RURBAN FINANCIAL CORP
Form 10-K
March 12, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

OR
o 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 (State or other jurisdiction of incorporation or organization)	34-1395608 (I.R.S. Employer Identification No.)
401 Clinton Street, Defiance, Ohio (Address of principal executive offices)	43512 (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 o 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 o   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 o

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 o

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. o

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 o Accelerated Filer o Non-Accelerated Filer o 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 o 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 $34.0 million.

The number of common shares of the registrant outstanding at March 12, 2013 was 4,875,179.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2012 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 24, 2013 are incorporated by reference into Part III of this Annual Report on Form 10-K.

RURBAN FINANCIAL CORP.

2012 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

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, 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, savings accounts, money market accounts and time certificates of deposit; automatic teller machines; commercial, consumer, agricultural and residential mortgage 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 offers various trust and financial services, including asset management services for individuals and corporate employee benefit plans, as well as brokerage services through Cetera Financial Group. State Bank presently operates nineteen banking centers, all 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 three Loan Production Offices, two in Franklin County, Ohio and one in Steuben County, Indiana. At December 31, 2012, State Bank had 184 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, 2012, 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, Michigan and Ohio. At December 31, 2012, RDSI had 16 full-time equivalent employees.

RMC

RMC is an Ohio corporation and wholly owned subsidiary of State Bank. RMC is a mortgage company; however, it is presently inactive. At December 31, 2012, 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 purchases and sale of investments. At December 31, 2012, 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, 2012, 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.

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

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.

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, 2012.

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 Company's 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, 2012, State Bank had $4.3 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. 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 customers.

The term "covered transaction" includes the making of loans, purchase of assets, issuance of guarantees 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.

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.

7

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.

In November 2007, the U.S. federal regulatory agencies adopted a definitive final rule for implementing new capital standards, referred to as “Basel II,” which applied only to organizations with assets of at least $250 billion or on-balance sheet foreign exposures of at least $10 billion. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2012 (the “Dodd-Frank Act”) requires the Federal Reserve Board, the OCC and the FDIC to adopt regulations imposing a continuing “floor” of the Basel I-based capital requirements in cases where any future changes in capital regulations would permit lower requirements. In December 2010, the Federal Resrve Board, the OCC and the FDIC issued a joint notice of proposed rulemaking that would implement this requirement for banks and bank holding companies larger than the Company and State Bank.

In December 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, now officially identified by the Basel Committee as “Basel III”. Basel III, when implemented by the U.S. banking agencies and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. However, the U.S. federal regulatory agencies are considering to the extent to which Basel III principles will be applied to smaller bank holding companies and banks, such as the Company and State Bank.

During the second quarter of 2012, the federal bank regulatory agencies jointly issued three notices of proposed rulemaking (“NPRs”) that would revise and replace the agencies’ current capital rules. The impact of these NPRs, if adopted, would result in higher risk-based and leverage capital requirements consistent with Basel III. Most of the provisions contained within the NPRs would be phased-in over periods ranging from 3 to 10 years. As proposed, the NPRs were to be implemented by January 1, 2013. However, the regulatory agencies have delayed implementation. Management continues to evaluate the potential impact of the NPRs to ensure that capital levels at both the Company and State Bank remain higher than the amounts needed to be considered “well capitalized”. However, the final regulations ultimately applicable to the Company and State Bank may be substantially different from those contemplated in the NPRs.

The Company's management believes that the Company and State Bank, at year end 2012, 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.

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.

On February 7, 2011, the FDIC approved a final rule that changed the deposit insurance assessment base, as required by the Dodd-Frank Act, effective beginning with the second quarter of 2011. As adopted, the final rule changed the deposit insurance assessment base from domestic deposits to average assets minus average tangible equity. In addition, the final rule also adopted a new large-bank pricing assessment scheme and established a target size for the Deposit Insurance Fund.

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.

Consumer Financial Protection Bureau

The Dodd-Frank Act established the Consumer Financial Protection Bureau (the “CFPB”), which regulates consumer financial products and services and certain financial services providers. The CFPB is authorized to prevent unfair, deceptive and abusive acts or practices and seeks to ensure consistent enforcement of laws so that consumers have access to fair, transparent and competitive markets for consumer financial products and services. The CFPB has rulemaking and interpretive authority.

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:

the CFPB 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 July 21, 2011;

the standard maximum amount of deposit insurance per customer was permanently increased to $250,000;

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

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.

Executive and Incentive Compensation

In June 2010, the Federal Reserve Board, the OCC and the FDIC issued joint interagency guidance on incentive compensation policies (the “Joint Guidance”) intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. This principles-based guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization’s incentive compensation arrangements should (a) provide incentives that do not encourage risk-taking beyond the organization’s ability to effectively identify and manage risks, (b) be compatible with effective internal controls and risk management and (c) be supported by strong corporate governance, including active and effective oversight by the organization’s board of directors.

Pursuant to the Joint Guidance, the Federal Reserve Board will review as part of a regular, risk-focused examination process, the incentive compensation arrangements of financial institutions such as the Company. Such reviews will be tailored to each organization based on the scope and complexity of the organization’s activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination and deficiencies will be incorporated into the institution’s supervisory ratings, which can affect the institution’s ability to make acquisitions and take other actions. Enforcement actions may be taken against an institution if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization’s safety and soundness and prompt and effective measures are not being taken to correct the deficiencies.

On February 7, 2011, federal banking regulatory agencies jointly issued proposed rules on incentive-based compensation arrangements under applicable provisions of the Dodd-Frank Act (the “Proposed Rules”). The Proposed Rules generally apply to financial institutions with $1.0 billion or more in assets that maintain incentive-based compensation arrangements for certain covered employees. The Proposed Rules (i) prohibit covered financial institutions from maintaining incentive-based compensation arrangements that encourage covered persons to expose the institution to inappropriate risk by providing the covered person with "excessive" compensation; (ii) prohibit covered financial institutions from establishing or maintaining incentive-based compensation arrangements for covered persons that encourage inappropriate risks that could lead to a material financial loss, (iii) require covered financial institutions to maintain policies and procedures appropriate to their size, complexity and use of incentive-based compensation to help ensure compliance with the Proposed Rules and (iv) require covered financial institutions to provide enhanced disclosure to regulators regarding their incentive-based compensation arrangements for covered person within 90 days following the end of the fiscal year.

Pursuant to rules adopted by the stock exchanges and approved by the SEC in January 2013 under the Dodd-Frank Act, public companies are required to implement “clawback” procedures for incentive compensation payments and to disclose the details of the procedures which allow recovery of incentive compensation that was paid on the basis of erroneous financial information necessitating a restatement due to material noncompliance with financial reporting requirements. This clawback policy is intended to apply to compensation paid within a three-year look-back window of the restatement and would cover all executives who received incentive awards. Public company compensation committee members are also required to meet heightened independence requirements and to consider the independence of compensation consultants, legal counsel and other advisors to the compensation committee. The compensation committees must have the authority to hire advisors and to have the company fund reasonable compensation of such advisors.

