

QUARTERLY SHAREHOLDER LETTER

FIRST QUARTER 2012

*To Our Shareholders,*



This has been another encouraging quarter for us. We have seen greater stability in our earnings stream, as well as stronger profitability. Loans are growing at a comfortable rate, along with low-cost deposits. Our fee-based businesses continue to make a strong contribution; this quarter, they provided 42% of total revenue. Mortgage originations were exceptionally strong, assisted by a less frenetic level of refinancing activity, contributing to a near-record level of mortgage banking revenue in the first quarter. We are in the process of expanding our highly successful Columbus mortgage lending operation, and we will shortly have a second office in place.

Although we have stepped up virtually every source of revenue, our data services operation, RDSI, still lags behind, constrained by regulatory factors from marketing its expanded product line. With a more modest infrastructure firmly in place, and management realigned to focus on item processing, RDSI is solidly positioned to move ahead once we receive permission to do so.

We look to the rest of the year with tempered optimism. We have made tremendous progress by leveraging upon the strengths of our people: to build revenue, to create greater efficiencies, and to connect in meaningful ways with our customers. We plan to continue down this successful path.

Mark A. Klein  
President and Chief Executive Officer

**Recent Highlights**

For the quarter ended March 31, 2012, Rurban reported net income of \$0.97 million, or \$0.20 per diluted share, compared to net income of \$11,000, or \$0.00 per diluted share for the quarter ended March 31, 2011, and net income of \$0.27 million, or \$0.06 per diluted share, for the quarter ended December 31, 2011.

- Rurban continues to build profitability, reporting a fifth consecutive quarter of positive earnings and a 1Q 2012 ROA of 61 basis points.
- Net mortgage banking revenue of \$1.5 million was the second strongest quarter ever, based on strong loan sales (\$64.2 million), a fairly robust spread (1.84%) and a lower level of refinancings. Quarterly noninterest expense appears to have stabilized at approximately \$6.7 million, reflecting a halt to the downsizing of RDSI.
- Portfolio loans increased \$17.6 million over the past 12 months, or 4.2%, primarily from commercial loan growth.
- Year over year, nonperforming assets declined by \$4.4 million, or 31%, to \$9.9 million. Reserve coverage of nonaccruing loans at quarter-end was 82% compared to 49% at March 31, 2011.
- On a consolidated level, Rurban's tangible leverage improved by 75 basis points from the prior year. At 4.88%, it still remains a focus of management attention.

*Company Profile*

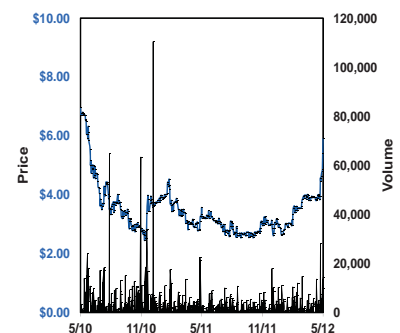
Headquartered in Defiance, Ohio, Rurban Financial Corp. is a financial services holding company with two wholly-owned subsidiaries: The State Bank and Trust Company (State Bank) and RDSI Banking Systems (RDSI). State Bank operates through 18 banking centers in seven Northwestern Ohio counties, one center in Ft. Wayne, Indiana, and loan production offices in Columbus, Ohio and Angola, Indiana. The Bank offers a full-range of financial services for consumers and small businesses, including wealth management, mortgage banking, commercial and agricultural lending. RDSI provides item processing services to community banks, located primarily in the Midwest.



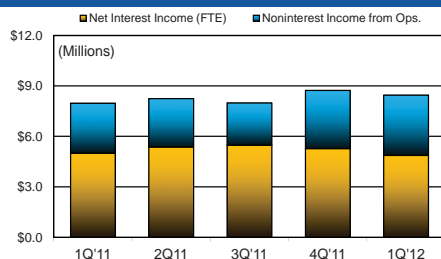
**STOCK PERFORMANCE**

As of 05/14/2012

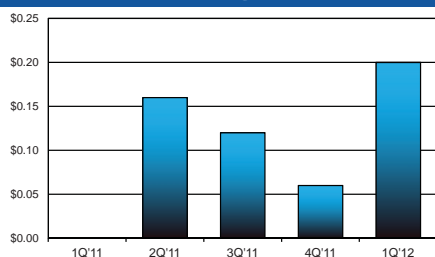
Price:	\$5.80
52-Week High:	\$6.00
52-Week Low:	\$2.35
Avg. Daily Volume (3 mos.):	3,791
Shares Outstanding:	4,861,779
Market Cap:	\$28.2 MM
Dividend (Annual):	\$0.00
Dividend Yield:	0.00%
Price/Tangible Book <i>(as of 3/31/12 closing price \$3.95):</i>	62.8%
Price / LTM EPS <i>(as of 3/31/12):</i>	7.31
Institutional Ownership:	4.30%
Insider Ownership:	16.99%



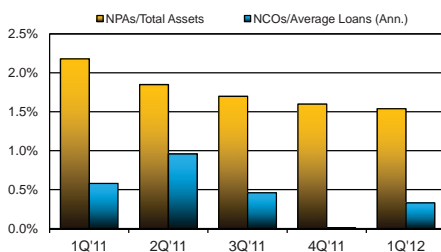
## Total Revenue



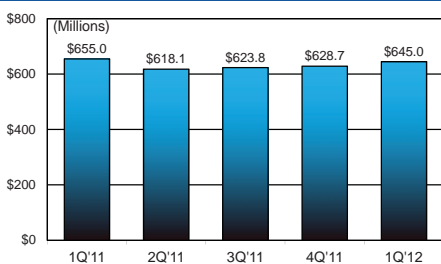
## Diluted Earnings Per Share



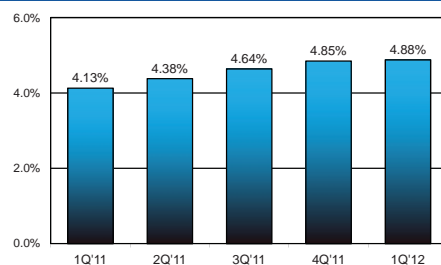
## Asset Quality



## Total Assets



## Tangible Capital Ratio



### Contact Information:

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EVP and Chief Financial Officer  
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## SELECTED FINANCIAL DATA

(\$000s except per share data)

Financial Condition	Three Months Ended Mar. 31,		Fiscal Year Ended Dec. 31,		
	2012	2011	2011	2010	2009
Assets	\$644,976	\$654,968	\$628,664	\$660,288	\$673,049
Loans, Net of unearned	439,721	422,166	442,554	427,544	452,558
Deposits	535,492	512,961	518,765	515,678	491,242
Equity	49,026	46,265	47,932	46,024	61,708
<b>Operating Results</b>					
Net Interest Income	\$4,875	\$4,833	\$20,711	\$19,962	\$20,999
Prov. For Loan Losses	450	499	1,994	10,588	5,738
Non-Interest Income	3,581	2,863	13,857	20,819	29,304
Non-Interest Expense	6,676	7,060	30,253	52,308	44,843
Net Income	972	11	1,664	(15,613)	382
<b>Per Share Data</b>					
Basic Earnings per Share	\$0.20	\$0.00	\$0.34	(\$3.21)	\$0.07
Dil. Earnings per Share	\$0.20	\$0.00	\$0.34	(\$3.21)	\$0.07
Dividends per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.36
Tang. Book Value per Share	\$6.29	\$5.39	\$6.20	\$5.07	\$6.96
<b>Selected Ratios</b>					
ROAE	8.04%	0.09%	3.54%	(27.26%)	0.60%
ROAA	0.61%	0.01%	0.26%	(2.32%)	0.06%
NIM (Fully Tax-Equivalent)	3.60%	3.61%	3.81%	3.67%	3.79%
Efficiency Ratio	76.61%	86.05%	82.44%	95.54%	88.90%
Noninterest Inc./Op. Revenue	42.00%	37.00%	40.00%	51.00%	58.00%
Tang. Equity/Tang. Assets	4.88%	4.13%	4.93%	4.17%	5.23%
NPAs/Assets	1.54%	2.18%	1.60%	2.26%	3.27%
NCO/Avg. Loans (Annualized)	0.34%	0.59%	0.49%	2.55%	0.85%

## MARKET MAKERS

The following firms currently make a market in the stock of Rurban Financial Corp. traded on the Nasdaq under the symbol RBNF.

Firm	Web Site	Phone
Robert W. Baird & Co., Inc.	www.rwbaird.com	(414) 765-3500
Sweney Cartwright & Co.	www.swencart.com	(614) 228-5391

## Forward-Looking Statements

This document contains comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from the results expressed in forward-looking statements. Factors that might cause such a difference include changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking regulations; changes in tax laws; changes in prices, levies and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in the national and local economy; other factors, including risk factors, referred to from time to time in filings made by Rurban Financial Corp. with the Securities and Exchange Commission. Rurban undertakes no obligation to update, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise. The information contained herein has been furnished by the company to which it relates and for which Margolin & Associates, Inc. serves as investor relations advisor and from which it receives compensation for services on a continuing basis. The amount of such compensation is related to the preparation and distribution of this report and is not separately determinable.