Note 8: Goodwill and Intangibles

On June 5, 2020, the Company acquired Edon Bancorp ("Edon") and its subsidiary, The Edon State Bank Company of Edon, Ohio. The acquisition resulted in approximately $4.3 million in goodwill. On March 15, 2019, the Company formed SBFG Title, LLC ("Title") and purchased all of the assets and real estate of an Ohio based title agency. The purchase resulted in approximately $1.4 million in goodwill. The balance of goodwill as of December 31, 2020 and December 31, 2019 was $22.1 million and $17.8 million, respectively.

($ in thousands)	Twelve Months Ended December 31, 2020 Carrying Amount	Twelve Months Ended December 31, 2019 Carrying Amount
Beginning balance	$ 17,792	$ 16,353
Acquired goodwill	4,325	1,439
Measurement period adjustments	(26)	-
Ending balance	$ 22,091	$ 17,792

Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. Goodwill is tested on the last day of the last quarter of each calendar year. At December 31, 2020, the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the reporting unit exceeded its carrying value, resulting in no impairment.

Carrying basis and accumulated amortization of intangible assets were as follows at December 31:

($ in thousands)	2020 Gross Carrying Amount	2020 Accumulated Amortization	2019 Gross Carrying Amount	2019 Accumulated Amortization
Core deposits intangible	$ 5,359	$ (4,735)	$ 4,698	$ (4,692)
Customer relationship intangible	200	(170)	200	(166)
Banking intangibles	$ 5,559	$ (4,905)	$ 4,898	$ (4,858)

Amortization expense for intangibles for the years ended December 31, 2020 and 2019 was $0.05 million and $0.01 million, respectively. Estimated amortization expense for each of the following five years is immaterial.

Note 9: Mortgage Banking and Servicing Rights

Mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balance of mortgage loans serviced for others approximated $1.3 billion and $1.2 billion at December 31, 2020 and 2019, respectively. Contractually specified servicing fees of approximately $3.2 million and $2.6 million were included in mortgage loan servicing fees in the income statement for the years ended December 31, 2020 and 2019, respectively.

The following table summarizes mortgage servicing rights capitalized and related amortization, along with activity in the related valuation allowance:

($ in thousands)	2020	2019
Carrying amount, beginning of year	$ 11,017	$ 11,365
Mortgage servicing rights capitalized during the year	5,090	2,872
Mortgage servicing rights amortization during the year	(4,762)	(2,126)
Net change in valuation allowance	(3,586)	(1,094)
Carrying amount, end of year	$ 7,759	$ 11,017
Valuation allowance:		
Beginning of year	$ 1,306	$ 212
Increase (reduction)	3,586	1,094
End of year	$ 4,892	$ 1,306
Fair value, beginning of period	$ 11,864	$ 12,672
Fair value, end of period	$ 7,759	$ 11,864

Note 10: Derivative Financial Instruments

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages its exposures to a wide variety of business and operational risks primarily through management of its core business activities. The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its assets and liabilities and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash payments principally related to certain variable-rate assets.

The Company does not use derivatives for trading or speculative purposes. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the

strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings.

Additionally, the Company enters into forward contracts for the future delivery of mortgage loans to third-party investors and enters into IRLCs with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. The forward contracts that are entered into, economically hedge the effect of changes in interest rates resulting from the Company's commitment to fund the loans. The IRLCs and forward contracts are not designated as accounting hedges and are recorded at fair value with changes in fair value reflected in noninterest income on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets, while derivative instruments with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets.

The table below presents the notional amount and fair value of the Company's interest rate swaps, IRLCs and forward contracts utilized as of December 31, 2020 and 2019.

	December 31, 2020		December 31, 2019	
($ in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
Asset Derivatives				
Derivatives not designated as hedging instruments				
Interest rate swaps associated with loans	$ 87,687	$ 7,962	$ 82,826	$ 2,846
IRLCs	46,130	278	16,347	55
Total contracts	$ 133,817	$ 8,240	$ 99,173	$ 2,901
Liability Derivatives				
Derivatives not designated as hedging instruments				
Interest rate swaps associated with loans	$ 87,687	$ (7,962)	$ 82,826	$ (2,846)
Forward contracts	50,000	(265)	22,000	(32)
Total contracts	$ 137,687	$ (8,227)	$ 104,826	$ (2,878)

The fair value of interest rate swaps were estimated using a discounted cash flow method that incorporates current market interest rates as of the balance sheet date. Fair values of IRLCs and forward contracts were estimated using changes in mortgage interest rates from the date the Company entered into the IRLC and the balance sheet date.

The following table presents the amounts included in the consolidated statements of income for non-hedging derivative financial instruments for the twelve months ended December 31, 2020 and 2019.

		Amount of gain (loss)	
($ in thousands)	Statement of income classification	2020	2019
Interest rate swap contracts	Other income	$ 355	$ 513
Interest rate swap contracts	Other expense	-	(41)
IRLCs	Gain on sale of mortgage loans & OMSR	223	(28)
Forward contracts	Gain on sale of mortgage loans & OMSR	(233)	81

The following table shows the offsetting of financial assets and derivative assets at December 31, 2020 and 2019.

($ in thousands)	Gross amounts of recognized assets	Gross amounts offset in the consolidated balance sheet	Net amounts of assets presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
				Financial instruments	Cash collateral received	
December 31, 2020						
Interest rate swaps	$ 7,962	$ -	$ 7,962	$ -	$ -	$ 7,962
December 31, 2019						
Interest rate swaps	$ 2,901	$ 55	$ 2,846	$ -	$ -	$ 2,846

The following table shows the offsetting of financial liabilities and derivative liabilities at December 31, 2020 and 2019.

($ in thousands)	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheet	Net amounts of liabilities presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
				Financial instruments	Cash collateral pledged	
December 31, 2020						
Interest rate swaps	$ 7,962	$ -	$ 7,962	$ -	$ 8,896	$ (934)
December 31, 2019						
Interest rate swaps	$ 2,901	$ 55	$ 2,846	$ -	$ 3,242	$ (396)

Note 11: Interest-Bearing Deposits

Interest-bearing time deposits in denominations of $250,000 or more totaled $27.8 million on December 31, 2020 and $36.2 million on December 31, 2019. Certificates of deposit obtained from brokers totaled approximately $5.0 million and $5.2 million at December 31, 2020 and 2019, respectively, and mature in 2021.

At December 31, 2020, the scheduled maturities of time deposits were as follows:

($ in thousands)	
2021	$ 156,761
2022	47,518
2023	18,399
2024	4,338
2025	2,351
Thereafter	182
Total	$ 229,549

Included in time deposits at December 31, 2020 and 2019 were $73.1 million and $88.3 million, respectively, of deposits which were obtained through the Certificate of Deposit Account Registry Service ("CDARS"). This service allows deposit customers to maintain fully insured balances in excess of the $250,000 FDIC limit without the inconvenience of having multi-banking relationships. Under the reciprocal program that the Company is currently participating in, customers agree to allow their deposits to be placed with other participating banks in the CDARS program in insurable amounts under $250,000. In exchange, other banks in the program agree to place their deposits with the Company also in insurable amounts under $250,000.

Note 12: Short-Term Borrowings

($ in thousands)	2020	2019
Securities Sold Under Repurchase Agreements	$ 20,189	$ 12,945

The Company has retail repurchase agreements to facilitate cash management transactions with commercial customers. Securing these obligations are agency securities of $10.7 million and $4.5 million for 2020 and 2019, respectively, and mortgage-backed securities of $17.5 million and $15.0 million for 2020 and 2019, respectively, which are held at FHLB. This collateral has maturities from 2022 through 2061. At December 31, 2020, these repurchase agreements totaled $20.2 million. The maximum amount of outstanding agreements at any month end during 2020 and 2019 totaled $25.6 million and $22.7 million, respectively, and the monthly average of such agreements totaled $20.8 million and $15.3 million, respectively. The repurchase agreements mature within one month.

The Company has borrowing capabilities at the Federal Reserve Discount Window by pledging either securities or loans as collateral. As of December 31, 2020, there was no collateral pledged or borrowings drawn at the Discount Window.

The Company participated in the PPP initiative and also has the ability to borrow from the Federal Reserve's special purpose Paycheck Protection Program Liquidity Facility ("PPPLF") for additional funding. At December 31, 2020, the Company had no borrowings from the PPPLF.

At December 31, 2020 and December 31, 2019, the Company had $41.0 million in federal funds lines, of which none were drawn.

Note 13: Federal Home Loan Bank Advances

The FHLB advances were secured by $147.1 million in mortgage loans at December 31, 2020. Advances, at interest rates from 2.77 to 2.93 percent, are subject to restrictions or penalties in the event of prepayment. Aggregate annual maturities of FHLB advances at December 31, 2020, were:

($ in thousands)	Debt
2021	$ 2,500
2022	3,000
2023	2,500
Total	$ 8,000

Note 14: Trust Preferred Securities

On September 15, 2005, RST II, a wholly-owned subsidiary of the Company, closed a pooled private offering of 10,000 Capital Securities with a liquidation amount of $1,000 per security. The proceeds of the offering were loaned to the Company in exchange for junior subordinated debentures with terms similar to the Capital Securities. Distributions on the Capital Securities are payable quarterly at a variable rate that is based upon the 3-month LIBOR plus 1.80 percent and are included in interest expense in the consolidated financial statements. These securities may be included in Tier 1 capital and may be prepaid at anytime without penalty (with certain limitations applicable) under current regulatory guidelines and interpretations. The balance of the Capital Securities as of December 31, 2020 and 2019 was $10.3 million, with a maturity date of September 15, 2035.

Note 15: Income Taxes

The provision for income taxes includes these components:

	For The Year Ended December 31,	
($ in thousands)	2020	2019
Taxes currently payable	$ 5,939	$ 2,938
Deferred provision	(2,444)	(279)
Income tax expense	$ 3,495	$ 2,659

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	For The Year Ended December 31,	
($ in thousands)	2020	2019
Computed at the statutory rate (21%)	$ 3,872	$ 3,073
Increase (decrease) resulting from		
Tax exempt interest	(91)	(113)
BOLI income	(65)	(71)
Stock compensation	(39)	(45)
Other	(182)	(185)
Actual tax expense	$ 3,495	$ 2,659

The tax effects of temporary differences related to deferred taxes shown on the balance sheets are:

	For The Year Ended December 31,	
($ in thousands)	2020	2019
Deferred tax assets		
Allowance for loan losses	$ 2,641	$ 1,838
Net deferred loan fees	298	53
Section 475 MTM	645	209
Accrued bonus	375	192
Other	714	258
	4,673	2,550
Deferred tax liabilities		
Depreciation	(1,168)	(1,009)
Mortgage servicing rights	(1,668)	(2,378)
Unrealized gains on available-for-sale securities	(587)	(175)
Purchase accounting adjustments	(1,628)	(1,227)
Prepaids	(465)	(447)
FHLB stock dividends	(288)	(288)
	(5,804)	(5,524)
Net deferred tax liability	$ (1,131)	$ (2,974)

Note 16: Accumulated Other Comprehensive Income

The following table presents reclassifications out of accumulated other comprehensive income related to unrealized gains and losses on available-for-sale securities for the two years ending December 31:

($ in thousands)	2020	2019	Affected Line Item in Income Statement
Realized gains included in net income	$ -	$ 206	Gains on investment securities
	-	206	Income before income taxes
Tax effect	-	(43)	Provision for income taxes
Net of Tax	$ -	$ 163	Net income

Note 17: Regulatory Matters

As of December 31, 2020, based on its call report computations, State Bank was classified as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, State Bank must maintain capital ratios as set forth in the table below. There are no conditions or events since December 31, 2020 that management believes have changed State Bank's capital classification.