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.

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 2012 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)	2012 Average Balance	Interest	Average Rate	2011 Average Balance	Interest	Average Rate
Assets:						
Taxable securities	$90,182	$1,515	1.68 %	$97,528	$2,010	2.06 %
Non-taxable securities (1)	15,160	919	6.06 %	21,892	1,483	6.77 %
Federal funds sold	-	-	N/A	219	1	0.25 %
Loans, net (2)(3)	455,516	24,047	5.28 %	438,383	24,558	5.60 %
Total earning assets	560,858	26,481	4.72 %	558,022	28,052	5.03 %
Cash and due from banks	20,728			26,477		
Allowance for loan losses	(6,591)			(6,534)		
Premises and equipment	15,360			16,797		
Other assets	47,680			48,766		
Total assets	$638,035			$643,528		
Liabilities						
Savings and interest-bearing demand deposits	$245,528	$210	0.09 %	$234,497	$368	0.16 %
Time deposits	206,135	2,759	1.34 %	217,546	3,614	1.66 %
Repurchase agreements	15,180	142	0.94 %	31,307	912	2.91 %
Advances from FHLB	15,547	333	2.14 %	15,674	402	2.57 %
Trust preferred securities	20,620	1,882	9.13 %	20,620	1,406	6.82 %
Notes payable & other borrowed funds	2,058	64	3.11 %	3,085	96	3.12 %
Total interest-bearing liabilities	505,068	5,390	1.07 %	522,728	6,798	1.30 %
Demand deposits	70,749			64,239		
Other liabilities	11,918			9,526		
Total liabilities	587,735			596,493		
Shareholders' equity	50,300			47,035		
Total liabilities and shareholders' equity	$638,035			$643,528		
Net interest income (tax equivalent basis)		$21,091			$21,254	
Net interest income as a percent of average interest-earning assets			3.76 %			3.81 %

(1) Security interest is computed on a tax equivalent basis using a 34% statutory tax rate. The tax equivalent adjustment was $0.30 million and $0.50 million in 2012 and 2011, 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 $0.05 million and $0.04 million in 2012 and 2011, respectively.

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 2012 and 2011.

($ in thousands)	Total Variance 2012/2011	Variance Attributable To Volume	Rate
Interest income			
Taxable securities	$(495)	$(152)	$(343)
Non-taxable securities	(564)	(456)	(108)
Federal funds sold	(1)	(1)	-
Loans, net of unearned income and deferred loan fees	(511)	959	(1,470)
	(1,571)	350	(1,921)
Interest expense			
Savings and interest-bearing demand deposits	(158)	18	(176)
Time deposits	(855)	(189)	(666)
Repurchase agreements	(770)	(469)	(301)
Advances from FHLB	(69)	(3)	(66)
Trust preferred securities	409	-	409
Other borrowed funds	35	(32)	67
	(1,408)	(675)	(733)
Net interest income	$(163)	$1,025	$(1,188)

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:

($ in thousands)	2012	2011
U.S. Treasury and government agencies	$14,511	$25,424
Mortgage-backed securities	63,764	67,699
State and political subdivisions	18,249	16,792
Money Market Mutual Fund	2,155	2,040
Marketable equity securities	23	23
Total	$98,702	$111,978

B. The maturity distribution and weighted average interest rates of securities available for sale at December 31, 2012 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			
($ in thousands)	Within One Year	After One Year but within Five Years	After Five Years but within Ten Years	After Ten Years
U.S.Treasury and government agencies	$-	$103	$3,858	$10,550
Mortgage-backed securities	2	-	11,713	52,049
State and political subdivisions	1,014	404	4,334	12,497
Total Securities with maturity	$1,016	$507	$19,905	$75,096
Weighted average yield by maturity (1)	5.46 %	5.24 %	2.66 %	2.68 %
Money Market Mutual Fund with no maturity	$2,155	-	-	-
Marketable equity securities with no maturity	23	-	-	-
Total Securities with no stated maturity	$2,178	$-	$-	$-
Weighted average yield no maturity (1)	< 0.01%	-	-	-

(1) Yields are 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, 2012.

15

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:

Typesof Loans

($ in thousands)	2012	2011	2010	2009	2008
Commercial business and agricultural	$124,043	$116,473	$113,251	$126,128	$127,287
Commercial real estate	201,392	187,829	177,890	179,909	161,566
Residential real estate mortgage	87,859	87,656	84,775	92,972	107,905
Consumer loansto individuals and other	50,371	50,897	51,904	53,876	53,605
Total	463,665	442,855	427,820	452,885	450,363
Residential Loans held for sale	6,147	5,238	9,055	16,858	3,824
Total Loans	$469,536	$447,792	$436,599	$469,743	$454,187

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, 2012, commercial business and agricultural loans made up approximately 26.7 percent of the loan portfolio while commercial real estate loans accounted for approximately 43.5 percent of the loan portfolio. As of December 31, 2012, residential first mortgage loans made up approximately 19.0 percent of the loan portfolio and are secured by first mortgages on residential real estate. As of December 31, 2012, consumer loans to individuals made up approximately 10.8 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, 2012 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

($ in thousands)	Commercial Business and Agricultural	Commercial Real Estate	Total
Within one year	$ 14,657	$ 16,192	$30,849
After one year but within five years	38,139	62,340	100,479
After five years	71,247	122,860	194,107
Total commercial business, commercial real estate and agricultural loans	$ 124,043	$ 201,392	$325,435

III. LOAN PORTFOLIO (Continued)

($ in thousands)	Interest Sensitivity Fixed Rate	 Variable Rate	Total
Commercial Businessand Agricultural			
Due after one year but within five years	$20,049	$18,090	$38,139
Due after five years	17,082	54,165	71,247
Total	$37,131	$72,255	$109,386
Commercial Real Estate			
Due after one year but within five years	26,744	35,596	62,340
Due after fiveyears	31,846	91,014	122,860
Total	$58,590	$126,610	$185,200
Commercial Business, Commercial Real Estate and Agricultural			
Due after one year but within five years	46,793	53,686	100,479
Due after five years	48,928	145,179	194,107
Total	$95,721	$198,865	$294,586

C. Risk Elements

1. Non-accrual, Past Due, Restructured and Impaired Loans – The following schedule summarizes non-accrual, past due, and restructured loans at December 31 for the years indicated:

Risk Elements ($ in thousands)	2012	2011	2010	2009	2008
(a) Loans accounted for on a non-accrual basis	$5,305	$6,900	$12,283	$18,543	$5,178
(b) Accruing loans which are contractually past due 90 daysor 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	1,258	1,334	1,107	1,364	151
Total non-performing loans and TDRs	$6,563	$8,234	$13,390	$19,907	$5,329

($ in thousands)	2012	2011
Cash basis interest income recognized on impaired loans outstanding	$ 190	$ 235
Interest income actually recorded on impaired loans and included in net income for the period	170	233

Unrecorded interest income on non-accrual loans	362	348

17

III. LOAN PORTFOLIO (Continued)

Management believes the allowance for loan losses at December 31, 2012 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, 2012, in addition to the $5.3 million 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 $5.3 million 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, 2012, loans outstanding related to agricultural operations or collateralized by agricultural real estate and equipment aggregated approximately $42.3 million, or 9.1% of total loans.

