ICON PLC /ADR/
Form F-3ASR
June 15, 2009

As filed with the Securities and Exchange Commission on June 15, 2009 Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form F-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ICON PUBLIC LIMITED COMPANY
(Exact name of Registrant as specified in its charter)

Ireland (State or other jurisdiction of incorporation or organization)	Not Applicable (I.R.S. Employer Identification Number)
ICON plc South County Business Park Leopardstown, Dublin 18 Ireland (353) 1-291-2000 (Address and telephone number of Registrant's principal executive offices)	CT Corporation System 111 Eighth Avenue New York, New York 10011 (212) 590-9332 (Name, address and telephone number of agent for service)

Copies to:

Ciaran Murray Chief Financial Officer ICON plc South County Business Park Leopardstown, Dublin 18, Ireland (353) 1-291-2000	William M. Hartnett, Esq. Cahill Gordon & Reindel LLP 80 Pine Street New York, New York 10005 (212) 701-3000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box: x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box: o

Title of each class of securities to be registered	Amount to be registered	Proposed maximum aggregate price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Debt Securities (1)				
Convertible Debt Securities (1)				
Ordinary Shares (represented by American Depositary Shares) (1)				
Total	(1)	(1)	(1)	$11,160(2)

(1) There are being registered hereunder such indeterminate principal amount of debt securities, such indeterminate principal amount of convertible debt securities and such indeterminate number of ordinary shares, represented by American Depositary Shares, which shall have an aggregate initial offering price not to exceed $200,000,000. The aggregate principal amount of the debt securities and/or convertible debt securities may be increased if any debt securities and/or convertible debt securities are issued at an original issue discount by an amount such that the offering price to be received by the registrant shall be equal to the above amount to be registered. The securities registered hereunder also include such indeterminate number of securities as may be issued upon conversion of, or exchange for, the ordinary shares, represented by American Depositary Shares registered hereunder.

(2) Calculated in accordance with Rule 457(r) under the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

ICON plc

$200,000,000
of
Debt Securities, Convertible Debt Securities and
American Depositary Shares
Representing Ordinary Shares
Offered by ICON plc From Time to Time

We may offer and sell the securities in any combination from time to time in one or more offerings. This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using the “shelf” registration or continuous offering process. This means:

we may offer and sell ordinary shares, par value €0.06 per share, in the form of American Depositary Shares, or ADSs, covered by this prospectus from time to time in one or more offerings, which may be through one or more underwriters, dealers and agents, or directly to the purchasers. The names of any underwriters, dealers or agents, if any, will be included in a supplement to this prospectus;

we may also issue debt securities covered by this prospectus from time to time in one or more offerings, which may be through one or more underwriters, dealers and agents, or directly to the purchasers. The names of any underwriters, dealers or agents, if any, will be included in a supplement to this prospectus;

we may also issue convertible debt securities, which under certain conditions, may be converted into our ordinary shares, in the form of ADSs, covered by this prospectus from time to time in one or more offerings, which may be through one or more underwriters, dealers and agents, or directly to the purchasers. The names of any underwriters, dealers or agents, if any, will be included in a supplement to this prospectus; and

the prospectus supplement will provide specific information about the terms of that offering and the terms of the securities and also may add, update or change information contained in this prospectus.

On June 12, 2009, the last reported sale price of our ADSs on The Nasdaq National Market, under the symbol “ICLR”, was $21.40 per ADS.

Investing in our securities involves risks. See the “Risk Factors” on page 7 and the “Risk Factors” contained in the applicable prospectus supplement and in the documents we incorporate by reference in this prospectus to read about factors you should consider before investing in our securities.

This prospectus is not an offer to sell these securities, nor is it a solicitation of an offer to buy these securities in any state where the offer and sale is not permitted.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

ICON plc
South County Business Park
Leopardstown, Dublin 18
Ireland
(353) 1-291-2000

The date of this prospectus is June 15, 2009.

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ABOUT THIS PROSPECTUS

In this prospectus, unless the context otherwise requires, “ICON”, the “Company”, “we”, “us” and “our” refer to ICON plc, a public limited company organized under the laws of Ireland, and its consolidated subsidiaries. The term “securities”, unless the context otherwise requires, shall mean collectively ordinary shares (as represented by American Depositary Shares), debt securities and convertible debt securities.

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission (which we refer to as the “SEC”) utilizing a “shelf” registration process. Under this shelf process, ICON may sell any combination of debt securities, convertible debt securities and/or ordinary shares. Any ordinary shares of ICON, in one or more offerings, will be in the form of American Depositary Shares (which we refer to as “ADSs”) evidenced by American Depositary Receipts (which we refer to as “ADRs”).

