RURBAN FINANCIAL CORP.
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Second Quarter 2011

To Our Shareholders,

As we noted in our second quarter web cast, we continue to improve our corporation from a number of perspectives. Earnings, total revenue, Tier 1 and total risk-based capital, as well as services-per-household, all revealed positive movement while non-performing assets, delinquencies, and non-interest expenses were all down. Our strategies to continue to selectively build the balance sheet as we reduce overhead are providing a foundation that we will use as a building block in future quarters.

We have also begun to benchmark key metrics, not only in our organization to those of similarly structured organizations, but also to significantly higher-performing ones as well. This initiative has clearly revealed our operational strengths and weaknesses and we are developing major initiatives to expand on our strengths, while at the same time identifying opportunities to close the gaps in areas of weakness. Quarterly discussions with executive management and our board of directors will ensure appropriate emphasis and attention.

One key area that we are benchmarking is non-interest expense. For the first half of 2011 our corporation (excluding RDSI) averaged approximately 3.84% core, non-interest expense to average assets while our peer median was approximately 3.11%. With a slow, or no-growth economy, it is absolutely imperative we continue to reduce expenses. We are currently redefining each of our delivery channels, analyzing vendor contracts, and identifying supplemental areas for potential improvement.

One of our strengths, compared to our peer group, is our level of non-interest income. In addition to the revenue from a significantly reduced technology division (RDSI), we continue to expand our residential mortgage business as well as our assets under management in our wealth management division, Reliance Financial Services. Additionally, we have plans to offer more loan-based insurance products in the second half of the year. Our overarching goal is to continue to emphasize the coverage of non-interest expense with non-interest income.

We also discussed our de-leverage strategy at length this quarter. This balance sheet optimization allowed us to reduce lower-yielding assets and eliminate higher-cost funding to improve capital ratios as well as expand our net interest margin. With a stable margin coupled with modest balance sheet growth, we have positioned ourselves to continue to improve our operational efficiency.

Finally, we are beginning to gather some optimism on our local and regional economies. Specifically, our loan and core-deposit balances expanded while our loan and collection expenses and charge-offs, declined. As a result, our loan loss reserve, as a percentage of NPAs, now stands at 80% coverage versus 56% June 30, 2010. With the inertia of these and other positive trends, we look forward to more opportunities to improve our performance in the second half of the year.

Mark A. Klein
President and Chief Executive Officer

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Highlights of the second quarter include:

- Growth in core pre-tax, pre-provision earnings despite decline of RDSI revenue. Higher net interest income and improved expense controls more than offset the decline of RDSI's data processing revenue for the 2011 second quarter and six-month periods. Core pretax, pre-provision earnings were $1.06 million for the 2011 second quarter, up $139,000 or 15.2 percent, from the linked quarter, and higher by $1.40 million from the year-ago quarter.

- Net interest income benefited from margin improvement and recent loan growth. Net interest income on a fully tax-equivalent basis increased $364,000, or 7.3 percent, above the linked quarter, benefitting from a 22 basis point margin improvement on a fully tax-equivalent basis, combined with $7.8 million, or 1.86 percent, growth in average loans.

- The balance sheet deleveraging initiative was completed in June 2011; with the majority of revenue impact anticipated in future quarters. In addition to improved capital ratios, a net gain of $0.79 million was the major impact this quarter from the sale of $43 million of securities and the pay down of $32 million of FHLB advances and repos. It is anticipated that third quarter results should reflect reduced funding costs and margin improvement of approximately 20 basis points.

- Key capital ratios strengthened as a result of deleveraging. The $37 million, or 5.6 percent, reduction in asset size from first quarter 2011 has had a positive impact on the majority of capital ratios as well as tangible equity to assets, which improved by 25 basis points. Since State Bank grew its loan portfolio at the same time it reduced asset size, the risk-adjusted capital ratios showed less improvement than did the Tier 1 leverage ratio, which increased by 30 and 46 basis points, respectively, at the bank and the consolidated holding company.