State Bank's actual capital amounts and ratios are presented in the following table. Capital levels are presented for the State Bank only as the Company is exempt from quarterly reporting at the holding company level:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Procedures	
($ in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2020						
Tier I Capital to average assets	$ 119,480	9.94%	$ 48,099	4.0%	$ 60,123	5.0%
Tier I Common equity capital to risk-weighted assets	119,480	12.91%	41,651	4.5%	60,162	6.5%
Tier I Capital to risk-weighted assets	119,480	12.91%	55,534	6.0%	74,046	8.0%
Total Risk-based capital to risk-weighted assets	131,062	14.16%	74,046	8.0%	92,557	10.0%
As of December 31, 2019						
Tier I Capital to average assets	$ 116,884	11.36%	$ 41,165	4.0%	$ 51,456	5.0%
Tier I Common equity capital to risk-weighted assets	116,884	12.46%	42,204	4.5%	60,962	6.5%
Tier I Capital to risk-weighted assets	116,884	12.46%	56,273	6.0%	75,030	8.0%
Total Risk-based capital to risk-weighted assets	125,639	13.40%	75,030	8.0%	93,788	10.0%

The above minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was 2.50 percent at December 31, 2020. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

Management believes as of December 31, 2020, State Bank met all capital adequacy requirements to which they are subject.

Note 18: Employee Benefits

The Company has instituted a long-term incentive program, with the objective of rewarding senior management with restricted shares of the Company, in addition to the existing stock option program (see Note 19 to the Consolidated Financial Statements).

The Company has a retirement savings 401(k) plan covering substantially all employees. The Company contributes a safe harbor matching contribution equal to 100% of an employees' salary deferral amounts up to 4% of the employees' eligible compensation. Employees are immediately vested in their voluntary contributions and in any Company safe harbor matching contributions. Any discretionary contribution made by the Company is fully vested after three years of credited service. Employer contributions charged to expense for 2020 and 2019 were $0.7 million and $0.6 million, respectively.

Also, the Company has Supplemental Executive Retirement Plan ("SERP") Agreements with certain active and retired officers. The agreements provide monthly payments for up to 15 years that equal 15 percent to 25 percent of average compensation prior to retirement or death. The charges to expense for the current agreements were $0.3 million and $0.3 million for 2020 and 2019, respectively.

Additional life insurance is provided to certain officers through a bank-owned life insurance policy ("BOLI"). By way of a separate split-dollar agreement, the policy interests are divided between the Company and the insured's beneficiary. The Company owns the policy cash value and a portion of the policy net death benefit, over and above the cash value assigned to the insured's beneficiary. The cash surrender value of all life insurance policies totaled $17.5 million and $17.2 million at December 31, 2020 and 2019, respectively.

The Company has a noncontributory employee stock ownership plan ("ESOP") covering substantially all employees of the Company and its subsidiaries. Voluntary contributions are made by the Company to the plan. Each eligible employee is vested based upon years of service, including prior years of service. The Company's contributions to the account of each employee become fully vested after three years of service.

Benefit expense for the value of the stock purchased is recorded equal to the fair market value of the stock when contributions, which are determined annually by the Board of Directors of the Company, are made to the ESOP. Allocated shares in the ESOP at December 31, 2020 and 2019, were 412,402 and 415,286, respectively.

Dividends on allocated shares are recorded as dividends and charged to retained earnings. Compensation expense is recorded equal to the fair market value of the stock when contributions, which are determined annually by the Board of Directors of the Company, are made to the ESOP. ESOP expense for the years ended December 31, 2020 and 2019 was $0.2 million and $0.0 million, respectively.

Note 19: Share Based Compensation Plan

In April 2017, the shareholders approved a new share-based incentive compensation plan, the SB Financial Group, Inc. 2017 Stock Incentive Plan (the "2017 Plan"), which replaced the Company's 2008 Stock Incentive Plan. This plan permits the grant or award of incentive stock options, nonqualified stock options, stock appreciation rights ("SAR's"), restricted stock, and restricted stock units ("RSU's") for up to 500,000 Common Shares of the Company.

The Company's 2008 Stock Incentive Plan (the "2008 Plan"), which was approved by the shareholders in April 2008, permitted the grant or award of incentive stock options, nonqualified stock options, stock appreciation rights, and restricted stock for up to 250,000 Common Shares of the Company.

The 2008 and 2017 Plans are intended to advance the interests of the Company and its shareholders by offering employees, directors and advisory board members of the Company and its subsidiaries an opportunity to acquire or increase their ownership interest in the Company through grants of equity-based awards. The 2008 and 2017 Plans permit equity-based awards to be used to attract, motivate, reward and retain highly competent individuals upon whose judgment, initiative, leadership and efforts are key to the success of the Company by encouraging those individuals to become shareholders of the Company.

Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant and those option awards vest based on 5 years of continuous service and have 10-year contractual terms. The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model. No options were granted in 2020 or 2019. There was no compensation expense charged against income with respect to option awards under the Plans for 2020 or 2019.

A summary of incentive stock option activity under the 2008 and 2017 Plans as of December 31, 2020 and changes during the year ended is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Term	Aggregate Intrinsic Value
Outstanding, beginning of year	28,250	$ 6.98		
Granted	-	-		
Exercised	(26,950)	6.98		
Forfeited	-	-		
Expired	(1,300)	6.98		
Outstanding, end of year	-	$ -	-	$ -
Exercisable, end of year	-	$ -	-	$ -

During 2020, the 26,950 option shares exercised had a total intrinsic value of $0.3 million and the cash received from these exercised options was $0.2 million. The tax benefit from these transactions was immaterial.

As of December 31, 2020, there was no unrecognized compensation cost related to incentive option share-based compensation arrangements granted under the 2008 Plan.

The Long Term Incentive ("LTI") Plan awards restricted stock in the Company to certain key executives under the 2008 and 2017 Plans. These restricted stock awards vest over a four-year period and are intended to assist the Company in retention of key executives. During 2020 and 2019, the Company met certain performance targets and restricted stock awards were approved by the Board. The compensation cost charged against income for the LTI Plan was $0.4 million and $0.4 million for 2020 and 2019, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was $0.1 million and $0.1 million for 2020 and 2019, respectively.

A summary of restricted stock activity under the Company's LTI Plan as of December 31, 2020 (issued under both the 2008 and 2017 plan) and changes during the year ended is presented below:

	Shares	Weighted-Average Value per Share
Nonvested, beginning of year	43,741	$ 17.41
Granted	16,442	19.57
Vested	(22,451)	17.18
Forfeited	(2,954)	18.01
Nonvested, end of year	34,778	$ 18.52

As of December 31, 2020, there was $0.4 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements related to the restricted stock awards under the 2008 and 2017 Plans which were granted in accordance with the LTI Plan. That cost is expected to be recognized over a weighted-average period of 1.66 years.

Note 20: Preferred Stock

On December 23, 2014, the Company completed its public offering of 1,500,000 depositary shares, each representing a 1/100th ownership interest in a 6.50 percent Noncumulative Convertible Perpetual Preferred Share, Series A ("Series A Preferred Shares"), of the Company with a liquidation preference of $1,000 per share (equivalent to $10.00 per depositary shares). The Company sold the maximum of 1,500,000 depositary shares in the offering, resulting in gross proceeds to the Company of $15.0 million. Net proceeds to the Company after all expenses related to the offering were $14.0 million.

On December 26, 2019, the Company exercised its right to convert all of its Series A Preferred Shares and all of its depositary shares, representing interests in the Series A Preferred Shares, into common shares, no par value, of the Company ("Common Shares") in accordance with the terms of the Series A Preferred Shares and depositary shares.

Each outstanding Series A Preferred Share converted into the right to receive 990 Common Shares, and each outstanding depositary share converted into the right to receive 0.9908093 Common Shares based on the December 26th conversion price of $10.09276. There were 1,412,425 depositary shares and 1,412 underlying Series A Preferred Shares issued and outstanding. A total of 1,399,443 Common Shares were issued as a result of the conversion. No fractional Common Shares were issued upon conversion of the depositary shares and Series A Preferred Shares; instead, cash was paid in lieu of any fractional Common Share in an amount equal to the fraction multiplied by $18.49, which was the average closing price of the Common Shares during the previous 30 consecutive trading days.

The Company paid its last dividend on the depositary shares (and underlying Series A Preferred Shares) on December 15, 2019. No further dividends were accrued, declared or paid on the depositary shares or underlying Series A Preferred Shares following the December 26, 2019 Conversion Date.

Note 21: Disclosures About Fair Value of Assets and Liabilities

Pursuant to ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level hierarchy exists in ASC 820 for fair value measurements based upon the inputs to the valuation of an asset or liability:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies, inputs used for assets measured at fair value on a recurring basis, recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-sale securities

The fair value of available-for-sale securities are determined by various valuation methodologies. Level 2 securities include U.S. government agencies, mortgage-backed securities, obligations of political and state subdivisions, and corporate securities. Level 2 inputs do not include quoted prices for individual securities in active markets; however, they do include inputs that are either directly or indirectly observable for the individual security being valued. Such observable inputs include interest rates and yield curves at commonly quoted intervals, volatilities, prepayment speeds, credit risks and default rates. Also included are inputs derived principally from or corroborated by observable market data by correlation or other means.

Interest rate contracts

The fair values of interest rate contracts are based upon the estimated amount the Company would receive or pay to terminate the contracts or agreements, taking into account underlying interest rates, creditworthiness of underlying customers for credit derivatives and, when appropriate, the creditworthiness of the counterparties.

Forward contracts

The fair values of forward contracts on to-be-announced securities are determined using quoted prices in active markets, or benchmarked thereto (Level 1).