D. Other Interest-Bearing Assets

There were no other interest-bearing assets as of December 31, 2012 which would be required to be disclosed under Item III.C.1 or Item III.C.2. if such assets were loans.

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 at December 31 for the years indicated:

Summary of Loan LossExperience

($ in thousands)	2012	2011	2010	2009	2008
Loans					
Loans outstanding at end of period	$463,665	$ 442,855	$ 427,820	$ 452,885	$ 450,363
Average loans outstanding during period	$455,516	$ 438,883	$ 445,700	$ 453,787	$ 401,770
Allowance for loan losses					
Balance at beginning of period	$6,529	$ 6,715	$ 7,030	$ 5,020	$ 3,990
Balance, of ALLL acquired in Montpelier acquisition					1,104
Loans charged-off:					
Commercial business and agricultural loans	(400)	(642)	(4,739)	(1,248)	(277)
Commercial real estate	(287)	(2,057)	(4,748)	(918)	(212)
Residential real estate mortgage	(129)	(248)	(1,210)	(1,218)	(172)
Consumer loans and other	(512)	(460)	(637)	(491)	(261)
	(1,328)	(3,407)	(11,334)	(3,875)	(922)
Recoveries of loans previously charged-off					
Commercial business and agricultural loans	48	468	193	50	67
Commercial real estate	50	32	171	14	24
Residential real estate mortgage	86	700	53	54	4
Consumer loans and other	76	27	14	29	63
	260	1,227	431	147	158
Net loans charged-off	(1,068)	(2,180)	(10,903)	(3,728)	(764)
Provision for loan losses	1,350	1,994	10,588	5,738	690
Balance at end of period	$6,811	$ 6,529	$ 6,715	$ 7,030	$ 5,020
Ratio of net charge-offs during the period to average loans outstanding during the period	0.24 %	0.49 %	2.45 %	0.84 %	0.19 %

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 considers 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.

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 at December 31 for the years indicated:

Allocation of the Allowance for Loan Losses

($ in thousands)	2012 Allowance Amount	2012 Percentage of Loans In Each Category to Total Loans	2011 Allowance Amount	2011 Percentage of Loans In Each Category to Total Loans	2010 Allowance Amount	2010 Percentage of Loans In Each Category to Total Loans	2009 Allowance Amount	2009 Percentage of Loans In Each Category to Total Loans	2008 Allowance Amount	2008 Percentage of Loans In Each Category to Total Loans
Commercial and agricultural	$ 1,747	26.8 %	$ 1,965	26.3 %	$ 1,739	26.5 %	$ 2,685	27.8 %	$ 2,304	28.2 %
Commercial real estate	3,034	43.4 %	2,880	42.4 %	3,774	41.6 %	2,804	39.7 %	1,255	35.9 %
Residential first mortgage	1,088	19.0 %	956	19.8 %	643	19.8 %	717	20.5 %	884	24.0 %
Consumer loans and other	942	10.8 %	728	11.5 %	559	12.1 %	824	12.0 %	577	11.9 %
	$ 6,811	100.0 %	$ 6,529	100.0 %	$ 6,715	100.0 %	$ 7,030	100.0 %	$ 5,020	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:

($ in thousands)	2012 Average Amount	2012 Average Rate	2011 Average Amount	2011 Average Rate	2010 Average Amount	2010 Average Rate
Savings and interest-bearing demand deposits	$245,528	0.09 %	$234,497	0.16 %	$231,294	0.27 %
Time deposits	206,135	1.34 %	217,546	1.66 %	215,668	2.09 %
Demand deposits (non-interest-bearing)	70,749	--	64,239	--	62,821	--
	$522,412		$516,282		$509,783	

Maturities of time certificates of deposit and other time deposits of $100,000 or more outstanding at December 31, 2012 are summarized as follows:

	Amount (dollars in thousands)
Three months or less	$ 13,480
Over three months and through six months	13,431
Over six months and through twelve months	18,980
Over twelve months	39,444
Total	$ 85,335

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

($ in thousands)	2012	2011	2010
Average total assets	$638,035	$643,528	$673,781
Average shareholders' equity	$50,300	$47,035	$57,281
Net income	$4,814	$1,664	$(15,613)
Cash dividends declared	$-	$-	$-
Return on average total assets	0.75 %	0.26 %	-2.32 %
Return on average shareholders' equity	9.57 %	3.54 %	-27.26 %
Dividend payout ratio (1)	-	-	-
Average shareholders' equity to average total assets	7.88 %	7.31 %	8.50 %

(1) Cash dividends declared divided by net income.

VII. SHORT-TERM BORROWINGS

The following information is reported for short-term borrowings for 2012, 2011 and 2010:

($ in thousands)	2012	2011	2010
Amount outstanding at end of year	$10,333	$18,779	$45,785
Weighted average interest rate at end of year	0.10 %	1.47 %	3.28 %
Maximum amount outstanding at any month end	$19,091	$50,239	$52,704
Average amount outstanding during the year	$15,180	$31,306	$45,553
Weighted average interest rate during the year	0.94 %	2.91 %	3.81 %

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 allow”, “will likely 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. These risks and uncertainties include, but are not limited to, risks and uncertainties inherent in the national and regional banking industry, changes in economic conditions in the market areas in which the Company and its subsidiaries operate, changes in policies by regulatory agencies, changes in accounting standards and policies, changes in tax laws, fluctuations in interest rates, demand for loans in the market areas in which the Company and its subsidiaries operate, increases in FDIC insurance premiums, changes in the competitive environment, losses of significant customers, geopolitical events, the loss of key personnel and other factors. 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 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 may be susceptible to 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.

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 may 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.

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.

Changes in tax laws could adversely affect our performance

We are subject to extensive federal, state and local taxes, including income, exise, sales/use, payroll, franchise, withholding and ad valorem taxes. Changes to our taxes could have a material adverse effect on our results of operations. In addition, our customers are subject to a wide variety of federal, state and local taxes. Changes in taxes paid by our customers may adversely affect their ability to purchase homes or consumer products, which could adversely affect their demand for our loans and deposit products. In addition, such negative effects on our customers could result in defaults on the loans we have made.

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 its 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 adjust 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 32 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, federal banking agencies have proposed extensive changes to their capital requirements, including raising required amounts and eliminating the inclusion of certain instruments from the calculation of capital. The final form of such regulations and their impact on the Company is unknown at this time, but may require us to raise additional capital. 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. 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.

