

RURBAN FINANCIAL CORP
Form 424B3
September 12, 2005
Table of Contents

Filed pursuant to Rule 424(b)3

Registration No. 333-126892

EXCHANGE BANCSHARES, INC.

237 Main Street

Luckey, Ohio 43443

(419) 833-3401

Notice of Special Meeting of Shareholders

To Be Held on October 11, 2005

A special meeting of shareholders of Exchange Bancshares, Inc. will be held on October 11, 2005 at 7:30 p.m., Eastern Time, at Eastwood High School, 4900 Sugar Ridge Road, Pemberville, Ohio. The special meeting will be held for the purpose of considering and voting upon the following matters:

1. To approve and adopt the Agreement and Plan of Merger, dated as of April 13, 2005, by and between Rurban Financial Corp. and Exchange Bancshares, Inc., which provides for the merger of Exchange with and into Rurban. Subject to certain adjustments set forth in the Agreement and Plan of Merger, at the effective time of the merger each outstanding common share of Exchange Bancshares, par value \$5.00 per share, will be converted into the right to receive either: (a) \$22.00 in cash, or (b) 1.555 common shares, without par value, of Rurban; and
2. To transact such other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

The Board of Directors of Exchange has established September 9, 2005, as the record date for the special meeting. Only record holders of Exchange common shares as of the close of business on that date will be entitled to receive notice of and vote at the special meeting.

A joint prospectus/proxy statement and proxy card for the special meeting are enclosed.

Your vote is important. Even if you plan to attend the special meeting, please complete, sign and return the proxy card in the enclosed postage-paid envelope as soon as possible.

The Exchange Board of Directors recommends that you vote FOR the approval and adoption of the Agreement and Plan of Merger.

By Order of the Board of Directors,

Luckey, Ohio

/s/ Maron Layman

September 9, 2005

Marion Layman, Chairman

Table of Contents

RURBAN FINANCIAL CORP.

PROSPECTUS

for the issuance of up to

456,116 common shares of

Rurban Financial Corp.

EXCHANGE BANCSHARES, INC.

PROXY STATEMENT

for the Special Meeting of Shareholders

to be held on October 11, 2005

at 7:30 p.m.

On April 13, 2005, Rurban Financial Corp. and Exchange Bancshares, Inc. executed a merger agreement that provides for the merger of Exchange with and into Rurban. We cannot complete the merger unless the holders of at least 293,323 Exchange common shares, which is a majority of the issued and outstanding Exchange common shares, adopt the merger agreement. The Exchange Board of Directors has scheduled a special meeting for Exchange shareholders to vote on the merger agreement. The date, time and place of the special meeting are as follows:

October 11, 2005

7:30 p.m.

Eastwood High School

4900 Sugar Ridge Road

Pemberville, Ohio

Subject to certain adjustments set forth in the merger agreement, if we complete the merger each outstanding common share of Exchange will be converted into either: (1) \$22.00 in cash, or (2) 1.555 common shares of Rurban. Shareholders of Exchange who hold 100 or fewer Exchange shares will receive all cash, while shareholders holding more than 100 Exchange shares will have the option to receive cash, Rurban shares, or a combination of cash and Rurban shares. Elections will be limited by the requirement that the aggregate cash consideration that will be paid to Exchange shareholders, including cash paid to shareholders who properly exercise dissenters' rights and cash paid in lieu of the issuance of fractional shares, will be an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments). Therefore, you may not receive the form of payment that you request.

For tax purposes, it is intended that the merger of Exchange with and into Rurban will qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

The common shares of Rurban are listed on The Nasdaq National Market under the symbol RBNF. On September 6, 2005, the last practicable trading date before we printed this prospectus/proxy statement, Rurban shares closed at \$12.96. Based on that price, 1.555 Rurban shares would be valued at \$20.15. **The consideration that Exchange shareholders will receive in exchange for their Exchange shares may be adjusted under certain circumstances set forth in the merger agreement.**

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

Whether or not you plan to attend the special meeting, please complete, sign and return the proxy card in the enclosed postage-paid envelope. Not voting will have the same effect as voting against the adoption of the merger agreement. This prospectus/proxy statement provides detailed information about the merger. We encourage you to read this entire document carefully.

