

OFFICERS AND DIRECTORS

Directors

Steven D. VanDemark, Chairman of the Board
General Manager
The Defiance Publishing Company

Thomas A. Buis
Independent Consultant
Retired Insurance Agent

Thomas M. Callan
Defiance Stamping Company

John R. Compo
President
Compo Corporation

John Fahl
Retired
Cooper Tire & Rubber Company

Robert A. Fawcett, Jr.
Fawcett, Lammon, Recker and Associates
Ins. Agency Inc.

Richard L. Hardgrove
Retired
Sky Bank

Kenneth A. Joyce
President
Chief Executive Officer
Rurban Financial Corp.

Rita A. Kissner
Retired
Mayor of Defiance

Thomas L. Sauer
President
City Beverage Company

J. Michael Walz, D.D.S.
Defiance Dental Group

Investor Relations

Valda L. Colbart
Investor Relations Officer

Officers

Rurban Financial Corp.

Kenneth A. Joyce
President
Chief Executive Officer

James E. Adams
Executive Vice President
Chief Financial Officer

Henry R. Thiemann
Executive Vice President
Chief Operating Officer

The State Bank and Trust Company

Dean J. Miller
President

Jeffrey D. Sewell
Executive Vice President
Chief Operating Officer

David A. Anderson
Regional President
Lima/Allen County Market

Gregory W. Klear
Senior Vice President
Lima/Allen County Market

David A. Boyd
Executive Vice President
Commercial Real Estate Manager

RFBCB, Inc.

Henry R. Thiemann
President
Chief Executive Officer

RDSI Banking Systems

Kenneth A. Joyce
Chairman
Chief Executive Officer

Kurt A. Kratzer
President

James M. Bremer
Executive Vice President
Chief Information Officer

Jon A. Brenneman
Executive Vice President
Chief Marketing Officer

Gary A. Saxman
Executive Vice President
Chief Operating Officer

John D. Weimerskirk
Executive Vice President
Chief Client Relations Officer

Reliance Financial Services, N.A.

Robert W. Constien
Chairman
Chief Executive Officer

David A. Bell
President
Executive Vice President
Trust Support Manager

June 30, 2005

SHAREHOLDER LETTER AND
FINANCIAL HIGHLIGHTS



www.rurbanfinancial.net

DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS AND EMPLOYEES

This quarter we announced a loss of \$113.7 thousand or \$0.02 per diluted share compared with net income of \$709.0 thousand or \$0.16 per diluted share for the second quarter last year. Approximately \$326 thousand of this decline is the result of costs associated with recently announced acquisition activities we have undertaken, and a study designed to optimize our branch banking locations. We also took a \$352 thousand additional provision this quarter to account for changes in the value of our remnant portfolio of leased cars.

This current period charges do not reflect any long-term trend for the Company. Rather, it clears the way for improved profitability going forward as we expand our banking activities into higher-growth markets. Therefore, on July 20, 2005, the board of directors declared a \$0.05 per share dividend for holders of Rurban stock with a record date of August 5, 2005, payable on August 19, 2005.

We began this quarter with the announcement of an agreement to acquire Exchange Bancshares, the holding company for Exchange Bank. Exchange Bank has \$87 million in assets, and five branches located in the Toledo area. The regulatory applications requesting approval have been submitted, and we are working daily with The Exchange Bank directors and management to make this a smooth transition. We expect to close by October of this year subject to the approval of the Exchange shareholders and Regulatory authorities. We project this transaction to be accretive by 2006.

In the second quarter of 2005, we purchased two branches in the Lima, Ohio market; these branches were opened on June 20th as State Bank and Trust. This acquisition added approximately \$59 million in deposits, and increased our assets a net \$44 million after we repaid some higher-cost Federal Home Loan Bank borrowings. We anticipate that this acquisition will be accretive by 2006, and plan for this region to become an independent community bank by 2007.

Our current banking business continues to be sound and on a path to improved profitability. Although modest, the turnaround in loan growth – a 2.2%


growth rate since the beginning of the year – reflects improving activity in our small business and agricultural sectors. We have also implemented initiatives to improve 2005 net income at State Bank and Trust in excess of \$1.0 million through a combination of revenue enhancements and improved operational efficiencies. Our goal is to reduce the efficiency ratio from its current 85% to a more reasonable level of 60% to 65% in the near-term.

Overall, asset quality continues to improve despite a specific need to add \$352 thousand to our loan loss reserve this quarter. Our classified loans decreased for the sixth consecutive quarter, and now stand at \$20.7 million. This represents a decline of \$2.9 million from the first quarter of this year, and a decline in excess of \$16 million from the year-ago quarter. The \$352 thousand addition to our reserve was specifically the result of changing values in the used car market driven by recent discount programs offered by domestic auto makers.

We continue to be pleased with the progress of our non-banking affiliates. Our data processing company, RDSI, had another successful quarter, growing revenue by over 18.4% above second quarter last year. RDSI has signed three additional banks for item processing and imaging in the second quarter. These conversions will contribute to RDSI's fee growth for the remainder of the year, although bottom line will be tempered this year by the costs associated with RDSI's move into a single headquarters building this past quarter. Reliance Financial Services, our trust and investment services company, is also performing well, with second quarter fee income up 6.4% above last year. The return on average equity for this company remains in excess of 25%.

We are optimistic about Rurban as we enter a new phase of our recovery program and prepare for a strong 2006. We look forward to sharing our progress with you in future shareholder letters.

Sincerely,



Kenneth A. Joyce
President and CEO

RURBAN FINANCIAL CORP. FINANCIAL HIGHLIGHTS

Three Months
Ended
June 30, 2005

Three Months
Ended
June 30, 2004

Six Months
Ended
June 30, 2005

Six Months
Ended
June 30, 2004

INCOME STATEMENT DATA - (IN THOUSANDS)

Net interest income	\$2,927	\$2,910	\$5,924	\$5,894
Non-interest income	\$4,419	\$4,083	\$8,829	\$8,418
Non-interest expense	\$7,245	\$6,565	\$13,765	\$12,854
Net income	\$(114)	\$709	\$525	\$1,321
Weighted avg. shares outstanding	4,569	4,555	4,579	4,566

COMMON PER SHARE DATA

Earnings per share	\$(0.02)	\$0.16	\$0.11	\$0.29
Period-end book value	\$11.07	\$10.56	\$11.07	\$10.56

END OF PERIOD BALANCE SHEET DATA - (IN THOUSANDS)

Total assets	\$451,048	\$415,026	\$451,048	\$415,026
Loans, net of unearned income	\$271,827	\$270,692	\$271,827	\$270,692
Deposits	\$340,405	\$290,991	\$340,405	\$290,991

STOCK PERFORMANCE

Quarter Ending	Trade Price		Closing Price
	High	Low	
06/30/05	\$14.47	\$12.65	\$12.90
03/31/05	\$14.49	\$13.50	\$14.15
12/31/04	\$14.25	\$12.57	\$13.90
09/30/04	\$13.15	\$11.90	\$12.88
06/30/04	\$15.15	\$11.25	\$12.28

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 in the "Investor Relations" sections of our Web Site www.rurbanfinancial.net or may be obtained from Valda Colbart via e-mail at rfcinv@rurban.net or by calling 1-800-273-5820.

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.

Additional Information

Rurban has filed a Registration Statement on Form S-4, which included the joint proxy statement/prospectus of Rurban and Exchange Bancshares, with the SEC concerning the proposed merger. Investors and shareholders are urged to read the joint proxy statement/prospectus carefully because it contains important information. Investors and shareholders are able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about Rurban and Exchange Bancshares, without charge, at the SEC's web site (<http://www.sec.gov>). In addition, investors and shareholders may obtain free copies of the documents filed with the SEC by Rurban at Rurban's web site at www.rurbanfinancial.net or by contacting Rurban investor relations via telephone at (419) 784-2759.

Rurban, Exchange Bancshares and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Exchange Bancshares in connection with the proposed merger transaction. Information regarding directors and executive officers of Rurban and Exchange Bancshares and their respective interests in the proposed merger transaction is available in the joint proxy statement/prospectus and other relevant materials filed with the SEC. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities.