RURBAN FINANCIAL CORP
Form 10-K
March 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

S ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011
OR
£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to ____________

Commission File Number 0-13507

RURBAN FINANCIAL CORP.

(Exact name of Registrant as specified in its charter)

Ohio	34-1395608
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 Clinton Street, Defiance, Ohio	43512
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (419) 783-8950

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, Without Par Value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:

Not Applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large Accelerate Filer £ Accelerated Filer £ Non-Accelerated Filer £ Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the common shares of the registrant held by non-affiliates computed by reference to the price at which the common shares were last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $14,828,426.

The number of common shares of the registrant outstanding at March 30, 2012 was 4,861,779.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2011 Annual Report are incorporated by reference in Part II of this Annual Report on Form 10-K.

Portions of the Registrant's definitive Proxy Statement for its Annual Meeting of Shareholders to be held on April 26, 2012 are incorporated by reference into Part III of this Annual Report on Form 10-K.

RURBAN FINANCIAL CORP.

2011 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

2.

PART I

Item 1. Business.

Certain statements contained in this Annual Report on Form 10-K which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. *See* “Cautionary Statement Regarding Forward-Looking Information” under *Item 1A. Risk Factors* on page 11 of this Annual Report on Form 10-K.

General

Rurban Financial Corp., an Ohio corporation (the “Company”), is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, and is subject to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”). The Company was organized in 1983. The executive offices of the Company are located at 401 Clinton Street, Defiance, Ohio 43512.

Through its direct and indirect subsidiaries, The State Bank and Trust Company (“State Bank”), RFCBC, Inc. (“RFCBC”), Rurbanc Data Services, Inc. dba RDSI Banking Systems (“RDSI”), Rurban Mortgage Company (“RMC”), Rurban Investments, Inc. (“RII”), SBT Insurance, LLC (“SBI”), Rurban Statutory Trust I (“RST I”), and Rurban Statutory Trust II (“RST II”), the Company is engaged in a variety of activities, including commercial banking, data and item processing, and trust and financial services, as explained in more detail below. State Bank owns all of the outstanding stock of Rurban Mortgage Company (“RMC”), Rurban Investments Inc. (“RII”) and SBT Insurance, LLC (“SBI”).

General Description of Holding Company Group

State Bank

State Bank is an Ohio state-chartered bank, which offers a full range of commercial banking services, including checking accounts, passbook savings, money market accounts and time certificates of deposit; automatic teller machines; commercial, consumer, agricultural and residential mortgage loans (including “Home Value Equity” line of credit loans); personal and corporate trust services; commercial leasing; bank credit card services; safe deposit box rentals; Internet and telephone banking; and other personalized banking services. The trust and financial services division of State Bank, Reliance Financial Services (“RFS”), offers various trust and financial services, including asset management services for individuals and corporate employee benefit plans, as well as brokerage services through PrimeVest Financial Services. State Bank presently operates nineteen banking centers located within the Ohio counties of Allen, Defiance, Fulton, Lucas, Paulding, Wood and Williams, and one located in Allen County, Indiana. State Bank also presently operates two Loan Production Offices, one in Franklin County, Ohio and one in Steuben County, Indiana. At December 31, 2011, State Bank had 182 full-time equivalent employees.

RFCBC

RFCBC is an Ohio corporation and wholly-owned subsidiary of the Company that was incorporated in August 2004. RFCBC operates as a loan subsidiary in servicing and working out problem loans. At December 31, 2011, RFCBC had no employees.

RDSI

RDSI has been in operation since 1964 and became an Ohio corporation in June 1976. RDSI has one operating location in Defiance, Ohio. In September 2006, RDSI acquired Diverse Computer Marketers, Inc. (“DCM”) which was merged into RDSI effective December 31, 2007, and now operates as a division of RDSI doing business as “DCM”. DCM has one operating location in Lansing, Michigan.

RDSI provides item processing and related services to community banks located in Illinois, Indiana, Kentucky, Michigan, Ohio and Wisconsin. At December 31, 2011, RDSI had 26 full-time equivalent employees.

3.

RMC

RMC is an Ohio corporation and wholly-owned subsidiary of State Bank. RMC is a mortgage company; however, it ceased originating mortgage loans in the second quarter of 2000 and is presently inactive. At December 31, 2011, RMC had no employees.

RII

RII is a Delaware corporation and wholly-owned subsidiary of State Bank. RII is an investment company that engages in the purchase and sale of investments. At December 31, 2011, RII had no employees.

SBI

SBI is an Ohio corporation and wholly-owned subsidiary of State Bank. SBI is an insurance company that engages in the sale of insurance products to retail and commercial customers of State Bank. At December 31, 2011, SBI had no employees.

RST I

RST I is a trust that was organized in August 2000. In September 2000, RST I closed a pooled private offering of 10,000 Capital Securities with a liquidation amount of $1,000 per security. The proceeds of the offering were loaned to the Company in exchange for junior subordinated debentures with terms similar to the Capital Securities. The sole assets of RST I are the junior subordinated debentures and the back-up obligations, which in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of RST I under the Capital Securities.

RST II

RST II is a trust that was organized in August 2005. In September 2005, RST II closed a pooled private offering of 10,000 Capital Securities with a liquidation amount of $1,000 per security. The proceeds of the offering were loaned to the Company in exchange for junior subordinated debentures with terms similar to the Capital Securities. The sole assets of RST II are the junior subordinated debentures and the back-up obligations, which in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of RST II under the Capital Securities.

Recent Developments

The Company returned to profitability during 2011 with net income of $1.7 million. This was a dramatic improvement from the loss of $15.6 million incurred for 2010. Our Banking subsidiary, State Bank, had net income of $4.8 million, while our technology subsidiary, RDSI, lost $1.4 million during 2011.

Improvements in problem assets continued to be a strong part of the Company's increase in profitability during 2011. At December 31, 2011, non-performing assets had declined $3.8 million from the prior year. The level of non-performing assets to total assets fell to 1.77 percent from 2.26 percent for the prior year. (The Company began to include accruing restructured loans in non-performing assets during 2011). Loan delinquency ended the year at 1.54 percent of total loans at December 31, 2011, versus 2.77 percent at December 31, 2010.

Mortgage loan production continued to be a significant part of our business model during 2011. For the year, the Company originated $220 million in residential loans. During the year, the Company sold $199 million of originated balances and had net mortgage banking revenue of $2.7 million.

Operating expense was reduced dramatically during 2011 as expenses at RDSI declined due to customer losses and goodwill impairment. State Bank made efforts to become more efficient with the reduction of 14 FTE.

4.

State Bank's loan loss provision totaled $2.0 million for 2011, which was down substantially from the $10.6 million incurred during 2010. The provision level for 2011 was just slightly below the $2.2 million of net charge-offs incurred during the year.

RDSI continued to recover during 2011 from the significant losses incurred during 2010. While RDSI still suffered a net loss in 2011 ($1.4 million), it was substantially improved from the $14.0 million loss incurred during 2010. The 2011 results include a goodwill impairment of $380,748, which reduced the RDSI goodwill and intangible value to zero. RDSI also incurred losses on assets that are no longer in use of $608,585.

Competition

State Bank experiences significant competition in attracting depositors and borrowers. Competition in lending activities comes principally from other commercial banks in the lending areas of State Bank, and to a lesser extent, from savings associations, insurance companies, governmental agencies, credit unions, securities brokerage firms and pension funds. The primary factors in competing for loans are interest rates charged and overall banking services.

State Bank's competition for deposits comes from other commercial banks, savings associations, money market funds and credit unions as well as from insurance companies and securities brokerage firms. The primary factors in competing for deposits are interest rates paid on deposits, account liquidity and convenience of office location.

RDSI and DCM also operate in a highly competitive field. RDSI and DCM compete primarily on the basis of the value and quality of their item processing services and convenience to their customers.

RFS operates in the highly competitive trust services field and its competition consists primarily of other bank trust departments.

Supervision and Regulation

The following is a description of the significant statutes and regulations applicable to the Company and its subsidiaries. The description is qualified in its entirety by reference to the full text of the statutes, regulations and policies that are described. Also, such statutes, regulations and policies are continually under review by the U.S. Congress and state legislatures and federal and state regulatory agencies. A change in statutes, regulations or regulatory policies applicable to the Company or its subsidiaries could have a material effect on our business.

Regulation of Bank Holding Companies and Their Subsidiaries in General

The Company is a bank holding company and, as such, is subject to regulation under the Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"). The Bank Holding Company Act requires the prior approval of the Federal Reserve Board before a bank holding company may acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank (unless the bank is already majority owned by the bank holding company), acquire all or substantially all of the assets of another bank or bank holding company, or merge or consolidate with any other bank holding company. Subject to certain exceptions, the Bank Holding Company Act also prohibits a bank holding company from acquiring 5% of the voting shares of any company that is not a bank and from engaging in any business other than banking or managing or controlling banks. The primary exception to this prohibition allows a bank holding company to own shares in any company the activities of which the Federal Reserve Board had determined, as of November 19, 1999, to be so closely related to banking as to be a proper incident thereto.

The Company is subject to the reporting requirements of, and examination and regulation by, the Federal Reserve Board. The Federal Reserve Board has extensive enforcement authority over bank holding companies, including, without limitation, the ability to assess civil money penalties, issue cease and desist or removal orders, and require that a bank holding company divest subsidiaries, including its subsidiary banks. In general, the Federal Reserve Board may initiate enforcement actions for violations of laws and regulations and for unsafe or unsound practices. A bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with extensions of credit and/or the provision of other property or services to a customer by the bank holding company or its subsidiaries.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to its subsidiary banks and to commit resources to support its subsidiary banks. Pursuant to this policy, the Federal Reserve Board may require a bank holding company to contribute additional capital to an undercapitalized subsidiary bank and may disapprove of the payment of dividends to shareholders if the Federal Reserve Board determines that the payment of such dividends would be an unsafe or unsound practice.

State Bank is a member of the Federal Reserve System, so its primary federal regulator is the Federal Reserve Board. The Federal Reserve Board issues regulations governing the operations of State Bank and examines State Bank. The Federal Reserve Board may initiate enforcement action against insured depository institutions and affiliated persons for violations of laws and regulations and for engaging in unsafe or unsound practices. The deposits of State Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") and are subject to the applicable provisions of the Federal Deposit Insurance Act.

As a state-chartered bank incorporated under Ohio law, State Bank is also subject to regulation, supervision and examination by the Ohio Division of Financial Institutions (the "Division"). The Division may initiate supervisory measures or formal enforcement actions against Ohio state-chartered banks and, if the grounds provided by law exist, the Division may place an Ohio bank in conservatorship or receivership. Whenever the Division considers it necessary or appropriate, the Division may also examine the affairs of any holding company or any affiliate or subsidiary of an Ohio bank.

Various requirements and restrictions under the laws of the United States and the State of Ohio affect the operations of State Bank, including requirements to maintain reserves against deposits, restrictions on the nature and amount of loans which may be made and the interest that may be charged thereon, restrictions relating to investments and other activities, limitations on credit exposure to correspondent banks, limitations on activities based on capital and surplus, limitations on payment of dividends, and limitations on branching. Various consumer laws and regulations also affect the operations of State Bank.

The Federal Home Loan Banks ("FHLBs") provide credit to their members in the form of advances. As a member of the FHLB of Cincinnati, State Bank must maintain certain minimum investments in the capital stock of the FHLB of

Cincinnati. State Bank was in compliance with these requirements at December 31, 2011.

6.

Dividends

On January 27, 2010, the Company announced that it had elected to suspend payment of quarterly cash dividends. There can be no assurance as to the amount of dividends which may be declared in future periods with respect to the common shares of the Company, since such dividends are subject to the discretion of the Company's Board of Directors, cash needs, general business conditions, dividends from the subsidiaries and applicable governmental regulations and policies.

The ability of the Company to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends that may be declared by its subsidiaries. State Bank may not pay dividends to the Company if, after paying such dividends, it would fail to meet the required minimum levels under the risk-based capital guidelines and the minimum leverage ratio requirements. State Bank must obtain the approval of the Federal Reserve Board and the Ohio Division of Financial Institutions if a dividend in any year would cause the total dividends for that year to exceed the sum of the current year's net profits and the retained net profits for the preceding two years, less required transfers to surplus. At December 31, 2011, State Bank had $2.2 million of excess earnings over the preceding three years.

Payment of dividends by State Bank may be restricted at any time at the discretion of the regulatory authorities, if they deem such dividends to constitute an unsafe and/or unsound banking practice. As of December 31, 2011 State Bank was required to obtain regulatory approval to pay dividends to the Company. In addition, the Company's deferral of interest on its trust preferred securities also prohibits payments of common stock dividends. These provisions could have the effect of limiting the Company's ability to pay dividends on its outstanding common shares. Moreover, the Federal Reserve Board expects the Company to serve as a source of strength to its subsidiary banks, which may require it to retain capital for further investment in the subsidiary, rather than for dividends to shareholders of the Company.

Transactions with Affiliates, Directors, Executive Officers and Shareholders

Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Board Regulation W restrict transactions by banks and their subsidiaries with their affiliates. Any company or entity that controls, is controlled by or is under common control with a bank is generally considered to be an affiliate of the bank.

In general, Sections 23A and 23B and Regulation W:

- limit the extent to which a bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of the bank's capital stock and surplus (i.e., tangible capital);

- limit the extent to which a bank or its subsidiaries may engage in “covered transactions” with all affiliates to 20% of the bank’s capital stock and surplus; and
- require that all covered transactions be on terms substantially the same, or at least as favorable to the bank or subsidiary, as those provided to nonaffiliated.

The term “covered transaction” includes the making of loans, purchase of assets, issuance of a guarantee and similar types of transactions.

A bank’s authority to extend credit to executive officers, directors and greater than 10% shareholders, as well as entities such persons control, is subject to Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O promulgated thereunder by the Federal Reserve Board. Among other things, these loans must be made on terms substantially the same as those offered to unaffiliated individuals (or be made under a benefit or compensation program and on terms widely available to employees) and must not involve a greater than normal risk of repayment. In addition, the amount of loans a bank may make to these persons is based, in part, on the bank’s capital position, and specified approval procedures must be followed in making loans which exceed specified amounts.

7.

Regulatory Capital

The Federal Reserve Board has adopted risk-based capital guidelines for bank holding companies and for state member banks, such as State Bank. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk weighted assets by assigning assets and off-balance-sheet items to broad risk categories. The minimum ratio of total capital to risk weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8%. Of that 8%, at least 4% must be comprised of common shareholders' equity (including retained earnings but excluding treasury stock), non-cumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, less goodwill and certain other intangible assets ("Tier 1 capital"). The remainder of total risk-based capital ("Tier 2 capital") may consist, among other things, of certain amounts of mandatory convertible debt securities, subordinated debt, preferred stock not qualifying as Tier 1 capital, allowance for loan and lease losses and net unrealized gains, after applicable taxes, on available-for-sale equity securities with readily determinable fair values, all subject to limitations established by the guidelines. Under the guidelines, capital is compared to the relative risk related to the balance sheet. To derive the risk included in the balance sheet, one of four risk weights (0%, 20%, 50%, and 100%) is applied to different balance sheet and off-balance sheet assets, primarily based on the relative credit risk of the counterparty. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Federal Reserve Board also imposes a minimum leverage ratio (Tier 1 capital to total assets) of 3% for bank holding companies and state member banks that meet certain specified conditions, including no operational, financial or supervisory deficiencies, and including having the highest regulatory rating. The minimum leverage ratio is 1%-2% higher for other bank holding companies and state member banks based on their particular circumstances and risk profiles and those experiencing or anticipating significant growth. Failure to meet applicable capital guidelines could subject a banking institution to a variety of enforcement remedies available to federal and state regulatory authorities, including the termination of deposit insurance by the FDIC.