An investment in the common shares of Rurban involves certain risks. For a discussion of these risks, see Risk factors beginning on page 10 of this document.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Rurban shares to be issued in the merger or determined if this prospectus/proxy statement is truthful or complete. Any representation to the contrary is a criminal offense. Rurban shares are not insured by the Federal Deposit Insurance Corporation or any other government agency.

This prospectus/proxy statement is dated September 9, 2005, and is first being mailed to Exchange shareholders on or about September 12, 2005.

Table of Contents

Additional Information

This prospectus/proxy statement incorporates important business and financial information about Rurban and Exchange from documents that they have filed with the Securities and Exchange Commission but have not included in or delivered with this document. If you write or call Rurban or Exchange, we will send you these documents, excluding exhibits, without charge. You can contact Rurban or Exchange at:

Rurban Financial Corp.

401 Clinton Street

Defiance, Ohio 43512

Attention: James E. Adams

(419) 783-8950

Exchange Bancshares, Inc.

237 Main Street

Luckey, Ohio 43443

Attention: Marion Layman

(419) 833-3401

Any request for documents should be made by October 3, 2005 to ensure timely delivery of the documents prior to the special meeting.

For additional information about Rurban, please refer to Rurban's Form 10-K for the year ended December 31, 2004 and its Form 10-Q for the quarter and six months ended June 30, 2005, which are attached as Annex D and Annex E, respectively, to this prospectus/proxy statement. For additional information about Exchange please refer to Exchange's Form 10-KSB, as amended by Amendment No. 1 on Form 10-KSB/A, for the year ended December 31, 2004 and its Form 10-QSB for the quarter and six months ended June 30, 2005, which are attached as Annex F and Annex G, respectively, to this prospectus/proxy statement. See **Where You Can Find More Information** on page 53 for more information about the documents referred to in this prospectus/proxy statement.

Table of Contents

TABLE OF CONTENTS

<u>Questions and Answers About the Merger</u>	1
<u>Summary</u>	3
<u>Risk Factors</u>	10
<u>Fluctuation in the market price of the Rurban shares may affect the value of the consideration you receive</u>	10
<u>The consideration you receive in the merger may be reduced as a result of a decline in the shareholders' equity of Exchange</u>	10
<u>You may receive a form of consideration different from the form of consideration you elect</u>	11
<u>Rurban may fail to realize the anticipated benefits of the merger</u>	11
<u>Changes in interest rates could reduce Rurban's income</u>	11
<u>Comparative Share Prices</u>	12
<u>Selected Consolidated Financial Data of Rurban</u>	13
<u>Selected Consolidated Financial Data of Exchange</u>	14
<u>Comparative Per Share Data</u>	15
<u>Pro Forma Financials</u>	16
<u>Incorporation by Reference</u>	22
<u>Sources of Information</u>	23
<u>Forward Looking Statements</u>	23
<u>The Special Meeting</u>	24
<u>Purpose, time and place</u>	24
<u>Shares outstanding and entitled to vote; record date</u>	24
<u>Votes required</u>	24
<u>Voting, solicitation and revocation of proxies</u>	24
<u>Dissenters' Rights</u>	25
<u>The Merger</u>	26
<u>The parties to the merger agreement</u>	27
<u>Rurban</u>	27
<u>Exchange</u>	27
<u>Background and reasons for the merger</u>	27
<u>Rurban</u>	27
<u>Exchange</u>	27
<u>Opinion of Exchange's financial advisor</u>	29
<u>Merger consideration</u>	36
<u>Election procedure and exchange of certificates evidencing Exchange shares</u>	38
<u>Allocation of Rurban shares and cash among Exchange shareholders</u>	38
<u>Regulatory approvals required</u>	39
<u>Employee matters</u>	39
<u>Other agreements between Rurban and Exchange</u>	40
<u>Representations and warranties</u>	40
<u>Covenants</u>	41
<u>Conduct of business pending the merger</u>	41
<u>Conditions</u>	42
<u>Effective time</u>	43
<u>Termination and amendment</u>	43

Table of Contents

<u>Interests of directors and officers</u>	44
<u>Resale of Rurban shares</u>	45
<u>Material federal income tax consequences</u>	45
<u>Accounting treatment</u>	46
<u>Description of Rurban Shares and Comparison of Rights of Rurban and Exchange Shareholders</u>	47
<u>Authorized shares</u>	47
<u>Voting rights</u>	47
<u>Preemptive rights</u>	47
<u>Liquidation rights</u>	47
<u>Subscription, conversion and redemption rights; shares nonassessable</u>	48
<u>Payment of dividends</u>	48
<u>Board of Directors</u>	48
<u>Special meetings</u>	49
<u>Supermajority voting requirement</u>	49
<u>Shareholder vote required to approve business combinations with principal shareholders</u>	50
<u>Anti-takeover statutes</u>	51
<u>Legal Matters</u>	52
<u>Experts</u>	52
<u>Exchange 2005 Annual Meeting Shareholder Proposals</u>	52
<u>Where You Can Find More Information</u>	53

<u>Annex A</u>	Agreement and Plan of Merger, dated April 13, 2005, by and among Rurban Financial Corp. and Exchange Bancshares, Inc.
<u>Annex B</u>	Opinion of Capital Market Securities, Inc. dated as of September 9, 2005.
<u>Annex C</u>	Rights of Dissenting Shareholders, Ohio General Corporation Law Section 1701.85.
<u>Annex D</u>	Rurban's Form 10-K for the year ended December 31, 2004.
<u>Annex E</u>	Rurban's Form 10-Q for the quarter ended June 30, 2005.
<u>Annex F</u>	Exchange's Form 10-KSB/A for the year ended December 31, 2004.
<u>Annex G</u>	Exchange's Form 10-QSB for the quarter ended June 30, 2005.

Table of Contents

Questions and Answers About the Merger

Q: Why do Rurban and Exchange want to merge?

A: Exchange believes the merger with Rurban will enhance shareholder value. Rurban believes the merger will benefit its shareholders because the merger will enable Rurban to expand its presence in the metropolitan Toledo markets currently served by Exchange, strengthen the competitive position of the new combined organization, generate cost savings and enhance other opportunities for Rurban.

Q: What will I receive in the merger?

A: Subject to certain adjustments set forth in the merger agreement and described in this document, at the effective time of the merger each Exchange common share will be converted into the right to receive either (i) \$22.00 in cash or (ii) 1.555 common shares, without par value, of Rurban.

Q: Can I elect the type of consideration that I will receive in the merger?

A: If you hold more than 100 Exchange shares, you will have the opportunity to elect to receive all cash, all Rurban shares, or a combination of cash and Rurban shares. If you hold 100 or fewer Exchange shares, you will receive all cash in exchange for your Exchange shares.

Q: Will I receive the form of consideration I elect to receive?

A: Not necessarily. The merger agreement contains allocation and proration provisions to ensure that the aggregate cash consideration that will be paid to Exchange shareholders, including cash paid to shareholders who properly exercise dissenters' rights and cash paid in lieu of the issuance of fractional shares, will be an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments). *If the elections by Exchange shareholders do not result in the required mix of cash and stock consideration, then the form of payment you receive may be different than what you request.*

Q: When and where will the special meeting take place?

A: The special meeting of shareholders will be held at 7:30 p.m., Eastern Time, on October 11, 2005, at Eastwood High School, 4900 Sugar Ridge Road, Pemberville, Ohio.

Q: What do I need to do now?

A: After reviewing this document, please sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope as soon as possible. By submitting your proxy, you authorize the individuals named in the proxy to represent you and vote your Exchange shares at the special meeting in accordance with your instructions. *Your vote is important. Whether or not you plan to attend the special meeting, please submit your proxy in the enclosed postage-paid envelope.*

Q: How will my shares be voted if I return a blank proxy card?

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

- A: If you sign, date and return your proxy card and do not indicate how you want your Exchange shares to be voted, your Exchange shares will be voted **For** the approval and adoption of the merger agreement.

Table of Contents

Q: Is my vote required to approve the merger?

