

## DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS AND EMPLOYEES

Rurban Financial Corp.'s second quarter earnings were \$1.36 million (\$0.28 per diluted share), an increase of 72.7% over the \$785,000 2007 second quarter earnings. The strength in these earnings is the underlying improvement in both our banking business and our data and item processing business.

Rurban's Board of Directors approved a quarterly dividend of \$0.09 per share, an increase of \$0.01 from the prior quarter. The dividend is payable on August 22, 2008 to shareholders of record on August 8, 2008.

Net income for the Banking Group was \$1.2 million for the second quarter of 2008 compared with \$830,000 reported for the prior-year quarter, an increase of 46.6%. Included in second quarter 2008 results was a pre-tax recovery of \$200,000 (\$132,000 after-tax) in legal fees associated with RFCBC, Inc., our loan workout company. RFCBC has only one remaining credit relationship, so we plan to close it at the end of this year.

Loan growth continued as total loans were \$404.4 million at June 30, 2008, up \$22.8 million, or 6.0%, over the past twelve months. This loan growth is a result of aggressive calling initiatives and Rurban's entry into higher growth markets, such as Lima, Toledo suburbs, Columbus, Ohio and Fort Wayne, Indiana.

One of our major initiatives over the last two years has been liability management, with a key strategy to aggressively market low-cost transaction deposit accounts. At the end of the second quarter, the percentage of transaction account balances to total deposits increased sequentially, as well as the same year-ago quarter. This effort, among others, lowered our average cost of funds by 46 basis points compared to the 2007 second quarter.

Our Data and Item Processing Group continued its growth as total revenue for the second quarter of 2008 was \$5.3 million, an increase of 6.8% above the \$5.0 million reported for the second quarter of 2007. This increase in revenue was aided by strong growth in new client bank sales throughout 2007

and year-to-date 2008. As of June 2008, RDSI clients totaled 117 banking organizations. RDSI provides Data Processing services to 75 clients and Item Processing services to a total of 92 clients.

Second quarter 2008 net income for RDSI was \$640,000, an increase of 34.5% from the \$476,000 reported for the prior-year second quarter. RDSI continues to provide strong net income performance combining revenue growth and disciplined control of expenses.

We announced on May 23, 2008, our plans to acquire National Bank of Montpelier. The acquisition is expected to close later this year pending the approval of their shareholders, banking regulators, and the satisfaction of customary closing conditions. Upon completion, the merger will add approximately \$109 million in assets, increase deposits by \$90 million, and extend Rurban's banking operations into Williams County, Ohio. The acquisition is projected to be immediately accretive to earnings per share due to the cash nature of this transaction. A nominal charge for merger related expenses is expected before year-end.

We will continue to be ever diligent, working to maximize growth and profitability for Rurban Financial Corp. and its shareholders. We encourage you to review our July 16, 2008 press release, which contains additional detailed financial information by going to our website at [www.rurbanfinancial.net](http://www.rurbanfinancial.net).

Lastly, we appreciate your loyalty and support as we work hard to manage our business in a risk adverse manner and still show growth.

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



JUNE 2008 | 2ND QUARTER

RURBAN FINANCIAL CORP.  
CONSOLIDATED BALANCE SHEETS  
June 30, 2008, December 31, 2007 and June 30, 2007

	June 2008 (Unaudited)	December 2007	June 2007 (Unaudited)
<b>ASSETS</b>			
Cash and due from banks	\$ 11,876,639	\$ 15,183,627	\$ 12,120,732
Federal funds sold	-	2,000,000	-
Cash and cash equivalents	11,876,639	17,183,627	12,120,732
Available-for-sale securities	96,706,231	92,661,386	93,376,749
Loans held for sale	2,644,049	1,649,758	389,900
Loans, net of unearned income	404,434,895	389,268,744	381,661,661
Allowance for loan losses	(4,246,794)	(3,990,455)	(3,824,445)
Premises and equipment, net	15,128,647	15,128,754	15,710,869
Purchased software	4,656,742	4,282,563	4,639,198
Federal Reserve and Federal Home Loan Bank Stock	4,105,000	4,021,200	4,040,700
Foreclosed assets held for sale, net	1,479,561	124,131	83,891
Accrued interest receivable	2,757,523	3,008,968	2,971,082
Goodwill	13,940,618	13,940,618	13,690,092
Core deposits and other intangibles	4,788,465	5,135,228	5,503,122
Cash value of life insurance	12,393,478	12,160,581	10,953,313
Other assets	5,847,772	6,638,895	6,883,346
<b>Total assets</b>	<b>\$ 576,512,826</b>	<b>\$ 561,213,998</b>	<b>\$ 548,200,210</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits			
Non interest bearing demand	\$ 41,419,072	\$ 41,541,297	\$ 41,163,381
Interest bearing NOW	57,503,181	54,308,665	48,910,162
Savings	24,980,849	25,320,126	26,356,783
Money Market	71,656,108	61,380,252	65,599,894
Time Deposits	206,998,707	223,480,842	225,554,636
Total deposits	402,557,917	406,031,182	407,584,856
Notes payable	-	922,457	1,126,860
Advances from Federal Home Loan Bank	37,808,264	24,000,000	21,000,000
Fed Funds Purchased	3,600,000	-	1,000,000
Repurchase Agreements	44,509,511	43,006,438	33,116,993
Trust preferred securities	20,620,000	20,620,000	20,620,000
Accrued interest payable	2,158,948	2,532,914	2,121,446
Other liabilities	5,896,457	4,775,773	4,280,560
<b>Total liabilities</b>	<b>517,151,097</b>	<b>501,888,764</b>	<b>490,850,715</b>
Shareholders' Equity			
Common stock	12,568,583	12,568,583	12,568,583
Additional paid-in capital	14,964,795	14,923,571	14,882,083
Retained earnings	33,916,713	32,361,106	31,291,504
Accumulated other comprehensive income (loss)	(761,502)	82,235	(1,243,475)
Treasury stock	(1,326,860)	(610,260)	(149,200)
<b>Total shareholders' equity</b>	<b>59,361,729</b>	<b>59,325,235</b>	<b>57,349,495</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 576,512,826</b>	<b>\$ 561,213,998</b>	<b>\$ 548,200,210</b>