The federal banking regulators have established regulations governing prompt corrective action to resolve capital deficient banks. The regulations establish five capital level categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Under these regulations, institutions which become undercapitalized can become subject to mandatory regulatory scrutiny and limitations, which increase as capital decreases. Such institutions may also be required to file capital plans with their primary federal regulator, and their holding companies may be required to guarantee the capital shortfall up to 5% of the assets of the capital deficient institution at the time it becomes undercapitalized.

The Company's management believes that the Company and State Bank, at year end 2011, satisfied all requirements to be deemed "well capitalized".

Federal Deposit Insurance Corporation ("FDIC")

The FDIC is an independent federal agency which insures the deposits of federally-insured banks and savings associations up to certain prescribed limits and safeguards the safety and soundness of financial institutions. State Bank's deposits are subject to the deposit insurance assessments of the FDIC. Under the FDIC's deposit insurance assessment system, the assessment rate for any insured institution may vary according to regulatory capital levels of the institution and other factors such as supervisory evaluations.

8.

The FDIC is authorized to prohibit any insured institution from engaging in any activity that poses a serious threat to the insurance fund and may initiate enforcement actions against a bank, after first giving the institution's primary regulatory authority an opportunity to take such action. The FDIC may also terminate the deposit insurance of any institution that has engaged in or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, order or condition imposed by the FDIC.

Monetary Policy and Economic Conditions

The commercial banking business is affected not only by general economic conditions, but also by the policies of various governmental regulatory authorities, including the Federal Reserve Board. The Federal Reserve Board regulates money and credit conditions and interest rates in order to influence general economic conditions primarily through open market operations in U.S. Government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. These policies and regulations significantly affect the overall growth and distribution of bank loans, investments and deposits, and the interest rates charged on loans as well as the interest rates paid on deposits and accounts.

Holding Company Activities

In November 1999, the Gramm-Leach-Bliley Act was enacted, permitting bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized under the Federal Deposit Insurance Corporation Act of 1991 prompt corrective action provisions, is well managed, and has at least a satisfactory rating under the Community Reinvestment Act by filing a declaration that the bank holding company wishes to become a financial holding company. No regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board.

The Gramm-Leach-Bliley Act defines “financial in nature” to include: (i) securities underwriting, dealing and market making; (ii) sponsoring mutual funds and investment companies; (iii) insurance underwriting and agency; (iv) merchant banking activities; and (v) activities that the Federal Reserve Board has determined to be closely related to banking.

The Company has not elected to become a financial holding company. The Company intends to continue to analyze the proposed advantages and disadvantages of becoming a financial holding company on a periodic basis.

SEC and NASDAQ Regulation

The Company is subject to the jurisdiction of the SEC and certain state securities authorities relating to the offering and sale of its securities. The Company is subject to the registration, reporting and other regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules adopted by the SEC under those acts. The Company’s common shares are listed on The NASDAQ Global Market under the symbol “RBNF”, and the Company is subject to the rules and regulations of The NASDAQ Stock Market, Inc. (“NASDAQ”) applicable to listed companies.

Sarbanes-Oxley Act of 2002 and Related Rules Affecting Corporate Governance

As mandated by the Sarbanes-Oxley Act of 2002 (“SOX”), the SEC has adopted rules and regulations governing, among other matters, corporate governance, auditing and accounting, executive compensation, and enhanced the timely disclosure of corporate information. The SEC has also approved corporate governance rules promulgated by NASDAQ. The Board of Directors of the Company has taken a series of actions to comply with the NASDAQ and SEC rules and to further strengthen its corporate governance practices. The Company has adopted and implemented a Code of Conduct and Ethics and a copy of that policy can be found on the Company’s website at www.rurbanfinancial.net by first clicking “Corporate Governance” and then “Code of Conduct”. The Company has also adopted charters of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee, which charters are available on the Company’s website at www.rurbanfinancial.net by first clicking “Corporate Governance” and then “Supplementary Info”.

USA Patriot Act

The Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “Patriot Act”) gives the United States Government greater powers over financial institutions to combat money laundering and terrorist access to the financial system in our country. The Patriot Act requires regulated financial institutions to establish programs for obtaining identifying information from customers seeking to open new accounts and establish enhanced due diligence policies, procedures and controls designed to detect and report suspicious activity.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) was enacted into law on July 21, 2010. The Dodd-Frank Act is significantly changing the regulation of financial institutions and the financial services industry. Because the Dodd-Frank Act requires various federal agencies to adopt a broad range of regulations with significant discretion, many of the details of the new law and the effects they will have on the Company will not be known for months and even years.

Among the provisions already implemented pursuant to the Dodd-Frank Act, the following provisions have or may have an effect on the business of the Corporation and its subsidiaries:

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- a new Consumer Financial Protection Bureau has been formed with broad powers to adopt and enforce consumer protection regulations;
- the federal law prohibiting the payment of interest on commercial demand deposit accounts was eliminated effective in July 2011;
- the standard maximum amount of deposit insurance per customer was permanently increased to $250,000 and non-interest-bearing transaction accounts have unlimited insurance through December 31, 2012;
- the assessment base for determining deposit insurance premiums has been expanded from domestic deposits to average assets minus average tangible equity; and
- public companies in all industries are or will be required to provide shareholders the opportunity to cast a non-binding advisory vote on executive compensation.

Additional provisions not yet implemented that may have an effect on the Company and its subsidiaries include the following:

- new capital regulations for bank holding companies will be adopted, which may impose stricter requirements, and any new trust preferred securities issued after May 19, 2010 will no longer constitute Tier I capital; and

10.

- new corporate governance requirements applicable generally to all public companies in all industries will require new compensation practices and disclosure requirements, including requiring companies to “claw back” incentive compensation under certain circumstances, to consider the independence of compensation advisors and to make additional disclosures in proxy statements with respect to compensation matters.

Many provisions of the Dodd-Frank Act have not yet been implemented and will require interpretation and rule making by federal regulators. As a result, the ultimate effect of the Dodd-Frank Act on the Company cannot yet be determined. However, it is likely that the implementation of these provisions will increase compliance costs and fees paid to regulators, along with possibly restricting the operations of the Company and its subsidiaries.

Effect of Environmental Regulation

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon the capital expenditures, earnings or competitive position of the Company and its subsidiaries. The Company believes that the nature of the operations of its subsidiaries has little, if any, environmental impact. The Company, therefore, anticipates no material capital expenditures for environmental control facilities for its current fiscal year or for the foreseeable future. The Company’s subsidiaries may be required to make capital expenditures for environmental control facilities related to properties which they may acquire through foreclosure proceedings in the future; however, the amount of such capital expenditures, if any, is not currently determinable.

Available Information

The Company will provide, without charge, to each shareholder, upon written request to Rurban Financial Corp., P.O. Box 467, Defiance, Ohio 43512, Attention: Linda Sickmiller, Investor Relations Department, a copy of the Company's Annual Report on Form 10-K, including the Financial Statements and Schedules thereto required to be filed with the SEC, for the Company's most recent fiscal year.

The Company maintains an Internet website at www.rurbanfinancial.net (this uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate the Company’s website into this Annual Report on Form 10-K). The Company makes available free of charge on or through its Internet website the Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as the Company’s definitive proxy statements filed pursuant to Section 14 of the Exchange Act, as soon as reasonably practicable after the Company electronically files such material with, or furnishes such material to, the SEC.

Item 1A.   Risk Factors

Cautionary Statement Regarding Forward-Looking Information

Certain statements contained in this Annual Report on Form 10-K, and in other statements that we make from time to time in filings by the Company with the SEC, in press releases, and in oral and written statements made by or with the approval of the Company which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include: (a) projections of income or expense, earnings per share, the payment or non-payment of dividends, capital structure and other financial items; (b) statements of plans and objectives of the Company or our Board of Directors or management, including those relating to products and services; (c) statements of future economic performance; (d) statements of future customer attraction or retention; and (d) statements of assumptions underlying these statements. These forward-looking statements include, but are not limited to, statements preceded by or that include the words or phrases “anticipates”, “believes”, “plans”, “intends”, “expects”, “projects”, “estimates”, “should”, “may”, “would be”, “will all result”, “will continue”, “will remain”, or similar expressions.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the “safe harbor” provisions of the Act.

Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those factors identified below. There is also the risk that the Company’s management or Board of Directors incorrectly analyzes these risks and forces, or that the strategies the Company develops to address them are unsuccessful.

Forward-looking statements speak only as of that date on which they are made. Except as may be required by law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made to reflect unanticipated events.

All forward-looking statements attributable to the Company or any person acting on our behalf are qualified in their entirety by the following cautionary statements.

Changes in economic conditions could adversely affect our earnings, as our borrowers’ ability to repay loans and the value of the collateral securing our loans decline.

Our success depends to a large extent upon local and national economic conditions, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, money supply and other factors beyond our control can adversely affect our asset quality, deposit levels and loan demand and, therefore, our earnings and our capital. Because we have a significant amount of real estate loans, additional decreases in real estate values could adversely affect the value of property used as collateral and our ability to sell the collateral upon foreclosure. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings and cash flows.

We continue to experience difficult economic conditions and high unemployment in our market areas, which has impaired the ability of our customers to make payments on their loans, and a significant continued decline in the economy in our market areas could have a materially adverse effect on our financial condition and results of operations. As a result of these economic conditions, the Company’s future earnings continue to be susceptible to further declining credit conditions in the markets in which we operate.

Our earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies.

The policies of the Federal Reserve Board impact us significantly. The Federal Reserve Board regulates the supply of money and credit in the United States. Its policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest-bearing deposits, and can also affect the value of financial instruments we hold. Those policies determine to a significant extent our cost of funds for lending and investing. Changes in those policies are beyond our control and are difficult to predict. Federal Reserve Board policies can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve Board could reduce the demand for a borrower’s products and services. This could adversely affect the borrower’s earnings and ability to repay its loan, which could have a material adverse effect on our financial condition and results of operations.

12.

Changes in interest rates could have a material adverse effect on our financial condition and results of operations.

Our earnings depend substantially on our interest spread, which is the difference between the rates we earn on loans, securities and other earning assets and the interest rates we pay on deposits and other borrowings. These rates will depend on many factors that are partly or entirely outside of our control, including general economic conditions and the policies of various governmental and regulatory authorities. While we have taken measures intended to manage the risks of operating in a changing rate environment, there can be no assurance that such measures will be effective in avoiding undue interest rate risk. As market interest rates rise, we will have competitive pressures to increase the rates we pay on deposits, which will result in a decrease in net interest income and could have a material adverse effect on our financial condition and results of operations.

If our actual loan losses exceed our allowance for loan losses, our net income will decrease.

Our loan customers may not repay their loans according to their terms, and the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which could have a material adverse effect on our operating results. In accordance with accounting principles generally accepted in the United States, we maintain an allowance for loan losses to provide for loan defaults and non-performance, which when combined, we refer to as the allowance for loan losses. Our allowance for loan losses may not be adequate to cover actual credit losses, and future provisions for credit losses could have a material adverse effect on our operating results. Our allowance for loan losses is based on prior experience, as well as an evaluation of the risks in the current portfolio. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond our control, and these losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review our loans and allowance for loan losses. We cannot assure you that we will not further increase the allowance for loan losses or that regulators will not require us to increase this allowance. Either of these occurrences could have a material adverse effect on our financial condition and results of operations.

RDSI may continue to experience net operating losses as a result of the loss of customers.

On March 9, 2011, Rurban Financial Corp. (“Rurban”) and its wholly-owned nonbank data services subsidiary, Rurbanc Data Services, Inc., dba RDSI Banking Systems (“RDSI”), entered into a Consent Order (the “Consent Order”) with the Federal Reserve Board that directs RDSI to take certain actions to strengthen its financial condition and operations. Rurban’s banking subsidiary, The State Bank and Trust Company, is not a party to the Consent Order.

The Consent Order specifies, among other conditions, that RDSI must strengthen board oversight of critical areas of operations, maintain appropriate capital levels, strengthen working capital management, and modify its strategic plan to improve earnings. While the Consent Order remains in effect, RDSI is prohibited from declaring or paying any dividends to Rurban without the prior approval of the Federal Reserve Board, and Rurban is prohibited from making any capital investments in or loans to RDSI without the prior approval of the Federal Reserve Board.

The existence of this consent order inhibits the ability of RDSI to secure new clients as well as to retain esisting clients.

13.

FDIC insurance premiums may increase materially, which could negatively affect our profitability.

The FDIC insures deposits at FDIC insured financial institutions, including State Bank. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund at a certain level. During 2008 and 2009, there were higher levels of bank failures which dramatically increased resolution costs of the FDIC and depleted the deposit insurance fund. The FDIC collected a special assessment in 2009 to replenish the Deposit Insurance Fund and also required a prepayment of an estimated amount of future deposit insurance premiums. If the costs of future bank failures increase, deposit insurance premiums may also increase.

Legislative or regulatory changes could adversely impact our businesses.

The financial services industry is extensively regulated. We are subject to state and federal regulation, supervision and legislation that govern almost all aspects of our operations. Laws and regulations may change from time to time and are primarily intended for the protection of consumers, depositors, federal deposit insurance funds and the banking system as a whole, and not to benefit our shareholders. The impact of any changes to laws and regulations or other actions by regulatory agencies may negatively impact us. In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most recently, the federal government has intervened on an unprecedented scale in responding to the stresses experienced in the global financial markets. Some of the laws enacted by Congress and regulations promulgated by the federal banking regulators subject us and other financial institutions to additional restrictions, oversight or costs that may have an impact on our business, results of operations or the price of our common shares.

The Dodd-Frank Act may adversely impact our results of operations and financial condition.

On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States. There are a number of reform provisions that are likely to significantly impact the ways in which banks and bank holding companies, including the Corporation and the Bank, do business. Many provisions of the Dodd-Frank Act will not be implemented immediately and will require interpretation and rule making by federal regulators. The Company is closely monitoring all relevant sections of the Dodd-Frank Act to ensure continued compliance with laws and regulations. While the ultimate effect of the Dodd-Frank Act on the Company and its subsidiaries cannot currently be determined, the law and its implemented rules and regulations are likely to result in increased compliance costs and fees paid to regulators, along with possible restrictions on the operations of the Company and it subsidiaries, all of which may have a material adverse affect on the Company’s operating results and financial condition.

We may be a defendant from time to time in a variety of litigation and other actions, which could have a material adverse effect on our financial condition and results of operations.

The Company and its subsidiaries may be involved from time to time in a variety of litigation arising out of our businesses. The risk of litigation increases in times of increased troubled loan collection activity. Our insurance may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation exceed our insurance coverage, they could have a material adverse effect on our financial condition and results of operations. In addition, we may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms, if at all.

Our success depends upon our ability to attract and retain key personnel.

Our success depends upon the continued service of our senior management team and upon our ability to attract and retain qualified financial services personnel. Competition for qualified employees is intense. We cannot assure you that we will be able to retain our existing key personnel or attract additional qualified personnel. If we lose the services of our key personnel, or are unable to attract additional qualified personnel, our business, financial condition and results of operations could be adversely affected.

We depend upon the accuracy and completeness of information about customers.

In deciding whether to extend credit or enter into other transactions with customers, we may rely on information provided to us by customers, including financial statements and other financial information. We may also rely on representations of customers as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, we may assume that the customer’s audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer, and we may also rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

Our ability to pay cash dividends is limited, and we may be unable to pay cash dividends in the future even if we elect to do so.

We are dependent primarily upon the earnings of our operating subsidiaries for funds to pay dividends on our common shares. The payment of dividends by us is also subject to regulatory restrictions. As a result, any payment of dividends in the future will be dependent, in large part, on our ability to satisfy these regulatory restrictions and our subsidiaries’ earnings, capital requirements, financial condition and other factors. In January 2010, the Company announced the suspension of quarterly cash dividends. There can be no assurance as to if or when the Company might be able to pay dividends again or as to the amount of any dividends which may be declared and paid to shareholders in future periods. Our continued failure to pay dividends on our common shares could have a material adverse effect on the market price of our common shares.