A: The affirmative vote of holders of at least a majority of the outstanding Exchange shares is required to approve and adopt the merger agreement. Your failure to vote, in person or by proxy, at the special meeting will have the same effect as if you voted **Against** the approval and adoption of the merger agreement.

Q: Can I change my mind and revoke my proxy?

A: Yes. You may revoke your proxy at any time before a vote is taken at the special meeting by:

filing a written notice of revocation with the Secretary of Exchange, at 237 Main Street, Luckey, Ohio 43443;

executing and returning another proxy with a later date; or

attending the special meeting and giving notice of revocation in person.

Attendance at the special meeting will not, by itself, revoke your proxy.

Q: If my shares are held in **street name by my broker, will my broker vote my shares for me?**

A: Your broker will vote your Exchange shares only if you instruct your broker how to vote. Your broker will send you directions on how you can instruct your broker to vote. If you do not instruct your broker how to vote your shares, your shares will not be voted, which will have the same effect as voting **Against** the approval and adoption of the merger agreement.

Q: Should I send in my stock certificates now?

A: No, please do not send in your stock certificates with your proxy card. Shortly after the completion of the merger, Rurban's exchange agent will send you transmittal materials that you will need to use when surrendering your stock certificates in exchange for the merger consideration. You should not surrender your stock certificates until you receive the letter of transmittal and instructions from the exchange agent.

Q: When do you expect the merger to be completed?

A: We are working to complete the merger as quickly as practicable. We expect to complete the merger on or about October 12, 2005, assuming shareholder approval and that all applicable governmental approvals have been received by that date and all other conditions precedent to the merger have been satisfied or waived.

Table of Contents

Summary

This summary highlights selected information from this prospectus/proxy statement. It does not contain all of the information that may be important to you. To fully understand the merger, you should read carefully this entire document and the other documents to which we refer. To obtain more information, see "Where You Can Find More Information" on page 53. Page references are included in this summary to direct you to a more complete description of topics discussed in this document.

The parties (page 27)

Rurban Financial Corp.

401 Clinton Street

Defiance, Ohio 43512

(419) 783-8950

Rurban is a financial services holding company headquartered in Defiance, Ohio. Rurban's direct and indirect subsidiaries include The State Bank and Trust Company, Reliance Financial Services, N.A., Rurbanc Data Services, Inc. (RDSI) and RFCBC, Inc. The State Bank and Trust Company offers a full range of financial services through its 12 offices located in Defiance, Paulding, Allen and Fulton Counties in Northwest Ohio. The State Bank and Trust Company also offers, through its wholly-owned trust company, Reliance Financial Services, N.A., a diversified array of trust and financial services to customers throughout the Midwest. RDSI provides data processing services to community banks in Ohio, Michigan, Indiana, Illinois and Missouri. RFCBC operates as a loan subsidiary in servicing and working out problem loans.

At June 30, 2005, Rurban had 230 full-time equivalent employees, total assets of \$451.0 million, total loans of \$271.8 million, total deposits of \$340.4 million, and total shareholders' equity of \$50.6 million. Rurban common shares are traded on The Nasdaq National Market ("Nasdaq") under the symbol RBNF.

Exchange Bancshares, Inc.

237 Main Street

Luckey, Ohio 43443

(419) 833-3401

Exchange is a bank holding company headquartered in Luckey, Ohio. Exchange's wholly-owned subsidiary, The Exchange Bank, was formed in 1906 and offers a full range of financial services through its five offices located in Lucas and Wood Counties in Northwest Ohio.

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

At June 30, 2005, Exchange had 41 full-time and 10 part-time employees, total assets of \$85.2 million, total loans of \$60.4 million, total deposits of \$75.3 million, and total shareholders' equity of \$7.9 million. Exchange common shares are quoted on the OTC Bulletin Board under the symbol EBLO.OB.

The merger (page 26)

The merger agreement provides for the merger of Exchange with and into Rurban. The merger cannot be completed unless at least 293,323 Exchange shares, which is a majority of the issued and outstanding Exchange shares, approve and adopt the merger agreement. The merger agreement is attached to this document as Annex A and is incorporated in this prospectus/proxy statement by reference. **We encourage you to read the merger agreement carefully, as it is the legal document that governs the merger.**

What you will receive in the merger (page 36)

Subject to certain adjustments set forth in the merger agreement and described below, at the effective time of the merger each Exchange share will be converted into the right to receive either \$22.00 in cash or 1.555

Table of Contents

common shares, without par value, of Rurban. Shareholders of Exchange who hold 100 or fewer Exchange shares will receive all cash in exchange for their Exchange shares, while shareholders of Exchange who hold more than 100 Exchange shares will have the option to receive all cash, all Rurban shares, or a combination of cash and Rurban shares.

Under the merger agreement, the aggregate cash consideration that will be paid to holders of Exchange shares, including cash paid to shareholders who properly exercise dissenters' rights and cash paid in lieu of the issuance of fractional Rurban shares, will be an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments). **If the aggregate cash payable to holders of Exchange shares who make cash elections, own 100 or fewer Exchange shares, or properly exercise dissenters' rights, plus the cash payable in lieu of the issuance of fractional Rurban shares, is not equal to this amount, then the form of payment you receive may be different than what you request.**

The merger agreement provides that the per share merger consideration to be received by Exchange shareholders may be adjusted under the following circumstances:

The per share merger consideration to be paid to Exchange shareholders *will be reduced* if the shareholders' equity of Exchange as of the month-end preceding the closing date of the merger is less than \$8,100,000, excluding changes, adjustments, or charges requested by Rurban, transaction expenses, certain fees paid to Rurban and unrealized gains or losses on Exchange's investment portfolio since January 1, 2005;

The exchange ratio (*i.e.*, the number of Rurban Shares that Exchange shareholders will receive in exchange for each Exchange share) *will be reduced* if the average market price of a Rurban share during a specified period prior to the closing date is greater than \$16.27;

The exchange ratio (*i.e.*, the number of Rurban Shares that Exchange shareholders will receive in exchange for each Exchange share) *may be increased* if the average market price of a Rurban share during a specified period prior to the closing date is less than \$12.02 *and* the decline in the market price of a Rurban share during the measuring period is more than 15% greater than the decline, if any, in the SNL Bank Index during a specified measuring period; and

The exchange ratio (*i.e.*, the number of Rurban Shares that Exchange shareholders will receive in exchange for each Exchange share) *may be increased* in order to preserve the status of the merger as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

Election procedure (page 38)

Not later than three business days after the effective time of the merger, the exchange agent will mail an election form to you. If you hold more than 100 Exchange shares, the election form will permit you to elect the type of consideration you would prefer to receive in exchange for each Exchange share that you own. Your options are to:

elect to receive all cash,

elect to receive all Rurban shares,

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

elect to receive a combination of cash and Rurban shares, or

make no election.

All election forms, along with your Exchange stock certificates, must be properly completed and actually received by the exchange agent by 5:00 p.m., Eastern Time, on the day set forth on the election form, which will be the 30th day following the date the election form was mailed to you.

Table of Contents

Allocation of Rurban shares and cash among Exchange shareholders (page 38)

Under the merger agreement, the aggregate cash consideration that will be paid to holders of Exchange shares, including cash paid to shareholders who properly exercise dissenters' rights and cash paid in lieu of the issuance of fractional Rurban shares, will be an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments). If the cash payable to holders of Exchange shares who make cash elections, own 100 or fewer Exchange shares, or properly exercise dissenters' rights, plus the cash payable in lieu of the issuance of fractional Rurban shares, is less than this amount, then each Exchange shareholder electing cash will receive cash. The Exchange shares of those Exchange shareholders who did not make an election and, if necessary, those Exchange shareholders electing to receive Rurban shares as consideration, will then be exchanged for cash, on a pro rata basis, so that the aggregate cash consideration that will be paid to holders of Exchange shares, including cash paid to shareholders who properly exercise dissenters' rights and cash paid in lieu of the issuance of fractional Rurban shares, will be an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments). The remainder of the Exchange shares will be exchanged for Rurban shares.