Interest Rate Lock Commitments

The fair value of IRLCs are determined using the projected sale price of individual loans based on changes in the market interest rates, projected pull-through rates (the probability that an IRLC will ultimately result in an originated loan), the reduction in the value of the applicant's option due to the passage of time, and the remaining origination costs to be incurred based on management's estimate of market costs (Level 3).

The following table presents the fair value measurements of securities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fell at December 31, 2020 and 2019:

($ in thousands)	Fair Values at 12/31/2020	(Level 1)	(Level 2)	(Level 3)
U.S. Treasury and Government Agencies	$ 6,864	$ -	$ 6,864	$ -
Mortgage-backed securities	127,761	-	127,761	-
State and political subdivisions	12,275	-	12,275	-
Other corporate securities	2,506	-	2,506	-
Interest rate contracts - assets	7,962	-	7,962	-
Interest rate contracts - liabilities	(7,962)	-	(7,962)	-
Forward contracts	(265)	(265)	-	-
IRLCs	278	-	-	278

($ in thousands)	Fair Values at 12/31/2019	(Level 1)	(Level 2)	(Level 3)
U.S. Treasury and Government Agencies	$ 12,202	$ -	$ 12,202	$ -
Mortgage-backed securities	78,182	-	78,182	-
State and political subdivisions	10,564	-	10,564	-
Interest rate contracts - assets	2,846	-	2,846	-
Interest rate contracts - liabilities	(2,846)	-	(2,846)	-
Forward contracts	(32)	(32)	-	-
IRLCs	55	-	-	55

Level 1 - quoted prices in active markets for identical assets

Level 2 - significant other observable inputs

Level 3 - significant unobservable inputs

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Collateral-dependent Impaired Loans, Net of ALLL

Loans for which it is probable the Company will not collect all principal and interest due according to contractual terms are measured for impairment. The estimated fair value of collateral-dependent impaired loans is based on the appraised value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy. This method requires obtaining independent appraisals of the collateral from a list of preapproved appraisers, which are reviewed for accuracy and consistency by the Company. The appraised values are reduced by applying a discount factor to the value based on the Company's loan review policy. All impaired loans held by the Company were collateral dependent at December 31, 2020 and 2019.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models associated with the servicing rights and discounting the cash flows using discount market rates, prepayment speeds and default rates. The servicing portfolio has been valued using all relevant positive and negative cash flows including servicing fees, miscellaneous income and float; marginal costs of servicing; the cost of carry of advances; and foreclosure losses; and applying certain prevailing assumptions used in the marketplace. Due to the nature of the

valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy. These mortgage servicing rights are tested for impairment on a quarterly basis.

The following table presents the fair value measurements of assets measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fell at December 31, 2020 and 2019:

($ in thousands)	Fair values at 12/31/2020	(Level 1)	(Level 2)	(Level 3)
Impaired loans	$ 3,544	$ -	$ -	$ 3,544
Mortgage servicing rights	7,759	-	-	7,759

($ in thousands)	Fair values at 12/31/2019	(Level 1)	(Level 2)	(Level 3)
Impaired loans	$ 2,527	$ -	$ -	$ 2,527
Mortgage servicing rights	5,084	-	-	5,084

Level 1 - quoted prices in active markets for identical assets
Level 2 - significant other observable inputs
Level 3 - significant unobservable inputs

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at December 31, 2020 and 2019:

($ in thousands)	Fair value at 12/31/2020	Valuation technique	Unobservable inputs	Range (weighted-average)
Collateral-dependent impaired loans	$ 3,544	Market comparable properties	Comparability adjustments (%)	0 - 43% (22%)
Mortgage servicing rights	7,759	Discounted cash flow	Discount Rate	8.28%
			Constant prepayment rate	20.87%
			P&I earnings credit	0.14%
			T&I earnings credit	0.24%
			Inflation for cost of servicing	1.50%
IRLCs	278	Discounted cash flow	Loan closing rates	49% - 100%

($ in thousands)	Fair Value at 12/31/2019	Valuation technique	Unobservable inputs	Range (weighted-average)
Collateral-dependent impaired loans	$ 2,527	Market comparable properties	Comparability adjustments (%)	2 - 62% (28%)
Mortgage servicing rights	5,084	Discounted cash flow	Discount Rate	9.36%
			Constant prepayment rate	10.19%
			P&I earnings credit	1.78%
			T&I earnings credit	1.93%
			Inflation for cost of servicing	1.50%
IRLCs	55	Discounted cash flow	Loan closing rates	66% - 100%

The mortgage servicing rights portfolio is measured for fair value by an independent third party. The valuation of the portfolio hinges on a number of quantitative factors. These factors include, but are not

limited to, a discount rate applied to the cash flows, and an assumption of future principal prepayments. The prepayment assumptions are based upon the historical performance of the Company's portfolio as well as market metrics. With interest rates decreasing during 2020, the mortgage servicing rights have decreased in value. The servicing rights have had an increase in prepayments and the 10.68 percent increase in the constant prepayment rate reflects the change in market rates. In addition, the earnings credit rates decreased as did the discount rate.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Due From Banks, Interest Bearing Time Deposits, Federal Reserve and Federal Home Loan Bank Stock and Interest Receivable and Payable

Fair value is determined to be the carrying amount for these items (which include cash on hand, due from banks, and federal funds sold) because they represent cash or mature in 90 days or less, and do not represent unanticipated credit concerns.

Loans Held for Sale

The fair value of loans held for sale is based upon quoted market prices, where available, or is determined by discounting estimated cash flows using interest rates approximating the Company's current origination rates for similar loans and adjusted to reflect the inherent credit risk.

Loans

The estimated fair value of loans follows the guidance in ASU 2016-01, which prescribes an "exit price" approach in estimating and disclosing fair value of financial instruments. The fair value calculation at that date discounted estimated future cash flows using rates that incorporated discounts for credit, liquidity, and marketability factors.

Deposits, Repurchase Agreements & FHLB Advances

Deposits include demand deposits, savings accounts and certain money market deposits. The carrying amount approximates the fair value. The estimated fair value for fixed-maturity time deposits, as well as borrowings, is based on estimates of the rate the Company could pay on similar instruments with similar terms and maturities at December 31, 2020 and 2019.

Loan Commitments

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The estimated fair values for other financial instruments and off-balance-sheet loan commitments approximate cost at December 31, 2020 and 2019 and are not considered significant to this presentation.

Trust Preferred Securities

The fair value for Trust Preferred Securities is estimated by discounting the cash flows using an appropriate discount rate.

The following table presents estimated fair values of the Company's financial instruments. The fair values of certain instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for these financial instruments, and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

($ in thousands) December 31, 2020	Carrying amount	Fair value	Fair value measurements using (Level 1)	(Level 2)	(Level 3)
Financial assets					
Cash and due from banks	$ 140,690	$ 140,690	$ 140,690	$ -	$ -
Interest bearing time deposits	5,823	5,823	-	5,823	-
Loans held for sale	7,234	7,508	-	7,508	-
Loans, net of allowance for loan losses	860,149	853,294	-	-	853,294
Federal Reserve and FHLB Bank stock, at cost	5,303	5,303	-	5,303	-
Interest receivable	3,799	3,799	-	3,799	-
Financial liabilities					
Deposits	$ 1,049,011	$ 1,050,558	$ 819,462	$ 231,096	$ -
Short term borrowings	20,189	20,189	-	20,189	-
FHLB advances	8,000	8,257	-	8,257	-
Trust preferred securities	10,310	8,394	-	8,394	-
Interest payable	616	616	-	616	-

($ in thousands) December 31, 2019	Carrying amount	Fair value	Fair value measurements using (Level 1)	(Level 2)	(Level 3)
Financial assets					
Cash and due from banks	$ 27,064	$ 27,064	$ 27,064	$ -	$ -
Loans held for sale	7,258	7,419	-	7,419	-
Loans, net of allowance for loan losses	816,755	804,808	-	-	804,808
Federal Reserve and FHLB Bank stock, at cost	4,648	4,648	-	4,648	-
Interest receivable	3,106	3,106	-	3,106	-
Financial liabilities					
Deposits	$ 840,219	$ 840,272	$ 582,466	$ 257,806	$ -
Repurchase agreements	12,945	12,945	-	12,945	-
FHLB advances	16,000	16,149	-	16,149	-
Trust preferred securities	10,310	9,201	-	9,201	-
Interest payable	1,191	1,191	-	1,191	-

Note 22: Parent Company Financial Information

Presented below is condensed financial information of the parent company only:

Condensed Balance Sheets

($ in thousands)	2020	2019
Assets		
Cash & cash equivalents	$ 2,178	$ 7,457
Investment in banking subsidiaries	143,244	134,244
Investment in nonbanking subsidiaries	5,617	4,883
Other assets	3,229	192
Total assets	$ 154,268	$ 146,776
Liabilities		
Trust preferred securities	$ 10,000	$ 10,000
Borrowings from nonbanking subsidiaries	310	310
Other liabilities & accrued interest payable	1,035	372
Total liabilities	11,345	10,682
Stockholders' equity	142,923	136,094
Total liabilities and stockholders' equity	$ 154,268	$ 146,776

Condensed Statements of Income

($ in thousands)	2020	2019
Dividends from subsidiaries:		
Banking subsidiaries	$ 24,025	$ 6,000
Nonbanking subsidiaries	-	575
Total income	24,025	6,575
Expenses		
Interest expense	256	414
Other expense	2,950	1,773
Total expenses	3,206	2,187
Income before income tax	20,819	4,388
Income tax benefit	(712)	(508)
Income before equity in undistributed income of subsidiaries	21,531	4,896
Equity in undistributed income of subsidiaries		
Banking subsidiaries	(8,071)	6,526
Nonbanking subsidiaries	1,484	551
Total	(6,587)	7,077
Net income	14,944	11,973
Preferred stock dividends	-	950
Net income available to common shareholders	$ 14,944	$ 11,023

Condensed Statements of Comprehensive Income

($ in thousands)	2020	2019
Net income	$ 14,944	$ 11,973
Other comprehensive income:		
Available-for-sale investment securities:		
Gross unrealized holding gain (loss) arising in the period	1,963	1,327
Related tax (expense) benefit	(412)	(279)
Less: reclassification adjustment for gain realized in income	-	206
Related tax expense	-	(43)
Net effect on other comprehensive income	1,551	1,211
Total comprehensive income	$ 16,495	$ 13,184