A limited trading market exists for our common shares which could lead to price volatility.

Your ability to sell or purchase our common shares depends upon the existence of an active trading market for our common shares. While our stock is quoted on the NASDAQ Global Market, it trades infrequently. As a result, you may be unable to sell or purchase our common shares at the volume, price and time you desire. The limited trading market for our common shares may cause fluctuations in the market value of our common shares to be exaggerated, leading to price volatility in excess of that which would occur in a more active trading market.

The preparation of our financial statements requires the use of estimates that may vary from actual results.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make significant estimates that affect the financial statements. Two of our most critical estimates are the level of the allowance for loan losses and the accounting for goodwill and other intangibles. Because of the inherent nature of these estimates, we cannot provide complete assurance that we will not be required to charge earnings for significant unexpected loan losses, nor that we will not recognize a material provision for impairment of our goodwill. For additional information regarding these critical estimates, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 33 of this Annual Report on Form 10-K.

Changes in accounting standards could impact our results of operations.

The accounting standard setters, including the Financial Accounting Standards Board, the SEC and other regulatory bodies, periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can be difficult to predict and can materially affect how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, which would result in the restatement of our financial statements for prior periods.

Our information systems may experience an interruption or security breach.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

We may elect or be compelled to seek additional capital in the future, but capital may not be available when it is needed.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support our business or to finance acquisitions, if any, or we may otherwise elect to raise additional capital. In that regard, a number of financial institutions have recently raised considerable amounts of capital as a result of deterioration in their results of operations and financial condition arising from the turmoil in the mortgage loan market, deteriorating economic conditions, declines in real estate values and other factors, which may diminish our ability to raise additional capital. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot be assured of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital if and when needed, it may have a material adverse effect on our financial condition, results of operations and prospects.

Item 1B. Unresolved Staff Comments

None

16.

Item 2. Properties.

The Company's principal executive offices are located at 401 Clinton Street, Defiance, Ohio. This facility is owned by State Bank, and a portion of the facility is leased to the Company. State Bank owns the land and buildings occupied by 18 of its banking centers and leases five other properties used as banking centers and office space from various parties on varying lease terms. There is no outstanding mortgage debt on any of the properties which the Company owns. Listed below are the banking centers, loan production offices and service facilities of the Company and their addresses, all of which are located in Allen, Defiance, Fulton, Franklin, Lucas, Paulding, Williams and Wood Counties of Ohio, and Allen and Steuben Counties of Indiana:

Main Banking Center & Corporate Offices	401 Clinton Street, Defiance, OH
Angola LPO	908 North Wayne Street, Suite A, Angola, IN
Bryan Banking Center	1419 West High Street, Bryan, OH
Chief Banking Center	705 Deatrick Street, Defiance, OH
Columbus LPO	109 South High, Dublin, OH
Delta Banking Center	312 Main Street, Delta, OH
Fort Wayne Banking Center	12832 Coldwater Road, Fort Wayne, IN
Luckey Banking Center	235 Main Street, Luckey, OH
Lyons Banking Center	133 East Morenci Street, Lyons, OH
Market Street Banking Center	930 West Market Street, Lima, OH
Montpelier Banking Center	1201 East Main Street, Montpelier, OH
Motor Bank Drive-thru	510 Third Street, Defiance, OH
Northtowne Banking Center	1600 North Clinton Street, Defiance, OH
Oakwood Banking Center	218 North First Street, Oakwood, OH
Paulding Banking Center	220 North Main Street, Paulding, OH
Perrysburg Banking Center	610 East South Boundary Street, Perrysburg, OH
Pioneer Banking Center	119 South State Street, Pioneer, OH
Sylvania Banking Center	6401 Monroe Street, Sylvania, OH
Walbridge Banking Center	311 Main Street, Walbridge, OH
Wauseon Banking Center	515 Parkview, Wauseon, OH
West Unity Banking Center	112 East Jackson Street, West Unity, OH

The State Bank and Trust Company has entered into an operating lease with Remax Reality for various office storage. RDSI leases office space located at 7622 St Rt. 66, Defiance, Ohio, office space located at 104 Depot Street, Archbold, Ohio and office space located at 105 East Holland Street, Archbold, Ohio. RDSI (DCM) leases office space located at 3101 Technology Blvd., Suite B, Lansing, Michigan.

Item 3. Legal Proceedings.

On January 18, 2011, the Company's subsidiary, RDSI, filed a lawsuit against New Core Holdings, Inc. ("New Core") in the Court of Common Pleas, Defiance County, Ohio (Case No. 11-CV-41125). RDSI's complaint alleges, among other things, that New Core breached its loan agreement, promissory notes, merger agreement and certain other agreements entered into between RDSI and New Core in connection with the previously planned merger of RDSI with New Core. RDSI's complaint seeks, among other things, recovery of an amount in excess of $3,260,000, plus costs and expenses, including attorneys' fees, an order directing the release of certain software collateral, and a declaration that RDSI has no obligation to advance any additional loans or pay any additional funds to New Core. New Core subsequently removed this lawsuit to the United States District Court for the Northern District of Ohio (Case No. 3:11cv366). New Core filed an answer to the complaint on October 14, 2011. On December 30, 2011, New Core filed an amended answer and counterclaims alleging that RDSI breached the merger agreement and certain other agreements and also breached its fiduciary duties to New Core. At this time, the Company is unable to predict the likelihood of RDSI's success on its claims, or the amount of any damages that may be awarded to RDSI or New Core in this lawsuit.

17.

In the ordinary course of our business, the Company and its subsidiaries are also parties to various legal actions which we believe are incidental to the operation of our business. Although the ultimate outcome and amount of liability, if any, with respect to these legal actions cannot presently be ascertained with certainty, in the opinion of management, based upon information currently available to us, any resulting liability is not likely to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not Applicable

Supplemental Item: Executive Officers of the Registrant.

The following table lists the names and ages of the executive officers of the Company as of March 30, 2012, the positions presently held by each executive officer and the business experience of each executive officer during the past five years. Unless otherwise indicated, each person has held his principal occupation(s) for more than five years.

Name	Age	Position(s) Held with the Company and its Subsidiaries and Principal Occupation(s)
Mark A. Klein	57	President, and Chief Executive Officer of the Company since January 2010; Director of the Company since February 2010; President and Chief Executive Officer of State Bank since January 2006; Director of State Bank since 2006; President of RDSI since October 2011; Member of RFS Investment Committee since March 2007. Senior Vice President Private Banking of Sky Bank, Toledo, Ohio from 2004 to January 2006; Vice President and Team Leader of Sky Bank, Toledo, Ohio from 2000 to 2004; Executive Vice President and Senior Lender of $450 million Sky Bank affiliate from 1994 to 1999; 12 year Member of Defiance City School Board of Education; Member of Defiance Area Foundation Board (non-profit); Member of Promedica-Defiance Regional Medical Center Foundation Board.
Anthony V. Cosentino	50	Executive Vice President and Chief Financial Officer of the Company and State Bank since March 2010; Chief Financial Officer of RDSI since October 2011; Member of RFS Investment Committee since 2010. Vice President for Financial Planning and Analysis at AmTrust Financial Corporation from June 2006 to December 2009. Chief Financial Officer of Fifth Third Bank of Northeastern Ohio, a subsidiary of Fifth Third Bancorp, from August 1994 to May 2006.
Jonathan R. Gathman	38	Executive Vice President and Senior Lending Officer of the Company since October 2005; Senior Vice President and Commercial Lending Manager from June 2005 through October 2005; Vice President and Commercial Lender from February 2003 through June 2005. Began working for The State Bank and Trust Company in May 1996.

Statistical Financial Information Regarding the Company

The following schedules and tables analyze certain elements of the consolidated balance sheets and statements of income of the Company and its subsidiaries, as required under Exchange Act Industry Guide 3 promulgated by the SEC, and should be read in conjunction with the narrative analysis presented in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements of the Company and its subsidiaries incorporated herein by reference from the Company's 2011 Annual Report.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

The following are the condensed average balance sheets for the years ending December 31 and the interest earned or paid on such amounts and the average interest rate thereon:

($in thousands)	2011 Average Balance	Interest	Average Rate	2010 Average Balance	Interest	Average Rate	2009 Average Balance	Interest	Average Rate
Assets:									
Securities									
Taxable	$97,528	$2,010	2.06 %	$86,961	$2,267	2.61 %	$89,092	$4,083	4.58 %
Non-taxable (1)	21,892	1,483	6.77 %	31,895	2,114	6.63 %	27,114	1,611	5.94 %
Federal funds sold	219	1	0.25 %	-	-	N/A	77	0	0.17 %
Loans, net (2)(3)	438,383	24,558	5.60 %	445,700	25,934	5.82 %	453,787	27,492	6.06 %
Total earning assets	558,022	28,052	5.03 %	564,556	30,315	5.37 %	570,070	33,186	5.82 %
Cash and due from banks	26,477			43,024			27,573		
Allowance for loan losses	(6,534)			(6,913)			(5,650)		
Premises and equipment	16,797			20,336			23,993		
Other assets	48,766			52,777			51,485		
Total assets	$643,528			$673,781			$667,470		
Liabilities									
Deposits									
Savings and interest-bearing demand deposits	$234,497	$368	0.16 %	$231,294	$622	0.27 %	$209,394	$780	0.37 %
Time deposits	217,546	3,614	1.66 %	215,668	4,501	2.09 %	226,275	5,747	2.54 %
Short-term borrowings	31,307	912	2.91 %	50,092	1,851	3.70 %	46,930	1,869	3.98 %
Advances from FHLB	15,674	402	2.57 %	28,313	1,094	3.86 %	38,571	1,625	4.21 %
Junior subordinated debentures	20,620	1,406	6.82 %	20,620	1,534	7.44 %	20,620	1,573	7.63 %
Other borrowed funds	3,085	96	3.12 %	-	-	N/A	-	-	N/A
Total interest-bearing liabilities	522,728	6,798	1.30 %	545,987	9,602	1.76 %	541,790	11,594	2.14 %
Demand deposits	64,239			62,821			53,857		

Other liabilities	9,526		7,693		8,246	
Total liabilities	596,493		616,500		603,894	
Shareholders' equity	47,035		57,281		63,576	
Total liabilities and shareholders' equity	$643,528		$673,781		$667,470	
Net interest income (tax equivalent basis)		$21,253		$20,713		$21,592
Net interest income as a percent of average interest-earning assets		3.81 %		3.67 %		3.79 %

(1) Security interest is computed on a tax equivalent basis using a 34% statutory tax rate. The tax equivalent adjustment was $504,000, $719,000 and $548,000 in 2011, 2010 and 2009, respectively.

(2) Nonaccruing loans and loans held for sale are included in the average balances.

(3) Loan interest is computed on a tax equivalent basis using a 34% statutory tax rate. The tax equivalent adjustment was $38,000, $32,000 and $47,000 in 2011, 2010 and 2009, respectively.

20.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

The following tables set forth the effect of volume and rate changes on interest income and expense for the periods indicated. For purposes of these tables, changes in interest due to volume and rate were determined as follows:

Volume Variance - change in volume multiplied by the previous year's rate.
Rate Variance - change in rate multiplied by the previous year's volume.
Rate/Volume Variance - change in volume multiplied by the change in rate. This variance was allocated to volume variance and rate variance in proportion to the relationship of the absolute dollar amount of the change in each.
Interest on non-taxable securities has been adjusted to a fully tax equivalent basis using a statutory tax rate of 34% in 2011, 2010 and 2009.

	Total Variance	Variance Attributable To	
	2011/2010	Volume	Rate
	(dollars in thousands)		
Interest income			
Securities			
Taxable	$(257)	$254	$(511)
Non-taxable	(631)	(677)	46
Federal funds sold	1	1	-
Loans, net of unearned income and deferred loan fees	(1,376)	(421)	(955)
	(2,263)	(843)	(1,420)
Interest expense			
Deposits			
Savings and interest-bearing demand deposits	(255)	8	(263)
Time deposits	(887)	39	(926)
Short-term borrowings	(939)	(600)	(339)
Advances from FHLB	(692)	(395)	(297)
Trust preferred securities	(128)	-	(128)
Other borrowed funds	96	96	-
	$(2,805)	$(852)	$(1,953)
Net interest income	$542	$9	$533

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

	Total Variance 2010/2009	Variance Attributable To Volume	Rate
	(dollars in thousands)		
Interest income			
Securities			
Taxable	$(1,816)	$(95)	$(1,721)
Non-taxable	503	304	199
Federal funds sold	-	-	-
Loans, net of unearned income and deferred loan fees	(1,558)	(484)	(1,074)
	(2,871)	(275)	(2,596)
Interest expense			
Deposits			
Savings and interest-bearing demand deposits	(158)	75	(233)
Time deposits	(1,246)	(259)	(987)
Short-term borrowings	(18)	122	(140)
Advances from FHLB	(531)	(405)	(126)
Trust preferred securities	(39)	-	(39)
Other borrowed funds	-	-	-
	$(1,992)	$(467)	$(1,525)
Net interest income	$(879)	$192	$(1,071)

22.

II. INVESTMENT PORTFOLIO

A. The book value of securities available for sale as of December 31 in each of the following years are summarized as follows:

Book Value of Securities

	2011	2010	2009
	(dollars in thousands)		
U.S. Treaury and government agencies	$25,424	$43,651	$12,944
State and political subdivisions	16,793	32,298	31,537
Mortgage-backed securities	67,698	54,628	52,246
Money Market Mutual Fund	2,040	2,162	8,333
Other securities	-	-	-
Marketable equity securities	23	23	23
Total	$111,978	$132,762	$105,083

B. The maturity distribution and weighted average interest rates of securities available for sale at December 31, 2011 are set forth in the table below. The weighted average interest rates are based on coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were purchased at a premium or discount:

	Maturing			
	Within One Year	After One Year but within Five Years	After Five Years but within Ten Years	After Ten Years
	(dollars in thousands)			
U.S. Treasury and government agencies	$12	$ 2,600	$ 8,834	$ 13,977
State and political subdivisions	372	1,938	1,861	12,622
Mortgage-backed securities	137	25	7,010	60,526
Total Securities with maturity	$520	$ 4,564	$ 17,705	$ 87,125
Weighted average yield by maturity (1)	4.87 %	2.58 %	2.08 %	2.66 %
Money Market Mutual Fund with no maturity	$2,040	-	-	-
Marketable equity securities with no maturity	23	-	-	-
Total Securities with no stated maturity	$2,063	$ -	$ -	$ -

Weighted average yield no maturity (1)	< 0.01 %	-	-	-

(1) Yields are not presented on a tax-equivalent basis. Money market funds represent the payments received on mortgage-backed securities or funds received from the maturity or calls of U.S Treasury, government agency and municipal securities. These funds are then reinvested back into these securities.

C. Excluding those holdings of the investment portfolio in U.S. Treasury securities and other agencies of the U.S. Government, there were no other securities of any one issuer which exceeded 10% of the shareholders' equity of the Company at December 31, 2011.

23.