The effect of changes to the healthcare laws in the United States may increase our healthcare costs and negatively impact our financial results.

We offer healthcare coverage to our eligible employees with part of the cost subsidized by the Company. With recent changes to the healthcare laws in the United States becoming effective in 2014, more of our employees may choose to participate in our health insurance plans, which could increase our costs for such coverage and material adversely impact our costs of operations.

The expiration of unlimited FDIC insurance coverage of non-interest bearing transaction accounts effective December 31, 2012, may have an adverse effect on our liquidity and cost of funds.

The Dodd-Frank Act provided for unlimited FDIC insurance coverage of non-interest bearing transaction accounts through December 31, 2012. The end of such insurance may cause us to lose certain large deposits or may result in our needing to pledge additional securities to secure public funds deposits, which could have a material adverse effect on our liquidity. In order to ensure adequate liquidity, we may need to raise rates we pay on deposits, resulting in a decrease in profitability.

Item 1B. Unresolved Staff Comments

None

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 four other properties used as banking centers. In addition, the Company occupies office space from various parties for multiple business purposes 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 (lease)	908 North Wayne Street, Suite A, Angola, IN
Bryan Banking Center	1419 West High Street, Bryan, OH
Chief Banking Center (lease)	705 Deatrick Street, Defiance, OH
Columbus LPO	109 South High, Dublin, OH
New Albany LPO (lease)	68 N. High Street, Bldg. E, Ste. 105, New Albany, 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 (lease)	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
RDSI – Main Office	7622 St. Rt. 66 North, Defiance, OH
DCM – Main Office	3101 Technology Blvd., Suite B, Lansing, MI
RDSI – Office Space	104 Depot Street, Archbold, OH
RDSI – Office Space	105 East Holland Street, Archbold, OH

Item 3. Legal Proceedings.

Effective November 15, 2012, the Company's subsidiary, RDSI, reached an agreement with New Core Holdings, Inc. ("New Core") to settle their pending litigation relating to the agreements and transactions entered into between RDSI and New Core between April 2009 and April 2010. As previously disclosed in the Company's periodic reports filed with the Securities and Exchange Commission, the litigation with New Core was initiated in January 2011 and was last pending in the United States District Court for the Northern District of Ohio (Case No. 3:11cv366).

As part of the settlement agreement, RDSI and New Core agreed to an entry of judgment in favor of RDSI and against New Core in the amount of $3,000,000, provided that RDSI will forbear from collecting on the agreed judgment entry for a three-year period to allow New Core to market its data and item processing software for sale to a third party. In the event of a sale of the New Core software, RDSI will be entitled to receive a portion of the sale proceeds as payment against the agreed judgment, which could result in RDSI receiving less than the agreed judgment amount. Both RDSI and New Core provided mutual releases of claims as part of the settlement, with the exception of the agreed judgment entry described herein, as well as certain continued rights of RDSI in New Core collateral.

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 February 26, 2013, 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	58	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	51	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	39	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.

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 1,486 holders of record of our common shares as of December 31, 2012.

The following table presents quarterly market price information and cash dividends paid per share for our common shares for 2012 and 2011:

	Market Price Range		
2012	High	Low	DividendsPaid
Quarter ended December 31,2012	$ 7.25	$ 6.20	$ -
Quarter ended September 30, 2012	8.02	6.17	-
Quarter ended June 30, 2012	7.22	3.80	-
Quarter ended March 31,2012	4.00	2.60	-

2011	High	Low	DividendsPaid
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	-

On January 27, 2010, Rurban 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 Rurban, since such dividends are subject to the discretion of Rurban's Board of Directors, cash needs, general business conditions, dividends from the subsidiaries and applicable governmental regulations and policies.

The ability of Rurban 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 Rurban 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, 2012, State Bank had $4.3 million of excess earnings that were eligible for potential dividend to Rurban.

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. These provisions could have the effect of limiting Rurban's ability to pay dividends on its outstanding common shares. Moreover, the Federal Reserve Board expects Rurban 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 Rurban.

Repurchase of Common Shares

There were no common shares repurchased by the Company in 2012 or 2011.

Item 6. Selected Financial Data

SUMMARY OF SELECTED FINANCIAL DATA

FINANCIALHIGHLIGHTS

(Dollarsin thousandsexcept per share data)
Year Ended December 31

	2012	2011	2010	2009	2008
EARNINGS					
Interest income	$26,122	$27,509	$29,564	$32,591	$32,669
Interest expense	5,390	6,798	9,602	11,592	15,141
Net interest income	20,732	20,711	19,962	20,999	17,528
Provision for loan losses	1,350	1,994	10,588	5,738	690
Non interest income	14,845	13,857	20,819	29,304	27,891
Non interest expense	27,484	30,253	52,308	44,843	37,387
Provision (credit) for income taxes	1,929	658	(6,502)	(660)	2,125
Net income (loss)	4,814	1,664	(15,613)	382	5,217
PER SHARE DATA					
Basic earnings	$0.99	$0.34	$(3.21)	$0.07	$1.06
Diluted earnings	0.99	0.34	(3.21)	0.07	1.06
Cash dividends declared	-	-	-	0.36	0.34
Shareholders' equity per share	10.96	9.86	9.47	12.69	12.63
AVERAGE BALANCES					
Average total assets	$638,035	$643,528	$673,781	$667,470	$575,491
Average shareholders’ equity	50,300	47,035	57,281	63,576	59,964
RATIOS					
Return on average total assets	0.75 %	0.26 %	-2.32 %	0.06 %	0.91 %
Return on average shareholders' equity	9.57	3.54	(27.26)	0.60	8.70
Cash dividend payout ratio (dividends divided by net income)	-	-	-	458.18	32.14
Average shareholders' equity to average total assets	7.88	7.31	8.50	9.52	10.42
PERIOD END TOTALS					
Total assets	$638,234	$628,664	$660,288	$673,049	$657,619
Total investments; fed funds sold	98,702	111,978	132,762	105,083	112,606
Total loans and leases	463,389	442,554	427,544	452,558	450,112
Loans held for sale	6,147	5,238	9,055	16,858	3,824
Allowance for loan losses	6,811	6,529	6,715	7,030	5,020
Total deposits	527,001	518,765	515,678	491,242	484,221
Notes payable	1,702	2,788	3,290	2,147	1,000
Advances from FHLB	21,000	12,776	22,807	35,267	36,647
Trust preferred securities	20,620	20,620	20,620	20,620	20,620
Shareholders' equity	53,284	47,932	46,024	61,708	61,662

30

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

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 as of and for the years ended December 31, 2012 and 2011.