Condensed Statements of Cash Flows

($ in thousands)	2020	2019
Operating activities		
Net income	$ 14,944	$ 11,973
Items not requiring (providing) cash		
Equity in undistributed net income of subsidiaries	6,587	(7,077)
Stock compensation expense	382	417
Other assets	(2,287)	32
Other liabilities	663	(884)
Net cash provided by operating activities	20,289	4,461
Investing activities		
Capital contributed to banking subsidiary	(15,520)	-
Capital contributed to nonbanking subsidiary	-	(3,100)
Net cash used in investing activities	(15,520)	(3,100)
Financing activities		
Dividends on common shares	(3,070)	(2,331)
Dividends on preferred shares	-	(950)
Proceeds from issuance of common shares	-	139
Conversion of preferred shares	-	(1)
Proceeds from share-based compensation plans	188	251
Repurchase of common shares	(7,166)	(5,050)
Net cash used in financing activities	(10,048)	(7,942)
Net change in cash and cash equivalents	(5,279)	(6,581)
Cash and cash equivalents at beginning of year	7,457	14,038
Cash and cash equivalents at end of year	$ 2,178	$ 7,457

Note 23: Quarterly Financial Information

Quarterly Financial Information (unaudited)
Years ended December 31,

($ in thousands, except per share data)

2020	December	September	June	March
Interest income	$ 10,589	$ 10,807	$ 10,595	$ 10,644
Interest expense	1,338	1,548	1,723	2,096
Net interest income	9,251	9,259	8,872	8,548
Provision for loan losses	800	1,800	1,300	600
Noninterest income	8,902	10,418	8,615	2,161
Noninterest expense	10,684	11,335	11,662	9,406
Income tax expense	1,311	1,292	870	22
Net income	5,358	5,250	3,655	681
Preferred share dividend	-	-	-	-
Net income available to common	$ 5,358	$ 5,250	$ 3,655	$ 681
Basic earnings per common share	$ 0.71	$ 0.69	$ 0.47	$ 0.09
Diluted earnings per common share	$ 0.71	$ 0.69	$ 0.47	$ 0.09
Dividends per share	$ 0.105	$ 0.100	$ 0.100	$ 0.095

2019	December	September	June	March
Interest income	$ 11,205	$ 11,546	$ 11,151	$ 10,498
Interest expense	2,609	2,488	2,319	2,158
Net interest income	8,596	9,058	8,832	8,340
Provision for loan losses	300	300	200	-
Noninterest income	5,959	5,366	3,691	3,000
Noninterest expense	10,176	9,500	9,108	8,626
Income tax expense	721	862	588	488
Net income	3,358	3,762	2,627	2,226
Preferred share dividend	230	233	243	244
Net income available to common	$ 3,128	$ 3,529	$ 2,384	$ 1,982
Basic earnings per common share	$ 0.48	$ 0.55	$ 0.37	$ 0.31
Diluted earnings per common share	$ 0.42	$ 0.48	$ 0.33	$ 0.28
Dividends per share	$ 0.095	$ 0.090	$ 0.090	$ 0.085

Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors and Audit Committee
SB Financial Group, Inc.
Defiance, Ohio

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SB Financial Group, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowances for Loan Losses

Description of the Matter

As described in Note 5 to the consolidated financial statements, the Company’s consolidated allowance for loan and lease losses (ALLL) was $12.6 million at December 31, 2020. The Company also describes in Note 1 of the consolidated financial statements the accounting policy around this estimate. The ALLL is an estimate of losses inherent in the loan and lease portfolio. The determination of the reserve requires significant judgment reflecting the Company’s best estimate of probable loan and lease losses. The estimate consists of several key elements, which include: specific reserves for impaired loans, general reserves for each business lending division portfolio including percentage allocations for special attention loans and leases not deemed impaired, and reserves for pooled homogenous loans and leases, among others. The Company’s evaluation is based upon a continuing review of these portfolios, estimates of customer performance, collateral values and dispositions, and assessments of economic and geopolitical events, all of which are subject to judgment and will change.

We identified the valuation of the ALLL as a critical audit matter. Auditing the ALLL involves a high degree of subjectivity in evaluating management's estimates, such as evaluating management's assessment of economic conditions and other environmental factors used to adjust historical loss rates, evaluating the adequacy of specific reserves associated with impaired loans and assessing the appropriateness of loan grades.

How We Addressed the Matter in Our Audit

Our audit procedures related to the estimated allowance for loan losses included:

- Testing the design of internal controls, including those related to technology, over the ALLL including data completeness and accuracy, classifications of loans by loan segment, historical loss data, the calculation of a loss rate, the establishment of qualitative adjustments, grading and risk classification of loans and establishment of specific reserves on impaired loans and management's review controls over the ALLL balance
- Testing clerical/computational accuracy of the formulas within the ALLL model.
- Testing of completeness and accuracy of the information and reports utilized in the ALLL, including reports used in management review controls over the ALLL.
- Computing an independent calculation of an acceptable range and comparing it to the Company's estimate.
- Evaluating the qualitative adjustment to the historical loss rates, including assessing the basis for the adjustments and the reasonableness of the significant assumptions.
- Testing of the loan review function and the accuracy of loan grades determined. Specifically, utilizing internal loan grading professionals to assist us in evaluating the appropriateness of loan grades and to assess the reasonableness of specific impairments on loans.
- Evaluating the overall reasonableness of qualitative factors and the appropriateness of their direction and magnitude and the Company's support for the direction and magnitude compared to previous years.

Acquisition

Description of the Matter

As described in Note 3 to the consolidated financial statements, the Company completed the acquisition of a bank holding company and its wholly owned subsidiary during the year ended December 31, 2020 with total consideration of $15.5 million, including the recognition of $4.3 million of goodwill. As part of the acquisition, management determined that the acquisition qualified as a business and accordingly all identifiable assets and liabilities acquired were valued at fair value as part of the purchase price allocation as of the acquisition date. The identification and valuation of such acquired assets and assumed liabilities required management to exercise significant judgment and the use of third-party specialists to estimate the fair value allocations.

We identified the acquisition and the valuation of acquired assets and assumed liabilities a critical audit matter. Auditing the acquisition transaction involved a high degree of subjectivity in evaluating management's operational assumptions, fair value estimates, purchase price allocations and assessing the appropriateness of valuation models.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- Obtaining and reviewing executed Plan and Agreement of Merger documents to gain an understanding of the underlying terms of the consummated acquisition;
- Obtaining and reviewing management's reconciliation procedures of significant accounts and testing of completion procedures performed and asset/liability identification considerations made;
- Testing management's computation of purchase price and determination of goodwill recognized focusing on the completeness and accuracy of the balance sheet acquired and related fair value purchase price allocations made to identified assets acquired and liabilities assumed;
- Obtaining and reviewing valuation estimates prepared by specialists engaged by the Company, and challenging management's review of the appropriateness of the valuations assessed and allocation to assets acquired and liabilities assumed. The procedures included but were not limited to, testing critical inputs, including key assumptions applied and the valuation models utilized by the Company's specialists;
- Utilization of our internal specialists to assist with testing and challenging the related fair value purchase price allocations made to identified assets acquired and liabilities assumed;
- Reviewing and evaluating the adequacy of the disclosures made in the footnotes related to the acquisition.

Goodwill Impairment Analysis

The Company's goodwill totaled $22.1 million at December 31, 2020. As discussed in Notes 1 and 8 to the consolidated financial statements, goodwill is tested for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. During the third quarter of 2020, the Company's market value fell below book value, which caused the Company to engage a third-party valuation specialist to perform a quantitative assessment of the reporting unit's value as of September 30, 2020. The Company performed an additional qualitative assessment as of March 31, 2020, June 30, 2020 and December 31, 2020. Based on each of these assessments, the Company's reporting segment's fair value exceeded the carrying value and no goodwill impairment was recorded.

We identified the valuation of goodwill as a critical audit matter due to the subjective nature of the assumptions used to estimate the reporting unit's fair value. The Company's estimate of future cash flows is based on multiple assumptions, such as revenue growth projections and the ability to adhere to anticipated expense levels, as well as the selected discount rate and terminal value, which are sensitive to changes in expectations about future market or economic conditions, including uncertainty resulting from the COVID-19 pandemic.

To test the estimated fair value of the Company's reporting unit, with the support from our internal valuation specialists, we performed audit procedures that included, among others:

- Assessing methodologies selected by management and testing the significant assumptions discussed above.
- Testing the accuracy of the underlying data used by the Company in its analysis.
- Comparing the significant assumptions used by management to current industry and economic trends.
- Performing sensitivity analyses of significant assumptions to evaluate changes in the fair value estimate of the reporting unit resulting from changes in the assumptions.
- Testing management's reconciliation of the fair value of the reporting unit to the market capitalization of the Company.

/s/ BKD, LLP

We have served as the Company's auditor since 2002.
Indianapolis, IN
March 8, 2021

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

With the participation of the Chief Executive Officer (the principal executive officer) and the Chief Financial Officer (the principal financial officer) of the Company, the Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the fiscal year covered by this Annual Report on Form 10-K. Based on that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer have concluded that:

- Information required to be disclosed by the Company in this Annual Report on Form 10-K and other reports which the Company files or submits under the Exchange Act would be accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;

- Information required to be disclosed by the Company in the Annual Report on Form 10-K and other reports which the Company files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and

- The Company's disclosure controls and procedures were effective as of the end of the fiscal year covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

The Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in conformity with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company and its consolidated subsidiaries;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company and its consolidated subsidiaries are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention of timely detection of unauthorized acquisition, use or disposition of the assets of the Company and its consolidated subsidiaries that could have a material effect on the financial statements.

With the supervision and participation of our Chief Executive Officer and our Chief Financial Officer, management assessed the effectiveness of the Company's internal controls over financial reporting as of December, 31, 2020, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management concluded that, as of December 31, 2020, the Company's internal control over financial reporting is effective.

This Annual Report includes an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

Changes in Internal Controls Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The information required by Item 401 of SEC Regulation S-K concerning the directors of the Company and the nominees for election as directors of the Company at the Annual Meeting of Shareholders to be held on April 21, 2021 (the "2021 Annual Meeting"), is incorporated herein by reference from the disclosure included in the Company's definitive Proxy Statement relating to the 2021 Annual Meeting (the "2021 Proxy Statement"), under the caption "PROPOSAL NO. 1 – ELECTION OF DIRECTORS". The information concerning the executive officers of the Company required by Item 401 of SEC Regulation S-K is set forth in the portion of Part I of this Annual Report on Form 10-K entitled "Supplemental Item: Information about our Executive Officers."

Compliance with Section 16(a) of the Exchange Act

The information required by Item 405 of SEC Regulation S-K is incorporated herein by reference from the disclosure included in the Company's 2020 Proxy Statement under the caption "DELINQUENT SECTION 16(a) REPORTS."