This prospectus only provides a general description of the securities that we may offer. Each time we offer securities we will prepare a prospectus supplement containing specific information about the particular offering and the terms of those securities. We may also add, update or change other information contained in this prospectus by means of a prospectus supplement or by incorporating by reference information we file with the SEC. The registration statement that we filed with the SEC includes exhibits that provide more detail on the matters discussed in this prospectus. Before you invest in any securities offered by this prospectus, you should read this prospectus, any related prospectus supplement and the related exhibits filed with the SEC, together with the additional information described under the heading “Incorporation of Documents by Reference.”

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Statements included herein which are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 (the “PSLRA”). Words such as “anticipates”, “expects”, “intends”, “plans”, “believes “seeks”, “estimates”, and variations of these words and similar expressions are intended to identify forward-looking statements. The forward-looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, our results could be materially affected. The risks and uncertainties include, but are not limited to, dependence on the pharmaceutical industry and certain clients, the need to regularly win projects and then to execute them efficiently, the challenges presented by rapid growth, competition and the continuing consolidation of the industry, the dependence on certain key executives and other factors identified in the Company’s Securities and Exchange Commission filings. The Company has no obligation under the PSLRA to update any forward-looking statements and does not intend to do so.

ABOUT THE REGISTRANT

ICON

We are a contract research organization ("CRO"), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support Clinical Development - from compound selection to Phase I-IV clinical studies. We have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution. Our preferred approach is to use dedicated teams to achieve optimum results, but we can implement a range of resourcing models to suit client requirements, and increasingly our teams are flexibly applied to minimize costs for our clients.

In a highly fragmented industry, we are one of a small number of companies with the capability and expertise to conduct clinical trials in all major therapeutic areas on a global basis. We have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution.

Headquartered in Dublin, Ireland, we began operations in 1990 and have expanded our business through internal growth and strategic acquisitions.

Our ADSs are listed and traded on The Nasdaq National Market under the symbol "ICLR."

Risks Related to Our Business and Our Securities

Before making an investment decision, you should carefully consider the risks described under "Risk Factors" in the applicable prospectus supplement and in our most recent Annual Report on Form 20-F, and in our updates, if any, to those Risk Factors in our periodic reports on Form 6-K, together with all of the other information appearing in this prospectus or incorporated by reference into this prospectus and any applicable prospectus supplement, in light of your particular investment objectives and financial circumstances. In addition to those Risk Factors, there may be additional risks and uncertainties of which management is not aware or focused on or that management deems immaterial. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment.

Our principal executive offices are located in South County Business Park, Leopardstown, Dublin 18, Ireland and our telephone number is (353) 1-291-2000.

RISK FACTORS

Before making an investment decision, you should carefully consider the risks described under "Risk Factors" in the applicable prospectus supplement and in our most recent Annual Report on Form 20-F, and in our updates, if any, to those Risk Factors in our periodic reports on Form 6-K, together with all of the other information appearing in this prospectus or incorporated by reference into this prospectus and any applicable prospectus supplement, in light of your particular investment objectives and financial circumstances. In addition to those Risk Factors, there may be additional risks and uncertainties of which management is not aware or focused on or that management deems immaterial. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

	Year Ending Dec. 31, 2008	Year Ending Dec. 31, 2007	Year Ending Dec. 31, 2006	Period Ending Dec. 31, 2005(1)	Year Ending May 31, 2005 (3)	Year Ending May 31, 2004
Ratio of earnings to fixed charges (2)	19.29x	36.16x	382.53x	525.09x	130.49x	170.21x

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(1) 7 month transition period.

Nontaxable
170 147
Total interest income
6,407 6,497
Interest expense

Deposits
606 854
Other borrowings
14 34
Repurchase Agreements
2 68
Federal Home Loan Bank advances
90 74
Trust preferred securities
403 592
Total interest expense
1,115 1,622
Net interest income
5,292 4,875
Provision for loan losses
299 450
Net interest income after provision

for loan losses
4,993 4,425
Noninterest income

Data service fees
414 643
Trust fees
643 642
Customer service fees
616 631

Gain on sale of mtg. loans & OMSR's	1,484	1,181
Mortgage loan servicing fees, net	179	329
Gain on sale of non-mortgage loans	156	-
Net gain on sales of securities	20	-
Loss on sale or disposal of assets	(105)	(56)
Other income	160	211
Total non-interest income	3,567	3,581
Noninterest expense		
Salaries and employee benefits	3,439	3,499
Net occupancy expense	518	548
Equipment expense	755	711
FDIC insurance expense	132	214
Data processing fees	77	113
Professional fees	429	385
Marketing expense	108	90
Printing and office supplies	46	78
Telephone and communication	158	144
Postage and delivery expense	215	229
State, local and other taxes	134	120
Employee expense	152	106
Other intangible amortization expense	153	157
OREO Impairment	33	-
Other expenses	321	282
Total non-interest expense	6,670	6,676
Income before income tax expense	1,890	1,330
Income tax expense		

	572	358
Net income	$1,318	$972
Common share data:		
Basic earnings per common share	$0.27	$0.20
Diluted earnings per common share	$0.27	$0.20

See notes to condensed consolidated financial statements (unaudited)