Forward-Looking Statements

This report may contain forward-looking statements about the Company and its subsidiaries within the meaning of the Private Securities Litigation Reform Act of 1995, which are not statements of historical fact. These forward-looking statements provide current expectations or forecasts of future financial performance. Examples of forward-looking statements include: (a) projections of income or expense, earning per share, the payments or non-payments of dividends, capital structure and other financial items; (b) statements of plans and objectives of the Company or our management or Board of Directors; (c) statements of future economic performance; (d) statements of future customer attraction or retention; and (e) statements of assumptions underlying such statements. Words such as "anticipates", "believes", "plans", "intends", "expects", "projects", "estimates", "should", "may", "would be", "will allow", "will likely resul continue", "will remain", or similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying those statements. Forward-looking statements are based on management's expectations and are subject to numerous risks and uncertainties. Although management believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those expressed or implied in such statements. These risks and uncertainties include, but are not limited to, risks and uncertainties inherent in the national and regional banking industry, changes in economic conditions in the market areas in which the Company and its subsidiaries operate, changes in policies by regulatory agencies, changes in accounting standards and policies, changes in tax laws, fluctuations in interest rates, demand for loans in the market areas in which the Company and its subsidiaries operate, increases in FDIC insurance premiums, changes in the competitive environment, losses of significant customers, geopolitical events, the loss of key personnel and other factors. For a more detailed discussion of the factors that could affect the Company's financial results, please see Item 1A "Risk Factors" in the Company's most recent Annual Report on Form 10-K filed with the SEC.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company does not undertake, and specifically disclaims any obligation, to update any forward looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements, except as required by law.

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 years ended December 31, 2012 and 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.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

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.

EARNINGS SUMMARY

Net income for 2012 was $4.8 million, or $0.99 per diluted share, compared with net income of $1.7 million, or $0.34 per diluted share for 2011.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

Net charge-offs for 2012 of $1.1 million resulted in a loan loss provision of $1.4 million, which was down from the $2.0 million in 2011. State Bank reported net income for 2012 of $6.4 million, which is up significantly from the $4.8 million in net income in 2011. RDSI reported net income for 2012 of $0.38 million, compared to a net loss of $1.4 million reported for 2011. A number of one-time contract buyouts and vendor settlements significantly affected the 2012 RDSI results.

Positive results at State Bank for 2012 include loan growth of $20.8 million, and organic deposit growth of $8.2 million. Both of these factors contributed to a net interest margin of 3.76 percent, which is down just 5 basis points from 2011. The mortgage banking business line continues to grow, with residential real estate loan production of $333 million for the year, resulting in $6.3 million of revenue from gains on sale. The Company's loans serviced for others ended the year at $528 million.

CHANGES IN FINANCIAL CONDITION

Total assets at December 31, 2012 were $638.2 million, compared to $628.7 million at December 31, 2011. Loans (excluding loans held for sale) were $463.4 million at December 31, 2012, compared to $442.6 million at December 31, 2011. Total deposits were $527.0 million at year-end 2012, compared to $518.8 million at December 31, 2011. Non-interest bearing deposits at December 31, 2012 were $77.8 million, compared to $66.0 million at December 31, 2011. Total shareholders' equity was $53.3 million at year-end 2012, up from $47.9 million from the prior year-end.

Significant Events of 2012

The Company expanded its profitability during 2012 with net income of $4.8 million, or $0.99 per share. This was an improvement from the net income of $1.7 million for 2011. Our Banking subsidiary, State Bank, had net income of $6.4 million, while our technology subsidiary, RDSI, made $0.38 million during 2012.

Improvements in problem assets were a factor in the Company's increase in profitability during 2012. At December 31, 2012, non-performing assets had declined $1.1 million from the prior year. The level of non-performing assets to total assets fell to 1.40 percent from 1.60 percent for the prior year. Loan delinquency ended the year at 1.08 percent at December 31, 2012 versus 1.57 percent at December 31, 2011.

Mortgage loan production and sale continued to be a significant part of our business model during 2012. During the year, the Company sold $319 million of originated balances and had net mortgage banking revenue of $6.5 million.

Operating expense was reduced by 9.2% during 2012 as expenses at RDSI declined due to reduced business volume. Additionally, State Bank made efforts to become more efficient with the reduction of six full-time equivalent staff positions.

The Company's loan loss provision for 2012 totaled $1.4 million during 2012, which was down 32 percent from the $2.0 million incurred during 2011. The provision level for 2012 was slightly above the $1.1 million of net charge-offs incurred during the year.

RDSI returned to profitability during 2012 from the losses incurred during 2011. RDSI reported net income in 2012 of $0.38 million, an improvement from the $1.4 million loss incurred during 2011.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

SUMMARY OF FINANCIAL DATA AND RESULTS OF OPERATIONS

	Year Ended December 31,		
($ in thousands except per share data)	2012	2011	% Change
Total Assets	$638,234	$628,664	2 %
Total Securities	98,702	111,978	-12 %
Loans Held for Sale	6,147	5,238	17 %
Loans (Net)	463,389	442,554	5 %
Allowance for Loan Losses	6,811	6,529	4 %
Total Deposits	$527,001	$518,765	2 %
Total Revenues	$35,577	$34,568	3 %
Net Interest Income	20,732	20,711	0 %
Loan Loss Provision	1,350	1,994	-32 %
Non-interest Income	14,845	13,857	7 %
Non-interest Expense	27,484	30,253	-9 %
Net Income	4,814	1,664	*
Basic Earnings per Share	$0.99	$0.34	*
Diluted Earnings per Share	$0.99	$0.34	*

*Percentage comparison not meaningful

Net Interest Income

	Year Ended December 31,		
($in thousands)	2012	2011	% Change
Net Interest Income	$20,732	$ 20,711	0.1 %

Net interest income was $20.7 million for 2012 compared to $20.7 million for 2011, an increase of 0.1 percent, which was driven by higher loan volumes and the reduction of higher rate borrowings. Average earning assets increased to $560.9 million in 2012 compared to $558.0 million in 2011, also due to loan volume. The consolidated 2012 full-year net interest margin decreased 5 basis points to 3.76 percent compared to 3.81 percent at December 31, 2011.

Loan Loss Provision

Provision for Loan Losses of $1.4 million was taken in 2012 compared to $2.0 million taken for 2011. The $0.6 million decrease was due to the lower level of charge-offs and the improvement in the Company's non-performing asset levels. For 2012, net charge-offs totaled $1.1 million, or 0.24 percent of average loans. Management continues to resolve problem loans and is developing strategies for removing these loans from non-performing status.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

Non-interest Income

($ in thousands)	Year Ended December 31, 2012	2011	% Change
Total Non-interest Income	$14,845	$13,857	7 %
Data Service Fees	$2,515	$3,630	-31 %
Trust Fees	2,501	2,616	-4 %
Deposit Service Fees	2,624	2,531	4 %
Gains on Sale of Loans	6,548	3,828	71 %
Mortgage Loan Servicing Fees, net	124	(970)	*
Gains on Sale of Securities	-	1,871	*
Other	533	351	52 %

* Percentage comparison not meaningful

Total non-interest income was $14.8 million for 2012 compared to $13.9 million for 2011, representing a $1.0 million, or 7.1 percent increase year-over-year. This increase was driven by a 71 percent increase in gains on sale of loans. The increase in gain on sale of loans and loan servicing fees was driven by mortgage banking. The Company sold $319 million into the secondary market, which allowed for the sold and serviced loan portfolio to grow from $402 million in 2011 to over $528 million at December 31, 2012. This portfolio provides a servicing fee annuity, which is expected to provide servicing revenue for the foreseeable future.