If the cash payable to holders of Exchange shares electing to receive cash consideration, which includes all dissenting shares and all shares held by shareholders who hold 100 or fewer Exchange shares, plus the cash payable in lieu of the issuance of fractional Rurban shares, is greater than an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments), then the cash consideration will be allocated among those Exchange shareholders electing to receive cash (excluding dissenting shares and shares held by shareholders who hold 100 or fewer Exchange shares) on a pro rata basis so that the total number of Exchange shares exchanged for cash equals an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments). The remainder of the Exchange shares will be exchanged for Rurban shares.

Special meeting of Exchange shareholders (page 24)

Exchange will hold a special meeting of shareholders on October 11, 2005, at 7:30 p.m., Eastern Time, at Eastwood High School, 4900 Sugar Ridge Road, Pemberville, Ohio. Only holders of record of the outstanding Exchange shares at the close of business on September 9, 2005 will be entitled to notice of, and to vote at, the special meeting and any adjournment of the special meeting. As of such date, there were 586,644 Exchange shares issued and outstanding, each of which will be entitled to one vote on each matter properly submitted for vote to the shareholders at the special meeting.

At the special meeting, Exchange shareholders will be asked to consider and vote upon the following matters:

To approve and adopt the Agreement and Plan of Merger, dated as of April 13, 2005, by and between Rurban Financial Corp. and Exchange Bancshares, Inc., which provides for the merger of Exchange with and into Rurban; and

To transact such other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

The affirmative vote of holders of at least a majority of the outstanding Exchange shares, voting in person or by proxy, is required to approve and adopt the merger agreement.

A quorum, consisting of the holders of a majority of the outstanding Exchange shares, must be present in person or by proxy at the special meeting before any action can be taken. Under Ohio law, only votes cast in

Table of Contents

favor of a proposal count as being voted for the proposal. Therefore, abstentions and broker non-votes will have the effect of a vote **Against** the approval and adoption of the merger agreement. Similarly, if you fail to return your properly executed proxy card, the effect will be the same as a vote **Against** the approval and adoption of the merger agreement.

If you return your properly executed proxy card prior to the special meeting and do not revoke it prior to its use, the Exchange shares represented by that proxy card will be voted at the special meeting, or any adjournment of the special meeting. The Exchange shares will be voted as specified on the proxy card or, in the absence of specific instructions to the contrary, will be voted **For** the approval and adoption of the merger agreement.

Vote of management owned shares (page 24)

As of the record date, directors and executive officers of Exchange and their affiliates collectively owned approximately 11.2% of the outstanding Exchange shares. A majority of the outstanding shares of Exchange is required to approve the merger agreement. All of the directors of Exchange, who collectively owned 11.2% of the outstanding Exchange shares as of the record date, entered into voting agreements with Rurban pursuant to which they agreed to vote all of their shares in favor of the adoption and approval of the merger agreement.

Background and reasons for the merger (page 27)

The Exchange Board of Directors believes that the terms of the merger agreement are fair to, and in the best interests of, Exchange and its shareholders. In reaching this decision, Exchange considered several factors, including:

the financial terms of the merger, as presented to the Exchange Board;

the benefits to Exchange Bank through an enhanced ability to meet the financial needs of its customers and compete in the rapidly changing financial services industry;

certain cost savings due to economies of scale and enhanced continuity of management;

the effect on shareholder value of Exchange remaining an independent entity in light of management's financial projections, considered in the face of increased competition to community banks in general from large bank holding companies and other financial institutions;

the long-term interests of Exchange and its shareholders, as well as the interests of Exchange's and Exchange Bank's employees, customers, creditors and the communities in which Exchange operates;

the cost of compliance by Exchange and Exchange Bank with the respective regulatory requirements and directives of the Federal Reserve, the Federal Deposit Insurance Corporation and the Ohio Division of Financial Institutions to which they are subject;

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

the ability of Exchange Bank to pay dividends to Exchange in the foreseeable future in light of regulatory requirements and restrictions;

the ability of Exchange to pay dividends to its shareholders in the foreseeable future in light of regulatory requirements and restrictions;

the current and ongoing cost of compliance with the Sarbanes-Oxley Act and related regulations; and

Exchange's and Exchange Bank's ability to hire and retain suitable management and employees.

Recommendation to shareholders (page 29)

The Exchange Board of Directors believes that the merger is in the best interests of Exchange and its shareholders and unanimously recommends that you vote **For** the proposal to approve and adopt the merger agreement.

Table of Contents

Opinion of financial advisor (page 29)

In deciding to approve the merger, the Exchange Board of Directors considered the opinion of its financial advisor, Capital Market Securities, Inc., dated April 13, 2005, that, as of that date, subject to and based on the qualifications and limitations set forth in its opinion, the per share merger consideration was fair to Exchange shareholders from a financial point of view. The full text of the opinion, updated as of the date of this prospectus/proxy statement, is attached as Annex B to this prospectus/proxy statement. We encourage you to read the opinion in its entirety for a description of the procedures followed and matters considered by Capital Market Securities. The opinions of Capital Market Securities will not reflect any developments that may occur or may have occurred after the date of the opinion and prior to the completion of the merger.

Material federal income tax consequences of the merger (page 45)

In general, Exchange shareholders receiving only Rurban shares in the merger will not recognize gain or loss. Exchange shareholders may, however, recognize gain or loss upon the receipt of cash or a combination of cash and Rurban shares in the merger. The actual income tax consequences of the merger to an Exchange shareholder will differ depending on the mixture of cash and Rurban shares received by the Exchange shareholder and various other factors. Exchange shareholders are urged to contact their tax advisors to determine the particular tax consequences of the merger to them.

Interests of directors and officers (page 44)

Some of the directors and executive officers of Exchange have interests in the merger that are different from, or in addition to, their interests as shareholders of Exchange. These interests include the following:

Thomas E. Funk, former Vice President, Treasurer and Chief Financial Officer of Exchange, has a Change in Control Agreement with Exchange and Exchange Bank which provides for a lump sum payment to Mr. Funk of approximately \$218,753 in the event that Mr. Funk's employment is terminated under specified circumstances in connection with a change in control of Exchange. Any payment to Mr. Funk under his Change in Control Agreement in connection with the merger would be subject to the receipt of all required regulatory approvals, if any. Mr. Funk resigned from Exchange and Exchange Bank on August 12, 2005.

A. John Moore, Charles M. Bailey and Linda Biniker, employees of Exchange Bank, have Change in Control Agreements with Exchange Bank which provide for lump sum payments of approximately \$173,855, \$155,279, and \$130,829, respectively, in the event their employment is terminated under specified circumstances in connection with a change in control of Exchange. Any payment to Mr. Moore, Mr. Bailey or Ms. Biniker under these Change in Control Agreements in connection with the merger would be subject to the receipt of all required regulatory approvals, if any.

Rurban has agreed to purchase a five-year extended tail to Exchange's existing directors' and officers' liability insurance policy, which will provide liability insurance coverage for the directors and executive officers of Exchange for acts occurring prior to completion of the merger.

Rurban has agreed to take all reasonable action necessary to elect Mr. Marion Layman as a director of the Exchange Bank through December 31, 2006.

Other agreements between Rurban and Exchange (page 40)

On April 26, 2005, Rurban, Exchange and Exchange Bank entered into an Administrative Services Agreement, pursuant to which Rurban provides certain administrative and advisory services. The services provided by Rurban include advice and assistance with respect to Exchange Bank's investment portfolio, lending approval and collection process, mortgage loan origination process, commercial loan approval and workout process, accounting reconciliations and other mutually agreed upon administrative and support services. Rurban receives a fee of \$3,500 per week, plus reimbursement of out-of-pocket costs, under the agreement. The agreement will terminate upon the earlier of the consummation of the merger or the termination of the merger agreement, provided, however, that either party is permitted to terminate the agreement at any time upon thirty days' prior written notice.

Table of Contents

Resale of Rurban shares (page 45)

Rurban has registered the Rurban shares to be issued in the merger with the Securities and Exchange Commission under the Securities Act of 1933, as amended. The Rurban shares will be freely transferable, except for Rurban shares received by persons who may be deemed to be affiliates of Exchange.

