

## DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS AND EMPLOYEES

We closed the 2008 fourth quarter with earnings of \$1.33 million, or \$0.27 per diluted share. The quarter's earnings were up 46.7% compared to the \$906,000, or \$0.18 per diluted share, reported in the fourth quarter of 2007. Earnings were \$5.22 million, or by 60% over the \$3.26 million earned in 2007.

The Board of Directors approved a quarterly shareholder dividend of \$0.09. This dividend is payable on February 20, 2009 to all shareholders of record on February 6, 2009.

We completed the previously announced acquisition of National Bank of Montpelier on December 1, 2008, which contributed one month's revenue, expenses, and net income to our December financial statements. Its assets and liabilities are also included in our year-end balance sheet. The one month earnings for Montpelier were offset by a one-time \$76,000 after-tax charge for the merger related expenses.

Our two business segments, Banking and Data / Item Processing, both improved substantially over 2007. Our Banking segment earnings increased to \$4.5 million for 2008 versus earnings of \$2.9 million for 2007. Since The State Bank and Trust Company's balance sheet was liability-sensitive for 2008, we were positioned to take advantage of falling interest rates throughout 2008. This resulted in an improvement in our interest rate margin of nearly 18%, which was a major driver in the Bank's profitability improvement. We are shifting our strategy and moving to become more asset-sensitive as we are positioning our balance sheet for a period of increasing interest rates, which we see occurring in late 2009, or early 2010. Asset quality remains stable as 2008 charge-offs were below peer group, and our non-performing assets as a percentage of total assets were down slightly from year-end 2007. Consistent with deteriorating general economic conditions, State Bank is seeing a slight increase in delinquencies within all segments of its portfolio; however, the current levels are not significant or alarming.

RDSI, our Data and Item Processing segment, had a 14% net income year-over-year improvement

increasing to \$2.8 million. Gross revenue increased by 4.6% to \$21.7 million. As of December 31, 2008, RDSI had 113 banking organizations as clients, with data processing services provided to 73 client banks and item processing to 92 banking clients. The sales pipeline appears to be progressing, as two banks have been converted in 2009 and there are seven more conversions scheduled.

We considered the TARP funds that have been offered to healthy banks, but after thorough consideration of the program's advantages and disadvantages, management and the Board elected not to participate in the program. Our decision not to participate was based upon our strong capital position and the unknown U.S. Government expectations and restrictions relative to the funds. Rurban continues to be well-capitalized with 30% in excess of the regulatory 'well-capitalized' level.

We are pleased with the success achieved by both of our business segments, despite the economically challenging year. We envision a time when the financial markets will regain their momentum and once again return to normalcy. Thank you for your confidence in Rurban, and we believe that your continued support will be rewarded as we continue working to improve the organization.

As a shareholder, you are invited to attend the 26th Annual Shareholder Meeting, which will be held on April 16, 2009 at the Eagles Club, Defiance, Ohio, beginning at 10:00 AM. We also encourage you to review our January 21, 2009 press release located on our website, [www.rurbanfinancial.net](http://www.rurbanfinancial.net), which contains additional detailed financial information.

Sincerely,



Kenneth A. Joyce  
President and CEO

### INVESTOR MATERIALS

Annual and quarterly shareholder reports, regulatory filings, press releases, and articles about Rurban Financial Corp., which have appeared in various publications, are available on our Web Site at [www.rurbanfinancial.net](http://www.rurbanfinancial.net) or may be obtained from Valda Colbart, Investor Relations Officer, via e-mail at [rfcinv@rurban.net](mailto:rfcinv@rurban.net) or by calling 1-800-273-5820.

### DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Rurban offers its shareholders convenient, economical and powerful investment techniques to increase their investment in RBNF common stock. These plans provide a method of investing cash dividends and voluntary cash payments in additional shares of common stock without payment of brokerage commissions or service charges. Individuals who wish to purchase RBNF stock for the first time may also participate in this plan. For additional information about the plan and prospectus, please contact Registrar and Transfer Company at 1-800-368-5948 or [www.rtc.com](http://www.rtc.com) or Valda Colbart, Rurban Financial Corp. at 1-800-273-5820 or [rfcinv@rurban.net](mailto:rfcinv@rurban.net).

### FORWARD-LOOKING STATEMENTS

Certain statements within this document, which are not statements of historical fact, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties and actual results may differ materially from those predicted by the forward-looking statements. These risks and uncertainties include, but are not limited to, risks and uncertainties inherent in the national and regional banking, insurance and mortgage industries, competitive factors specific to markets in which Rurban and its subsidiaries operate, future interest rate levels, legislative and regulatory actions, capital market conditions, general economic conditions, geopolitical events, the loss of key personnel and other factors.

Forward-looking statements speak only as of the date on which they are made, and Rurban undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made. All subsequent written and oral forward-looking statements attributable to Rurban or any person acting on our behalf are qualified by these cautionary statements.



## GROWTH AND PROFITABILITY: OUR PASSION

SHAREHOLDER LETTER &  
FINANCIAL HIGHLIGHTS



DECEMBER 2008 | 4TH QUARTER

RURBAN FINANCIAL CORP.  
CONSOLIDATED BALANCE SHEETS  
December 31, 2008 and December 31, 2007

	December 2008 (Unaudited)	December 2007
<b>ASSETS</b>		
Cash and due from banks	\$ 18,059,532	\$ 15,183,627
Federal funds sold	10,000,000	2,000,000
Cash and cash equivalents	28,059,532	17,183,627
Available-for-sale securities	102,606,475	92,661,386
Loans held for sale	3,824,499	1,649,758
Loans, net of unearned income	450,111,653	389,268,744
Allowance for loan losses	(5,020,197)	(3,990,455)
Premises and equipment, net	17,621,262	15,128,754
Purchased software	5,867,395	4,282,563
Federal Reserve and Federal Home Loan Bank Stock	4,244,100	4,021,200
Foreclosed assets held for sale, net	1,384,335	124,131
Accrued interest receivable	2,964,663	3,008,968
Goodwill	21,414,790	13,940,618
Core deposits and other intangibles	5,835,936	5,135,228
Cash value of life insurance	12,625,015	12,160,581
Other assets	6,079,451	6,638,895
<b>Total assets</b>	<b>\$ 657,618,909</b>	<b>\$ 561,213,998</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Non interest bearing demand	\$ 52,242,626	\$ 41,541,297
Interest bearing NOW	73,123,095	54,308,665
Savings	34,313,586	25,320,126
Money Market	82,025,074	61,380,252
Time Deposits	242,516,203	223,480,842
Total deposits	484,220,584	406,031,182
Notes payable	1,000,000	922,457
Advances from Federal Home Loan Bank	36,646,854	24,000,000
Repurchase Agreements	43,425,978	43,006,438
Trust preferred securities	20,620,000	20,620,000
Accrued interest payable	1,965,842	2,532,914
Other liabilities	8,077,647	4,775,773
<b>Total liabilities</b>	<b>595,956,905</b>	<b>501,888,764</b>
Shareholders' Equity		
Common stock	12,568,583	12,568,583
Additional paid-in capital	15,042,781	14,923,571
Retained earnings	35,785,317	32,361,106
Accumulated other comprehensive income (loss)	(121,657)	82,235
Treasury stock	(1,613,020)	(610,260)
<b>Total shareholders' equity</b>	<b>61,662,004</b>	<b>59,325,235</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 657,618,909</b>	<b>\$ 561,213,998</b>



RURBAN FINANCIAL CORP.  
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
<b>Interest income</b>				
Loans				
Taxable	\$ 6,905,698	\$ 7,056,261	\$ 27,473,302	\$ 27,782,068
Tax-exempt	20,934	22,240	84,878	73,451
Securities				
Taxable	1,023,333	1,106,834	4,289,728	4,283,508
Tax-exempt	252,488	161,830	686,458	645,451
Other	3,655	61,257	134,079	225,151
Total interest income	8,206,108	8,408,422	32,668,445	33,009,629
<b>Interest expense</b>				
Deposits				
Other borrowings	9,216	25,215	53,008	165,859
Retail Repurchase Agreements	444,563	484,118	1,821,330	1,615,016
Federal Home Loan Bank advances	411,937	276,492	1,508,115	1,037,026
Trust preferred securities	418,017	456,427	1,691,792	1,808,520
Total interest expense	3,376,096	4,625,477	15,140,570	18,222,317
<b>Net interest income</b>	<b>4,830,012</b>	<b>3,782,945</b>	<b>17,527,875</b>	<b>14,787,312</b>
Provision for loan losses				
	138,179	142,663	689,567	521,306
<b>Net interest income after provision for loan losses</b>	<b>4,691,833</b>	<b>3,640,282</b>	<b>16,838,308</b>	<b>14,266,006</b>
<b>Non-interest income</b>				
Data service fees				
Trust fees	5,004,376	4,914,328	20,165,451	19,382,115
Customer service fees	630,331	873,069	3,081,898	3,385,320
Net gain on sales of loans	591,053	593,665	2,416,093	2,243,745
Net realized gain on sales of securities	150,238	137,611	740,985	574,000
Net proceeds from VISA IPO	-	1,631	-	1,998
Investment securities recoveries	-	-	132,106	-
Loan servicing fees	-	-	197,487	-
Gain (loss) on sale of assets	59,579	80,590	235,095	227,017
Other income	96,124	(32,362)	247,517	29,477
Total non-interest income	223,653	263,583	844,105	1,017,727
<b>Net interest income after provision for loan losses</b>	<b>4,691,833</b>	<b>3,640,282</b>	<b>16,838,308</b>	<b>14,266,006</b>
<b>Non-interest expense</b>				
Salaries and employee benefits				
Net occupancy expense	4,204,104	4,134,242	17,318,103	17,007,314
Equipment expense	567,120	587,150	2,170,616	2,134,950
Data processing fees	1,562,031	1,678,311	6,308,564	6,586,623
Professional fees	105,741	97,092	427,251	469,808
Marketing expense	514,314	586,327	1,859,447	2,226,577
Printing and office supplies	246,770	218,549	831,727	820,528
Telephone and communication	132,862	151,943	554,267	661,760
Postage and delivery expense	427,927	451,918	1,686,834	1,781,277
State, local and other taxes	515,129	376,777	2,165,098	1,545,340
Employee expense	382,670	115,441	985,503	584,031
Other expenses	277,730	281,682	1,084,028	1,083,056
Total non-interest expense	629,611	485,154	2,165,175	1,735,346
<b>Income before income tax expense</b>	<b>1,881,178</b>	<b>1,307,811</b>	<b>7,342,432</b>	<b>4,490,795</b>
Income tax expense	553,159	402,275	2,125,193	1,234,160
<b>Net income</b>	<b>\$ 1,328,019</b>	<b>\$ 905,536</b>	<b>\$ 5,217,239</b>	<b>\$ 3,256,635</b>
<b>Earnings per common share:</b>				
Basic	\$ 0.27	\$ 0.18	\$ 1.06	\$ 0.65
Diluted	\$ 0.27	\$ 0.18	\$ 1.06	\$ 0.65



YOUR DIVIDEND

Your Dividend has been paid  
based upon \$0.09 per share.

Based upon your previous instructions, you will find enclosed either a check for your dividend, a deposit receipt, or a statement showing your dividend being reinvested into Rurban Financial Corp. stock. Should you wish to change this election, please see the "Dividend Reinvestment and Stock Purchase Plan" section of this brochure.

STOCK PERFORMANCE - NASDAQ

Current Quarter Ending	Trade Price High	Trade Price Low	Closing Price	Div. Paid
12/31/08	\$9.50	\$7.54	\$7.60	\$0.09
09/30/08	\$10.24	\$7.72	\$9.00	\$0.09
06/30/08	\$10.96	\$9.52	\$9.52	\$0.08
03/31/08	\$12.60	\$9.79	\$10.24	\$0.08
12/31/07	\$13.25	\$10.25	\$12.49	\$0.07

QUARTERLY STOCK PERFORMANCE

October 2007 - December 2008