III. LOAN PORTFOLIO

A. Types of Loans - Total loans on the balance sheet are comprised of the following classifications at December 31 for the years indicated:

Types of Loans

(dollars in thousands)	2011	2010	2009	2008	2007
Commercial business and agricultural	$116,473	$113,251	$126,128	$127,287	$126,418
Commercial real estate	187,829	177,890	179,909	161,566	126,784
Residential real estate mortgage	87,656	84,775	92,972	107,905	84,621
Consumer loans to individuals and other	50,596	51,904	53,876	53,605	51,688
Total	442,554	427,820	452,885	450,363	389,511
Residential Loans held for sale	5,238	9,055	16,858	3,824	1,650
Total Loans	$447,792	$436,599	$469,743	$454,187	$391,161

Concentrations of Credit Risk: The Company grants commercial, real estate and installment loans to customers mainly in Northwest Ohio. Commercial loans include loans collateralized by commercial real estate, business assets and, in the case of agricultural loans, crops and farm equipment and the loans are expected to be repaid from cash flow from operations of businesses. As of December 31, 2011, commercial business and agricultural loans made up approximately 26.3 percent of the loan portfolio while commercial real estate loans accounted for approximately 42.4 percent of the loan portfolio. As of December 31, 2011, residential first mortgage loans made up approximately 19.8 percent of the loan portfolio and are secured by first mortgages on residential real estate. As of December 31, 2011, consumer loans to individuals made up approximately 11.5 percent of the loan portfolio and are primarily secured by consumer assets.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates - The following table shows the amounts of commercial and agricultural loans outstanding as of December 31, 2011 which, based on remaining scheduled repayments of principal, are due in the periods indicated. Also, the amounts have been classified according to sensitivity to changes in interest rates for commercial and agricultural loans due after one year. (Variable-rate loans are those loans with floating or adjustable interest rates.)

Maturing (dollars in thousands)	Commercial Business and Agricultural	Commercial Real Estate
Within one year	$ 16,315	$ 15,707
After one year but within five years	38,740	53,161
After five years	61,418	118,961

Total commercial business, commercial real estate and agricultural loans	$ 116,473	$ 187,829

24.

III. **LOAN PORTFOLIO** (Continued)

	Interest Sensitivity	
	Fixed Rate	Variable Rate
	(dollars in thousands)	
Commercial Business and Agricultural		
Due after one year but within five years	$12,744	$25,996
Due after five years	7,536	53,882
Total	$20,280	$79,878
Commercial Real Estate		
Due after one year but within five years	15,583	37,578
Due after five years	18,208	100,753
Total	$33,791	$138,331
Commercial Business, Commercial Real Estate and Agricultural		
Due after one year but within five years	28,327	63,574
Due after five years	25,744	154,635
Total	$54,071	$218,209

C. Risk Elements

1. Non-accrual, Past Due, Restructured and Impaired Loans – The following schedule summarizes non-accrual, past due, restructured and impaired loans at December 31 in each of the following years.

Risk Elements

	2011	2010	2009	2008	2007
	(dollars in thousands)				
(a) Loans accounted for on a non-accrual basis	$6,900	$12,283	$18,543	$5,178	$5,990
(b) Accruing loans which are contractually past due 90 days or more as to interest or principal payments	-	-	-	-	-
(c) Loans not included in (a) which are "Troubled Debt					

Restructurings" as defined by Accounting Standards Codification 310-40	1,334	1,107	1,364	151	159
Total non-performing loans and troubled debt restructuring	$8,234	$13,390	$19,907	$5,329	$6,149
(d) Other loans defined as impaired	$2,668	$2,751	$3,597	$1,868	$593

	2011 ($ in thousands)
Cash basis interest income recognized on impaired loans outstanding at December 31, 2011	$ 235
Interest income actually recorded on impaired loans and included in net income for the period	233
2011 unrecorded interest income on non-accrual loans	348

25.

III. **LOAN PORTFOLIO** (Continued)

Management believes the allowance for loan losses at December 31, 2011 was adequate to absorb any losses on non-performing loans, as the allowance balance is maintained by management at a level considered adequate to cover losses that are probable based on past loss experience, general economic conditions, information about specific borrower situations, including their financial position and collateral values, and other factors and estimates which are subject to change over time.

1. Discussion of the Non-accrual Policy

The accrual of interest income is discontinued when the collection of a loan or interest, in whole or in part, is doubtful. When interest accruals are discontinued, interest income accrued in the current period is reversed. Loans which are past due 90 days or more as to interest or principal payments are considered for non-accrual status.

2. Potential Problem Loans

As of December 31, 2011, in addition to the $6,900,000 of non-performing loans reported under Item III.C.1. above (which amount includes all loans classified by management as doubtful or loss), there were approximately $7,367,000 in other outstanding loans where known information about possible credit problems of the borrowers caused management to have concerns as to the ability of such borrowers to comply with the present loan repayment terms (loans classified as substandard by management) and which may result in disclosure of such loans pursuant to Item III.C.1. at some future date. In regard to loans classified as substandard, management believes that such potential problem loans have been adequately evaluated in the allowance of loan losses.

3. Foreign Outstandings

None

4. Loan Concentrations

At December 31, 2011, loans outstanding related to agricultural operations or collateralized by agricultural real estate and equipment aggregated approximately $38,199,000, or 8.6 % of total loans.

D. Other Interest-Bearing Assets

There were no other interest-bearing assets as of December 31, 2011 which would be required to be disclosed under Item III.C.1 or Item III.C.2. if such assets were loans.

26.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. The following schedule presents an analysis of the allowance for loan losses, average loan data and related ratios for the years ended December 31:

Summary of Loan Loss Experience

	2011	2010	2009	2008	2007
	(dollars in thousands)				
Loans					
Loans outstanding at end of period	$442,554	$427,544	$452,558	$450,112	$389,269
Average loans outstanding during period	$431,965	$445,700	$453,787	$401,770	$381,453
Allowance for loan losses					
Balance at beginning of period	$6,715	$7,030	$5,020	$3,990	$3,717
Balance, of ALLL acquired in Exchange acquisition					
Balance, of ALLL acquired in Montpelier acquisition				1,104	
Loans charged-off:					
Commercial business and agricultural loans	(642)	(4,739)	(1,248)	(277)	(86)
Commercial real estate	(2,057)	(4,748)	(918)	(212)	(18)
Residential real estate mortgage	(248)	(1,210)	(1,218)	(172)	(81)
Consumer loans and other	(460)	(637)	(491)	(261)	(247)
	(3,407)	(11,334)	(3,875)	(922)	(432)
Recoveries of loans previously charged-off					
Commercial business and agricultural loans	468	193	50	67	72
Commercial real estate	32	171	14	24	13
Residential real estate mortgage	700	53	54	4	4
Consumer loans and other	27	14	29	63	95
	1,227	431	147	158	184
Net loans charged-off	(2,180)	(10,903)	(3,728)	(764)	(248)
Provision for loan losses	1,994	10,588	5,738	690	521
Balance at end of period	$6,529	$6,715	$7,030	$5,020	$3,990
Ratio of net charge-offs during the period to average loans outstanding during the period	0.49 %	2.45 %	0.84 %	0.19 %	0.07 %

The allowance for loan losses balance and the provision for loan losses are determined by management based upon periodic reviews of the loan portfolio. In addition, management considered the level of charge-offs on loans as well as the fluctuations of charge-offs and recoveries on loans in the factors which caused these changes. Estimating the risk of loss and the amount of loss is necessarily subjective. Accordingly, the allowance is maintained by management at a level considered adequate to cover losses that are currently anticipated based on past loss experience, economic conditions, information about specific borrower situations including their financial position and collateral values and other factors and estimates which are subject to change over time.

27.

IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)

B. The following schedule provides a breakdown of the allowance for loan losses allocated by type of loan and related ratios.

Allocation of the Allowance for Loan Losses

	Allowance Amount December 31, 2011	Percentage of Loans In Each Category to Total Loans		Allowance Amount December 31, 2010	Percentage of Loans In Each Category to Total Loans		Allowance Amount December 31, 2009	Percentage of Loans In Each Category to Total Loans		Allowance Amount December 31, 2008 (dollars in thousands)	Percentage of Loans In Each Category to Total Loans		Allowance Amount December 31, 2007	Percentage of Loans In Each Category to Total Loans	
Commercial and agricultural	$1,965	26.3	%	$1,739	26.5	%	$2,685	27.8	%	$2,304	28.2	%	$2,398	32.5	%
Commercial real estate	2,880	42.4	%	3,774	41.6	%	2,804	39.7	%	1,255	35.9	%	547	32.5	%
Residential first mortgage	956	19.8	%	643	19.8	%	717	20.5	%	884	24.0	%	590	21.7	%
Consumer loans and other	728	11.5	%	559	12.1	%	824	12.0	%	577	11.9	%	455	13.3	%
	$6,529	100.0	%	$6,715	100.0	%	$7,030	100.0	%	$5,020	100.0	%	$3,990	100.0	%

While management's periodic analysis of the adequacy of the allowance for loan losses may allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge-offs that occur.

V. DEPOSITS

The average amount of deposits and average rates paid are summarized as follows for the years ended December 31:

	2011 Average Amount (dollars in thousands)	2011 Average Rate		2010 Average Amount	2010 Average Rate		2009 Average Amount	2009 Average Rate	
Savings and interest-bearing demand deposits	$234,497	0.16	%	$231,294	0.27	%	$209,394	0.37	%
Time deposits	217,546	1.66	%	215,668	2.09	%	226,275	2.54	%

Demand deposits (non-interest-bearing)	64,239	-	62,821	-	53,857	-
	$516,282		$509,783		$489,526	

Maturities of time certificates of deposit and other time deposits of $100,000 or more outstanding at December 31, 2011 are summarized as follows:

	Amount (dollars in thousands)
Three months or less	$ 22,545
Over three months and through six months	13,441
Over six months and through twelve months	22,756
Over twelve months	41,119
Total	$ 99,861

28.

VI. RETURN ON EQUITY AND ASSETS

The ratio of net income to average shareholders' equity and average total assets and certain other ratios are as follows for periods ended December 31:

Return on Equity and Assets

	2011	2010	2009
	(dollars in thousands)		
Average total assets	$643,528	$673,781	$667,470
Average shareholders' equity	$47,035	$57,281	$63,576
Net income	$1,664	$(15,613)	$382
Cash dividends declared	$-	$-	$1,752
Return on average total assets	0.26 %	-2.32 %	0.06 %
Return on average shareholders' equity	3.54 %	-27.26 %	0.60 %
Dividend payout ratio (1)	-	-	458.64
Average shareholders' equity to average total assets	7.31 %	8.50 %	9.52 %

(1) Cash dividends declared divided by net income.

VII. SHORT-TERM BORROWINGS

The following information is reported for short-term borrowings for 2011, 2010 and 2009:

	2011	2010	2009
	(dollars in thousands)		
Amount outstanding at end of year	$18,779	$45,785	$52,043
Weighted average interest rate at end of year	1.47 %	3.28 %	3.28 %
Maximum amount outstanding at any month end	$50,239	$52,704	$52,704

Average amount outstanding during the year	$31,306	$45,553	$45,553
Weighted average interest rate during the year	2.91 %	3.81 %	3.81 %

29.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common shares are traded on the NASDAQ Global Market under the symbol "RBNF". There were approximately 1,520 holders of record of our common shares as of December 31, 2011.

The following table presents quarterly market price information and cash dividends paid per share for our common shares for 2011 and 2010:

	Market Price Range		Dividends
2011	High	Low	Paid
Quarter ended December 31, 2011	$ 3.26	$ 2.35	$ -
Quarter ended September 30, 2011	3.15	2.36	-
Quarter ended June 30, 2011	3.78	2.75	-
Quarter ended March 31, 2011	4.74	2.71	-
2010			
Quarter ended December 31, 2010	$ 4.10	$ 2.33	$ -
Quarter ended September 30, 2010	4.45	2.84	-
Quarter ended June 30, 2010	7.19	4.03	-
Quarter ended March 31, 2010	7.25	5.75	-

On January 27, 2010, the Company announced that it had elected to suspend payment of quarterly cash dividends. There can be no assurance as to the amount of dividends which may be declared in future periods with respect to the common shares of the Company, since such dividends are subject to the discretion of the Company's Board of Directors, cash needs, general business conditions, dividends from the subsidiaries and applicable governmental regulations and policies.

The ability of the Company to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends that may be declared by its subsidiaries. State Bank may not pay dividends to the Company if, after paying such dividends, it would fail to meet the required minimum levels under the risk-based capital guidelines and the minimum leverage ratio requirements. State Bank must obtain the approval of the Federal Reserve Board and the Ohio Division of Financial Institutions if a dividend in any year would cause the total dividends for that year to exceed the sum of the current year's net profits and the retained net profits for the preceding two years, less required transfers to surplus. At December 31, 2011, State Bank had $2.2 million of excess earnings over the preceding three years.

Payment of dividends by State Bank may be restricted at any time at the discretion of the regulatory authorities, if they deem such dividends to constitute an unsafe and/or unsound banking practice. As of December 31, 2011 State Bank was required to obtain regulatory approval to pay dividends to the Company. These provisions could have the effect of limiting the Company's ability to pay dividends on its outstanding common shares. Moreover, the Federal Reserve Board expects the Company to serve as a source of strength to its subsidiary banks, which may require it to retain capital for further investment in the subsidiary, rather than for dividends to shareholders of the Company.

Repurchases of Common Shares

On April 12, 2007, the Company announced that its Board of Directors had authorized a stock repurchase program pursuant to which the Company could repurchase up to 250,000 of its common shares from time to time over a period of fifteen months. On July 22, 2008, the Board of Directors extended the stock repurchase program for an additional twelve months, with no change in the number of authorized shares. On July 15, 2009, the Board of Directors extended the stock repurchase program for an additional fifteen months, with no change in the number of authorized shares. The Company repurchased a total of 165,654 common shares under the stock repurchase program, which expired on October 12, 2010. There were no common shares repurchased under the stock repurchase program during 2011.

Item 6. Selected Financial Data

SUMMARY OF SELECTED FINANCIAL DATA

FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share data)

Year Ended December 31

	2011	2010	2009	2008	2007
EARNINGS					
Interest income	$27,509	$29,564	$32,591	$32,669	$33,010
Interest expense	6,798	9,602	11,592	15,141	18,222
Net interest income	20,711	19,962	20,999	17,528	14,788
Provision for loan losses	1,994	10,588	5,738	690	521
Noninterest income	13,857	20,819	29,304	27,891	26,861
Noninterest expense	30,253	52,308	44,843	37,387	36,637
Provision (credit) for income taxes	658	(6,502)	(660)	2,125	1,234
Net income (loss)	1,664	(15,613)	382	5,217	3,257
PER SHARE DATA					
Basic earnings	$0.34	$(3.21)	$0.07	$1.06	$0.65
Diluted earnings	0.34	(3.21)	0.07	1.06	0.65
Cash dividends declared	-	-	0.36	0.34	0.26
AVERAGE BALANCES					
Average shareholders’ equity	$47,035	$57,281	$63,576	$59,964	$57,945
Average total assets	643,528	673,781	667,470	575,491	556,572
RATIOS					
Return on average shareholders' equity	3.54 %	-27.26 %	0.60 %	8.70 %	5.62 %
Return on average total assets	0.26	(2.32)	0.06	0.91	0.59
Cash dividend payout ratio (cash dividends divided by net income)	-	-	458.18	32.14	40.01
Average shareholders' equity to average total assets	7.31	8.50	9.52	10.42	10.41
PERIOD END TOTALS					
Total assets	$628,664	$660,288	$673,049	$657,619	$561,214

Total investments; fed funds sold	111,978	132,762	105,083	112,606	94,661
Total loans and leases	442,554	427,544	452,558	450,112	389,269
Loans held for sale	5,238	9,055	16,858	3,824	1,650
Allowance for loan losses	6,529	6,715	7,030	5,020	3,990
Total deposits	518,765	515,678	491,242	484,221	406,031
Notes Payable	2,788	3,290	2,147	1,000	922
Advances from FHLB	12,776	22,807	35,267	36,647	24,000
Trust Preferred Securities	20,620	20,620	20,620	20,620	20,620
Shareholders' equity	47,932	46,024	61,708	61,662	59,325
Shareholders' equity per share	$9.86	$9.47	$12.69	$12.63	$11.92

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Rurban Financial Corp. ("Rurban"), is a bank holding company registered with the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended. Through its direct and indirect subsidiaries, Rurban is engaged in commercial banking, computerized item processing, and trust and financial services.