- Rurban remains well-diversified. Core noninterest income, including fee income from data processing, wealth management and mortgage banking, accounted for 35.8 percent of second quarter 2011 core revenues on a fully tax-adjusted basis compared to 47.8 percent of core revenues for the year-ago quarter. However, total core revenues have declined 14.9 percent year-over-year as a result of RDSI's exit from the data processing business.

- Rurban's data services subsidiary, RDSI, reported a profit of $142,000 this past quarter. GAAP net income was $142,000, which includes a $519,000 contract buyout fee following the acquisition of a client bank. Excluding this one-time contract buyout fee, core earnings were a net loss of $200,000, virtually unchanged from the prior quarter. Apart from the acquired customer, relationships have remained stable since the beginning of 2011.

- Asset quality reflects strong improvement. NPAs declined by $2.9 million, or 22.3 percent from first quarter 2011 following net charge-offs of $1.0 million. The favorable combination of recoveries of loans previously charged off, OREO sales, and the growing credit strength of borrowers, enabled Rurban to reduce non-performing assets to $10.1 million, or 1.64 percent, of consolidated assets.

Financial Highlights

RURBAN FINANCIAL CORP. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - (Unaudited)

	June 2011	March 2011	December 2010	September 2010	June 2010
ASSETS					
Cash and due from banks	$ 10,485,573	$ 38,090,470	$ 30,417,813	$ 60,600,672	$ 20,278,740
Investment Securities:					
Securities available for sale, at fair value	104,769,578	131,052,629	132,762,058	115,993,828	111,140,374
Non-marketable securities - FRB and FHLB Stock	3,748,250	3,748,250	3,748,250	3,748,250	3,748,250
Total investment securities	108,517,828	134,800,879	136,510,308	119,742,078	114,888,624
Loans held for sale	7,211,433	5,423,901	9,055,268	13,453,782	11,649,780
Loans, net of unearned income	437,550,602	422,166,393	427,544,414	424,995,825	437,275,407
Allowance for loan losses	(6,443,873)	(6,593,279)	(6,715,397)	(6,451,422)	(7,000,513)
Net Loans	431,106,729	415,573,114	420,829,017	418,544,403	430,274,894
Premises and equipment, net	14,359,437	14,361,382	14,622,541	14,999,354	15,135,862
Purchased software	874,954	947,061	1,021,036	545,606	600,827
Cash surrender value of life insurance	12,041,915	11,951,006	13,211,247	13,107,086	13,001,493
Goodwill	16,733,830	16,733,830	16,733,830	21,414,790	21,414,790
Core deposits and other intangibles	2,190,707	2,387,920	2,585,132	4,377,111	4,577,245
Foreclosed assets held for sale, net	2,056,046	921,660	1,538,307	1,946,653	1,648,026
Mortgage servicing rights	3,294,494	3,316,228	3,190,389	2,041,698	2,140,300
Accrued interest receivable	1,958,748	2,363,645	2,068,965	2,560,938	2,339,958
Deferred taxes	3,202,986	3,202,986	3,202,986	-	-
Other assets	4,026,624	4,893,928	5,300,846	7,855,586	8,396,372
Total assets	$ 618,061,304	$ 654,968,010	$ 660,287,685	$ 681,189,757	$ 646,346,911
LIABILITIES AND EQUITY					
Deposits					
Non interest bearing demand	$ 59,650,822	$ 64,027,818	$ 62,745,906	$ 64,671,378	$ 57,301,649
Interest bearing NOW	101,972,099	107,940,091	105,708,472	99,647,367	90,283,830
Savings	48,771,404	48,983,184	47,662,315	46,092,866	45,069,665
Money Market	72,822,730	77,481,943	84,635,537	87,407,976	79,045,113
Time Deposits	212,652,611	214,528,353	214,925,512	224,501,334	210,062,500
Total deposits	495,869,666	512,961,389	515,677,742	522,320,921	481,762,757
Notes payable	3,142,048	3,218,211	3,290,471	3,368,266	3,415,856
Advances from Federal Home Loan Bank	24,602,002	16,679,942	22,807,351	25,429,671	26,046,944
Fed Funds Purchased	2,000,000	-	-	-	10,500,000
Repurchase Agreements	19,866,731	49,499,424	45,785,254	50,117,031	45,602,027
Trust preferred securities	20,620,000	20,620,000	20,620,000	20,620,000	20,620,000
Accrued interest payable	2,391,743	2,195,926	1,971,587	1,683,116	1,378,388
Other liabilities	3,555,204	3,528,328	4,111,182	3,582,414	3,819,772
Total liabilities	572,047,394	608,703,220	614,263,587	627,121,419	593,145,744
Equity					
Common stock	12,568,583	12,568,583	12,568,583	12,568,583	12,568,583
Additional paid-in capital	15,280,945	15,258,113	15,235,206	15,208,434	15,179,118
Retained earnings	19,589,825	18,813,030	18,802,106	25,386,403	25,360,487
Accumulated other comprehensive income (loss)	343,868	1,394,375	1,187,514	2,674,229	1,862,290
Treasury stock	(1,769,311)	(1,769,311)	(1,769,311)	(1,769,311)	(1,769,311)
Total Equity	46,013,910	46,264,790	46,024,098	54,068,338	53,201,167
Total liabilities and equity	$ 618,061,304	$ 654,968,010	$ 660,287,685	$ 681,189,757	$ 646,346,911