Data Service Fees ("RDSI")

($in thousands)	Year Ended December 31, 2012	2011	% Change
Data Service Fees	$ 2,515	$ 3,630	-31 %

Data service fees decreased $1.1 million, or 30.7 percent, to $2.5 million in 2012 from $3.6 million in 2011. During 2011, RDSI became exclusively an item processing and network services provider.

RDSI reported a 2012 fiscal year net income of $0.38 million, compared to a $1.4 million net loss reported for 2011.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

Non-interest Expense

(dollarsin thousands)	Year Ended December 31, 2012	2011	% Change	
Total Non-interest Expense	$27,484	$30,253	-9	%
Salaries & Employee Benefits	14,518	14,174	2	%
Professional Fees	1,912	1,920	0	%
FDIC Insurance Expense	628	908	-31	%
Goodwill & Intangible Impairment	-	381	*	
Fixed Asset & Software Impairment	65	609	*	
All Other	10,361	12,261	-15	%

* Percentage comparison not meaningful

Non-interest expense for 2012 decreased $2.8 million, or 9.2 percent over 2011. The Company made further declines in staffing levels for efficiency purposes and to reflect the commensurate declines in RDSI revenues. RDSI expenses were reduced by nearly $1.0 million due to no goodwill and fixed asset impairments, and there was a decline in FDIC expenses at State Bank. Total full-time equivalent headcount (FTE) ended 2012 at 204, which was down six from year end 2011. State Bank continued to have higher expenses related to OREO and single family residential foreclosures.

FINANCIAL CONDITION

Investments

At December 31, 2012, the Company's available for sale securities was $98.7 million, which was a $13.3 million decrease from the prior year. Investment yields were down by an average of 61 basis points from the prior year.

Loans

	Total Loans		Non-Accrual Loans		Non-Accrual Percentage			
(S in thousands)	2012	2011	2012	2011	2012		2011	
Commercial	$81,767	$78,112	1,246	2,393	1.52	%	3.06	%
Commercial real estate	201,392	187,829	782	1,456	0.39	%	0.78	%
Agricultural	42,276	38,361	-	-	0.00	%	0.00	%
Residential real estate	87,859	87,656	2,631	2,471	2.99	%	2.82	%
Consumer	50,223	50,681	646	580	1.29	%	1.14	%
Leasing	148	216	-	-	0.00	%	0.00	%
Total loans	463,665	442,855	$5,305	$6,900	1.14	%	1.56	%
Less								
Net deferred loan fees, premiums and discounts	(276)	(301)						
Loans, net of unearned income	$463,389	$442,554						

Allowance for loan losses	$(6,811)	$(6,529)

Loans increased $20.8 million to $463.7 million at December 31, 2012. Loan volume increased in most categories, except for consumer loans. State Bank continued to aggressively move out a number of problem credits during the year.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

Asset Quality

(dollars in thousands)	12/31/2012	12/31/2011	Change in Dollars/ Percentages
Non-accruing loans	$5,305	$6,900	$(1,595)
Accruing restructured loans	$1,258	$1,334	$(76)
OREO & Repossessed assets	$2,367	$1,830	$537
Non-performing assets	$8,930	$10,064	$(1,134)
Non-performing assets/total assets	1.40 %	1.60 %	-0.20 %
Net charge-offs	$1,068	$2,180	$(1,112)
Net charge-offs/total loans	0.24 %	0.49 %	-0.25 %
Loan loss provision	$1,350	$1,994	$(644)
Allowance for loan losses	$6,811	$6,529	$282
Allowance/loans	1.47 %	1.48 %	-0.01 %
Allowance/non-accruing loans	128.4 %	94.6 %	33.8 %
Allowance/non-performing assets	76.3 %	64.9 %	11.4 %

Non-performing assets (loans + OREO (Other Real Estate Owned) + OAO (Other Assets Owned) + accruing TDR's) were $8.9 million, or 1.40 percent, of total assets at December 31, 2012, a decrease of $1.1 million from 2011. Net charge-offs were also down significantly during 2012 at $1.1 million, which was a $1.1 million improvement over 2011. Our loan loss allowance at December 31, 2012 now covers our non-accruing loans at 128 percent, up from 95 percent at December 31, 2011.

CAPITAL RESOURCES

Stockholders' equity at December 31, 2012, was $53.3 million, equivalent to 8.3 percent of total assets. The total consolidated risk-based capital ratio was 12.6 percent at December 31, 2012. Total consolidated regulatory (risk-based) capital was $59.4 million at December 31, 2012, and $52.0 million at December 31, 2011. Capital ratios for the Company's banking subsidiary, State Bank, were 8.4 percent for the Tier 1 leverage ratio and 12.1 percent for the risk-based capital ratio at December 31, 2012.

Goodwill and Intangibles

The Company completed the most recent annual goodwill impairment test as of December 31, 2012. The first step impairment test compares the fair value of the reporting unit with the carrying value, including goodwill. The reporting unit is State Bank. RDSI has no remaining goodwill. At December 31, 2012, State Bank passed step one, which indicated no impairment.

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 business 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 $0.81 million 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.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

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 $124.0 million at December 31, 2012 compared to $132.1 million at December 31, 2011.

The Company's commercial real estate, first mortgage residential and multi-family mortgage portfolio of $289.3 million at December 31, 2012 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, 2012, all eligible commercial real estate, residential first, and multi-family mortgage loans were pledged under an FHLB blanket lien.

The cash flow statements for the periods presented 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 2012 and 2011 follows:

The Company experienced positive cash flows from operating activities in 2012 and 2011. Net cash from operating activities was $7.4 million and $14.9 million for the years ended December 31, 2012 and 2011, respectively. Significant non-cash items from operations for 2012 included OMSR recapture ($0.31 million), and OREO and fixed asset impairments ($0.12 million). Net cash flows from loan sales and loans originated and held for sale were a negative $2.9 million.

The Company experienced negative cash flows from investing activities in 2012 and positive cash flows in 2011. Net cash from investing activities was ($10.0) million and $4.0 million for the years ended December 31, 2012 and 2011, respectively. The changes in net cash from investing for 2012 include the purchase of available-for-sale securities of $28.6 million, and net increase in loans of $23.0 million. The changes in net cash from investing activities for 2011 include the purchase of available-for-sale securities of $52.2 million, net increase in loans of $19.7 million and the purchase of premises and equipment of $0.68 million. In 2011 the Company received $44.3 million from sales of securities available for sale, while proceeds from repayments, maturities and calls of securities were $41.3 million and $29.2 million in 2012 and 2011, respectively.