The following discussion is intended to provide a review of the consolidated financial condition and results of operations of Rurban and its subsidiaries (collectively, the "Company"). This discussion should be read in conjunction with the Company's consolidated financial statements and related footnotes for the year ended December 31, 2011, which are incorporated herein by reference from the Company's 2011 Annual Report.

Critical Accounting Policies

The accounting and reporting policies of the Company are in accordance with generally accepted accounting principles in the United States and conform to general practices within the banking industry. The Company's significant accounting policies are described in detail in the notes to the Company's consolidated financial statements for the year ended December 31, 2011. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The Company's financial position and results of operations can be affected by these estimates and assumptions and are integral to the understanding of reported results. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Company's financial condition and results, and they require management to make estimates that are difficult, subjective or complex.

Allowance for Loan Losses - The allowance for loan losses provides coverage for probable losses inherent in the Company's loan portfolio. Management evaluates the adequacy of the allowance for loan losses each quarter based on changes, if any, in the nature and amount of problem assets and associated collateral, underwriting activities, loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, regulatory guidance and economic factors. This evaluation is inherently subjective, as it requires the use of significant management estimates. Many factors can affect management's estimates of specific and expected losses, including volatility of default probabilities, rating migrations, loss severity and economic and political conditions. The allowance is increased through provisions charged to operating earnings and reduced by net charge-offs.

The Company determines the amount of the allowance based on relative risk characteristics of the loan portfolio. The allowance recorded for commercial loans is based on reviews of individual credit relationships and an analysis of the migration of commercial loans and actual loss experience. The allowance recorded for homogeneous consumer loans is based on an analysis of loan mix, risk characteristics of the portfolio, fraud loss and bankruptcy experiences, and historical losses, adjusted for current trends, for each homogeneous category or group of loans. The allowance for credit losses relating to impaired loans is based on each impaired loan's observable market price, the collateral for certain collateral-dependent loans, or the discounted cash flows using the loan's effective interest rate.

Regardless of the extent of the Company's analysis of customer performance, portfolio trends or risk management processes, certain inherent, but undetected, losses are probable within the loan portfolio. This is due to several factors including inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions, the subjective nature of individual loan valuations, collateral assessments and the interpretation of economic trends. Volatility of economic or customer-specific conditions affecting the identification and estimation of losses for larger non-homogeneous credits and the sensitivity of assumptions utilized to establish allowances for homogenous groups of loans are also factors. The Company estimates a range of inherent losses related to the existence of these exposures. The estimates are based upon the Company's evaluation of imprecise risk associated with the commercial and consumer allowance levels and the estimated impact of the current economic environment.

Goodwill and Other Intangibles - The Company records all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangibles, at fair value as required. Goodwill is subject, at a minimum, to annual tests for impairment. Other intangible assets are amortized over their estimated useful lives using straight-line and accelerated methods, and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. The initial goodwill and other intangibles recorded and subsequent impairment analysis requires management to make subjective judgments concerning estimates of how the acquired asset will perform in the future. Events and factors that may significantly affect the estimates include, among others, customer attrition, changes in revenue growth trends, specific industry conditions and changes in competition.

New Accounting Pronouncements

ASU No. 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring.

In April 2011, FASB issued ASU No. 2011-02 due to concerns about whether additional guidance or clarification is needed to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist:

1) The restructuring constitutes a concession.
2) The debtor is experiencing financial difficulties.

The amendments in this update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption.

The Company adopted this standard effective July 1, 2011 retroactive to January 1, 2011. The effect of this adoption has had no impact on the financial results of the Company. These new disclosures are included in Note 4 – Loans and Allowance for Loan Losses.

ASU No. 2011-03, Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements (April 2011).

In April 2011, FASB issued ASU No. 2011-03 in order to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The transferor is deemed to have maintained effective control over the financial assets transferred (and thus must account for the transaction as a secured borrowing), for agreements that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity, if all of the following conditions are met:

1) The financial assets to be repurchased or redeemed are the same or substantially the same as those transferred.
2) The agreement is to repurchase or redeem them before maturity, at a fixed or determinable price.
3) The agreement is entered into contemporaneously with, or in contemplation of, the transfer.

The amendments in this update are effective for the first interim or annual period beginning on or after December 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. Management has determined there will be no material impact on Rurban’s Condensed Consolidated Financial Statements.

34.

ASU 2011-04, Fair Value Measurements and Disclosures (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.

The ASU amends Topic 820 to add both additional clarifications to existing fair value measurement and disclosure requirements and changes to existing principles and disclosure guidance. Clarifications were made to the relevancy of the highest and best use valuation concept, measurement of an instrument classified in an entity's shareholder's equity and disclosure of quantitative information about the unobservable inputs for level 3 fair value measurements. Changes to existing principles and disclosures included measurement of financial instruments managed within a portfolio, the application of premiums and discounts in fair value measurement, and additional disclosures related to fair value measurements. The updated guidance and requirements are effective for financial statements issued for the first interim or annual period beginning after December 15, 2011, and should be applied prospectively. Early adoption is permitted. Management does not believe the principle amendments will have a material impact on Rurban's Condensed Consolidated Financial Statements.

ASU 2011-05, Other Comprehensive Income (Topic 220): Presentation of Comprehensive Income.

The ASU amends Topic 220 to require an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. An entity is also required to present on the face of the financial statement reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. The amendments do not change items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, only the format for presentation. The updated guidance and requirements are effective for financial statements issued for the fiscal years, and the interim periods within those years, beginning after December 15, 2011. The amendments should be applied retrospectively. On October 21, 2011, the FASB exposed a proposed deferral of the requirement that companies present reclassification adjustments for each component of OCI in both net income and OCI on the face of the financial statements. Early adoption is permitted. Management is currently evaluating the impact of the guidance on Rurban's Condensed Consolidated Financial Statements.

ASC 2011-08 – Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment.

The ASU amends Topic 350 to permit an entity the option to first assess qualitative factors to determine whether it is more likely than not (50% threshold) that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. Management anticipates no material effect to Rurban’s Condensed Consolidated Financial Statements.

Earnings Summary

Net income for 2011 was $1,663,899, or $0.34 per diluted share, compared with net loss of $15,613,210, or $3.21 per diluted share, and net income of $382,491, or $0.07 per diluted share, reported for 2010 and 2009, respectively. Cash dividends per share were $0.00 in 2011, $0.00 in 2010, and $0.36 in 2009.

The 2011 earnings continue to reflect the impact of the economic downturn as problem asset costs remained above historical levels. Charge-offs for the year of $2.2 million resulted in loan loss provision of $2.0 million, which was well down from the $10.6 million in 2010. The State Bank reported net income for 2011 of $4.8 million, which is up significantly from the $123,922 in net income in 2010. RDSI reported a 2011 fiscal year net loss of $1.4 million, compared to net loss of $14.0 million reported for the 2010 fiscal year. Significantly affecting the 2011 results were the write-down of goodwill ($380,748) and impairment of assets ($608,585).

Positive results for 2011 include loan growth of $15.1 million, and organic deposit growth of $3.1 million. Both of these factors helped to maintain the net interest margin at 3.92 percent at State Bank, the same 3.92 percent State Bank held year-end 2010. The mortgage banking business line continues to grow, with residential real estate loan production of $220 million for the year, resulting in $3.6 million of revenue from gain on sale. The Company's loans serviced for others ended the year at $402 million.

Changes in Financial Condition

Total assets at December 31, 2011 were $628.7 million, compared to $660.3 million at December 31, 2010. The Company executed a significant deleveraging of the Balance Sheet during 2011, which resulted in a reduction in investment securities by $43 million and a reduction in long term borrowings by $32 million. Loans (excluding loans held for sale) were $442.6 million at December 31, 2011, compared to $427.5 million at December 31, 2010. Total deposits were $518.8 million at year-end 2011, compared to $515.7 million at December 31, 2010. Non-interest bearing deposits at December 31, 2011 were $66.0 million, compared to $62.7 million at December 31, 2010. Total shareholders' equity was $47.9 million at year-end 2011, up from $46.0 million from the prior year-end.

Balance Sheet DELEVERAGING

In a series of transactions completed during June of 2011, the Company completed a balance sheet deleveraging. The deleveraging involved selling $43 million of investment securities with a weighted average yield of 3.97 percent, recognizing a gain on sale totaling $1.9 million. The proceeds from the transaction were applied to the pay down of $32 million in borrowings with a weighted average rate of 4.64 percent. The prepayment penalty for the pay down of $30 million in repos and $2 million in FHLB advances was $1.1 million. This reduction in asset size had a positive impact on the majority of capital ratios as well as the tangible equity to asset ratio.

SMALL BUSINESS LENDING FUND (SBLF)

The Company applied for $21.5 million in capital from the Small Business Lending Fund (SBLF) in January of 2011. Subsequent to that application, changes were made to the program that prevented the Company's participation. The Company has no immediate plans to issue any of the preferred shares that were authorized by shareholders and contemplated to be issued as part of the SBLF application.

Significant Events of 2011

The Company returned to profitability during 2011 with net income of $1.7 million. This was a dramatic improvement from the loss of $15.6 million incurred for 2010. Our Banking subsidiary, State Bank, had net income of $4.8 million, while our technology subsidiary, RDSI, lost $1.4 million during 2011.

Improvements in problem assets continued to be a strong part of the Company's increase in profitability during 2011. At December 31, 2011, non-performing assets had declined $4.9 million from the prior year. The level of non-performing assets to total assets fell to 1.60 percent from 2.26 percent for the prior year. (The Company began to include accruing restructured loans in non-performing assets during 2011). Loan delinquency ended the year at 1.54 percent of total loans at December 31, 2011, versus 2.77 percent at December 31, 2010.

Mortgage loan production continued to be a significant part of our business model during 2011. For the year, the Company originated $220 million in residential loans. During the year, the Company sold $199 million of originated balances and had net mortgage banking revenue of $2.7 million.

Operating expense was reduced dramatically during 2011 as expenses at RDSI declined due to customer losses and goodwill impairment. State Bank made efforts to become more efficient with the reduction of 14 FTE.

The loan loss provision totaled $2.0 million for 2011, which was down substantially from the $10.6 million incurred during 2010. The provision level for 2011 was just slightly below the $2.2 million of net charge-offs incurred during the year.

RDSI continued to recover during 2011 from the significant losses incurred during 2010. While RDSI still suffered a net loss in 2011 ($1.4 million), it was substantially improved from the $14.0 million loss incurred during 2010. The 2011 results include a goodwill impairment of $380,748, which reduced the RDSI goodwill and intangible value to zero. RDSI also incurred impairments on assets that are no longer in use of $608,585.

Significant Events of 2010

State Bank aggressively managed down the level of problem assets throughout the year. At December 31, 2010, non-performing assets had declined $6.5 million from the prior year. The level of non-performing assets to total assets of 2.09 percent was down from 3.02 percent for the prior year. Loan delinquency trended downward from a high of 4.33 percent of total loans in February to 2.77 percent as of the end of December 2010.

Operating expense reductions were a critical part of State Bank's efforts during 2010, and included a branch closing, staff reductions and operating efficiencies throughout the organization.

Mortgage loan production was a key part of State Bank revenue growth in 2010. Total gain on sale from saleable loans, the majority of which was mortgage production, was $4.8 million during 2010, an increase of 43 percent over the 2009 revenue levels.

Loan loss provision was a significant drain on earnings during 2010. For the year, provision expense was $10.6 million to cover loan net charge-offs of $10.9 million, of which $3.0 million was at RDSI and $7.9 million was for State Bank. State Bank's loan loss allowance of 1.57 percent was up 7 basis points from the prior year. This allowance provided a coverage level for our non-performing loans of 55 percent.

On July 28, 2010, RDSI announced that the proposed strategic partnership and merger with New Core Holdings, Inc. could not be successfully completed as previously contemplated. As part of that announcement, RDSI incurred a significant write-off of hardware, software and development costs. That pretax write-off of $10.0 million drove the bulk of the net loss in 2010 at the Company.

On December 31, 2010, after an extensive review of the operation and projections at RDSI, the Company recorded impairments to goodwill and customer intangible held at RDSI. Goodwill was reduced by $4.7 million and the customer intangible was reduced by $1.6 million to reflect its fair value.

RESULTS OF OPERATIONS

(dollars in thousands except per share data)	Year Ended December 31, 2011	2010	% Change	Year Ended December 31, 2010	2009	% Change
Total Assets	$628,664	$660,288	-5 %	$660,288	$673,049	-2 %
Total Securities	111,978	132,762	-16 %	132,762	105,083	26 %
Loans Held for Sale	5,238	9,055	-42 %	9,055	16,858	-46 %
Loans (Net)	442,554	427,544	4 %	427,544	452,558	-6 %
Allowance for Loan Losses	6,529	6,715	-3 %	6,715	7,030	-4 %
Total Deposits	$518,765	$515,678	1 %	$515,678	$491,242	5 %
Total Revenues	$34,568	$40,781	-15 %	$40,781	$50,303	-19 %
Net Interest Income	20,711	19,962	4 %	19,962	20,999	-5 %
Loan Loss Provision	1,994	10,588	-81 %	10,588	5,738	85 %
Non-interest Income	13,857	20,819	-33 %	20,819	29,304	-29 %
Non-interest Expense	30,253	52,308	-42 %	52,308	44,843	17 %
Net Income (Loss)	1,664	(15,613)	*	(15,613)	382	*
Basic Earnings (Loss) per Share	$0.34	$(3.21)	*	$(3.21)	$0.07	*
Diluted Earnings (Loss) per Share	$0.34	$(3.21)	*	$(3.21)	$0.07	*

*Percentage comparison not meaningful

Net Interest Income

(dollars in thousands)	Year Ended December 31, 2011	2010	% Change	Year Ended December 31, 2010	2009	% Change
Net Interest Income	$ 20,711	$ 19,962	4 %	$ 19,962	$ 20,999	-5 %

Net interest income was $20.7 million for 2011 compared to $20.0 million for 2010, an increase of 3.8 percent, which was driven by higher loan volumes and the reduction of higher rate borrowings. Average earning assets decreased to $558.0 million in 2011 compared to $564.6 million in 2010, also due to loan volume. The consolidated 2011 full-year net interest margin increased 14 basis points to 3.81 percent compared to 3.67 percent at December 31, 2010.

Net interest income was $20.0 million for 2010 compared to $21.0 million for 2009, a decrease of 4.9 percent, which was driven mainly by lower loan volumes. Average earning assets declined to $564.6 million in 2010 compared to $570.1 million in 2009, also due to loan volume. The consolidated full-year net interest margin declined 12 basis points to 3.67 percent compared to 3.79 percent at December 31, 2009.

Loan Loss Provision

Provision for Loan Losses of $2.0 million was taken in 2011 compared to $10.6 million taken for 2010. The $8.6 million decrease was due to the lower level of charge-offs and the improvement in the Company's non-performing asset levels. For 2011, net charge-offs totaled $2.2 million, or 0.50 percent of average loans. Management continues to proactively identify problem loans and is developing strategies for removing these loans from non-performing status. State Bank anticipates that 2012 will show improvement from the current level of problem assets.

Provision for Loan Losses of $10.6 million was taken in 2010 compared to $5.7 million taken for 2009. The $4.9 million increase was due to the higher level of charge-offs driven by the continual weakening of the economy. For 2010, net charge-offs totaled $10.9 million, or 2.55 percent of average loans.

Non-interest Income

(dollars in thousands)	Year Ended December 31, 2011	2010	% Change		Year Ended December 31, 2010	2009	% Change	
Total Non-interest Income	$13,857	$20,819	-33	%	$20,819	$29,305	-29	%
Data Service Fees	$3,630	$9,736	-63	%	$9,736	$18,860	-48	%
Trust Fees	$2,616	$2,548	3	%	$2,548	$2,509	2	%
Deposit Service Fees	$2,531	$2,461	3	%	$2,461	$2,608	-6	%
Gains on Sale of Loans	$3,828	$4,801	-20	%	$4,801	$3,355	43	%
Mortgage Loan Servicing Fees, net	$(970)	$277	-451	%	$277	$84	229	%
Investment Securities Recoveries	$-	$74	N/A		$74	$-	N/A	
Gains on Sale of Securities	$1,871	$451	315	%	$451	$960	N/A	
Other	$350	$472	-26	%	$472	$1,013	-53	%

Total non-interest income was $13.9 million for 2011 compared to $20.8 million for 2010, representing a $7.0 million, or 33.4 percent, decrease year-over-year. This decrease was driven by a $6.1 million decline in data processing income as a result of the loss of clients by RDSI during 2010. The equity markets throughout 2011 held trust fees flat, which are generally calculated on invested balances. The decrease in gain on sale of loans and loan servicing fees was driven by mortgage banking. The Company originated $220 million in loan production during 2011, and sold $199 million into the secondary market. The sales of these loans allowed for the sold and serviced loan portfolio to grow from $328 million in 2010 to over $402 million at December 31, 2011. This portfolio provides a servicing fee annuity, which is expected to provide servicing revenue for the foreseeable future.

Total non-interest income was $20.8 million for 2010 compared to $29.3 million for 2009, representing an $8.5 million, or 29.0 percent, decrease year-over-year. This decrease was driven by a $9.1 million decline in data processing income as a result of the loss of data processing clients by RDSI during 2010. As of December 31, 2010, only one client bank (State Bank) remained as a data processing customer of RDSI. The equity markets throughout 2010 held trust fees flat, which are generally calculated on invested balances. The increase in gain on sale of loans and loan servicing fees was driven by mortgage banking. The Company originated $241 million in saleable loan production during 2010. The sales of these loans allowed for the sold and serviced loan portfolio to grow from $208 million in 2009 to over $328 million at December 31, 2010.

39.

Data Service Fees (“RDSI”)

(dollars in thousands)	Year Ended December 31, 2011	2010	% Change	Year Ended December 31, 2010	2009	% Change
Data Service Fees	$ 3,630	$ 9,736	-63 %	$ 9,736	$ 18,860	-48 %

Data service fees decreased $6.1 million, or 62.7 percent, to $3.6 million in 2011 from $9.7 million in 2010. During 2011, RDSI became exclusively an item processing and network services provider, as the decision was made in late 2011 that State Bank would become an in-house provider of data processing.

RDSI reported a 2011 fiscal year net loss of $994,868, compared to a $14.0 million net loss reported for the 2010 fiscal year. Significantly affecting our 2011 results were the continued decline in client revenues as well as an impairment expense for goodwill.

Data service fees decreased $9.1 million, or 48.4 percent, to $9.7 million in 2010 from $18.9 million in 2009. During 2010, RDSI’s data processing clients, utilizing the ITI software administered by RDSI, decreased from 77 to only one utilizing this software, State Bank. In late 2009, the decrease of clients began, accounting for the 6 percent revenue decline in the 2009 fiscal year.

RDSI reported a 2010 fiscal year net loss of $14.0 million, compared to $875 thousand reported for the 2009 fiscal year. Significantly affecting our 2010 results were the impairment expenses incurred due to RDSI’s unsuccessful merger with New Core Banking Systems, as well as the goodwill and other intangible impairment taken at RDSI.

Non-interest Expense

(dollars in thousands)	Year Ended December 31, 2011	2010	% Change	Year Ended December 31, 2010	2009	% Change
Total Non-interest Expense	$ 30,253	$ 52,308	-42 %	$ 52,308	$ 44,843	17 %
Salaries & Employee Benefits	$ 14,174	$ 17,932	-21 %	$ 17,932	$ 21,035	-15 %
Professional Fees	$ 1,920	$ 2,546	-25 %	$ 2,546	$ 2,891	-12 %
FDIC Insurance Expense	$ 908	$ 1,138	-20 %	$ 1,138	$ 1,132	1 %

Goodwill & Intangible Impairment	$381	$6,273	N/A	$6,273	$-	N/A	
Hardware & software Impairment	$609	$4,892	N/A	$4,892	$-	N/A	
All Other	$12,261	$19,527	-37 %	$19,527	$19,785	-1	%

Non-interest expense for 2011 decreased $22.1 million, or 42.2 percent over 2010. Excluding non-core items, non interest expense was down $10.2 million from the prior year. The Company made further declines in staffing levels for efficiency purposes and to reflect the commensurate declines in RDSI revenues. Total full-time equivalent headcount (FTE) ended 2011 at 210, which was down 32 from year end 2010. State Bank continued to have higher than normal expenses related to OREO and single family residential foreclosures during 2011. Total expense writedowns at RDSI for 2011 included a goodwill impairment of $380,748 and a fixed asset and software impairment charge of $608,585.

Non-interest expense for 2010 increased $7.5 million, or 16.7 percent over 2009. Impairment expenses at RDSI were $13.0 million, and when excluded, total non-interest expense was down 12.3 percent from the prior year. As RDSI clients declined, the Company made commensurate declines in expenses, mainly through a reduction in workforce, as decreased staff levels were required to service remaining clients. State Bank had significantly higher than normal expenses related to OREO and single family residential foreclosures during 2010. Total expense writedowns at RDSI for 2010 included software, hardware and other developmental costs due to Single Source™ ($6.7 million), a goodwill impairment ($4.7 million) and customer intangible impairment ($1.6 million).

40.

FINANCIAL CONDITION

Investments

During 2011, the Company decreased its level of available for sale securities by nearly $20.8 million and ended the year at $112.0 million. This decrease was the result of a significant deleveraging transaction that was completed in June of 2011. The decreased levels of investments impacted the Company's net interest margin as investment yields were lower than potential loan yields.

Loans

($ in thousands)	Total Loans		Non-Accrual Loans		Non-Accrual Percentage	
	2011	2010	2011	2010	2011	2010
Commercial	$78,112	$72,489	2,393	3,032	3.06%	4.18%
Commercial real estate	187,829	177,890	1,456	5,428	0.78%	3.05%
Agricultural	38,361	40,762	-	-	0.00%	0.00%
Residential real estate	87,656	84,775	2,471	3,285	2.82%	3.87%
Consumer	50,681	51,710	580	538	1.14%	1.04%
Leasing	216	194	-	-	0.00%	0.00%
Total loans	442,855	427,820	6,900	12,283	1.56%	2.87%
Less						
Net deferred loan fees, premiums and discounts	(301)	(276)				
Loans, net of unearned income	442,554	427,544				
Allowance for loan losses	$(6,529)	$(6,715)				

Loans increased $15.0 million to $442.6 million at December 31, 2011. Loan volume increased in most categories, except for agricultural loans. State Bank continued to aggressively move out a number of problem credits during the year. Loans held for sale decreased $3.8 million as sold mortgage loans increased and pipeline length decreased during the year.

Loans decreased $25.1 million to $427.5 million at December 31, 2010. Loan volume declined in most categories, except for residential loans. Loans held for sale decreased by nearly $8 million, as the bank reduced the level of residential loans in process.

41.

Asset Quality

(dollars in thousands)	12/31/2011	12/31/2010	Change in Dollars / Percentages	12/31/2009	Change in Dollars / Percentages
Non-accruing loans	$ 6,900	$ 12,283	$ (5,383)	$ 18,543	$ (6,260.0)
Accruing restructured loans	$ 1,334	$ 1,107	$ 227	$ 1,693	$ (585.6)
OREO & Repossessed assets	$ 1,830	$ 1,538	$ 292	$ 1,775	$ (237.0)
Non-performing assets	$ 10,064	$ 14,928	$ (4,864)	$ 22,011	$ (7,082.6)
Non-performing assets/total assets	1.60 %	2.26 %	-0.66 %	3.27 %	-1.01 %
Net charge-offs	$ 2,180	$ 10,901	$ (8,721)	$ 3,826	$ 7,075
Net charge-offs/total loans	0.49 %	2.55 %	-2.06 %	0.85 %	1.70 %
Loan loss provision	$ 1,994	$ 10,588	$ (8,594)	$ 5,738	$ 4,850
Allowance for loan losses	$ 6,529	$ 6,715	$ (186)	$ 7,030	$ (315)
Allowance/loans	1.48 %	1.57 %	-0.10 %	1.55 %	0.02 %
Allowance/non-accruing loans	94.6 %	54.7 %	40.0 %	37.9 %	16.8 %
Allowance/non-performing assets	64.9 %	45.0 %	19.9 %	31.9 %	13.0 %

Non-performing assets (loans + OREO *(Other Real Estate Owned)* + OAO *(Other Assets Owned)+ accruing TDR's*) were $10.0 million, or 1.60 percent, of total assets at December 31, 2011, a decrease of $4.9 million from 2010. Charge-offs were also down significantly during 2011 at $2.2 million, which was an $8.7 million improvement over 2010. Our loan loss allowance now covers our non-accruing loans at 82 percent, up from 55 percent at December 31, 2010.

CAPITAL RESOURCES

Stockholders' equity at December 31, 2011, was $47.9 million, equivalent to 7.6 percent of total assets. The total consolidated risk-based capital ratio was 11.4 percent at December 31, 2011. Total consolidated regulatory (risk-based) capital was $52.0 million at December 31, 2011, and $48.4 million at December 31, 2010. Capital ratios for the Company's banking subsidiary, State Bank, were 8.0 percent for the Tier 1 leverage ratio and 12.0 percent for the risk-based capital ratio at December 31, 2011.

Goodwill and Intangibles

The Company completed the most recent annual goodwill impairment test as of December 31, 2011. The first step impairment test compares the fair value of the reporting units with the carrying values, including goodwill. The reporting units are State Bank and RDSI. At December 31, 2011, State Bank passed step one, which resulted in no impairment. RDSI failed the step one test, which resulted in an impairment of goodwill in the amount of $380,748, which removed all remaining goodwill from RDSI. At December 31, 2010, both goodwill and customer intangible were impaired at RDSI. These impairments were substantial, resulting in write-downs of $6.3 million for 2010.

The fair value testing of goodwill and intangibles was conducted pursuant to ASC Topic 350 and utilized company prepared projections of cash flows, historical financial results and market based comparisons. These inputs were used to evaluate the expected future cash flows of the businesses and those results determined the fair value of the goodwill and intangibles.

Planned Purchases of Premises and Equipment

Management plans to purchase additional premises and equipment to meet the current and future needs of the Company’s customers. These purchases, including buildings and improvements and furniture and equipment (which includes computer hardware, software, office furniture and license agreements), are currently expected to total approximately $471 thousand for State Bank and $0 for RDSI, over the next year. These purchases are expected to be funded by cash on hand and from cash generated from current operations.

LIQUIDITY

Liquidity relates primarily to the Company's ability to fund loan demand, meet deposit customers' withdrawal requirements and provide for operating expenses. Sources used to satisfy these needs consist of cash and due from banks, interest bearing deposits in other financial institutions, securities available for sale, loans held for sale, and borrowings from various sources. The assets, excluding the borrowings, are commonly referred to as liquid assets. Liquid assets were $132.1 million at December 31, 2011 compared to $172.2 million at December 31, 2010. During 2011, the Company continued to utilize strategies that would move the balance sheet to a more asset-sensitive position.

The Company's commercial real estate, first mortgage residential and multi-family mortgage portfolio of $264.7 million at December 31, 2011 can and has been readily used to collateralize borrowings, which is an additional source of liquidity. Management believes the Company's current liquidity level, without these borrowings, is sufficient to meet its current and anticipated liquidity needs. At December 31, 2011, all eligible commercial real estate, residential first, and multi-family mortgage loans were pledged under an FHLB blanket lien.

The cash flow statements provide an indication of the Company's sources and uses of cash as well as an indication of the ability of the Company to maintain an adequate level of liquidity. A discussion of the cash flow statements for 2011, 2010, and 2009 follows.

The Company experienced positive cash flows from operating activities in 2011, positive cash flows from operating activities in 2010, and negative cash flows from operating activities in 2009. Net cash from operating activities was $14.9 million, $16.9 million and ($7.2) million for the years ended December 31, 2011, 2010 and 2009, respectively. Significant non-cash items from operations for 2011 included OMSR impairment ($1.1 million), goodwill impairment ($0.39 million) and OREO impairments ($214 thousand). Net cash flows from loans originated and held for sale were a positive $6.2 million.

The Company experienced positive cash flows from investing activities in 2011, negative cash flows from investing activities in 2010, and negative cash flows from investing activities in 2009. Net cash from investing activities was $4.0 million, ($18.1) million, and ($9.5) million for the years ended December 31, 2011, 2010, and 2009, respectively. The changes in net cash from investing for 2011 include the purchase of available-for-sale securities of $52.2 million, net change in loans of negative $19.7 million and the purchase of premises and equipment of $0.68 million. The changes in net cash from investing activities for 2010 include the purchase of available-for-sale securities of $76.6 million, net change in loans of $11.1 million and the purchase of premises and equipment of $2.1 million. The changes in net cash from investing activities for 2009 include the purchase of available-for-sale securities of $67.9 million, net change in loans of $7.7 million and the purchase of premises and equipment of $3.4 million. In 2011, 2010 and 2009 the Company received $44.3 million, $10.0 million and $27.1 million, respectively, from sales of securities available for sale, while proceeds from repayments, maturities and calls of securities were $29.2 million, $37.7 million and $40.8 million in 2011, 2010 and 2009, respectively.

The Company experienced negative cash flows from financing activities in 2011, positive cash flows from financing activities in 2010, and positive cash flows from financing activities in 2009. Net cash from financing activities was ($34.5) million, $6.9 million, and $13.5 million for the years ended December 31, 2011, 2010, and 2009, respectively. Significant financing activity during 2011 included net FHLB activity of ($10.0) million. Finally, $3.1 million, $24.5 million and $7.0 million of the change is attributable to the change in deposits for 2011, 2010 and 2009, respectively.

Off-Balance-Sheet Borrowing Arrangements:

Significant additional off-balance-sheet liquidity is available in the form of FHLB advances, unused federal funds lines from correspondent banks and the national certificate of deposit market. Management expects the risk of changes in off-balance-sheet arrangements to be immaterial to earnings.

The Company's commercial real estate, first mortgage residential, and multi-family mortgage portfolios of $262.7 million have been pledged to meet collateralization requirements as of December 31, 2011. Based on the current collateralization requirements of the FHLB, approximately $22.4 million of additional borrowing capacity existed at December 31, 2011.

At December 31, 2011 and 2010, the Company had $11.5 million in federal funds lines available. The Company also had $36.0 million in unpledged securities that may be used to pledge for additional borrowings.

At December 31, 2011, Rurban Financial Corp., the bank holding company, had a $1.5 million term note which had been converted from a $2.0 million line of credit (LOC) at December 31, 2010. The balance at December 31, 2011 and 2010 was $1.5 million and $1.7 million, respectively.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

	Payment due by period				
Contractual Obligations	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-Term Debt Obligations	$12,775,866	$275,866	$10,000,000	$2,500,000	$-
Other Debt Obligations	23,408,123	2,038,123	750,000	-	20,620,000
Operating Lease Obligations	1,270,425	323,711	526,302	134,579	285,833
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP	221,447,059	118,906,795	75,696,380	24,702,579	2,141,305
Total	$258,901,472	$121,544,494	$86,972,682	$27,337,158	$23,047,138

The Company's contractual obligations as of December 31, 2011 were comprised of long-term debt obligations, other debt obligations, operating lease obligations and other long-term liabilities. Long-term debt obligations are comprised of FHLB advances of $12.8 million. Other debt obligations are comprised of trust preferred securities of $20.6 million and notes payable of $2.8 million. The operating lease obligation is a lease on the RDSI-North building of $162,000 per year and the DCM-Lansing facility of $104,600 per year. Other long-term liabilities include time deposits of $221.4 million.

ASSET LIABILITY MANAGEMENT

Asset liability management involves developing, executing and monitoring strategies to maintain appropriate liquidity, maximize net interest income and minimize the impact that significant fluctuations in market interest rates would have on current and future earnings. The business of the Company and the composition of its balance sheet consist of investments in interest-earning assets (primarily loans, mortgage-backed securities, and securities available for sale) which are primarily funded by interest-bearing liabilities (deposits and borrowings). With the exception of specific loans which are originated and held for sale, all of the financial instruments of the Company are for other than trading purposes. All of the Company’s transactions are denominated in U.S. dollars with no specific foreign exchange exposure. In addition, the Company has limited exposure to commodity prices related to agricultural loans. The impact of changes in foreign exchange rates and commodity prices on interest rates are assumed to be insignificant. The Company’s financial instruments have varying levels of sensitivity to changes in market interest rates resulting in market risk. Interest rate risk is the Company’s primary market risk exposure; to a lesser extent, liquidity risk also impacts market risk exposure.

Interest rate risk is the exposure of a banking institution's financial condition to adverse movements in interest rates. Accepting this risk can be an important source of profitability and shareholder value; however, excessive levels of interest rate risk could pose a significant threat to the Company's earnings and capital base. Accordingly, effective risk management that maintains interest rate risks at prudent levels is essential to the Company's safety and soundness.

Evaluating a financial institution's exposure to changes in interest rates includes assessing both the adequacy of the management process used to control interest rate risk and the organization's quantitative level of exposure. When assessing the interest rate risk management process, the Company seeks to ensure that appropriate policies, procedures, management information systems and internal controls are in place to maintain interest rate risks at prudent levels of consistency and continuity. Evaluating the quantitative level of interest rate risk exposure requires the Company to assess the existing and potential future effects of changes in interest rates on its consolidated financial condition, including capital adequacy, earnings, liquidity and asset quality (when appropriate).

The Federal Reserve Board together with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Company adopted a Joint Agency Policy Statement on interest rate risk effective June 26, 1996. The policy statement provides guidance to examiners and bankers on sound practices for managing interest rate risk, which will form the basis for ongoing evaluation of the adequacy of interest rate risk management at supervised institutions. The policy statement also outlines fundamental elements of sound management that have been identified in prior Federal Reserve guidance and discusses the importance of these elements in the context of managing interest rate risk. Specifically, the guidance emphasizes the need for active board of director and senior management oversight and a comprehensive risk management process that effectively identifies, measures and controls interest rate risk.

Financial institutions derive their income primarily from the excess of interest collected over interest paid. The rates of interest an institution earns on its assets and owes on its liabilities generally are established contractually for a period of time. Since market interest rates change over time, an institution is exposed to lower profit margins (or losses) if it cannot adapt to interest rate changes. For example, assume that an institution's assets carry intermediate or long-term fixed rates and that those assets are funded with short-term liabilities. If market interest rates rise by the time the short-term liabilities must be refinanced, the increase in the institution's interest expense on its liabilities may not be sufficiently offset if assets continue to earn at the long-term fixed rates. Accordingly, an institution's profits could decrease on existing assets because the institution will either have lower net interest income or possibly, net interest expense. Similar risks exist when assets are subject to contractual interest rate ceilings, or rate-sensitive assets are funded by longer-term, fixed-rate liabilities in a declining rate environment.

There are several ways an institution can manage interest rate risk including: 1) matching repricing periods for new assets and liabilities, for example, by shortening or lengthening terms of new loans, investments, or liabilities; 2) selling existing assets or repaying certain liabilities; and 3) hedging existing assets, liabilities, or anticipated transactions. An institution might also invest in more complex financial instruments intended to hedge or otherwise change interest rate risk. Interest rate swaps, futures contracts, options on futures contracts, and other such derivative financial instruments can be used for this purpose. Because these instruments are sensitive to interest rate changes, they require management's expertise to be effective. The Company has not purchased derivative financial instruments in the past but may purchase such instruments in the future if market conditions are favorable.

45.

Quantitative Market Risk Disclosure. The following table provides information about the Company’s financial instruments used for purposes other than trading that are sensitive to changes in interest rates as of December 31, 2011. The table does not present when these items may actually reprice. For loans receivable, securities, and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities as well as the historical impact of interest rate fluctuations on the prepayment of loans and mortgage backed securities. For core deposits (demand deposits, interest-bearing checking, savings, and money market deposits) that have no contractual maturity, the table presents principal cash flows and applicable related weighted-average interest rates based upon the Company’s historical experience, management’s judgment and statistical analysis, as applicable, concerning their most likely withdrawal behaviors. The current historical interest rates for core deposits have been assumed to apply for future periods in this table as the actual interest rates that will need to be paid to maintain these deposits are not currently known. Weighted average variable rates are based upon contractual rates existing at the reporting date.

Principal/Notional Amount Maturing or Assumed to be Withdrawn In:

(Dollars in thousands)

	2012		2013		2014		2015		2016		Thereafter		Total	
Rate Sensitive Assets														
Variable Rate Loans	$54,975		$12,139		$7,138		$6,368		$3,696		$13,537		$97,853	
Average interest rate	4.17	%	3.97	%	3.93	%	3.88	%	3.98	%	3.63	%	4.03	%
Adjustable Rate Loans	$38,688		$31,487		$27,714		$21,079		$17,751		$80,364		$217,083	
Average interest rate	5.01	%	5.06	%	5.07	%	5.09	%	5.08	%	5.25	%	5.13	%
Fixed Rate Loans	$48,967		$21,593		$17,548		$9,789		$9,611		$25,347		$132,857	
Average interest rate	5.40	%	5.63	%	5.50	%	5.42	%	5.36	%	4.82	%	5.34	%
Total Loans	$142,630		$65,219		$52,400		$37,236		$31,058		$119,248		$447,792	
Average interest rate	4.82	%	5.05	%	5.06	%	4.97	%	5.03	%	4.97	%	4.95	%
Fixed rate investment securities	$20,363		$16,159		$10,109		$8,666		$7,258		$43,336		$105,891	
Average interest rate	2.54	%	1.88	%	1.99	%	2.14	%	2.19	%	2.51	%	2.32	%
Variable rate investment securities	$3,423		$1,315		$1,332		$1,344		$820		$1,538		$9,772	
Average interest rate	0.94	%	2.33	%	2.34	%	2.34	%	2.32	%	2.31	%	1.84	%
Fed Funds Sold & Other	$-		$-		$-		$-		$-		$-		$-	
Average interest rate	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%
Total Rate Sensitive Assets	$166,416		$82,693		$63,841		$47,246		$39,136		$164,122		$563,455	
Average interest rate	4.46	%	4.39	%	4.51	%	4.38	%	4.45	%	4.30	%	4.40	%
Rate Sensitive Liabilities														
Demand - Non Interest Bearing	$13,220		$13,219		$13,219		$13,219		$13,086		$-		$65,963	
Demand - Interest Bearing	$21,532		$21,532		$21,532		$21,532		$21,318		$-		$107,446	
Average interest rate	0.08	%	0.08	%	0.08	%	0.08	%	0.08	%	0.00	%	0.08	%
Money Market Accounts	$14,879		$14,879		$14,879		$14,879		$14,728		$-		$74,244	
Average interest rate	0.20	%	0.20	%	0.20	%	0.20	%	0.20	%	0.00	%	0.20	%
Savings	$10,138		$9,907		$9,907		$9,907		$9,806		$-		$49,665	
Average interest rate	0.06	%	0.06	%	0.06	%	0.06	%	0.06	%	0.00	%	0.06	%
Certificates of Deposit	$118,936		$43,893		$31,825		$14,334		$10,268		$2,191		$221,447	
Average interest rate	1.25	%	1.52	%	1.75	%	2.72	%	1.90	%	3.62	%	1.52	%
Fixed rate FHLB Advances	$276		$1,500		$8,500		$-		$2,500		$-		$12,776	
Average interest rate	3.26	%	2.84	%	2.37	%	0.00	%	1.99	%	0.00	%	2.37	%
Variable rate FHLB Advances	$-		$-		$-		$-		$-		$-		$-	
Average interest rate	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%
Fixed rate Notes Payable	$1,288		$-		$-		$-		$-		$10,310		$11,598	
Average interest rate	6.50	%	0.00	%	0.00	%	0.00	%	0.00	%	10.60	%	10.14	%
Variable rate Notes Payable	$750		$750		$-		$-		$-		$10,310		$11,810	
Average interest rate	6.00	%	6.00	%	0.00	%	0.00	%	0.00	%	2.35	%	2.81	%
	$18,779		$-		$-		$-		$-		$-		$18,779	

Fed Funds Purchased, Repos & Other														
Average interest rate	1.47	%	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%	1.47	%
Total Rate Sensitive Liabilities	$199,798		$105,680		$99,862		$73,871		$71,706		$22,811		$573,728	
Average interest rate	0.98	%	0.76	%	0.81	%	0.60	%	0.42	%	6.20	%	1.00	%

47.

Principal/Notional Amount Maturing or Assumed to be Withdrawn In:

(Dollars in thousands)

Comparison of 2011 to 2010	First Year	Years 2 - 5	Thereafter	Total
Total Rate Sensitive Assets:				
At December 31, 2011	$166,416	$232,916	$164,122	$563,455
At December 31, 2010	167,818	207,206	198,085	573,109
Increase (decrease)	$(1,401)	$25,710	$(33,962)	$(9,653)
Total Rate Sensitive Liabilities:				
At December 31, 2011	$199,798	$351,119	$22,811	$573,728
At December 31, 2010	209,256	375,960	22,964	608,180
Increase (decrease)	$(9,458)	$(24,841)	$(153)	$(34,452)

The above table reflects expected maturities, not expected repricing. The contractual maturities adjusted for anticipated prepayments and anticipated renewals at current interest rates, as shown in the preceding table, are only part of the Company's interest rate risk profile. Other important factors include the ratio of rate-sensitive assets to rate-sensitive liabilities (which takes into consideration loan repricing frequency but not when deposits may be repriced) and the general level and direction of market interest rates. For core deposits, the repricing frequency is assumed to be longer than when such deposits actually reprice. For some rate-sensitive liabilities, their repricing frequency is the same as their contractual maturity. For variable rate loans receivable, repricing frequency can be daily or monthly. For adjustable rate loans receivable, repricing can be as frequent as annually for loans whose contractual maturities range from one to thirty years.

The Company manages its interest rate risk by the employment of strategies to assure that desired levels of both interest-earning assets and interest-bearing liabilities mature or reprice with similar time frames. Such strategies include: 1) loans receivable which are renewed (and repriced) annually, 2) variable rate loans, 3) certificates of deposit with terms from one month to six years, 4) securities available for sale which mature at various times primarily from one through ten years, 5) federal funds borrowings with terms of one day to 90 days, and 6) Federal Home Loan Bank borrowings with terms of one day to ten years.

Impact of Inflation and Changing Prices

The majority of assets and liabilities of the Company are monetary in nature and therefore, the Company differs greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. However, inflation does have an important impact on the growth of total assets in the banking industry and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Inflation significantly affects non-interest expense, which tends to rise during periods of general inflation.

Management believes the most significant impact on financial results is the Company's ability to react to changes in interest rates. Management seeks to maintain an essentially balanced position between interest sensitive assets and liabilities and actively manages loan, security, and liability maturities in order to protect against the effects of wide interest rate fluctuations on net income and shareholders' equity.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The disclosures required by this item appear under the caption "Asset Liability Management" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 33 of this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data.

The Consolidated Balance Sheets of Rurban Financial Corp. and its subsidiaries as of December 31, 2011 and 2010, the related Consolidated Statements of Income, of Stockholders' Equity and of Cash Flows for each of the years in the three-year period ended December 31, 2011, the related Notes to Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm (BKD, LLP) in Rurban's 2011 Annual Report, are incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

With the participation of the President and Chief Executive Officer (the principal executive officer) and the Executive Vice President and Chief Financial Officer (the principal financial officer) of the Company, the Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the fiscal year covered by this Annual Report on Form 10-K. Based on that evaluation, the Company's President and Chief Executive Officer and the Company's Executive Vice President and Chief Financial Officer have concluded that:

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information required to be disclosed by the Company in this Annual Report on Form 10-K and other reports which the Company files or submits under the Exchange Act would be accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;

- information required to be disclosed by the Company in this Annual Report on Form 10-K and other reports which the Company files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and

- the Company's disclosure controls and procedures were effective as of the end of the fiscal year covered by this Annual Report on Form 10-K.

49.

Management's Annual Report on Internal Control Over Financial Reporting

The "Management's Report on Internal Control Over Financial Reporting" included in the Company's 2011 Annual Report is incorporated herein by reference.

Changes in Internal Controls Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The information required by Item 401 of SEC Regulation S-K concerning the directors of the Company and the nominees for re-election as directors of the Company at the Annual Meeting of Shareholders to be held on April 26, 2012 (the "2012 Annual Meeting"), is incorporated herein by reference from the disclosure included in the Company's definitive Proxy Statement relating to the 2012 Annual Meeting (the "2012 Proxy Statement"), under the caption "PROPOSAL NO. 1 – ELECTION OF DIRECTORS". The information concerning the executive officers of the Company required by Item 401 of SEC Regulation S-K is set forth in the portion of Part I of this Annual Report on Form 10-K entitled "Supplemental Item: Executive Officers of the Registrant."

Compliance with Section 16(a) of the Exchange Act

The information required by Item 405 of SEC Regulation S-K is incorporated herein by reference from the disclosure included in the Company's 2012 Proxy Statement under the caption "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE."

Committee Charters and Code of Conduct and Ethics

The Company's Board of Directors has adopted charters for each of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee. Copies of these charters are available on the Company's Internet website at www.rurbanfinancial.net by first clicking "Corporate Governance" and then "Supplementary Info". The Company has adopted a Code of Conduct and Ethics that applies to the Company's directors, officers and employees. A copy of the Code of Conduct and Ethics is available on the Company's Internet website at www.rurbanfinancial.net under the "Corporate Governance" tab. Interested persons may also obtain copies of the Code of Conduct and Ethics, the Audit Committee charter, the Compensation Committee charter and the Executive Governance and Nominating Committee charter, without charge, by writing to Rurban Financial Corp., Attn: Linda Sickmiller, Investor Relations, 401 Clinton Street, Defiance, OH 43512.

Director Nominating Procedures

Information regarding the procedures by which shareholders of the Company may recommend and/or nominate individuals for election as directors of the Company is incorporated herein by reference from the disclosure included under the caption "CORPORATE GOVERNANCE – Nominating Procedures" in the Company's 2012 Proxy Statement. These procedures have not materially changed from those described in the Company's definitive Proxy Statement for the 2011 Annual Meeting of Shareholders held on May 5, 2011.

Audit Committee

The information required by Items 407(d)(4) and 407(d)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure included under the caption "MEETINGS AND COMMITTEES OF THE BOARD – Committees of the Board – Audit Committee" in the Company's 2012 Proxy Statement.

Item 11. Executive Compensation.

The executive compensation information required by this item is incorporated herein by reference to the information contained in the Company's 2012 Proxy Statement under the captions "COMPENSATION OF EXECUTIVE OFFICERS" and "DIRECTOR COMPENSATION".

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 403 of SEC Regulation S-K is incorporated herein by reference from the disclosure included in the Company's 2012 Proxy Statement under the caption "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT".

Equity Compensation Plan Information

The Rurban Financial Corp. Stock Option Plan (the "1997 Plan") was approved by the shareholders of the Company at the 1997 Annual Meeting of Shareholders. The 1997 Plan expired in accordance with its terms on March 12, 2007, and no additional stock options, stock appreciation rights (“SARS”) or other awards may be granted under the 1997 Plan. At the 2008 Annual Meeting of Shareholders, the shareholders of the Company approved the Rurban Financial Corp. 2008 Stock Incentive Plan (the “2008 Plan”).

The following table shows, as of December 31, 2011, the number of common shares issuable upon exercise of outstanding stock options, the weighted-average exercise price of those stock options, and the number of common shares remaining for future issuance under the Company’s equity compensation plans (excluding common shares issuable upon exercise of outstanding stock options):

51.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)	
Equity compensation plans approved by security holders	303,974	$ 9.88	101,000	(1)
Equity compensation plans not approved by security holders	N/A	N/A	N/A	

(1) Represents common shares of the Company remaining available for future issuance under the 2008 Plan (subject to certain adjustments). The 1997 Plan expired in accordance with its terms on March 12, 2007, and no additional stock options, stock appreciation rights or other awards my be granted under the 1997 Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 404 of SEC Regulation S-K is incorporated herein by reference from the disclosure contained in the Company's 2012 Proxy Statement under the caption "TRANSACTIONS WITH RELATED PERSONS".

The information required by Item 407(a) of SEC Regulation S-K is incorporated herein by reference from the disclosure contained in the Company's 2012 Proxy Statement under the caption "CORPORATE GOVERNANCE – Director Independence".

Item 14. Principal Accountant Fees and Services

The information required to be disclosed in this Item 14 is incorporated herein by reference from the disclosure contained in the Company’s 2012 Proxy Statement under the caption “AUDIT COMMITTEE DISCLOSURE”.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements.

The following consolidated financial statements (and reports thereon) are incorporated herein by reference from the Company’s 2011 Annual Report:

- Report of Independent Registered Public Accounting Firm (BKD, LLP)
- Consolidated Balance Sheets as of December 31, 2011 and 2010
- Consolidated Statements of Income for the Years ended December 31, 2011, 2010 and 2009

52.

- Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2011, 2010, and 2009

- Consolidated Statements of Cash Flows for Years ended December 31, 2011, 2010, and 2009

- Notes to Consolidated Financial Statements

(a) (2) Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a) (3) Exhibits.

Exhibit No.	Description	Location
2.1	Agreement and Plan of Merger, dated as of April 25, 2009, by and among Rurbanc Data Services, Inc., NC Merger Corp. and New Core Holdings, Inc.	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed April 29, 2009 (File No. 0-13507).
2.2	First Amendment to Agreement and Plan of Merger, dated as of December 29, 2009, by and among Rurbanc Data Services, Inc., NC Merger Corp. and New Core Holdings, Inc.	Incorporated herein by reference to Exhibit 2.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
3.1	Amended Articles of Registrant, as amended	Incorporated herein by reference to Exhibit 3(a)(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989 (File No. 0-13507).
3.2	Certificate of Amendment to the Amended Articles of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 0-13507).
3.3	Certificate of Amendment to the Amended Articles of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-13507).

Exhibit No.	Description	Location
3.4	Certificate of Amendment to the Amended Articles of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 1, 2011.
3.5	Amended and Restated Regulations of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (File No. 0-13507).
3.6	Certificate Regarding Adoption of Amendment to Section 2.01 of the Amended and Restated Regulations of Rurban Financial Corp. by the Shareholders on April 16, 2009	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 22, 2009 (File No. 0-13507).
4.1	Indenture, dated as of September 15, 2005, by and between Rurban Financial Corp. and Wilmington Trust Company, as Debenture Trustee, relating to Floating Rate Junior Subordinated Deferrable Interest Debentures	Incorporated herein by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.2	Amended and Restated Declaration of Trust of Rurban Statutory Trust II, dated as of September 15, 2005	Incorporated herein by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.3	Guarantee Agreement, dated as of September 15, 2005, by and between Rurban Financial Corp. and Wilmington Trust Company, as Guarantee Trustee	Incorporated herein by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.4	Agreement to furnish instruments and agreements defining rights of holders of long-term debt	Filed herewith.

Exhibit No.	Description	Location
10.1*	Rurban Financial Corp. Plan to Allow Directors to Elect to Defer Compensation	Incorporated herein by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (File No. 0-13507).
10.2*	Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (File No. 0-13507).
10.3*	Form of Non-Qualified Stock Option Agreement with Five-Year Vesting under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-13507).
10.4*	Form of Non-Qualified Stock Option Agreement with Vesting After One Year of Employment under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed March 21, 2005 (File No. 0-13507).
10.5*	Form of Incentive Stock Option Agreement with Five-Year Vesting under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-13507).
10.6*	Form of Incentive Stock Option Agreement with Vesting After One Year of Employment under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(c) to the Company's Current Report on Form 8-K filed March 21, 2005 (File No. 0-13507).
10.7*	Form of Stock Appreciation Rights under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed March 21, 2005 (File No. 0-13507).
10.8*	Rurban Financial Corp. 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10 to the Company's Current Report on Form 8-K filed April 22, 2008 (File No. 0-13507).
10.9*	Form of Restricted Stock Award Agreement (For Employees) under Rurban Financial Corp. 2008 Stock Option Plan	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed April 22, 2008 (File No. 0-13507).
10.10*	Form of Incentive Stock Option Agreement with Five-Year Vesting under Rurban Financial Corp. 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
10.11*	Form of Non-Qualified Stock Option Award Agreement with Five-Year Vesting under Rurban Financial Corp. 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).

Exhibit No.	Description	Location
10.12*	Employees' Stock Ownership and Savings Plan of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (File No. 0-13507).
10.13*	Rurban Financial Corp. Employee Stock Purchase Plan	Incorporated herein by reference to Exhibit 10(z) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 0-13507).
10.14*	Employment Agreement, dated July 30, 2010, between Rurban Financial Corp. and Mark A. Klein	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 5, 2010 (File No. 0-13507).
10.15*	Second Amended and Restated Change of Control Agreement, dated July 30, 2010, between Rurban Financial Corp. and Mark A. Klein	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 5, 2010 (File No. 0-13507).
10.16*	Change of Control Agreement, dated April 21, 2010, between Rurban Financial Corp. and Anthony V. Cosentino	Incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
10.17*	Amended and Restated Supplemental Executive Retirement Plan Agreement, effective as of December 31, 2008, by and between Rurban Financial Corp. and Mark A. Klein	Filed herewith.
10.18*	First Amendment to Amended and Restated Supplemental Executive Retirement Plan Agreement, dated as April 20, 2009, by and between Rurban Financial Corp. and Mark A. Klein	Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed April 22, 2009 (File No. 0-13507).

Exhibit No.	Description	Location
10.19*	Non-Qualified Deferred Compensation Plan effective as of January 1, 2007	Incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (File No. 0-13507)
11	Statement re: Computation of Per Share Earnings	Included in Note 1 of the Notes to Consolidated Financial Statements of Registrant filed herewith as Exhibit 13.
13	2011 Annual Report of Rurban Financial Corp. (not deemed filed except for portions thereof which are specifically incorporated by reference in this Annual Report on Form 10-K)	Specified portions filed herewith.
21	Subsidiaries of Registrant	Filed herewith.
23	Consent of BKD, LLP	Filed herewith.
24	Power of Attorney of Directors and Executive Officers	Included on signature page of this Annual Report on Form 10-K
31.1	Rule 13a-14(a)/15d-14(a) Certification – Principal Executive Officer	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification – Principal Financial Officer	Filed herewith.
32.1	Section 1350 Certification – Principal Executive Officer and Principal Financial Officer	Filed herewith.
101	The following materials from Rurban Financial Corp.'s 2011 Annual Report and incorporated therefrom in Rurban Financial Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language) pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2011 and 2010; (ii) the Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009; (iii) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009; (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; and (v) the Notes to Consolidated Financial Statements (furnished herewith)**	

*Management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of SEC Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are furnished and not deemed filed or part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those Sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

RURBAN FINANCIAL CORP.

By: /s/ Anthony V. Cosentino
Anthony V. Cosentino, Executive Vice President
and Chief Financial Officer

Date: March 30, 2012

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each undersigned officer and/or director of Rurban Financial Corp., an Ohio corporation (the “Corporation”), which is about to file with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2011, hereby constitutes and appoints Mark A. Klein and Anthony V. Cosentino, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign both the Annual Report on Form 10-K and any and all amendments and documents related thereto, and to file the same, and any and all exhibits, financial statements and schedules related thereto, and other documents in connection therewith, with the Securities and Exchange Commission and the NASDAQ Stock Market, granting unto said attorneys-in-fact and agents, and substitute or substitutes, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all things that each of said attorneys-in-fact and agents, or either of them or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Date	Capacity
/s/ Mark A. Klein Mark A. Klein	March 30, 2012	President and Chief Executive Officer
/s/ Anthony V. Cosentino Anthony V. Cosentino	March 30, 2012	Executive Vice President and Chief Financial Officer

/s/ Thomas A. Buis Thomas A. Buis	March 30, 2012	Director
/s/ Robert A. Fawcett, Jr. Robert A. Fawcett, Jr.	March 30, 2012	Director
/s/ Gaylyn J. Finn Gaylyn J. Finn	March 30, 2012	Director

59.

/s/ Richard L. Hardgrove	March 30, 2012	Director
Richard L. Hardgrove		
/s/ Lynn A. “Zac” Isaac	March 30, 2012	Director
Lynn A. “Zac” Isaac		
/s/ Rita A. Kissner	March 30, 2012	Director
Rita A. Kissner		
/s/ Mark A. Klein	March 30, 2012	Director
Mark A. Klein		
/s/ Thomas L. Sauer	March 30, 2012	Director
Thomas L. Sauer		
/s/ Timothy J. Stolly	March 30, 2012	Director
Timothy J. Stolly		

Date: March 30, 2012

ANNUAL REPORT ON FORM 10-K

FOR FISCAL YEAR ENDED DECEMBER 31, 2011

INDEX TO EXHIBITS

Exhibit No.	Description	Location
2.1	Agreement and Plan of Merger, dated as of April 25, 2009, by and among Rurbanc Data Services, Inc., NC Merger Corp. and New Core Holdings, Inc.	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed April 29, 2009 (File No. 0-13507).
2.2	First Amendment to Agreement and Plan of Merger, dated as of December 29, 2009, by and among Rurbanc Data Services, Inc., NC Merger Corp. and New Core Holdings, Inc.	Incorporated herein by reference to Exhibit 2.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
3.1	Amended Articles of Registrant, as amended	Incorporated herein by reference to Exhibit 3(a)(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989 (File No. 0-13507).
3.2	Certificate of Amendment to the Amended Articles of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 0-13507).
3.3	Certificate of Amendment to the Amended Articles of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-13507).
3.4	Certificate of Amendment to the Amended Articles of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 1, 2011.
3.5	Amended and Restated Regulations of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (File No. 0-13507).
3.6	Certificate Regarding Adoption of Amendment to Section 2.01 of the Amended and Restated Regulations of Rurban Financial Corp. by the Shareholders on April 16, 2009	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 22, 2009 (File No. 0-13507).

Exhibit No.	Description	Location
4.1	Indenture, dated as of September 15, 2005, by and between Rurban Financial Corp. and Wilmington Trust Company, as Debenture Trustee, relating to Floating Rate Junior Subordinated Deferrable Interest Debentures	Incorporated herein by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.2	Amended and Restated Declaration of Trust of Rurban Statutory Trust II, dated as of September 15, 2005	Incorporated herein by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.3	Guarantee Agreement, dated as of September 15, 2005, by and between Rurban Financial Corp. and Wilmington Trust Company, as Guarantee Trustee	Incorporated herein by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (File No. 0-13507).
4.4	Agreement to furnish instruments and agreements defining rights of holders of long-term debt	Filed herewith.
10.1*	Rurban Financial Corp. Plan to Allow Directors to Elect to Defer Compensation	Incorporated herein by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (File No. 0-13507).
10.2*	Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (File No. 0-13507).
10.3*	Form of Non-Qualified Stock Option Agreement with Five-Year Vesting under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-13507).
10.4*	Form of Non-Qualified Stock Option Agreement with Vesting After One Year of Employment under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed March 21, 2005 (File No. 0-13507).

Exhibit No.	Description	Location
10.5*	Form of Incentive Stock Option Agreement with Five-Year Vesting under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-13507).
10.6*	Form of Incentive Stock Option Agreement with Vesting After One Year of Employment under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(c) to the Company's Current Report on Form 8-K filed March 21, 2005 (File No. 0-13507).
10.7*	Form of Stock Appreciation Rights under Rurban Financial Corp. 1997 Stock Option Plan	Incorporated herein by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed March 21, 2005 (File No. 0-13507).
10.8*	Rurban Financial Corp. 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10 to the Company's Current Report on Form 8-K filed April 22, 2008 (File No. 0-13507).
10.9*	Form of Restricted Stock Award Agreement (For Employees) under Rurban Financial Corp. 2008 Stock Option Plan	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed April 22, 2008 (File No. 0-13507).
10.10*	Form of Incentive Stock Option Agreement with Five-Year Vesting under Rurban Financial Corp. 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
10.11*	Form of Non-Qualified Stock Option Award Agreement with Five-Year Vesting under Rurban Financial Corp. 2008 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
10.12*	Employees' Stock Ownership and Savings Plan of Rurban Financial Corp.	Incorporated herein by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (File No. 0-13507).
10.13*	Rurban Financial Corp. Employee Stock Purchase Plan	Incorporated herein by reference to Exhibit 10(z) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 0-13507).
10.14*	Employment Agreement, dated July 30, 2010, between Rurban Financial Corp. and Mark A. Klein	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 5, 2010 (File No. 0-13507).

3/20/2012 13459947	Description	Location
10.15*	Second Amended and Restated Change of Control Agreement, dated July 30, 2010, between Rurban Financial Corp. and Mark A. Klein	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 5, 2010 (File No. 0-13507).
10.16*	Change of Control Agreement, dated April 21, 2010, between Rurban Financial Corp. and Anthony V. Cosentino	Incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 0-13507).
10.17*	Amended and Restated Supplemental Executive Retirement Plan Agreement, effective as of December 31, 2008, by and between Rurban Financial Corp. and Mark A. Klein	Filed herewith.
10.18*	First Amendment to Amended and Restated Supplemental Executive Retirement Plan Agreement, dated as April 20, 2009, by and between Rurban Financial Corp. and Mark A. Klein	Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed April 22, 2009 (File No. 0-13507).
10.19*	Non-Qualified Deferred Compensation Plan effective as of January 1, 2007	Incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (File No. 0-13507)
11	Statement re: Computation of Per Share Earnings	Included in Note 1 of the Notes to Consolidated Financial Statements of Registrant filed herewith as Exhibit 13.
13	2011 Annual Report of Rurban Financial Corp. (not deemed filed except for portions thereof which are specifically incorporated by reference in this Annual Report on Form 10-K)	Specified portions filed herewith.
21	Subsidiaries of Registrant	Filed herewith.
23	Consent of BKD, LLP	Filed herewith.
24	Power of Attorney of Directors and Executive Officers	Included on signature page of this Annual Report on Form 10-K
31.1	Rule 13a-14(a)/15d-14(a) Certification – Principal Executive Officer	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification – Principal Financial Officer	Filed herewith.
32.1	Section 1350 Certification – Principal Executive Officer and Principal Financial Officer	Filed herewith.

The following materials from Rurban Financial Corp.'s 2011 Annual Report and incorporated therefrom in Rurban Financial Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language) pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2011 and 2010; (ii) the Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009; (iii) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009; (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; and (v) the Notes to Consolidated Financial Statements (furnished herewith)**

*Management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of SEC Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are furnished and not deemed filed or part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those Sections.