RURBAN FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATION - (Unaudited)

	Three Months Ended					Six Months Ended	
	June 2011	March 2011	December 2010	September 2010	June 2010	June 2011	June 2010
Interest income							
Loans							
Taxable	$ 6,170,234	$ 5,852,367	$ 6,396,391	$ 6,281,157	$ 6,749,644	$ 12,022,601	$ 13,161,226
Nontaxable	14,930	11,494	12,761	13,664	17,381	26,424	36,296
Securities							
Taxable	566,609	610,524	587,516	596,362	380,586	1,177,133	1,082,841
Nontaxable	301,556	335,969	339,436	353,755	382,889	637,525	701,952
Other	3	83	48	24	(31,261)	86	187
Total interest income	7,053,332	6,810,437	7,336,152	7,244,962	7,499,239	13,863,769	14,982,502
Interest expense							
Deposits	1,010,170	1,049,393	1,187,283	1,275,607	1,285,833	2,059,563	2,660,124
Other borrowings	24,457	24,629	19,043	32,367	30,695	49,086	68,778
Repurchase Agreements	344,215	425,519	435,234	436,369	432,658	769,734	859,625
Federal Home Loan Bank advances	113,379	133,016	220,712	231,122	289,008	246,395	641,825
Trust preferred securities	347,713	344,578	355,304	388,854	403,024	692,291	789,648
Total interest expense	1,839,934	1,977,135	2,217,576	2,364,319	2,441,218	3,817,069	5,020,000
Net interest income	5,213,398	4,833,302	5,118,576	4,880,643	5,058,021	10,046,700	9,962,502
Provision for loan losses	898,440	498,840	1,798,890	898,570	6,498,710	1,397,280	7,890,143
Net interest income after provision for loan losses	4,314,958	4,334,462	3,319,686	3,982,073	(1,440,689)	8,649,420	2,072,359
Noninterest income							
Data service fees	1,303,658	912,254	1,053,841	2,044,400	2,608,769	2,215,912	6,638,175
Trust fees	669,161	695,321	663,705	650,511	590,697	1,364,482	1,233,483
Customer service fees	640,151	580,942	614,572	643,816	614,944	1,221,093	1,202,345
Gain on sale of mortgage loans and OMSR's	565,049	425,130	1,839,977	1,435,581	576,720	990,179	1,218,112
Mortgage loan servicing fees, net	(1,841)	141,452	600,456	(423,939)	(73,356)	139,611	31,990
Gain on sale of non-mortgage loans	37,644	42,779	74,070	125,122	32,328	80,423	107,949
Net realized gain (loss) on sales of securities	1,871,387	-	(589)	-	-	1,871,387	451,474
Investment securities recoveries	-	-	-	-	-	-	73,774
Loss on sale or disposal of assets	(160,453)	(100,209)	(40,837)	(128,985)	(1,429)	(260,662)	(30,081)
Other income	172,209	165,157	201,435	188,055	177,597	337,366	350,412
Total non-interest income	5,096,965	2,862,826	5,006,630	4,534,561	4,526,270	7,959,791	11,277,633
Noninterest expense							
Salaries and employee benefits	3,573,103	3,530,106	3,867,605	4,058,316	4,902,735	7,103,209	10,006,275
Net occupancy expense	517,414	584,057	533,362	486,695	566,468	1,101,471	1,152,691
Equipment expense	717,826	711,051	1,010,194	872,681	2,385,561	1,428,877	4,550,662