The Company experienced positive cash flows from financing activities in 2012 and negative cash flows from financing activities in 2011. Net cash from financing activities was $6.9 million and ($34.5) million for the years ended December 31, 2012 and 2011, respectively. Significant financing activity during 2012 included net FHLB advance activity of $8.2 million. Finally, $8.2 million and $3.1 million of the change is attributable to the change in deposits for 2012 and 2011, respectively.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

The Company uses an economic value of equity ("EVE") analysis to measure risk in the balance sheet incorporating all cash flows over the estimated remaining life of all balance sheet positions. The EVE analysis calculates the net present value of the Company's assets and liabilities in rate shock environments that range from -400 basis points to +400 basis points. The likelihood of a decrease in rates as of December 31, 2012 and December 31, 2011 was considered to be remote given the current interest rate environment and therefore, was not included in this analysis. The results of this analysis are reflected in the following tables for December 31, 2012 and December 31, 2011.

December 31, 2012
Economic Value of Equity
($'s in thousands)

Change in Rates	$ Amount	$ Change	% Change
+400 basis points	$ 95,056	$ 14,010	14.12%
+300 basis points	92,811	12,648	12.75%
+200 basis points	89,642	10,362	10.44%
+100 basis points	84,980	6,583	6.63%
Base Case	77,514	-	-

December 31, 2011
Economic Value of Equity
($'s in thousands)

Change in Rates	$ Amount	$ Change	% Change
+400 basis points	$ 112,424	$ 19,890	21.49%
+300 basis points	110,164	17,630	19.05%
+200 basis points	106,833	14,299	15.45%
+100 basis points	101,331	8,796	9.51%
Base Case	92,534	-	-

Off-Balance-Sheet Borrowing Arrangements:

Significant additional off-balance-sheet liquidity is available in the form of Federal Home Loan Bank (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 $289.3 million have been pledged to meet collateralization requirements as of December 31, 2012. Based on the current collateralization requirements of the FHLB, approximately $16.3 million of additional borrowing capacity existed at December 31, 2012.

At December 31, 2012 and 2011, the Company had $11.5 million in federal funds lines available. The Company also had $30.4 million in unpledged securities that may be used to pledge for additional borrowings.

Rurban Financial Corp., the Bank Holding Company, had a term note balance at December 31, 2012 and 2011 of $0.75 million and $1.5 million, respectively.

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

($ in thousands)	Payment due by period				
Contractual Obligations	Total	Lessthan 1 year	1 -3years	3 -5years	More than 5 years
Long-Term Debt Obligations	$21,000	$5,000	$8,500	$2,500	$5,000
Other Debt Obligations	22,322	750	952	-	20,620
Operating Lease Obligations	954	333	358	186	77
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP	194,071	95,274	75,721	21,149	1,927
Total	$238,347	$101,357	$85,531	$23,835	$27,624

The Company's contractual obligations as of December 31, 2012 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 $21.0 million. Other debt obligations are comprised of Trust Preferred securities of $20.6 million and Notes Payable of $1.7 million. The operating lease obligations are detailed in Note 21. Other long-term liabilities include time deposits of $194.1 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).

Rurban Financial Corp.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
December 31, 2012 and 2011

The Federal Reserve Board together with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation 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 during 2012 the Company entered into interest rate swap agreements as an accommodation to certain loan customers. See Note 5 to the financial statements. The Company may purchase such instruments in the future if market conditions are favorable.

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, 2012. 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:

($ in thousands)	2013	2014	2015	2016	2017	Thereafter	Total
Rate Sensitive Assets							
Variable Rate Loans	$ 57,845	$ 12,445	$ 9,237	$ 5,632	$ 4,179	$ 14,339	$ 103,677
Average interest rate	4.09 %	3.98 %	3.76 %	3.98 %	4.03 %	3.81 %	4.00 %
Adjustable Rate Loans	$ 30,544	$ 24,476	$ 20,485	$ 18,215	$ 16,483	$ 91,738	$ 201,941
Average interest rate	4.43 %	4.53 %	4.60 %	4.71 %	4.56 %	4.67 %	4.60 %
Fixed Rate Loans	$ 49,830	$ 32,090	$ 18,050	$ 15,539	$ 11,195	$ 37,214	$ 163,919
Average interest rate	4.73 %	5.00 %	4.72 %	4.80 %	4.69 %	4.43 %	4.72 %
Total Loans	$ 138,219	$ 69,011	$ 47,772	$ 39,386	$ 31,857	$ 143,291	$ 469,536
Average interest rate	4.39 %	4.65 %	4.48 %	4.64 %	4.54 %	4.52 %	4.51 %
Fixed rate investment securities	$ 25,452	$ 16,080	$ 8,101	$ 3,187	$ 1,673	$ 35,860	$ 90,353
Average interest rate	2.24 %	1.28 %	1.42 %	1.86 %	1.68 %	2.81 %	2.20 %
Variable rate investment securities	$ 4,383	$ 2,268	$ 789	$ 725	$ 571	$ 3,361	$ 12,097
Average interest rate	0.89 %	1.75 %	1.40 %	1.35 %	1.20 %	1.27 %	1.23 %
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	$ 168,054	$ 87,359	$ 56,662	$ 43,298	$ 34,101	$ 182,512	$ 571,986
Average interest rate	3.98 %	3.96 %	4.00 %	4.38 %	4.34 %	4.12 %	4.07 %
Rate Sensitive Liabilities							
Demand-Non Interest Bearing	$10,982	$9,431	$8,099	$6,957	$5,974	$36,356	$77,799
Demand-Interest Bearing	$13,956	$12,293	$10,831	$9,543	$8,408	$62,258	$117,289
	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %	0.06 %