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SB Financial Group, Inc.
Consolidated Statements of Comprehensive Income (unaudited)

($'s in thousands)	Three Months Ended Mar. 31, 2013	2012
Net income	$1,318	$972
Other comprehensive (loss) income:		
Available-for-sale investment securities:		
Gross unrealized holding gains arising in the period	(294)	162
Related tax expense	100	(55)
Less: reclassification adjustment for gains realized in income	(20)	-
Related tax expense	7	-
Net effect on other comprehensive (loss) income	(207)	107
Total comprehensive income	$1,111	$1,079

SB Financial Group, Inc.
Condensed Consolidated Statements of Changes in Stockholders Equity (Unaudited)

($'s in thousands)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2013	$-	$12,569	$15,374	$25,280	$1,830	$(1,769)	$53,284
Net Income				1,318			1,318
Other Comprehensive Income					(207)		(207)
Dividends on Common Stk., $0.025 per share				(122)			(122)
Stock options exercised			(5)			15	10
Expense of stock option plan			12				12
Balance, March 31, 2013	$-	$12,569	$15,381	$26,476	$1,623	$(1,754)	$54,295
Balance, January 1, 2012	$-	$12,569	$15,323	$20,466	$1,343	$(1,769)	$47,932
Net Income				972			972
Other Comprehensive Income					107		107

Expense of stock option plan			15				15
Balance, March 31, 2012	$-	$12,569	$15,338	$21,438	$1,450	$(1,769)	$49,026

See notes to condensed consolidated financial statements (unaudited)

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SB Financial Group, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

($'s in thousands)	Three Months Ended Mar. 31, 2013	2012
Operating Activities		
Net Income	$1,318	$972
Items (using)/providing cash		
Depreciation and amortization	287	334
Provision for loan losses	299	450
Expense of share-based compensation plan	12	15
Amortization of premiums and discounts on securities	273	368
Amortization of intangible assets	153	157
Amortization of originated mortgage servicing rights	330	349
Recapture of originated mortgage servicing rights impairment	(171)	(419)
Proceeds from sale of loans held for sale	73,868	62,897
Originations of loans held for sale	(71,967)	(68,331)
Gain from sale of loans	(1,640)	(1,181)
Gain on sales of available for sale securities	(20)	-
Loss on sale of foreclosed assets	65	15
Income from bank owned life insurance	(82)	(88)
OREO impairment	33	-
Changes in		
Interest receivable	(383)	(167)
Other assets	(2,983)	610
Interest payable and other liabilities	(197)	(68)
Net cash used in operating activities	(805)	(4,087)
Investing Activities		
Purchase of available-for-sale securities	(11,233)	(11,295)
Purchase of Federal Home Loan Bank stock	-	-
Proceeds from maturities of available-for-sale securities	9,723	12,463
Proceeds from sales of availabe-for-sale-securities	1,235	-
Net change in loans	7,450	2,432
Purchase of premises and equipment and software	-	(771)
Proceeds from sales or disposal of premises and equipment	-	701
Proceeds from sale of foreclosed assets	377	27
Net cash provided by investing activities	7,552	3,557
Financing Activities		
Net increase in demand deposits, money market, interest checking and savings accounts	13,931	28,055
Net decrease in certificates of deposit	(8,673)	(11,328)
Net increase (decrease) in securities sold under agreements to repurchase	650	(1,008)
Repayment of Federal Home Loan Bank advances	(3,500)	(165)
Proceeds from stock options exercised	10	-

Repayment of notes payable	(278)	(269)
Net cash provided by financing activities	2,140	15,285
Increase in Cash and Cash Equivalents	8,887	14,756
Cash and Cash Equivalents, Beginning of Year	19,144	14,846
Cash and Cash Equivalents, End of Period	$28,031	$29,602
Supplemental Cash Flows Information		
Interest paid	$738	$1,020
Income taxes paid (refunded)	$50	$-
Transfer of loans to foreclosed assets	$378	$14
Dividends Payable	$122	$-

See notes to condensed consolidated financial statements (unaudited)

SB FINANCIAL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A—BASIS OF PRESENTATION

The Company changed the name of its holding company from Rurban Financial Corp., to SB Financial Group, Inc. This change occurred on April 18, 2013. The change in name was linked to a rebranding of all of the Company's financial activities under the State Bank brand.

SB Financial Group, Inc. (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiaries, The State Bank and Trust Company ("State Bank"), RFCBC, Inc. ("RFCBC"), Rurbanc Data Services, Inc. dba RDSI Banking Systems ("RDSI"), Rurban Statutory Trust I ("RST I"), and Rurban Statutory Trust II ("RST II"). State Bank owns all the outstanding stock of Rurban Mortgage Company ("RMC"), Rurban Investments, Inc. ("RII") and State Bank Insurance, LLC ("SBI").