Committee Charters and Code of Conduct and Ethics

The Company's Board of Directors has adopted charters for each of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee. Copies of these charters are available on the Company's Internet website at www.YourSBFinancial.com by first clicking "Corporate Governance" and then "Supplementary Info". The Company has adopted a Code of Conduct and Ethics that applies to the Company's directors, officers and employees. A copy of the Code of Conduct and Ethics is available on the Company's Internet website at www.YourSBFinancial.com under the "Corporate Governance" tab. Interested persons may also obtain copies of the Code of Conduct and Ethics, the Audit Committee charter, the Compensation Committee charter and the Governance and Nominating Committee charter, without charge, by writing to SB Financial Group, Inc., Attn: Keeta J. Diller, 401 Clinton Street, Defiance, OH 43512.

Audit Committee

The information required by Items 407(d)(4) and 407(d)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure included under the caption “MEETINGS AND COMMITTEES OF THE BOARD – Audit & Risk Management Committee” in the Company’s 2021 Proxy Statement.

Item 11. Executive Compensation.

The executive compensation information required by this item is incorporated herein by reference to the information contained in the Company’s 2021 Proxy Statement under the captions “COMPENSATION OF EXECUTIVE OFFICERS”, “EQUITY INCENTIVE PLAN INFORMATION”, “DIRECTOR COMPENSATION”, and “COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION”.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 403 of SEC Regulation S-K is incorporated herein by reference from the disclosure included in the Company’s 2021 Proxy Statement under the caption “SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT”.

Equity Compensation Plan Information

The SB Financial Group, Inc. 2008 Stock Incentive Plan (the “2008 Plan”) was approved by the shareholders of the Company at the 2008 Annual Meeting of Shareholders.

The SB Financial Group, Inc. 2017 Stock Incentive Plan (the “2017 Plan”) was approved by the shareholders of the Company at the 2017 Annual Meeting of Shareholders.

The following table shows, as of December 31, 2020, the number of common shares issuable upon exercise of outstanding stock options, the weighted-average exercise price of those stock options, and the number of common shares remaining for future issuance under the Company’s equity compensation plans (excluding common shares issuable upon exercise of outstanding stock options):

	Equity compensation plans approved by security holders		
($ in thousands, except per share data)	2017 Plan	2008 Plan	Total
a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	-	-	-
b) Weighted-average exercise price of outstanding options, warrants and rights	$ -	$ -	$ -
c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in row a)	444,541	-	444,541

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 404 of SEC Regulation S-K is incorporated herein by reference from the disclosure contained in the Company's 2021 Proxy Statement under the caption "TRANSACTIONS WITH RELATED PERSONS".

The information required by Item 407(a) of SEC Regulation S-K is incorporated herein by reference from the disclosure contained in the Company's 2021 Proxy Statement under the caption "CORPORATE GOVERNANCE – Director Independence".

Item 14. Principal Accountant Fees and Services.

The information required to be disclosed in this Item 14 is incorporated herein by reference from the disclosure contained in the Company's 2021 Proxy Statement under the caption "AUDIT & RISK MANAGEMENT COMMITTEE DISCLOSURE" – Pre-Approval of Services Performed by Independent Registered Public Accounting Firm" and "AUDIT & RISK MANAGEMENT COMMITTEE DISCLOSURE" – Services of Independent Registered Public Accounting Firm".

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Financial Statements

The following consolidated financial statements are incorporated by reference from Item 8 hereof:

- Report of Independent Registered Public Accounting Firm (BKD, LLP), Opinion on Financial Statements
- Consolidated Balance Sheets as of December 31, 2020 and 2019
- Consolidated Statements of Income for the Years ended December 31, 2020 and 2019
- Consolidated Statements of Comprehensive Income for the Years ended December 31, 2020 and 2019
- Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2020 and 2019
- Consolidated Statements of Cash Flows for Years ended December 31, 2020 and 2019
- Notes to Consolidated Financial Statements

Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Item 16. Form 10-K Summary.

Not Applicable.

Exhibits

Exhibit No.	Description	Location
3.1	Amended Articles of the Company	Incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (File No. 01-36785).
3.2	Certificate of Amendment to the Amended Articles of the Company as filed with the Ohio Secretary of State on April 27, 1993	Incorporate herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 31-36785).
3.3	Certificate of Amendment to the Amended Articles of the Company as filed with the Ohio Secretary of State on April 30, 1997	Incorporated herein by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-13507).
3.4	Certificate of Amendment to the Amended Articles of the Company as filed with the Ohio Secretary of State on May 27, 2011	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 1, 2011 (File No. 0-13507).
3.5	Certificate of Amendment to the Amended Articles of the Company as filed with the Ohio Secretary of State on April 12, 2013	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 18, 2013 (File No. 0-13507).
3.6	Certificate of Amendment by Directors or Incorporators to Articles filed with the Secretary of State of the State of Ohio on November 6, 2014	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed November 12, 2014 (File No. 0-13507).
3.7	Amended Articles of the Company, as amended (reflecting amendments through November 6, 2014) [for SEC reporting compliance purposes only – not filed with the Ohio Secretary of State]	Incorporate herein by reference to Exhibit 3.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 01-36785).
3.8	Amended and Restated Regulations of the Company	Incorporated herein by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (File No. 0-13507).
3.9	Certificate Regarding Adoption of Amendment to Section 2.01 of the Amended and Restated Regulations of the Company by the Shareholders on April 16, 2009	Incorporate herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 22, 2009 (File No. 0-13507).

Exhibit No.	Description	Location
4.1	Form of Certificate for 6.50% Noncumulative Convertible Perpetual Preferred Shares, Series A, of the Company	Incorporated herein by reference to Exhibit 4.1 to the Company's Amendment No. 1 to Registration Statement on Form S-1 filed on November 6, 2014 (File No. 333-198879).
4.2	Form of Depositary Receipt of the Company	Incorporated herein by reference to Exhibit 4.2 to the Company's Amendment No. 1 to Registration Statement on Form S-1 filed on November 6, 2014 (File No. 333-198879).
4.3	Deposit Agreement, dated November 6, 2014, by and among the Company, Computershare Inc. and Computershare Trust Company, N.A. as Depositary, and the Holders from time to time of the Depositary Receipts described therein	Incorporated herein by reference to Exhibit 4.3 to the Company's Amendment No. 1 to Registration Statement on Form S-1 filed on November 6, 2014 (File No. 333-198879).
4.4	Indenture, dated as of September 15, 2005, by and between the Company and Wilmington Trust Company, as Debenture Trustee, relating to Floating Rate Junior Subordinated Deferrable Interest Debentures	Incorporated herein by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.5	Amended and Restated Declaration of Trust of Rurban Statutory Trust II, dated as of September 15, 2005	Incorporated herein by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.6	Guarantee Agreement, dated as of September 15, 2005, by and between the Company and Wilmington Trust Company, as Guarantee Trustee	Incorporated herein by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.7	Agreement to furnish instruments and agreements defining rights of holders of long-term debt	Filed herewith.
4.8	Description of Common Shares of the Company	Filed herewith.
10.1*	The Company's Plan to Allow Directors to Elect to Defer Compensation	Incorporated herein by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (File No. 0-13507).
10.2*	2008 Stock Incentive Plan of the Company	Incorporated herein by reference to Exhibit 10 to the Company's Current Report on Form 8-K filed April 22, 2008 (File No. 0-13507).
10.3*	Form of Restricted Stock Award Agreement (For Employees) under the Company's 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K for the fiscal year ended April 22, 2008 (File No. 0-13507).

Exhibit No.	Description	Location
10.4*	Form of Incentive Stock Option Agreement with Five-Year Vesting under the Company's 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
10.5*	Form of Non-Qualified Stock Option Award Agreement with Five-Year Vesting under the Company's 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
10.6*	Employees' Stock Ownership and Savings Plan of the Company	Incorporated herein by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (File No. 0-13507).
10.7*	Employee Stock Purchase Plan of the Company	Incorporated herein by reference to Exhibit 10(z) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 0-13507).
10.8*	Amended and Restated Employment Agreement, dated January 22, 2018, between the Company and Mark A. Klein	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 26, 2018 (File No. 01-36785).
10.9*	Amended and Restated Change of Control Agreement, dated January 22, 2018, between the Company and Mark A. Klein	Incorporated herein by reference to Exhibit 10.2(a) to the Company's Current Report on Form 8-K filed January 26, 2018 (File No. 01-36785).
10.10*	Amended and Restated Change of Control Agreement, dated January 22, 2018, between the Company and Anthony V. Cosentino	Incorporated herein by reference to Exhibit 10.2(b) to the Company's Current Report on Form 8-K filed January 26, 2018 (File No. 01-36785).
10.11*	Amended and Restated Change of Control Agreement, dated January 22, 2018, between the Company and Jonathan R. Gathman	Exhibit 10.2(c) to the Company's Current Report on Form 8-K filed January 26, 2018 (File No. 01-36785).
10.12*	Amended Supplemental Executive Retirement Plan Agreement, dated as of January 22, 2018 by and between the Company and Mark A. Klein	Incorporated by reference to Exhibit 10.3(a) to the Company's Current Report on Form 8-K filed January 26, 2018 (File No 01-36785).
10.13*	Amended Supplemental Executive Retirement Plan Agreement, dated as of January 22, 2018 by and between the Company and Anthony V. Cosentino	Incorporated by reference to Exhibit 10.3(b) to the Company's Current Report on Form 8-K filed January 26, 2018 (File No 01-36785).
10.14*	2017 Split Dollar Agreement and Endorsement, dated as of January 22, 2018, between and The State Bank and Trust Company and Mark A. Klein	Incorporated by reference to Exhibit 10.4(a) to the Company's Current Report on Form 8-K filed January 26, 2018 (File No 01-36785).

Exhibit No.	Description	Location
10.15*	2017 Split Dollar Agreement and Endorsement, dated as of January 22, 2018, between and The State Bank and Trust Company and Anthony V. Cosentino	Incorporated by reference to Exhibit 10.4(b) to the Company's Current Report on Form 8-K filed January 26, 2018 (File No 01-36785).
10.16*	Non-Qualified Deferred Compensation Plan of the Company effective as of January 1, 2007	Incorporated herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (File No. 0-13507).
10.17*	Long-Term Incentive Compensation Plan for the Company and Affiliates	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 20, 2012 (File No. 0-13507).
10.18*	SB Financial Group 2017 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 01-36785).
11	Statement Regarding Computation of Per Share Earnings	Included in Note 2 of the Notes to Consolidated Financial Statements of Registrant filed herewith as Exhibit 13.
13	2019 Annual Report of Registrant (not deemed filed except for portions thereof which are specifically incorporated by reference in this Annual Report on Form 10-K)	Specified portions filed herewith.
21	Subsidiaries of Registrant	Filed herewith.
23	Consent of BKD, LLP	Filed herewith.
24	Power of Attorney of Directors and Executive Officers	Included on signature page of this Annual Report on Form 10-K.
31.1	Rule 13a-14(a)/15d-14(a) Certification – Principal Executive Officer	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification – Principal Financial Officer	Filed herewith.
32.1	Section 1350 Certification – Principal Executive Officer and Principal Financial Officer	Filed herewith.
101	The following materials from SB Financial Group Inc.'s 2020 Annual Report and incorporated therefrom in SB Financial Group, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, formatted in XBRL (extensible business reporting language) pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2020 and 2019; (ii) the Consolidated Statements of Income for the years ended December 31, 2020 and 2019; (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2020 and 2019; (iv) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020 and 2019; (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019; and (vi) the Notes to Consolidated Financial Statements (electronically submitted herewith).	

*Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SB FINANCIAL GROUP, INC.

By: /s/ Anthony V. Cosentino
Anthony V. Cosentino, Executive Vice President and Chief Financial Officer

Date: March 8, 2021

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each undersigned officer and/or director of SB Financial Group, Inc., an Ohio corporation (the "Company"), which is about to file with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2020, hereby constitutes and appoints Mark A. Klein and Anthony V. Cosentino, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign both the Annual Report on Form 10-K and any and all amendments and documents related thereto, and to file the same, and any and all exhibits, financial statements and schedules related thereto, and other documents in connection therewith, with the Securities and Exchange Commission and the NASDAQ Stock Market, granting unto said attorneys-in-fact and agents, and substitute or substitutes, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all things that each of said attorneys-in-fact and agents, or either of them or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Date	Capacity
/s/ Mark A. Klein Mark A. Klein	March 8, 2021	Chairman, President and Chief Executive Officer
/s/ Anthony V. Cosentino Anthony V. Cosentino	March 8, 2021	Executive Vice President and Chief Financial Officer
/s/ George W. Carter George W. Carter	March 8, 2021	Director
/s/ Robert A. Fawcett, Jr. Robert A. Fawcett, Jr.	March 8, 2021	Director
/s/ Gaylyn J. Finn Gaylyn J. Finn	March 8, 2021	Director
/s/Richard L. Hardgrove Richard L. Hardgrove	March 8, 2021	Director
/s/Tom R. Helberg Tom R. Helberg	March 8, 2021	Director
/s/ Rita A. Kissner Rita A. Kissner	March 8, 2021	Director
/s/ Mark A. Klein Mark A. Klein	March 8, 2021	Director
/s/ William G. Martin William G. Martin	March 8, 2021	Director
/s/ Timothy J. Stolly Timothy J. Stolly	March 8, 2021	Director

Date: March 8, 2021

Exhibit 4.7



March 8, 2021

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

RE: SB Financial Group, Inc. – Annual Report on Form 10-K for the fiscal year ended December 31, 2020

Ladies and Gentlemen:

SB Financial Group, Inc., an Ohio corporation ("SB Financial"), is today filing with the Securities and Exchange Commission (the "SEC") the Annual Report on Form 10-K of SB Financial for the fiscal year ended December 31, 2020 ("SB Financial's 2020 Form 10-K").

Pursuant to the instructions relating to the Exhibits in Item 601 (b)(4)(iii) of Regulation S-K, SB Financial hereby agrees to furnish to the SEC, upon request, copies of instruments and agreements defining the rights of holders of long-term debt and of the long-term debt of its consolidated subsidiaries, which are not being filed as exhibits to SB Financial's 2020 Form 10-K. None of such long-term debt exceeds 10 percent of the total assets of SB financial and its subsidiaries on a consolidated basis.

Very truly yours,

SB FINANCIAL GROUP, INC.

/s/ Anthony V. Cosentino

Anthony V. Cosentino
Executive Vice President and
Chief Financial Officer

401 Clinton Street | Defiance, OH 43512
P 419.783.8950 | F 419.782.6393
YourSBFinancial.com

Exhibit 4.8

DESCRIPTION OF CAPITAL STOCK

As of December 31, 2020, SB Financial Group, Inc. (the "Company," "we," "us" or "our") had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our common shares, without par value (our "common stock")

The following is a summary of the material terms, limitations, voting powers and relative rights of our capital stock. This summary does not purport to be a complete description of the terms and conditions of our capital stock in all respects and is subject to and qualified in its entirety by reference to all of the provisions of our articles of incorporation and our code of regulations, each as amended, which are incorporated by reference as an exhibit to this Annual Report on Form 10-K, and the applicable provisions of Chapter 1701 of the Ohio Revised Code (the "Ohio General Corporation Law").

Authorized Capital Stock

Under our articles of incorporation, we are authorized to issue up to 10,000,000 shares of common stock and up to 200,000 shares of preferred shares, without par value (our "preferred stock"). As of February 26, 2021, there were 7,389,626 shares of our common stock issued and outstanding and no shares of our preferred stock issued and outstanding.

Preferred Stock

Our 200,000 authorized but unissued shares of preferred stock are typically referred to as "blank check" preferred stock. This term refers to preferred stock for which the rights and restrictions are determined by the board of directors of a corporation at the time the shares of preferred stock are issued. Under our articles of incorporation, our Board of Directors has the authority, without any further shareholder vote or action, to issue preferred shares in one or more series, from time to time, and, in connection with the creation of any such series, to adopt an amendment or amendments to our articles of incorporation determining, in whole or in part, the express terms of any such series to the fullest extent permitted under Ohio law, including, but not limited to, determining: the division of such shares into series and the designation and authorized number of shares of each series; dividend or distribution rights; dividend rate; liquidation rights, preferences and price; redemption rights and price; sinking fund requirements; voting rights; pre-emptive rights; conversion rights; restrictions on the issuance of shares; and other relative, participating, optional or other special rights and privileges of each such series and the qualifications, limitations or restrictions thereof. Notwithstanding the foregoing, in no event may the voting rights of any series of preferred stock be greater than the voting rights of our common stock.

Common Stock

Liquidation rights

Each share of common stock of the Company entitles the holder thereof to share ratably in the Company's net assets legally available for distribution to shareholders in the event of the Company's liquidation, dissolution or winding up, after (i) payment in full of all amounts required to be paid to creditors or provision for such payment and (ii) provision for the distribution of any preferential amounts to the holders of any shares of preferred stock that our Board of Directors may designate and issue in the future.

Preemptive rights

Our shareholders do not have pre-emptive rights.

Subscription, preference, conversion, exchange and redemption rights

The holders of shares of our common stock do not have subscription, preference, conversion or exchange rights, and there are no mandatory redemption provisions applicable to shares of our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may

be adversely affected by, the rights, preferences and privileges of holders of any shares of preferred stock that our Board of Directors may designate and issue in the future.

Dividends

We may pay dividends on our outstanding shares of common stock in accordance with the terms of the Ohio General Corporation Law. The Ohio General Corporation Law generally provides that the board of directors may declare and pay dividends to shareholders, provided that the dividend does not exceed the combination of the surplus of the corporation, which is defined generally as the excess of the corporation's assets plus stated capital over its liabilities, and is not in violation of the rights of the holders of shares of any other class. In addition, no dividend may be paid when a corporation is insolvent or there is reasonable ground to believe that by payment of the dividend the corporation would be rendered insolvent.

Our ability to obtain funds for the payment of dividends and for other cash requirements largely depends on the amount of dividends that may be declared and paid by our subsidiaries. Thus, as a practical matter, any restrictions on the ability of our subsidiaries, including The State Bank and Trust Company ("State Bank"), to pay dividends will act as restrictions on the amount of funds available for payment of dividends by State Bank.

The ability of State Bank to pay dividends is subject to limitations under various laws and regulations and to prudent and sound banking principles. Generally, subject to certain minimum capital requirements, State Bank may declare a dividend without the approval of the State of Ohio Division of Financial Institutions so long as the total of the dividends in a calendar year does not exceed State Bank's total net income for that year combined with its retained net income for the two preceding years.

We are also subject to policies issued by the Federal Reserve Board that may, in certain circumstances, limit our ability to pay dividends. These policies require, among other things, that we satisfy the capital adequacy regulations applicable to bank holding companies that qualify as financial holding companies, including having a capital conservation buffer that is greater than 2.5%. The Federal Reserve Board may also determine, under certain circumstances relating to our financial condition, that the payment of dividends would be an unsafe or unsound practice and prohibit the payment thereof. Specifically, the Federal Reserve Board has issued a policy statement providing that a financial holding company or other bank holding company should eliminate, defer or significantly reduce dividends if (i) its net income available to common shareholders is not sufficient to fully fund the dividends, (ii) the prospective rate of earnings retention is not consistent with the financial or bank holding company's capital needs and overall financial condition or (iii) the financial or bank holding company will not meet or is in danger of not meeting its required regulatory capital adequacy ratios. In addition, the Federal Reserve Board expects us to serve as a source of strength to State Bank, which may require us to retain capital for further investments in State Bank, rather than use those funds for dividends for our shareholders.

The ability of our subsidiaries to pay dividends to us is also subject to their profitability, financial condition, capital expenditures and other cash flow requirements and contractual obligations.

Listing

Our common stock is listed under The NASDAQ Capital Market under the symbol "SBFG."

Transfer agent and registrar

The transfer agent and registrar for our common stock is Registrar and Transfer Company located in Cranford, New Jersey.

Voting rights

Each share of common stock of the Company entitles the holder to one vote for the election of directors and for all other matters submitted to the shareholders of the Company for their consideration.

Our articles of incorporation provide that shareholders do not have the right to vote cumulatively in the election of directors.

Supermajority voting requirement

Our articles of incorporation provide that, notwithstanding any provision of the Ohio General Corporation law requiring for any purpose the vote, consent, waiver or release of holders of shares entitling them to exercise two-thirds or any other proportion of the voting power of the Company, such action, unless otherwise provided by statute, may be taken by the vote, consent, waiver or release of the holders of shares entitling them to exercise a majority of the voting power of the Company.

However, our articles of incorporation provide that, unless two-thirds of the whole authorized number of directors recommends the approval of the following matters, such matters require the affirmative vote of the holders of shares entitling them to exercise at least 80% of the Company's voting power:

- a proposed amendment to the articles;
- proposed new regulations, or an alteration, amendment or repeal of the regulations;
- an agreement providing for the merger or consolidation of the Company with or into one or more other corporations;
- a proposed combination or majority share acquisition involving the issuance of shares of the Company and requiring shareholder approval;
- a proposal to sell, lease, or exchange all or substantially all of the property and assets of the Company;
- a proposed dissolution of the Company; or
- a proposal to fix or create the number of directors by action of the shareholders of the Company.

