



To Our Shareholders,

We are pleased with the progress we are making in a number of areas. While we still have issues to address, most importantly, the future direction of RDSI, we have reason to be optimistic about future opportunities.

Our markets continue their gradual improvement. Jobless levels have declined modestly over the course of the past year, buoyed by the recent turnaround in manufacturing employment and relatively robust economy in the Columbus area, which has been the source of strong mortgage origination activity. Overall, mortgage banking fees are becoming a more important source of fee income for State Bank.

A second reason for optimism is our core deposit growth, which has been exceptionally strong. Non-maturity deposits (DDAs, Money Market, NOW and Savings accounts) have grown nearly nine percent since last quarter alone. State Bank has been able to capture deposit market share in several of our regions from larger institutions, despite their heavier advertising expenditures. The excess liquidity will be put to good use, helping us to pay down higher priced borrowings as they mature.

We continue to be pleased with the performance of our loan portfolio. We only wish we had more of the high-quality loans we've booked over the past several years. But weak loan demand appears to be an industry-wide phenomenon, exacerbated by our low-growth market demographics. And this past quarter, we pruned our portfolio of some of our weaker commercial loans. However, market stability has worked in our favor to prevent the over-expansion of commercial and residential real estate activity that caused credit quality problems throughout the country.

Results for the third quarter continue to be impacted by the RDSI/New Core wind-down, but we believe the overall process is ahead of schedule. Rurban and RDSI continue to evaluate opportunities, but until a definitive agreement or decision is reached, we expect that State Bank will be the sole data processing client of RDSI at year-end. Our Payment Solutions segment under Diverse Computer Marketers ("DCM"), RDSI's payment processing affiliate, continues to service its item processing clients without interruption or loss of clientele. As a low-cost provider of item processing services, we believe that DCM stands to benefit as industries other than banking convert to electronic imaging.

As you can tell, we remain firmly committed to propelling Rurban to a higher level of performance for our shareholders. We have initiatives in place throughout our organization to encourage cross-referrals and behaviors which will, potentially, result in higher profitability and quality customer service. While there is still much work to be done, I am proud of the progress we have made thus far.

Mark A. Klein
President and Chief Executive Officer

Highlights of the third quarter include:

- Asset quality improved from year-end 2009 to September 20, 2010, as non-accruing loans declined significantly, down \$8.4 million, or 45 percent, to \$10.1 million, while foreclosed and repossessed assets remained under \$2 million. Non-performing assets ("NPAs") were 1.77 percent of total assets at September 30, 2010 compared to 3.02 percent at year-end 2009.
- Mortgage originations, driven by strong results from the Columbus loan production office of Rurban's banking subsidiary, The State Bank and Trust Company ("State Bank"), were \$67.8 million for the third quarter of 2010, generating \$0.94 million in gains from mortgage loan sales. This compares to \$42.3 million in originations and \$0.40 million in gains for the year-ago third quarter.
- RDSI made progress reducing its operating expenses to a level commensurate with its current revenue stream, resulting in a virtually breakeven quarter. Data Processing ("DP") clients are scheduled to complete their de-conversion by year-end, with State Bank remaining as RDSI's only DP client. Payment Solutions (a/k/a Item Processing) clients not tied to DP services remain in place and have generally not been affected by the deconversion of RDSI's DP clients.
- Deposits grew \$41 million since the June quarter, of which only \$14 million were time deposits. The influx of deposits, despite their relatively low cost, combined with declining loan volume, contributed to a net interest margin decline from 3.87 percent and 3.72 percent for the year-ago and linked quarters, to 3.66 percent for the September 2010 quarter.
- Non-interest expenses declined \$2.1 million compared to the year-ago quarter, primarily from a reduction of 64 full-time equivalent ("FTE") employees, or 20 percent, since third quarter 2009, as well as from the \$0.45 million third quarter 2009 charge and subsequent charges taken by RDSI to account for impairments and write-downs of hardware and software. Year-over-year, third quarter equipment expense declined \$1.2 million, or 57 percent, while salaries declined \$1.36 million, or 25 percent.
- Capital ratios all remain in excess of "well-capitalized" for State Bank, although holding company ratios have declined somewhat as a result of the second quarter RDSI charge-offs.

Financial Highlights

RURBAN FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS
September 30, 2010 and December 31, 2009 and September 30, 2009

	September 2010 (Unaudited)	December 2009	September 2009 (Unaudited)
ASSETS			
Cash and due from banks	\$ 60,600,672	\$ 24,824,785	31,055,035
Federal funds sold	-	-	-
Cash and cash equivalents	60,600,672	24,824,785	31,055,035
Available-for-sale securities	115,993,828	105,083,112	111,561,500
Loans held for sale	13,453,782	16,857,648	11,370,884
Loans, net of unearned income	424,995,825	452,557,581	448,392,963
Allowance for loan losses	(6,451,422)	(7,030,178)	(5,934,165)
Premises and equipment, net	14,999,354	16,993,640	17,217,039
Purchased software	545,606	5,338,319	5,273,311
Federal Reserve and Federal Home Loan Bank Stock	3,748,250	3,748,250	3,748,250
Foreclosed assets held for sale, net	1,946,653	1,767,953	1,748,376
Accrued interest receivable	2,560,938	2,324,868	2,851,934
Goodwill	21,414,790	21,414,790	21,414,790
Core deposits and other intangibles	4,377,111	4,977,513	5,177,508
Cash value of life insurance	13,107,086	12,792,045	12,953,972
Other assets	9,897,284	11,398,776	6,917,729
Total assets	\$ 681,189,757	\$ 673,049,102	673,749,126
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Non interest bearing demand	\$ 64,671,378	\$ 57,229,795	54,149,280
Interest bearing NOW	99,647,367	87,511,973	80,403,328
Savings	46,092,866	43,321,364	44,658,696
Money Market	87,407,976	86,621,953	88,676,904
Time Deposits	224,501,334	216,557,067	224,404,005
Total deposits	522,320,921	491,242,152	492,292,213
Notes payable	3,368,266	2,146,776	2,357,816
Advances from Federal Home Loan Bank	25,429,671	35,266,510	39,868,884
Fed Funds Purchased	-	5,000,000	-
Repurchase Agreements	50,117,031	47,042,820	46,138,646
Trust preferred securities	20,620,000	20,620,000	20,620,000
Accrued interest payable	1,683,116	1,507,521	1,382,015
Other liabilities	3,582,414	8,515,668	6,421,448
Total liabilities	627,121,419	611,341,447	609,081,022
Shareholders' Equity			
Common stock	12,568,583	12,568,583	12,568,583
Additional paid-in capital	15,208,434	15,186,042	15,132,715
Retained earnings	25,386,403	34,415,316	36,737,207
Accumulated other comprehensive income (loss)	2,674,229	1,307,025	1,998,910
Treasury stock	(1,769,311)	(1,769,311)	(1,769,311)
Total shareholders' equity	54,068,338	61,707,655	64,668,104
Total liabilities and shareholders' equity	\$ 681,189,757	\$ 673,049,102	673,749,126

STOCK INFORMATION AND INVESTOR MATERIALS

Rurban offers its shareholders convenient, economical and powerful investment techniques to increase their investment in RBNF common stock. These plans provide a method of investing cash dividends and voluntary cash payment in additional shares of common stock without payment of brokerage commissions or services charges. Individuals who wish to purchase RBNF stock for the first time may also participate in this plan. For additional information about the plan and prospectus, please contact Registrar and Transfer Company at 1-800-368-5948, or www.rtco.com, or Anthony Cosentino at Rurban Financial Corp., at 1-800-273-5820. You may also reach the Investor Relations Department by email at rfinv@rurban.net.

Annual and quarterly shareholder reports, regulatory filings, press releases, and articles about Rurban Financial Corp. which have appeared in various publications are available on our website at www.rurbanfinancial.net, or may be obtained by contacting the Investor Relations Department by email at rfinv@rurban.net, or by calling 1-800-273-5820.

RURBAN FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATION - UNAUDITED

	Three Months Ended September 30,		Nine Months September 30,	
	2010	2009	2010	2009
Interest income				
Loans				
Taxable	\$ 6,281,157	\$ 6,884,515	\$ 19,442,383	\$ 20,554,775
Tax-exempt	13,664	20,944	49,960	71,791
Securities				
Taxable	596,362	944,579	1,679,203	3,158,649
Tax-exempt	353,755	294,716	1,055,707	766,931
Other	24	41,621	211	71,498
Total interest income	7,244,962	8,186,375	22,227,464	24,623,644
Interest expense				
Deposits	1,275,607	1,559,730	3,935,731	5,115,379
Other borrowings	32,367	43,745	101,145	91,548
Retail Repurchase Agreements	436,369	437,419	1,295,994	1,296,242
Federal Home Loan Bank advances	231,122	417,359	872,947	1,221,487
Trust preferred securities	388,854	391,407	1,178,502	1,185,021
Total interest expense	2,364,319	2,849,660	7,384,319	8,909,677
Net interest income	4,880,643	5,336,715	14,843,145	15,713,967
Provision for loan losses - Bank Only	898,570	898,050	5,788,713	2,192,042
Provision for loan losses - RDSI	-	-	3,000,000	-
Net interest income after provision for loan losses	3,982,073	4,438,665	6,054,432	13,521,925
Non-interest income				
Data service fees	2,044,400	4,806,359	8,682,575	14,734,942
Trust fees	650,511	644,427	1,883,994	1,869,083
Customer service fees	643,816	700,042	1,846,161	1,923,744
Net gain on sales of loans	1,560,703	722,234	2,886,764	2,738,626
Net realized gain on sales of securities	-	-	451,474	477,591
Investment securities recoveries	-	-	73,774	-
Loan servicing fees	188,334	126,265	472,424	298,001
Gain (loss) on sale or disposal of assets	(128,985)	(52,976)	(159,066)	(95,390)
Other income	168,158	129,360	482,691	474,410
Total non-interest income	5,126,937	7,075,711	16,620,791	22,421,007
Non-interest expense				
Salaries and employee benefits	4,058,316	5,422,005	14,064,591	15,644,731
Net occupancy expense	486,695	568,597	1,639,386	1,764,054
FDIC Insurance expense	259,646	183,935	676,462	572,598
Equipment expense	872,681	2,041,339	5,423,343	5,353,637
Fixed asset impairment expense	-	-	4,892,231	-
Data processing fees	211,129	151,320	635,393	495,782
Professional fees	619,430	705,415	1,823,449	1,846,458
Marketing expense	139,987	232,294	330,213	655,597
Printing and office supplies	111,414	104,036	369,842	435,913
Telephone and communication	267,344	406,673	992,891	1,212,901
Postage and delivery expense	388,666	511,525	1,415,529	1,635,037
State, local and other taxes	154,391	235,067	118,835	701,120
Employee expense	147,739	293,634	654,968	810,776
OREO Impairment	-	-	215,000	-
Other expenses	1,613,353	598,275	3,959,958	1,908,592
Total non-interest expense	9,330,791	11,454,115	37,212,091	33,037,196
Income (loss) before income tax expense	(221,781)	60,261	(14,536,868)	2,905,736
Income tax expense (benefit)	(247,696)	(99,421)	(5,507,954)	638,915
Net income (loss)	\$ 25,915	\$ 159,682	\$ (9,028,914)	\$ 2,266,821
Earnings (loss) per common share:				
Basic	\$ 0.01	\$ 0.03	\$ (1.86)	\$ 0.46
Diluted	\$ 0.01	\$ 0.03	\$ (1.86)	\$ 0.46

Forward Looking Statements

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

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