The consolidated financial statements include the accounts of the Company, State Bank, RFCBC, RDSI, RMC, RII, and SBI. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments. Results of operations for the three months ended March 31, 2013, are not necessarily indicative of results for the complete year.

The condensed consolidated balance sheet of the Company as of December 31, 2012 has been derived from the audited consolidated balance sheet of the Company as of that date.

For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

NOTE B—EARNINGS PER SHARE

Earnings per share (EPS) have been computed based on the weighted average number of shares outstanding during the periods presented. For the period ended March 31, 2013, share based awards totaling 151,899 common shares were not considered in computing diluted EPS as they were anti-dilutive. For the period ended March 31, 2012, share based awards totaling 303,974 common shares were not considered in computing diluted EPS as they were anti-dilutive. The average number of shares used in the computation of basic and diluted earnings per share were:

(shares in thousands)	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Basic earnings per share	4,863	4,862
Diluted earnings per share	4,870	4,862

NOTE C - SECURITIES

The amortized cost and appropriate fair values, together with gross unrealized gains and losses, of securities at March 31, 2013 and December 31, 2012 are as follows:

($'s in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-Sale Securities:				
March 31, 2013:				
U.S. Treasury and Government agencies	$16,583	$212	$-	$ 16,795
Mortgage-backed securities	59,714	1,043	(48)	60,709
State and political subdivisions	16,734	1,269	(17)	17,986
Money Market Mutual Fund	2,877	-	-	2,877
Equity securities	23	-	-	23
	$95,931	$2,524	$(65)	$ 98,390

($'s in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities:				
December 31, 2012:				
U.S. Treasury and Government agencies	$14,301	$210	$-	$14,511
Mortgage-backed securities	62,661	1,136	(33)	63,764
State and political subdivisions	16,789	1,462	(2)	18,249
Money Market Mutual Fund	2,155	-	-	2,155
Equity securities	23	-	-	23
	$95,929	$2,808	$(35)	$98,702

The amortized cost and fair value of securities available for sale at March 31, 2013, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
($'s in thousands)	Amortized Cost	Fair Value
March 31, 2013:		
Within one year	$1,026	$1,041
Due after one year through five years	3,996	4,058
Due after five years through ten years	11,623	12,024
Due after ten years	16,672	17,658
	33,317	34,781
Mortgage-backed securities, money market mutual funds & equity securities	62,614	63,609
Totals	$95,931	$98,390

The fair value of securities pledged as collateral, to secure public deposits and for other purposes, was $52.6 million at March 31, 2013 and $49.8 million at December 31, 2012. The fair value of securities delivered for repurchase agreements was $16.3 million at March 31, 2013 and $16.2 million at December 31, 2012.

Gross gains of $0.02 million resulting from sales of available-for-sale securities, were realized during the three month period ending March 31, 2013. The $0.02 million gain on sale is a reclassification from accumulated other comprehensive income and is included in the net gain on sales of securities. The related $0.007 million tax benefit is a reclassification from accumulated other comprehensive income and is included in the income tax expense line item in the income statement. There were no realized gains or losses from sales of available-for-sale securities for the three month period ending March 31, 2012.

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 was $11.2 million at March 31, 2013, and $6.02 million at December 31, 2012, which was approximately 11.4 and 6.1 percent, respectively, of the Company's available-for-sale investment portfolio at such dates. 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.

Securities with unrealized losses, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2013 and December 31, 2012 are as follows:

($ in thousands)	Less than 12 Months		12 Months or Longer		Total	
March 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities:						
Mortgage-backed securities	$9,514	$(48)	$-	$-	$9,514	$(48)
State and political subdivisions	1,462	(17)	251	-	1,713	(17)
	$10,976	$(65)	$251	$-	$11,227	$(65)

($ in thousands)	Less than 12 Months		12 Months or Longer		Total	
December 31, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities:						
Mortgage-backed securities	$5,202	$(33)	$342	$-	$5,544	$(33)
State and political subdivisions	229	(1)	251	(1)	480	(2)
	$5,431	$(34)	$593	$(1)	$6,024	$(35)

The total unrealized losses on the mortgage-backed securities portfolio, all of which are residential mortgage-backed securities, are derived mainly from two private label senior tranche CMO securities. 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. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent of the Company to not sell the investment and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost. Management has determined there is no other-than-temporary-impairment on these CMO securities.

NOTE D – LOANS AND ALLOWANCE FOR LOAN LOSSES

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, all loan classes are placed on non-accrual status not later than 90 days past due, unless the loan is well-secured and in the process of collection. All interest accrued, but not collected for loans that are placed on non-accrual 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.