Shareholder vote required to approve business combinations with principal shareholders

Our articles of incorporation require the affirmative vote of the holders of shares entitling them to exercise at least 80% of the voting power of the Company and the affirmative vote of at least two-thirds of the outstanding shares not held by a "Controlling Person," to approve certain "Business Combinations." A "Controlling Person" is any shareholder who beneficially owns shares entitling the shareholder to exercise 20% or more of the voting power of the Company in the election of directors. A "Business Combination" is defined to include:

- any merger or consolidation of the Company with or into a Controlling Person or an affiliate or associate of a Controlling Person;
- any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of the Company or a subsidiary, including, without limitation, any voting securities of a subsidiary of the Company, to a Controlling Person or an affiliate or associate of a Controlling Person;
- any merger into the Company or a subsidiary of the Company of a Controlling Person or an affiliate or associate of a Controlling Person;
- any sale, lease, exchange, transfer or other disposition of all or any part of the assets of a Controlling Person or an affiliate or associate of a Controlling Person to the Company or a subsidiary of the Company, excluding certain insignificant sales or dispositions;
- any reclassification of the common stock of the Company, or any recapitalization involving the common stock of the Company consummated within five years after the Controlling Person becomes a Controlling Person; and

- any agreement, contract or other arrangement providing for any of the above transactions.

The shareholder vote requirements described above do not apply, however, if the Business Combination will result in an involuntary sale, redemption, cancellation or other termination of ownership of all shares of common stock of the Company owned by shareholders who do not vote in favor of, or consent in writing to, the Business Combination and the consideration to be received by such shareholders is at least equal to the "Minimum Price Per Share," as defined in our articles of incorporation.

Classified board of directors and election of directors

Our articles of incorporation provide for a classified board of directors consisting of not less than nine directors, with the directors divided into three classes and elected for three-year terms. Each year the term of one class expires. As a result, approximately one-third of the directors are elected at each annual meeting of shareholders. This can delay the ability of a significant shareholder or group of shareholders to gain control of our board of directors.

Our code of regulations provide that the number of directors cannot be fewer than nine nor more than 15, Currently, our board of directors consists of nine directors. Pursuant to the code of regulations, any change in the number of directors cannot have the effect of shortening the term of any incumbent director; and no action may be taken to increase the number of directors unless at least two-thirds of the directors then in office concur in such action. A director or directors may be removed from office, only by the vote of the holders of shares entitling them to exercise not less than 80% of the voting power of the Company entitling them to elect directors in place of those to be removed. Under the Ohio General Corporation Law, the removal of a director or directors of the Company may only be effected for cause. This will prevent a shareholder or group of shareholders from removing incumbent directors and simultaneously gaining control of the board by filling the vacancies created by removals with their own nominees.

Failure to elect a director to fill the unexpired term of any director removed shall be deemed to create a vacancy in the board. Under Ohio law, unless a corporation's articles of incorporation or code of regulations otherwise provide, the remaining directors of a corporation may fill any vacancy on the board by the affirmative vote of a majority of the remaining directors. Vacancies at the Company, and newly created directorships resulting from any increase in the authorized number of directors, may be filled by the affirmative vote of two-thirds of the whole authorized number of directors or by the affirmative vote of the holders of at least four-fifths of the outstanding voting power of the corporation voting at a meeting of the shareholders called for such purpose or in any other manner provided by law, the articles or the code of regulations.

Our code of regulations requires that notice in writing of proposed shareholder nominations for the election of directors be given to our secretary prior to the meeting. The notice must contain certain information about the non-incumbent nominee, including name, age, business or residence address of each nominee proposed in such notice, the principal occupation or employment of each such nominee, and the number of shares of common stock of the Company owned beneficially and/or of record by each such nominee and the length of time any such shares have been so owned.

Pursuant to our code of regulations, special meetings of shareholders may be called only by the following: the chairman of the board, the president or, in case of the president's absence, death, or disability, the vice president authorized to exercise the authority of the president; a majority of the directors acting with or without a meeting; or the holders of at least 25% of all shares outstanding and entitled to vote.

To be timely, shareholder notice of a nomination for election of a director at an annual meeting must be received by the secretary of the Company on or before the later of (i) February l, immediately preceding such annual meeting or (ii) the 60th day prior to the first anniversary of the most recent annual meeting of shareholders held for the election of directors; provided, however, that if the annual meeting for the election of directors in any year is not held on or before the 31st day next following such anniversary, then the written notice must be received by the secretary within a reasonable time prior to the date of such annual meeting. In the case of a nominee proposed by a shareholder for election as a director at a special

meeting of shareholders at which directors are to be elected, such written notice of a proposed nominee shall be received by the secretary no later than the close of business on the seventh day following the day on which notice of the special meeting was mailed to shareholders.

Anti-takeover statutes

Certain state laws make a change in control of the Company more difficult, even if desired by the holders of the majority of our shares of common stock. Provided below is a summary of the Ohio anti-takeover statutes.

Ohio Control Share Acquisition Statute. The Ohio Revised Code provides in Section 1701.831 that specified notice and informational filings and special shareholder meetings and voting procedures must occur before consummation of a proposed "control share acquisition." A control share acquisition is defined as any acquisition of an issuer's shares that would entitle the acquirer to exercise or direct the voting power of the issuer in the election of directors within any of the following ranges:

- one-fifth or more, but less than one-third, of the voting power;
- one-third or more, but less than a majority, of the voting power; or
- a majority or more of the voting power.

Assuming compliance with the notice and information filing requirements, the proposed control share acquisition may take place only if, at a duly convened special meeting of shareholders, the acquisition is approved by both a majority of the voting power of the issuer represented at the meeting and a majority of the voting power remaining after excluding the combined voting power of the intended acquirer and the directors and officers of the issuer. The control share acquisition statute does not apply to a corporation whose articles of incorporation or regulations so provide. We have not opted out of the application of the control share acquisition statute.

Ohio Merger Moratorium Statute. Chapter 1704 of the Ohio Revised Code prohibits specified business combinations and transactions between an "issuing public corporation" and an "interested shareholder" for at least three years after the interested shareholder attains 10% ownership, unless the board of directors of the issuing public corporation approves the transaction before the interested shareholder attains 10% ownership. An interested shareholder is a person who owns 10% or more of the shares of the corporation. An issuing public corporation is defined as an Ohio corporation with 50 or more shareholders that has its principal place of business, principal executive offices, or substantial assets within the State of Ohio, and as to which no close corporation agreement exists. Examples of transactions regulated by the merger moratorium provisions include mergers, consolidations, voluntary dissolutions, and the disposition of assets and the transfer of shares. After the three-year period, a moratorium transaction may take place provided that certain conditions are satisfied, including that:

- the board of directors approves the transaction;
- the transaction is approved by the holders of shares with at least two-thirds of the voting power of the corporation (or a different proportion set forth in the articles of incorporation), including at least a majority of the outstanding shares after excluding shares controlled by the interested shareholder; or
- the business combination results in shareholders, other than the interested shareholder, receiving a fair price plus interest for their shares, as determined in accordance with the statute.

Although the merger moratorium provisions may apply, a corporation may elect not to be covered by the merger moratorium provisions, or subsequently elect to be covered, with an appropriate amendment to its articles of incorporation. We have not opted out of the Ohio merger moratorium statute.

Ohio Anti-Greenmail Statute. Pursuant to the Ohio Anti-Greenmail Statute, a public corporation formed in Ohio may recover profits that a shareholder makes from the sale of the corporation's securities

within 18 months after making a proposal to acquire control or publicly disclosing the possibility of a proposal to acquire control. The corporation may not, however, recover from a person who proves either: (1) that his sole purpose in making the proposal was to succeed in acquiring control of the corporation and there were reasonable grounds to believe that he would acquire control of the corporation; or (2) that his purpose was not to increase any profit or decrease any loss in the stock. Also, before the corporation may obtain any recovery, the aggregate amount of the profit realized by such person must exceed $250,000. Any shareholder may bring an action on behalf of the corporation if a corporation refuses to bring an action to recover these profits. The party bringing such an action may recover his attorneys' fees if the court having jurisdiction over such action orders recovery of any profits.

The Anti-Greenmail Statute does not apply to a corporation if its articles of incorporation or code of regulations so provide. We have not opted out of the application of the Anti-Greenmail Statute.

Exhibit 21

List of Subsidiaries

Name	State of Incorporation
The State Bank and Trust Company	Ohio
SBFG Title, LLC	Ohio
SBFG Mortgage, LLC	Ohio
RFCBC, Inc	Ohio
SB Captive, Inc	Nevada
Rurban Mortgage Company	Ohio
SBT Insurance, LLC	Ohio
Rurbanc Data Services, Inc.	Ohio
Rurban Statutory Trust II	Declaration of Trust – State of Delaware
NC Merger Corp.*	Ohio

*NC Merger Corp. is a wholly-owned subsidiary of Rurbanc Data Services, Inc. NC Merger Corp. has no assets or liabilities and is inactive.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-220075 and 333-150911) and Forms S-3 (File Nos. 333-248406, 333-217206 and 333-191192) of SB Financial Group, Inc. (the "Company") of our report dated March 8, 2021, on our audits of the consolidated financial statements of the Company as of December 31, 2020 and 2019 and for each of the years then ended, which report is included (or incorporated by reference) in this Annual Report on Form 10-K.

BKD, LLP

Indianapolis, Indiana
March 8, 2021

Exhibit 31.1

CERTIFICATION

I, Mark A. Klein, certify that:

1. I have reviewed this Annual Report on Form 10-K of SB Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 8, 2021

By: /s/ Mark A. Klein
Mark A. Klein
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Anthony V. Cosentino, certify that:

1. I have reviewed this Annual Report on Form 10-K of SB Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 8, 2021

By: /s/ Anthony V. Cosentino
Anthony V. Cosentino
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Section 1350 Certification*

In connection with the Annual Report of SB Financial Group, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Mark A. Klein, Chairman, President and Chief Executive Officer of the Company, and Anthony V. Cosentino, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ Mark A. Klein Mark A. Klein, Chairman, President and Chief Executive Officer	/s/ Anthony V. Cosentino Anthony V. Cosentino Executive Vice President and Chief Financial Officer
Dated: March 8, 2021	Dated: March 8, 2021

* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent the Company specifically incorporates it by reference in such filing.

Officers List

SB Financial Group, Inc.