FDIC Insurance expense	253,939	317,639	461,153	259,646	197,913	571,578	416,816
Software impairment expense	-	-	-	-	4,323,696	-	4,892,231
Data processing fees	191,801	143,744	108,145	211,129	229,478	335,545	424,264
Professional fees	576,752	473,536	722,103	619,430	561,209	1,050,288	1,204,019
Marketing expense	89,892	55,976	125,754	139,987	112,625	145,868	190,226
Printing and office supplies	118,516	76,148	83,860	111,414	97,326	194,664	258,428
Telephone and communication	143,366	156,640	198,606	267,344	339,341	300,006	725,547
Postage and delivery expense	258,621	344,309	333,016	388,666	456,430	602,930	1,026,863
State, local and other taxes	133,988	143,568	424,838	154,391	(156,595)	277,556	(35,556)
Employee expense	171,801	95,884	163,407	147,739	227,304	267,685	507,229
Goodwill Impairment	-	-	4,680,960	-	-	-	-
Other intangible amortization expense	197,212	197,212	1,791,979	200,344	200,134	394,424	400,268
OREO Impairment	-	-	756,517	-	215,000	-	215,000
Other expenses	1,454,047	229,821	643,454	820,633	1,246,419	1,683,868	1,730,116
Total non-interest expense	8,398,278	7,059,691	15,904,953	8,738,415	15,905,044	15,457,969	27,665,079
Income (loss) before income tax expense	1,013,645	137,597	(7,578,637)	(221,781)	(12,819,463)	1,151,242	(14,315,087)
Income tax expense (benefit)	236,852	126,672	(994,341)	(247,696)	(4,612,572)	363,524	(5,260,258)
Net income (loss)	$ 776,793	$ 10,925	$ (6,584,296)	$ 25,915	$ (8,206,891)	$ 787,718	$ (9,054,829)
Common share data:							
Basic earnings (loss) per common share	$ 0.16	$ 0.00	$ (1.35)	$ 0.01	$ (1.69)	$ 0.16	$ (1.86)
Diluted earnings (loss) per common share	$ 0.16	$ 0.00	$ (1.35)	$ 0.01	$ (1.69)	$ 0.16	$ (1.86)

STOCK INFORMATION AND INVESTOR MATERIALS

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 payment in additional shares of common stock without payment of brokerage commissions or services 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.rtco.com, or Anthony Cosentino at Rurban Financial Corp., at 1-800-273-5820. You may also reach the Investor Relations Department by email at rfcinv@rurban.net.

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 website at www.rurbanfinancial.net, or may be obtained by contacting the Investor Relations Department by email 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 Ligitigation 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 national and regional banking 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 anad 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, except as required by law. All subsequent written and oral forward-looking statements attributable to Rurban or any person acting on our behalf are qualified by these cautionary statements.