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 nonclassified 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 State Bank 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 State Bank moves a loan to non-accrual 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, State Bank does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Categories of loans at March 31, 2013 and December 31, 2012 include:

($ in thousands)	Total Loans		Non-Accrual Loans		Non-Accrual Percentage	
	Mar. 2013	Dec. 2012	Mar. 2013	Dec. 2012	Mar. 2013	Dec. 2012
Commercial	$80,694	$81,767	1,135	1,246	1.41 %	1.52 %
Commercial real estate	199,615	201,392	457	782	0.23 %	0.39 %
Agricultural	37,950	42,276	-	-	0.00 %	0.00 %
Residential real estate	89,669	87,859	2,614	2,631	2.92 %	2.99 %
Consumer	47,640	50,223	605	646	1.27 %	1.29 %
Leasing	138	148	-	-	0.00 %	0.00 %
Total loans	455,706	463,665	$4,811	$5,305	1.06 %	1.14 %
Less						
Net deferred loan fees, premiums and discounts	(263)	(276)				
Loans, net of unearned income	$455,443	$463,389				
Allowance for loan losses	$(6,992)	$(6,811)				

The following tables present the activity in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of March 31, 2013, December 31, 2012 and March 31, 2012.

For the Period Ended March 31, 2013 ($'s in thousands)	Commercial & Industrial	Commercial RE & Construction	Agricultural & Farmland	Residential Real Estate	Home Equity & Consumer	Other	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 1,561	$ 3,034	$ 186	$ 1,088	$ 839	$ 103	$ -	$ 6,811
Charge Offs	-	(5)	-	-	(131)	-	-	(136)
Recoveries	3	13	1	-	1	-	-	18
Provision	(84)	224	(8)	22	136	$ 9	-	299
Ending Balance	$ 1,480	$ 3,266	$ 179	$ 1,110	$ 845	$ 112	$ -	$ 6,992
Ending balance: individually evaluated for impairment	$ 397	$ 52	$ -	$ 367	$ 203			$ 1,019
Ending balance: collectively evaluated for impairment	$ 1,083	$ 3,214	$ 179	$ 743	$ 642	$ 112	$ -	$ 5,973
Loans:								
Ending balance: individually evaluated for impairment	$ 1,121	$ 395	$ -	$ 2,585	$ 636			$ 4,737
Ending balance: collectively evaluated for impairment	$ 79,573	$ 199,220	$ 37,950	$ 87,084	$ 47,004	$ 138	$ -	$ 450,969

For the Year Ended December 31, 2012 ($'s in thousands)	Commercial & Industrial	Commercial RE & Construction	Agricultural & Farmland	Residential Real Estate	Home Equity & Consumer	Other	Unallocated	Total
Ending balance:								

individually evaluated for impairment	$ 485	$ 55	$ -	$ 386	$ 195			$ 1,121
Ending balance: collectively evaluated for impairment	$ 1,076	$ 2,979	$ 186	$ 702	$ 644	$ 103	$ (1)	$ 5,690
Loans:								
Ending balance: individually evaluated for impairment	$ 1,232	$ 725	$ -	$ 2,683	$ 682			$ 5,322
Ending balance: collectively evaluated for impairment	$ 80,535	$ 200,667	$ 42,276	$ 85,176	$ 49,541	$ 148	$ -	$ 458,343

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For the Period Ended March 31, 2012 ($'s in thousands)	Commercial & Industrial	Commercial RE & Construction	Agricultural & Farmland	Residential Real Estate	Home Equity & Consumer	Other	Unallocated	Total
ALLOWANCE FOR LOAN AND LEASE LOSSES								
Beginning balance	$ 1,914	$ 2,880	$ 51	$ 956	$ 599	$ 139	$ (10)	$ 6,529
Charge Offs	(205)	(42)	-	(51)	(160)	(16)	-	(474)
Recoveries	2	23	1	71	2	3	2	104
Provision	144	52	-	24	212	9	9	450
Ending Balance	$ 1,855	$ 2,913	$ 52	$ 1,000	$ 653	$ 135	$ 1	$ 6,609

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

Commercial and Agricultural

Commercial 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 including Construction

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 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. Home equity loans 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 credit risk profile of the Company's loan portfolio based on rating category and payment activity as of March 31, 2013 and December 31, 2012.

Mar. 31, 2013 Loan Grade ($ in thousands)	Commercial & Industrial	Comm. RE & Construction	Agricultural & Farmland	Residential Real Estate	Home Equity & Consumer	Other	Total
1-2	$ 764	$ 96	$ 106	$ -	$ 2	$ -	$ 968
3	26,077	51,425	6,830	78,972	42,830	17	206,151
4	51,385	131,228	30,980	6,196	3,930	121	223,840
Total Pass	78,226	182,749	37,916	85,168	46,762	138	430,959
Special Mention	94	13,318	-	1,424	144	-	14,980
Substandard	1,351	3,089	34	463	205	-	5,142
Doubtful	1,023	459	-	2,614	529	-	4,625
Loss	-	-	-	-	-	-	-
Total	$ 80,694	$ 199,615	$ 37,950	$ 89,669	$ 47,640	$ 138	$ 455,706