MARK A. KLEIN
Chairman, President and
Chief Executive Officer

ANTHONY V. COSENTINO
Executive Vice President and
Chief Financial Officer

KEETA J. DILLER
Executive Vice President
Corporate Secretary

The State Bank and Trust Company

Administration

MARK A. KLEIN
Chairman, President and
Chief Executive Officer

ANTHONY V. COSENTINO
Executive Vice President and
Chief Financial Officer

ERNESTO GAYTAN
Executive Vice President and
Chief Technology Innovation and
Operations Officer

JONATHAN R. GATHMAN
Executive Vice President and
Senior Lender

KEETA J. DILLER
Executive Vice President
Chief Enterprise Risk Management Officer

CAROL M. ROBBINS
Senior Vice President
Controller

JENNIFER A. SWIECH
Senior Vice President
Director of Legal, CRA & Fair Lending

NICHOLE T. WICHMAN
Senior Vice President
Chief Marketing Officer

TIRA K. BUSSING
Vice President
Human Resources Manager

RONALD E. SPANGLER
Vice President
Loan Review Officer

MARC H. BEACH
Assistant Vice President
Facility/Property Coordinator

RONDA M. HERKO
Assistant Vice President
Human Resources Generalist

DAWN M. HUTCHESON
Assistant Vice President
Accountant III

MELISSA A. TACKETT
Assistant Vice President
Compliance Management Specialist

LACEY L. SPANGLER
Assistant Vice President
BSA and Security Officer

SARAH S. MEKUS
Officer, Executive Assistant
Corporate Secretary

Regional Executives

DAVID A. HOMOELLE
Columbus Regional President

MARK D. CASSIN
Senior Vice President
Bowling Green Market Executive

ANDREW S. FARLEY
Senior Vice President
Lima Market Executive

TYSON R. MOSS
Senior Vice President
Fulton/Williams County
Market Executive

CHRISTOPHER A. WEBB
Senior Vice President
Findlay Market Executive

STEFAN R. HARTMAN
Vice President
Fort Wayne Market Executive

Commercial Banking

LYNN A. ISAAC
Senior Vice President
Commercial Services Officer

TIMOTHY P. MOSER
Senior Vice President
Ag Lending Manager

ROBERT D. EGGLETON
Vice President
Commercial Services Officer

PAUL C. ERWIN
Vice President
Commercial Services Officer

LOGAN C. WOLFRUM
Vice President
Commercial Services Officer

ADRIAN J. FRITCH
Assistant Vice President
Ag Lending Officer

BRANDON J. MCGAHARAN
Assistant Vice President
Commercial Portfolio Manager

Credit Administration

MICHAEL D. EBBESKOTTE
Senior Vice President
Credit Administration Manager

AMY M. HOFFMAN
Senior Vice President
Chief Credit Officer

ANDREW M. RICKENBERG
Vice President
Collections and Resource Recovery
Manager

Information Technology and Operations

LAURA W. KLINE
Senior Vice President
Client Experience Officer

KRISTEN K. NUSBAUM
Senior Vice President
Director of Deposit Operations

MELINDA L. CLINE
Vice President
Process Engineer - Loans

NICKOLAS V. GEORGE
Vice President
IT Leader, Infrastructure and Cybersecurity

GARY A. SAXMAN
Vice President
Data Processing Engineer

STEVEN E. STRUBLE
Vice President
IT Leader, Fiserv Platform

ALICIA M. WOOD
Vice President
Quality Control Manager

JEFF A. EITZMAN
Assistant Vice President
Data Processing Engineer

JAMES H. FOX
Assistant Vice President
IT/ Encompass Administrator

LORI A. JOHNSON
Assistant Vice President
IT Leader, Retail Banking

LUCINDA C. KRAMER
Officer
Contact Center Administrator

SUSAN A. LONG
Officer
Quality Control Analyst - Deposits

Mortgage Lending

PAMELA K. BENEDICT
Senior Vice President
Residential Real Estate Sales
Manager - Defiance Region

RICHARD A. SMITH
Senior Vice President
Residential Real Estate Sales
Manager - Indianapolis Region

STEVEN J. WATSON
Senior Vice President
Residential Real Estate Sales
Manager - Columbus Region

JOHN A. ANSARA
Vice President
Outside Mortgage Sales Loan Originator

DENISE S. DAVENPORT
Vice President
Outside Mortgage Sales Loan Originator

KIMBERLY W. DONOVAN
Vice President
Senior Mortgage Underwriter

CYNTHIA L. ENSIGN
Vice President
Outside Mortgage Sales Loan Originator

SUSAN A. ERHART
Vice President
Senior Mortgage Underwriter

JOYCE A. FERGUSON
Vice President
Outside Mortgage Sales Loan Originator

GREGORY A. PATTON
Vice President
Outside Mortgage Sales Loan Originator

DANIEL R. PROND
Vice President
Residential Sales Team
Manager - Columbus

SUZANNE M. REICHARD
Vice President
Outside Mortgage Sales Loan Originator

BRIAN SMITH
Vice President
Encompass Administrator

MARK D. SPANGLER
Vice President
Mortgage Underwriter

KAREN A. VARNER
Vice President
Outside Mortgage Sales Loan Originator

ROBERT W. WARNER
Vice President
Outside Mortgage Sales Loan Originator

ADRIANNE M. FLEEMAN
Assistant Vice President
Senior Mortgage Underwriter

ANDREW C. PATTON
Assistant Vice President
Construction Loan Analyst

JARED M. PEREZ
Assistant Vice President
Outside Mortgage Sales Loan Originator

ANDREW B. SISSON
Assistant Vice President
Secondary Market Analyst

TAMARA D. TRENKAMP
Assistant Vice President
Community Development Mortgage
Loan Originator

JACQUELON C. WILSON
Assistant Vice President
Community Development Mortgage
Loan Originator

Private Banking

MICHELE G. COOPER
Senior Vice President
Private Banker

SUSAN F. WEST
Vice President
Private Banker

MICHELLE L. ZEEDYK
Vice President
Director of Private Banking

GALE A. SIMPSON
Assistant Vice President
Private Banker

Retail Banking

NANCY E. RANKIN
Vice President
Head of Retail

PAMELA A. MASLAK
Assistant Vice President
Banking Center Sales Manager

JAMES R. STATES
Assistant Vice President
Banking Center Sales Manager

HANAN SAA
Assistant Vice President
Business Banker

SBA/ Small Business Lending

BRANDON S. GERKEN
Senior Vice President
SBA/Small Business
Lending Manager

ERIC S. BUTLER
Assistant Vice President
Small Business Lender

KYLE A. FRISCH
Assistant Vice President
Small Business Lender

Treasury Management

LESLEY L. PARRETT
Vice President
Director of Treasury Management

SHERRY A. TODD
Vice President
Treasury Management Officer

CLINTON B. BEASLEY
Assistant Vice President
Treasury Management Officer

Wealth Management

CHRISTOPHER P. JAKYMA
Executive Vice President
Chief Wealth Management Officer

DAVID A. BELL
Executive Vice President
Retirement Services Manager

DAVID A. ANDERSON
Senior Vice President
Business Development Officer

DONALD E. BUDD
Senior Vice President
Wealth Management Advisor

KELLY W. CLEVELAND
Senior Vice President
Chief Investment Officer

ELIZABETH D. ZARTMAN
Senior Vice President
Trust Operations Service Manager

DAVID T. ROBINSON
Assistant Vice President
Wealth Management Advisor

KATIE N. CLEMENTZ
Officer
Wealth Management Advisor

SBFG Title, LLC

ABAGALE M. WATERS
President

LORI L. LAPE
Assistant Vice President
Assistant Director of Operations

Annual Meeting
The Company's Annual Meeting of Shareholders will be held virtually on Wednesday, April 21, 2021.

Administrative Headquarters
SB Financial Group, Inc.
401 Clinton Street
Defiance, OH 43512
www.yoursbfinancial.com

Investor Relations
Mr. Anthony Cosentino
(419) 785-3663
sbfg.ir@yourstatebank.com

Common Stock Listing
NASDAQ Capital Market
Symbol: SBFG

Stock Registrar & Transfer Agent
Computershare
250 Royall Street
Canton, MA 02021

Legal Counsel
Vorys, Sater, Seymour & Pease, LLP
52 East Gay Street
Columbus, OH 43215
www.vorys.com

Certified Public Accountants
BKD, LLP
201 N. Illinois St., Ste. 700
Indianapolis, IN 46204
www.bkd.com

Investor Relations Counsel
Lambert & Co.
450 Seventh Avenue
New York, NY 10123
www.lambert.com

SEC Form 10-K
SB Financial's Form 10-K, as filed with the U.S. Securities and Exchange Commission, is provided as part of this 2020 Annual Report. The 10-K also is available on our website at www.yoursbfinancial.com. You may obtain a printed copy, without charge, by contacting Investor Relations at (419) 785-3663.

Board of Directors

Mark A. Klein
Chairman, President & CEO
SB Financial Group, Inc.
The State Bank and Trust Company and RDSI

Richard L. Hardgrove
Lead Independent Director
Retired Chairman & CEO
Sky Bank, Salinesville, OH
Retired CEO, *First Merit Bank*
Former Deputy Superintendent of Banks, Ohio

George W. Carter
President & CEO
Paulding Putnam Electric Cooperative

Robert A. Fawcett, Jr.
Retired Insurance Business Owner
FLR/United Insurance Service

Gaylyn J. Finn
Retired Treasurer
Associate Vice President for Finance
Bowling Green State University

Tom R. Helberg
General Manager
Legal Counsel & Principal
Bellevue Investors

Rita A. Kissner
Retired Finance Director & Mayor
City of Defiance

William G. Martin
President & CFO
Spangler Candy Company

Timothy J. Stolly
President
Stolly Insurance Company

Regional Advisory Boards

Bowling Green
Roger Bostdorff
James A. Hammer
Rachael London
Michael J. Rose
Kati Thompson

Dublin
Kurt N. Schmitt

Defiance County
Mike McCann
Douglas A. McDonald
Jerry S. Overmier
Andrew Shindler
Jeffrey R. Starner
Sue A. Strausbaugh
Bud Williams

Findlay
Karl Heminger
Christine M. Keller
Kolleen Kirk
Joe Klein

Fort Wayne
Timothy L. Claxton
Praveen Kollipara
Robert L. Sutton

Fulton County
Virginia Neuenschwander
Edward L. Nofziger
Jeffrey L. Rupp
Joseph D. Short
Kevin J. Whitlock

Lima
Bob Meredith
Peggy A. Rector

Paulding County
Daniel L. Eakins
John Saxton
Kevin Stahl
Alison Stoller

Toledo
Douglas E. Bohl
Craig A. Burrow
Ronald L. King
Bridgett Root
Tracy M. Sallah

Williams County
Jason A. Beals
Lee Dick
Glen L. Newcomer
Brent Osborn
Michael W. Spangler



Angola, IN | Bowling Green | Bryan | Defiance | Delta | Dublin | Edon
Findlay | Ft. Wayne, IN | Gahanna | Indianapolis, IN | Lambertville, MI
Lima | Luckey | Lyons | Montpelier | Oakwood | Paulding | Perrysburg
Pioneer | Sylvania | Toledo | Walbridge | Wauseon