Average interest rate														
Money Market Accounts	$10,076		$8,814		$7,707		$6,742		$5,897		$41,145		$80,381	
Average interest rate	0.11	%	0.11	%	0.11	%	0.11	%	0.11	%	0.11	%	0.11	%
Savings	$7,608		$6,462		$5,622		$4,892		$4,262		$28,615		$57,461	
Average interest rate	0.03	%	0.03	%	0.03	%	0.03	%	0.03	%	0.03	%	0.03	%
Certificates of Deposit	$95,293		$53,390		$22,335		$12,069		$9,080		$1,904		$194,071	
Average interest rate	0.86	%	1.20	%	2.04	%	1.94	%	1.14	%	3.79	%	1.20	%
Fixed rate FHLB Advances	$1,500		$8,500		$-		$2,500		$2,500		$2,500		$17,500	
Average interest rate	2.84	%	2.37	%	0.00	%	1.99	%	1.19	%	1.67	%	2.09	%
Variable rate FHLB Advances	$3,500		$-		$-		$-		$-		$-		$3,500	
Average interest rate	0.25	%	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%	0.25	%
Fixed rate Notes Payable	$364		$386		$202		$-		$-		$10,310		$11,262	
Average interest rate	6.00	%	6.00	%	6.00	%	0.00	%	0.00	%	10.60	%	10.21	%
Variable rate Notes Payable	$750		$-		$-		$-		$-		$10,310		$11,060	
Average interest rate	6.00	%	0.00	%	0.00	%	0.00	%	0.00	%	2.11	%	2.37	%
Fed Funds Purchased, Repos & Other	$10,333		$-		$-		$-		$-		$-		$10,333	
Average interest rate	0.10	%	0.00	%	0.00	%	0.00	%	0.00	%	0.00	%	0.10	%
Total Rate Sensitive Liabilities	$154,362		$99,276		$54,796		$42,703		$36,121		$193,398		$580,656	
Average interest rate	0.63	%	0.89	%	0.88	%	0.70	%	0.40	%	0.78	%	0.74	%

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

Comparison of 2012 to 2011 ($ in thousands)	First Year	Years 2 - 5	Thereafter	Total
Total Rate Sensitive Assets:				
At December 31,2012	$168,054	$221,420	$182,512	$571,987
At December 31,2011	166,416	232,916	164,122	563,455
Increase (decrease)	$1,638	$(11,496)	$18,390	$8,532
Total Rate Sensitive Liabilities:				
At December 31,2012	$154,362	$232,896	$193,398	$580,656
At December 31,2011	199,798	351,119	22,811	573,728
Increase(decrease)	$(45,436)	$(118,223)	$170,587	$6,928

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 41 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, 2012 and 2011, the related Consolidated Statements of Income, Comprehensive Income, Stockholders’ Equity and Cash Flows for the years then ended, the related Notes to Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm (BKD, LLP) in Rurban’s 2012 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:

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.

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 2012 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 year ended December 31, 2012, 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 24, 2013 (the "2013 Annual Meeting"), is incorporated herein by reference from the disclosure included in the Company's definitive Proxy Statement relating to the 2013 Annual Meeting (the "2013 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 2013 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 2013 Proxy Statement. These procedures have not materially changed from those described in the Company’s definitive Proxy Statement for the 2012 Annual Meeting of Shareholders held on April 26, 2012.

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 2013 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 2013 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 2013 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, 2012, 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):

Plan category	Number of securities to be issued upon exercise of outstanding options, warrantsand rights	Weighted-average exercise price of outstanding options, warrantsand 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	299,349	$ 9.86	104,000	(1)
Equity compensation plans not approved by security holders	N/A	N/A	N/A	

(1) Representscommon sharesof the Company remaining available for future issuance under the 2008 Plan (subject to certainadjustments). The 1997 Plan expired in accordance with itstermson March 12,2007, and no additional stock options, stock appreciation rightsor other awardsmy 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 2013 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 2013 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 2013 Proxy Statement under the caption “AUDIT COMMITTEE DISCLOSURE” – Pre-Approval of Services Performed by Independent Registered Public Accounting Firm” and “AUDIT COMMITTEE DISCLOSURE” – Services of Independent Registered Public Accounting Firm for 2012 Fiscal Year”.

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 2012 Annual Report:

Report of Independent Registered Public Accounting Firm (BKD, LLP)

Consolidated Balance Sheets as of December 31, 2012 and 2011

Consolidated Statements of Income for the Years ended December 31, 2012 and 2011

Consolidated Statements of Comprehensive Income for the Years ended December 31, 2012 and 2011

Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2012 and 2011

Consolidated Statements of Cash Flows for Years ended December 31, 2012 and 2011

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
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).
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).
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)
10.20*	Rurban Financial Corp. and Affiliates Long-Term Incentive Compensation Plan	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 20, 2012 (File No. 0-13507)
10.21	Consent Order entered into by Rurban Financial Corp. and Rurbanc Data Services, Inc. with the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") on March 9, 2011	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 16, 2011 (File No. 0-13507)

Exhibit No.	Description	Location
10.22	Federal Reserve Board Letter of Termination of Consent Order dated February 11, 2013	Incorporated herein by reference to Exhibit 10.1 to the Company's current Report on Form 8-K filed February 14, 2013 (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	2012 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 2012 Annual Report and incorporated therefrom in Rurban Financial Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, formatted in XBRL (eXtensible Business Reporting Language) pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2012 and 2011; (ii) the Consolidated Statements of Income for the years ended December 31, 2012 and 2011; (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2012 and 2011; (iv) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2012 and 2011; (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2012 and 2011; and (vi) 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
Date:	March 12, 2013		Anthony V. Cosentino, Executive Vice President and Chief Financial Officer

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, 2012, 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 12, 2013	President and Chief Executive Officer
/s/ Anthony V. Cosentino Anthony V. Cosentino	March 12, 2013	Executive Vice President and Chief Financial Officer
/s/ Gary M. Cates Gary M. Cates	March 12, 2013	Director
/s/ Robert A. Fawcett, Jr. Robert A. Fawcett, Jr.	March 12, 2013	Director
/s/ Gaylyn J. Finn Gaylyn J. Finn	March 12, 2013	Director

/s/ Richard L. Hardgrove Richard L. Hardgrove	March 12, 2013	Director
/s/ Lynn A. "Zac" Isaac Lynn A. "Zac" Isaac	March 12, 2013	Director
/s/ Rita A. Kissner Rita A. Kissner	March 12, 2013	Director
/s/ Mark A. Klein Mark A. Klein	March 12, 2013	Director
/s/ Thomas L. Sauer Thomas L. Sauer	March 12, 2013	Director
/s/ Timothy J. Stolly Timothy J. Stolly	March 12, 2013	Director

Date: March 12, 2013

ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2012

INDEX TO EXHIBITS

Exhibit No.	Description	Location
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 on 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).

Exhibit No.	Description	Location
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).
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).

Exhibit No.	Description	Location
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).
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)
10.20*	Rurban Financial Corp. and Affiliates Long-Term Incentive Compensation Plan	Incorporated by reference to Exhibit 10.1 to the Company's Current Form 8-K filed August 20, 2012 (File No. 0-13507)

Exhibit No.	Description	Location
10.21	Consent Order entered into by Rurban Financial Corp and Rurbanc Data Services, Inc. with the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") on March 9, 2011	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 16, 2011 (File No. 0-13507)
10.22	Federal Reserve Board Letter of Termination of Consent Order dated February 11, 2013	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 14, 2013 (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	2012 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 2012 Annual Report and incorporated therefrom in Rurban Financial Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, formatted in XBRL (eXtensible Business Reporting Language) pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2012 and 2011; (ii) the Consolidated Statements of Income for the years ended December 31, 2012 and 2011; (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2012 and 2011; (iv) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2012 and 2011; (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2012 and 2011; and (vi) 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.