Dec. 31, 2012 Loan Grade ($ in thousands)	Commercial & Industrial	Comm. RE & Construction	Agricultural & Farmland	Residential Real Estate	Home Equity & Consumer	Other	Total
1-2	$ 1,108	$ 101	$ 109	$ -	$ -	$ -	$ 1,318
3	23,028	55,175	7,938	77,221	45,063	17	208,442
4	54,871	129,846	34,195	6,285	4,223	131	229,551
Total Pass	79,007	185,122	42,242	83,506	49,286	148	439,311
Special Mention	88	12,370	-	1,186	190	-	13,834
Substandard	1,429	3,024	34	699	144	-	5,330
Doubtful	1,243	876	-	2,468	603	-	5,190
Loss	-	-	-	-	-	-	-
Total	$ 81,767	$ 201,392	$ 42,276	$ 87,859	$ 50,223	$ 148	$ 463,665

The Company evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis.

Credit Risk Profile

The Company categorizes loans into risk categories 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 thousand 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:

Special Mention (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 (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 jeopardize 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 (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 (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 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.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass (1-4) rated loans. Pass ratings are assigned to those borrowers that do not have identified potential or well-defined weaknesses and for which there is a high likelihood of orderly repayment. All other categories are updated on a quarterly basis.

The following tables present the Company's loan portfolio aging analysis as of March 31, 2013 and December 31, 2012.

March 31, 2013 ($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
Commercial & Industrial	$1	$23	$347	$371	$80,323	$80,694
Commercial RE	66	67	264	397	199,218	199,615
Agricultural & Farmland	-	-	-	-	37,950	37,950
Residential Real Estate	173	-	1,384	1,557	88,112	89,669
Home Equity & Consumer	242	119	269	630	47,010	47,640
Other	-	-	-	-	138	138
Total Loans	$482	$209	$2,264	$2,955	$452,751	$455,706

December 31, 2012 ($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
Commercial & Industrial	$26	$2	$497	$525	$81,242	$81,767
Commercial RE	1,623	320	264	2,207	199,185	201,392
Agricultural & Farmland	-	-	-	-	42,276	42,276

Residential Real Estate	90	139	1,467	1,696	86,163	87,859
Home Equity & Consumer	319	76	280	675	49,548	50,223
Other	-	-	-	-	148	148
Total Loans	$2,058	$537	$2,508	$5,103	$458,562	$463,665

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

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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 State Bank 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 troubled debt restructurings 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, forebearance or other actions intended to maximize collection.

The following tables present impaired loan information as of and for the three months ended March 31, 2013 and 2012, and for the twelve months ended December 31, 2012:

Three Months Ended March 31, 2013 ($'s in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial & Industrial	$24	$1,909	$-	$24	$-
Commercial RE & Construction	202	202	-	202	-
Agricultural & Farmland	-	-	-	-	-
Residential Real Estate	1,039	1,093	-	1,164	13
Home Equity & Consumer	176	176	-	182	2
All Impaired Loans < $100,000	1,172	1,172	-	1,172	-
With a specific allowance recorded:					
Commercial & Industrial	1,097	1,097	397	1,097	-
Commercial RE & Construction	193	193	52	197	2
Agricultural & Farmland	-	-	-	-	-
Residential Real Estate	1,546	1,546	367	1,622	16
Home Equity & Consumer	460	460	203	478	8
All Impaired Loans < $100,000	-	-	-	-	-
Totals:					
Commercial & Industrial	$1,121	$3,006	$397	$1,121	$-
Commercial RE & Construction	$395	$395	$52	$399	$2
Agricultural & Farmland	$-	$-	$-	$-	$-
Residential Real Estate	$2,585	$2,639	$367	$2,786	$29
Home Equity & Consumer	$636	$636	$203	$660	$10
All Impaired Loans < $100,000	$1,172	$1,172	$-	$1,172	$-

Twelve Months Ended December 31, 2012 ($'s in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Commercial & Industrial	$394	$2,280	$-
Commercial RE & Construction	527	1,529	-
Agricultural & Farmland	-	-	-
Residential Real Estate	1,122	1,204	-
Home Equity & Consumer	228	260	-
All Impaired Loans < $100,000	1,336	1,336	-
With a specific allowance recorded:			
Commercial & Industrial	838	944	485

Commercial RE & Construction	198	198	55
Agricultural & Farmland	-	-	-
Residential Real Estate	1,561	1,561	386
Home Equity & Consumer	454	454	195
All Impaired Loans < $100,000	-	-	-
Totals:			
Commercial & Industrial	$1,232	$3,224	$485
Commercial RE & Construction	$725	$1,727	$55
Agricultural & Farmland	$-	$-	$-
Residential Real Estate	$2,683	$2,765	$386
Home Equity & Consumer	$682	$714	$195
All Impaired Loans < $100,000	$1,336	$1,336	$-

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Three Months Ended March 31, 2012 ($'s in thousands)	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:		
Commercial	$127	$-
Commercial Real Estate	2,037	6
Agricultural	113	-
Residential	772	14
Home Equity Consumer & Other	315	4
All Impaired Loans < $100,000	1,157	-
With a specific allowance recorded:		
Commercial	1,896	-
Commercial Real Estate	1,145	-
Agricultural	113	-
Residential	1,768	21
Home Equity Consumer & Other	251	2
All Impaired Loans < $100,000	-	-
Totals:		
Commercial	$2,023	$-
Commercial Real Estate	$3,182	$6
Agricultural	$226	$-
Residential	$2,540	$35
Home Equity Consumer & Other	$566	$6
All Impaired Loans < $100,000	$1,157	$-

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 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.