RURBAN FINANCIAL CORP.  
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Interest income</b>				
Loans				
Taxable	\$ 7,023,308	\$ 6,976,506	\$ 13,831,504	\$ 13,653,319
Tax-exempt	20,469	17,250	41,819	34,543
Securities				
Taxable	1,090,570	1,044,300	2,130,464	2,135,497
Tax-exempt	165,798	160,845	324,165	313,902
Other	15,380	35,138	112,789	113,606
<b>Total interest income</b>	<b>8,315,525</b>	<b>8,234,039</b>	<b>16,440,741</b>	<b>16,250,867</b>
<b>Interest expense</b>				
Deposits	2,623,590	3,381,667	5,715,492	6,715,397
Other borrowings	9,483	57,546	26,989	108,618
Retail Repurchase Agreements	450,763	351,833	911,315	695,682
Federal Home Loan Bank advances	377,146	242,658	679,482	492,245
Trust preferred securities	422,385	450,197	858,089	895,511
<b>Total interest expense</b>	<b>3,883,367</b>	<b>4,483,901</b>	<b>8,191,367</b>	<b>8,907,453</b>
<b>Net interest income</b>	<b>4,432,158</b>	<b>3,750,138</b>	<b>8,249,374</b>	<b>7,343,414</b>
Provision for loan losses	212,997	145,594	405,215	238,234
<b>Net interest income after provision for loan losses</b>	<b>4,219,161</b>	<b>3,604,544</b>	<b>7,844,159</b>	<b>7,105,180</b>
<b>Non-interest income</b>				
Data service fees	4,948,783	4,629,258	10,213,348	9,463,394
Trust fees	815,734	865,880	1,670,841	1,692,262
Customer service fees	612,825	533,209	1,199,032	1,061,633
Net gain on sales of loans	183,145	207,366	457,748	307,442
Net realized gain on sales of securities	-	367	-	367
Net proceeds from VISA IPO	-	-	132,106	-
Investment securities recoveries	-	-	197,487	-
Loan servicing fees	55,220	56,234	118,160	119,143
Gain (loss) on sale of assets	(390)	14,010	(71,422)	49,977
Other income	185,841	201,376	399,371	552,224
<b>Total non-interest income</b>	<b>6,801,158</b>	<b>6,507,700</b>	<b>14,316,671</b>	<b>13,246,442</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	4,435,657	4,185,324	8,874,421	8,582,111
Net occupancy expense	511,179	505,925	1,077,195	1,033,058
Equipment expense	1,625,708	1,676,676	3,193,345	3,282,549
Data processing fees	104,792	114,243	201,359	270,424
Professional fees	284,536	501,015	855,223	1,178,406
Marketing expense	156,090	187,098	337,837	342,783
Printing and office supplies	119,686	181,362	305,738	379,454
Telephone and communication	421,858	437,690	843,787	882,894
Postage and delivery expense	535,813	384,091	1,138,447	776,352
State, local and other taxes	186,418	165,175	367,186	364,916
Employee expense	303,372	280,078	533,983	535,147
Other expenses	425,237	446,693	983,185	737,529
<b>Total non-interest expense</b>	<b>9,110,346</b>	<b>9,065,370</b>	<b>18,711,706</b>	<b>18,365,623</b>
<b>Income before income tax expense</b>	<b>1,909,973</b>	<b>1,046,874</b>	<b>3,449,124</b>	<b>1,985,999</b>
Income tax expense	554,149	261,829	983,944	498,501
<b>Net income</b>	<b>\$ 1,355,824</b>	<b>\$ 785,045</b>	<b>\$ 2,465,180</b>	<b>\$ 1,487,498</b>
<b>Earnings per common share:</b>				
Basic	\$ 0.28	\$ 0.16	\$ 0.50	\$ 0.30
Diluted	\$ 0.28	\$ 0.16	\$ 0.50	\$ 0.30



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

Quarter Ending	Trade Price High	Trade Price Low	Closing Price	Div. Paid
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
09/30/07	\$12.90	\$12.46	\$12.65	\$0.07
06/30/07	\$12.82	\$11.71	\$12.82	\$0.06

QUARTERLY STOCK PERFORMANCE

April 2007 - June 2008

