

QUARTERLY SHAREHOLDER LETTER **THIRD QUARTER 2012**

To Our Shareholders,



Our increasingly strong performance reflects the growing synergies within our organization. Our strategy to build revenue is based on harnessing the energy and expertise of our bankers to build exceptional client relationships. State Bank is unique for a bank its size, with high level regional decision-makers located in the field alongside their bankers whom they quarterback on a day-to-day basis. Proximity to both clients and staff ensures that all aspects of the relationship are addressed and working smoothly. This includes impeccable service as well as the identification and fulfillment of client product needs.

As a result of these growing synergies, we continue to attract new relationships as well as deepen existing ones. Our clients provide us with numerous opportunities to book high quality loans that are well-structured and appropriately priced. Despite the competitive loan environment, we have not compromised our strong underwriting standards. Our deposit market share is growing in nearly every region, and the mix continues to improve, all of which contributed to a 19 percent decline in our funding costs compared to last year.

We are also seeing these synergies reflected in our growing cash flow, which has enabled us to repay one quarter earlier than we had anticipated the interest on our trust preferred securities, which we had deferred since September 2010. Beginning next year, we should see a benefit to earnings from these reduced interest costs. Overall, we are pleased with our continuing progress to become a higher-performing bank, and have every reason to expect that the strategies we have in place will continue to build momentum.

Mark A. Klein
President and Chief Executive Officer

Recent Highlights

Rurban reported net income of \$1.3 million, or \$0.27 per diluted share, compared to net income of \$0.60 million, or \$0.12 per diluted share, for the quarter ended September 30, 2011, and net income of \$1.0 million, or \$0.21 per diluted share, for the quarter ended June 30, 2012.

- Profitability improvement continues. The return on average assets rose to 82 bps this quarter, raising the YTD return to 69 bps.
- Mortgage originations and gains on sale both reached a record level this past quarter.
- Quarterly noninterest expense continues to trend downward albeit at a modest pace. Profitability improvement in 2012 has been derived primarily from fee income.
- Portfolio loans increased by \$16 million over the past twelve months, up 3.7 percent, led by commercial real estate. Recent growth consisted primarily of HELOCs and agricultural loans.
- Nonperforming assets declined by \$1.2 million, or 11 percent compared to September 30, 2011; they now stand at \$9.4 million, or 1.49 percent of total assets. Reserve coverage of nonperforming loans at quarter-end was 96 percent.
- Tangible leverage improved by 32 basis points from the prior quarter, to 5.53 percent; all bank regulatory ratios are in excess of “well-capitalized” levels.

Company Profile

Headquartered in Defiance, Ohio, Rurban Financial Corp. is a financial services holding company with two wholly-owned operating 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, and one center in Fort Wayne, Indiana, as well as two loan production offices in Columbus, Ohio and one office in Angola, Indiana. The Bank offers a full range of financial services for consumers and small businesses, including wealth management, mortgage banking, and commercial and agricultural lending. RDSI provides item processing services to community banks located in the Midwest.



STOCK PERFORMANCE

As of 11/01/2012

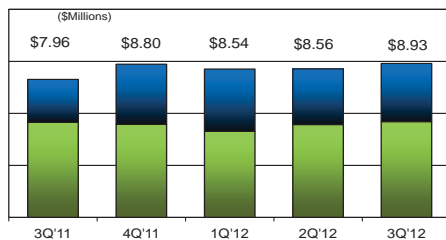
Price:	\$7.20
52-Week High:	\$8.02
52-Week Low:	\$2.35
Avg. Daily Volume (3 mos.):	4,889
Shares Outstanding:	4,861,779
Market Cap:	\$35.0 MM
Dividend Yield:	0.00%
Price/Tangible Book:	106.8%
Price / LTM Core EPS*:	8.47x
Institutional Ownership:	4.70%
Insider Ownership:	17.12%

* Excluding extraordinary and nonrecurring items



Total Revenue

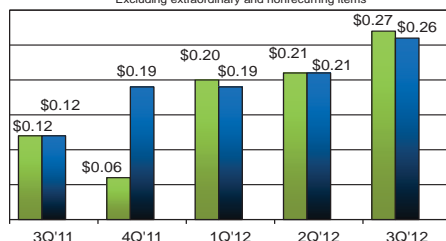
■ Net Interest Income (FTE) ■ Noninterest Income from Ops.



Earnings Per Share

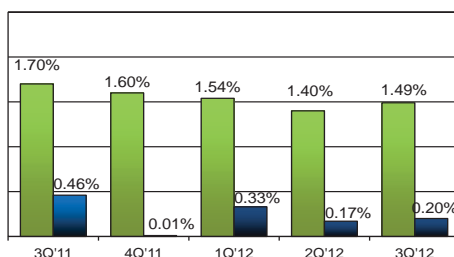
■ Diluted EPS ■ Core EPS*

* Excluding extraordinary and nonrecurring items

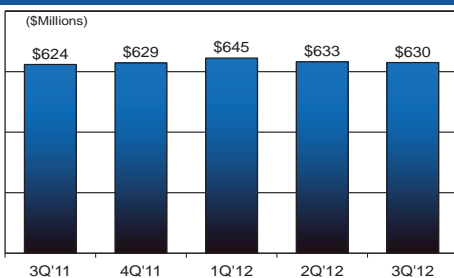


Asset Quality

■ NPAs/Total Assets ■ NCOs/Average Loans (Ann.)

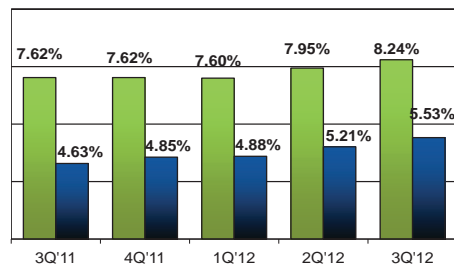


Total Assets



Equity to Assets

■ Total Equity/ Total Assets ■ Tang. Equity/ Tang. Assets



Contact Information:

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SELECTED FINANCIAL DATA

(\$000s except per share data)

Financial Condition	Three Months Ended Sep. 30,		Fiscal Year Ended Dec. 31,		
	2012	2011	2011	2010	2009
Assets	\$630,205	\$623,793	\$628,664	\$660,288	\$673,049
Loans, Net of unearned	455,021	438,926	442,554	427,544	452,558
Deposits	515,250	514,349	518,765	515,678	491,242
Equity	51,930	47,552	47,932	46,024	61,708
Operating Results					
Net Interest Income*	\$5,525	\$5,486	\$21,254	\$20,583	\$21,593
Prov. For Loan Losses	300	297	1,994	10,588	5,738
Non-Interest Income from Ops.**	3,355	2,475	11,800	20,494	28,447
Non-Interest Expense from Ops.**	6,725	6,823	27,966	40,172	43,566
Net Income	1,304	603	1,664	(15,613)	382
Per Share Data					
Basic & Dil. Earnings per Share	\$0.27	\$0.12	\$0.34	(\$3.21)	\$0.07
Core Earnings per Share**	\$0.26	\$0.12	\$0.29	(\$0.79)	\$0.22
Dividends per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.36
Book Value per Share	\$10.68	\$9.78	\$9.86	\$9.47	\$12.69
Tang. Book Value per Share	\$6.74	\$5.64	\$6.20	\$5.49	\$6.57
Selected Ratios					
ROATCE**	15.49%	8.80%	10.19%	(25.98%)	2.88%
ROAA	0.82%	0.38%	0.26%	(2.32%)	0.06%
NIM*	3.91%	3.98%	3.81%	3.67%	3.79%
Efficiency Ratio*	72.61%	83.05%	82.38%	79.38%	85.14%
Noninterest Inc./Op. Revenue	38.15%	31.09%	35.70%	49.89%	56.85%
Tang. Equity/Tang. Assets	5.53%	4.63%	4.85%	4.01%	4.96%
NPAs/Assets	1.49%	1.70%	1.60%	2.26%	3.27%
NCO/Avg. Loans (Annualized)	0.20%	0.46%	0.49%	2.55%	0.85%

*Fully Tax-Equivalent ("FTE")

**Excluding extraordinary and nonrecurring items

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 related to the preparation and distribution of this report is not separately determinable.