The table below presents the activity of TDRs during the three months ended March 31, 2013, and March 31, 2012.

	March 31, 2013		
($ in thousands)	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Residential Real Estate	1	$ 14	$ 14
Consumer	1	13	13
Commercial Real Estate	-	-	-
Total	2	$ 27	$ 27

The loans described above increased the ALLL by $13,000 in the three month period ending March 31, 2013.

	March 31, 2012		
($ in thousands)	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Residential Real Estate	4	$ 116	$ 116
Consumer	-	-	-
Commercial Real Estate	-	-	-
Total	4	$ 116	$ 116

The loans described above increased the ALLL by $18,000 in the three month period ending March 31, 2012.

Of the TDRs entered into during the last twelve months, two had subsequently defaulted as of March 31, 2013. The total balance of these redefaults was $0.19 million. Redefaults are defined as loans that were performing TDRs that became 90 days or more past due post restructuring. All TDRs resulted from a reduction to a borrower's rate or change in amortization. No principal reductions have been granted.

NOTE E - NEW ACCOUNTING PRONOUNCEMENTS

ASU No. 2013-02, Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income.

The objective of this ASU is to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments require an entity to report the effect of significant reclassifications on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income.

The amendments in this update are effective prospectively for reporting periods beginning after December 15, 2012. SB Financial Group has adopted these amendments and they do not have a material impact on the Company's Condensed Consolidated Financial Statements.

ASU No. 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment.

This ASU amends Topic 350 to allow the Company to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if the Company concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform a quantitative impairment test by comparing the fair value with the carrying amount in accordance with Codification Subtopic 350-30, Intangibles-Goodwill and Other, General Intangibles Other than Goodwill.

The Company also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period.

The amendments in this update are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012. Management has determined that the adoption of ASU 2012-02 will not have a material impact on the Company's Condensed Consolidated Financial Statements.

ASU 2011-04, Fair Value Measurements and Disclosures (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.

This ASU amends Topic 820 to add both additional clarifications to existing fair value measurement and disclosure requirements and changes to existing principles and disclosure guidance. Clarifications were made to the relevancy of the highest and best use valuation concept, measurement of an instrument classified in an entity's shareholder's equity and disclosure of quantitative information about the unobservable inputs for Level 3 fair value measurements. Changes to existing principles and disclosures included measurement of financial instruments managed within a portfolio, the application of premiums and discounts in fair value measurement, and additional disclosures related to fair value measurements. The updated guidance and requirements are effective for financial statements issued for the first interim or annual period beginning after December 15, 2011, and should be applied prospectively. Early adoption is permitted. Management adopted ASU 2011-04 effective January 1, 2012, as required, without a material impact on the Company's Condensed Consolidated Financial Statements.

ASU 2011-05, Other Comprehensive Income (Topic 220): Presentation of Comprehensive Income.

This ASU amends Topic 220 to give an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income (OCI) either in a single continuous statement of comprehensive income or in two separate but consecutive statements. An entity is also required to present on the face of the financial statement reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments do not change items that must be reported in OCI or when an item of OCI must be reclassified to net income, only the format for presentation. The updated guidance and requirements are effective for financial statements issued for the fiscal years, and the interim periods within those years, beginning after December 15, 2011. The amendments should be applied retrospectively. On October 21, 2011, the FASB issued a proposed deferral of the requirement that companies present reclassification adjustments for each component of OCI in both net income and OCI on the face of the financial statements. Early adoption is permitted. Management adopted ASU 2011-05 effective January 1, 2012, as required. The statements of comprehensive income have been included within this Form 10-Q.

ASC 2011-08 – Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment.

The ASU amends Topic 350 to permit an entity the option to first assess qualitative factors to determine whether it is more likely than not (50% threshold) that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. Management anticipates this standard will have no material effect on the Company's Condensed Consolidated Financial Statements.

NOTE F – SEGMENT INFORMATION

The reportable segments are determined by the products and services offered, primarily distinguished between banking and data processing operations. "Other" segment information includes the accounts of the holding company, SB Financial Group, which provides management and operational services to its subsidiaries. Information reported internally for performance assessment follows.

NOTE F -- SEGMENT INFORMATION

As of and for the three months ended March 31, 2013

Income statement information ($'s in thousands)	Banking	Data Processing	Other	Total Segments	Intersegment Elimination	Consolidated Totals
Net interest income (expense)	$5,708	$(14)	$(403)	$5,291	$ 1	$ 5,292
Other revenue - external customers	3,164	415	-	3,579		3,579
Other revenue - other segments	97	339	21	457	(469)	(12)
Total revenue	8,969	740	(382)	9,327	(468)	8,859
Non-interest expense	6,132	703	272	7,107	(437)	6,670
Significant non-cash items:						
Depreciation and amortization	250	35	2	287	-	287
Provision for loan losses	299	-	-	299	-	299
Income tax expense (benefit)	782	13	(223)	572	-	572
Segment profit (loss)	$1,756	$24	$(431)	$1,349	$ (31)	$ 1,318
Balance sheet information						
Total assets	$637,257	$2,236	$3,590	$643,083	$ (1,783)	$ 641,300
Goodwill and intangibles	$17,419	$-	$-	$17,419	$ -	$ 17,419
Premises and equipment expenditures	$-	$-	$-	$-	$ -	$ -

As of and for the three months ended March 31, 2012

Income statement information ($'s in thousands)	Banking	Data Processing	Other	Total Segments	Intersegment Elimination	Consolidated Totals
Net interest income (expense)	$5,501	$(13)	$(613)	$4,875		$ 4,875
Other revenue - external customers	2,963	620	17	3,600		3,600
Other revenue - other segments	80	814	54	948	(967)	(19)
Total revenue	8,544	1,421	(542)	9,423	(967)	8,456

Non-interest expense	6,447	883	295	7,625	(949)	6,676
Significant non-cash items:						
Depreciation and amortization	225	106	3	334	-	334
Provision for loan losses	450	-	-	450	-	450
Income tax expense (benefit)	465	183	(290)	358	-	358
Segment profit (loss)	$1,182	$355	$(547)	$990	$ (18)	$ 972
Balance sheet information						
Total assets	$639,389	$2,856	$6,216	$648,461	$ (3,485)	$ 644,976
Goodwill and intangibles	$18,044	$-	$-	$18,044	$ -	$ 18,044
Premises and equipment expenditures	$769	$2	$-	$771	$ -	$ 771

NOTE G – DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

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.

Non-designated Hedges

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. As of March 31, 2013, the notional amount of customer-facing swaps was approximately $7.51 million. This amount is offset with third party counterparties, as described above.

The Company has minimum collateral posting thresholds with its derivative counterparties. As of March 31, 2013, the Company had posted cash as collateral in the amount of $0.21 million.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company’s derivative financial instruments, as well as their classification on the Balance Sheet, as of March 31, 2013 and December 31, 2012.

($ in thousands)	Asset Derivatives March 31, 2013 Balance Sheet Location	Fair Value	Liability Derivatives March 31, 2013 Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Interest rate contracts	Other Assets	$205	Other Liabilities	$205

	Asset Derivatives December 31, 2012 Balance Sheet Location	Fair Value	Liability Derivatives December 31, 2012 Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Interest rate contracts	Other Assets	$254	Other Liabilities	$254

Effect of Derivative Instruments on the Income Statement

The Company’s derivative financial instruments had no net effect on the Income Statements for the three months ended March 31, 2013 and 2012.

NOTE H – FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is 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 fair value measurement must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Available-for-Sale Securities

The fair values of available-for-sale securities are determined by various valuation methodologies. Level 1 securities include money market mutual funds. Level 1 inputs include quoted prices in an active market. Level 2 securities include U.S. treasury and government agencies, mortgage-backed securities, obligations of political and state subdivisions and equity 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.

The following table presents the fair value measurements of assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2013 and December 31, 2012.

($'s in thousands) Description	Fair Values at 3/31/2013	Fair Value Measurements Using: Level 1	Level 2	Level 3
Available-for-Sale Securities:				
U.S. Treasury and Government Agencies	$16,795	$-	$16,795	$-
Mortgage-backed securities	60,709	-	60,709	-
State and political subdivisions	17,986	-	17,986	-
Money Market Mutual Fund	2,877	2,877	-	-
Equity securities	23	-	23	-
Interest rate contracts	205	-	205	-

($'s in thousands) Description	Fair Values at 12/31/2012	Fair Value Measurements Using: Level 1	Level 2	Level 3
Available-for-Sale Securities:				
U.S. Treasury and Government Agencies	$14,511	$-	$14,511	$-
Mortgage-backed securities	63,764	-	63,764	-
State and political subdivisions	18,249	-	18,249	-
Money Market Mutual Fund	2,155	2,155	-	-
Equity securities	23	-	23	-
Interest rate contracts	254	-	254	-

Level 1 – Quoted Prices in Active Markets for Identical Assets
Level 2 – Significant Other Observable Inputs
Level 3 – Significant Unobservable Inputs

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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 an independent appraisal of the collateral, which are reviewed for accuracy and consistency by Credit Administration. These appraisers are selected from the list of approved appraisers maintained by management. 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 March 31, 2013 and December 31, 2012.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimat