

QUARTERLY SHAREHOLDER LETTER

FOURTH QUARTER 2012

To Our Shareholders,

We continue to be pleased with our progress toward higher performance. We reported earnings per share of \$0.99 for 2012, up \$0.65 per share or 191% from 2011, while fourth quarter earnings were \$0.31 per diluted share, \$0.25 ahead of the year-ago quarter.



Our primary focus this past year has been to improve profitability. With our strong fourth quarter, we have moved closer to our near-term goal of one percent ROA and top-quartile performance. Over the last twelve month period, we have significantly improved our risk profile, reducing nonperforming assets to under \$9 million, while strengthening reserves and tangible capital.

Although growth is not our primary consideration, it is gratifying to have expanded our loan portfolio by nearly five percent, especially since loan growth in the community banking sector has been difficult for many banks to achieve. In this context, we have not only distinguished ourselves with strong loan growth, but also strong asset quality and an attractive fee-generating capability, another rarity among community banks. These three qualities – loan growth, asset quality and revenue diversity – position us to manage our bottom line more successfully than many banks our size.

Our funding costs continue to decline, albeit more modestly in recent quarters. We have preserved our margins to the extent possible in this challenging interest-rate environment by shifting our earning asset mix in favor of higher-yielding loans. RDSI has nearly completed its transformation to a more focused organization committed to network services and item processing for the banking sector. At the same time, we continue to explore opportunities to leverage our technology toward applications that might expand our core expertise into new and profitable directions.

Like many banks in this environment, we have looked to mortgage banking to drive revenue growth. We have exceeded our expectations this past year. With two-thirds of our total production coming from clients new to our bank, we have opportunities to leverage this entry-level, yet highly visible, mortgage servicing product into multifaceted, profitable relationships.

We see no impediments on the near horizon to interfere with our controlled pace of performance enhancement.

Mark A. Klein
President and Chief Executive Officer

Recent Highlights

- 2012 full-year earnings per share were nearly triple the results of 2011, primarily from strong mortgage banking activity and lower noninterest expense.
- Rurban continues to report an exceptional level of noninterest income; fees contributed 45% of operating revenue for the 2012 fourth quarter, and 41% for the year.
- Loan growth was \$20.8 million, or 4.7% year over year, driven by real estate financing for small businesses within our footprint.
- Strong underwriting and credit administration expertise continue to position Rurban's asset quality in the top quartile of its microcap peer group; nonperforming assets declined to 1.40% of total assets at year-end 2012.
- Rurban is making good progress toward its near-term goal of 6% tangible leverage. Tangible equity grew 20% over the past year, improving tangible leverage to 5.70% at year-end.

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 1/28/2013

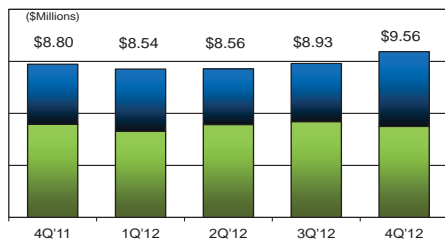
Price:	\$7.75
52-Week High:	\$8.02
52-Week Low:	\$3.38
Avg. Daily Volume (3 mos.):	8,821
Shares Outstanding:	4,861,779
Market Cap:	\$37.7 MM
Dividend Yield:	0.00%
Price/Tangible Book:	107.6%
Price / LTM Core EPS*:	8.16x
Institutional Ownership:	5.30%
Insider Ownership:	17.16%

* Excluding extraordinary and nonrecurring items



Total Revenue

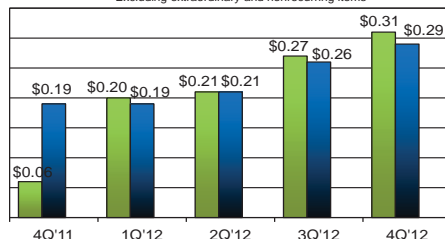
■ Net Interest Income (FTE) ■ Noninterest Income from Ops.



Earnings Per Share

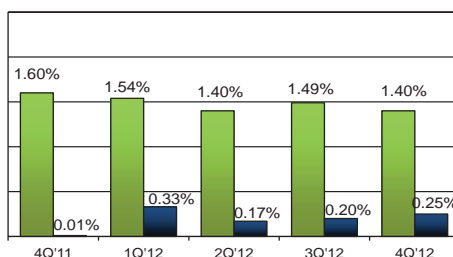
■ Diluted EPS ■ Core EPS*

* Excluding extraordinary and nonrecurring items

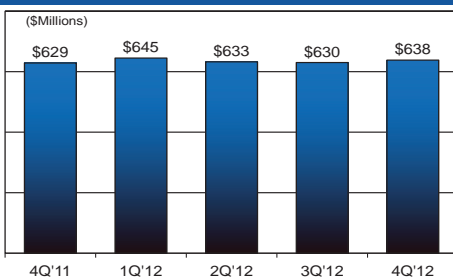


Asset Quality

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

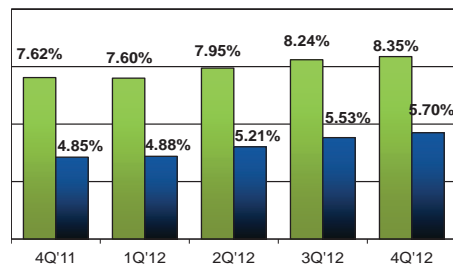


Total Assets



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 Dec. 31,		Fiscal Year Ended Dec. 31,		
	2012	2011	2012	2011	2010
Assets	\$638,234	\$628,664	\$638,234	\$628,664	\$660,288
Loans, Net of unearned	463,389	442,554	463,389	442,554	427,544
Deposits	527,001	518,765	527,001	518,765	515,678
Equity	53,284	47,932	53,284	47,932	46,024
Operating Results					
Net Interest Income*	\$5,247	\$5,379	\$20,732	\$21,254	\$20,583
Prov. For Loan Losses	400	299	1,350	1,994	10,588
Non-Interest Income from Ops.**	4,314	3,423	14,845	11,800	20,494
Non-Interest Expense from Ops.**	7,032	6,982	27,304	28,180	40,172
Net Income	1,524	274	4,814	1,664	(15,613)
Per Share Data					
Basic & Dil. Earnings per Share	\$0.31	\$0.06	\$0.99	\$0.34	(\$3.21)
Core Earnings per Share**	\$0.29	\$0.19	\$0.95	\$0.29	(\$0.79)
Dividends per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Book Value per Share	\$10.96	\$9.86	\$10.96	\$9.86	\$9.47
Tang. Book Value per Share	\$7.28	\$6.08	\$7.28	\$6.08	\$5.49
Selected Ratios					
ROATCE**	11.64%	2.33%	9.57%	10.19%	(25.98%)
ROAA	0.95%	0.17%	0.75%	0.26%	(2.32%)
NIM*	3.72%	3.87%	3.76%	3.81%	3.67%
Efficiency Ratio*	71.47%	74.80%	74.41%	83.22%	79.38%
Noninterest Inc./Op. Revenue	46.97%	38.89%	41.31%	39.47%	49.89%
Tang. Equity/Tang. Assets	5.70%	4.85%	5.70%	4.85%	4.01%
NPAs/Assets	1.40%	1.60%	1.40%	1.60%	2.26%
NCO/Avg. Loans (Annualized)	0.25%	0.01%	0.24%	0.50%	2.55%

*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.