Regulatory approvals (page 39)

Rurban has submitted applications to the Board of Governors of the Federal Reserve System and the Ohio Division of Financial Institutions seeking approval of the merger. We anticipate that these regulatory authorities will approve the merger. However, there can be no assurance that all requisite approvals will be obtained, that the approvals will be received on a timely basis or that the approvals will not impose conditions or requirements that would so materially reduce the economic or business benefits of the merger that, had such condition or requirement been known, neither Rurban nor Exchange would have entered into the merger agreement.

Termination and amendment of the merger agreement (page 43)

Rurban and Exchange may agree to terminate the merger agreement and abandon the merger at any time before the merger is completed, even if the Exchange shareholders have voted to approve and adopt the merger agreement. The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger:

by the mutual written consent of Rurban and Exchange;

by either Rurban or Exchange if the merger is not completed on or before December 31, 2005;

by either Rurban or Exchange if any event occurs which would prevent the satisfaction of certain conditions set forth in the merger agreement;

by Exchange if any person or entity other than Rurban makes a proposal or offer to acquire 20% or more of the outstanding voting securities, or 20% or more of the assets or deposits, of Exchange or Exchange Bank, or makes a proposal or offer with respect to any merger, tender or exchange offer, consolidation or business combination involving Exchange or Exchange Bank, and the Board of Directors of Exchange determines in good faith, based upon advice from independent legal counsel, that the termination of the merger agreement is required for the Board of Directors to comply with its fiduciary duties to shareholders imposed by law;

by Exchange if the average market price of Rurban shares over the twenty trading days ending on the tenth trading day prior to the established closing date is less than \$12.02 *and* the market price of Rurban shares underperforms the SNL Bank Index by more than 15%, provided that, if Exchange elects to terminate the merger agreement, Rurban will have the option of increasing the exchange ratio, in which case the merger agreement will remain in effect; or

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

by Rurban if it is required to increase the exchange ratio (*i.e.*, the number of Rurban shares to be exchanged for each Exchange share) in order to preserve the status of the merger as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

Exchange must pay Rurban a termination fee of \$625,000 if any of the following occurs:

The Board of Directors of Exchange terminates the merger agreement to comply with its fiduciary duties to shareholders following the receipt of a proposal for an acquisition transaction from a person or entity other than Rurban;

Exchange consummates or enters into an agreement relating to an acquisition transaction with any person or entity other than Rurban within 18 months after the merger agreement is terminated; or

Table of Contents

The Board of Directors of Exchange withdraws or materially modifies its recommendation of the merger to the shareholders of Exchange after receiving a proposal from a person or entity other than Rurban relating to an acquisition transaction *and either* (1) the shareholders of Exchange do not adopt the merger agreement between Exchange and Rurban, or (2) the shareholders fail to meet by October 31, 2005 to vote on the adoption of the merger agreement.

Rurban must pay Exchange a termination fee of \$250,000 if Rurban elects to terminate the merger agreement because it is required to increase the exchange ratio in order to preserve the status of the merger as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

Rurban and Exchange may amend the merger agreement in writing at any time before or after the Exchange shareholders adopt the merger agreement. If the Exchange shareholders have already adopted the merger agreement, however, we will not amend it without shareholder approval if the amendment would have a material adverse effect on the shareholders.

Dissenters' rights (page 25)

Ohio law provides Exchange shareholders with dissenters' rights in the merger. This means that if you strictly comply with the procedures under Ohio law, you have the right to receive payment for your Exchange shares based upon an independent determination of their fair cash value. In addition to the summary of dissenters' rights on page 25, a copy of the provisions of Ohio law regarding dissenters' rights is attached to this prospectus/proxy statement as Annex C.

Table of Contents

Risk Factors

In deciding how to vote on the merger agreement, you should consider carefully all of the information contained in this document, especially the following factors.

Fluctuation in the market price of the Rurban shares will affect the value of the Rurban shares you receive.

Subject to certain adjustments set forth in the merger agreement and described below, at the effective time of the merger each Exchange share will be converted into the right to receive either \$22.00 in cash or 1.555 Rurban shares. On September 6, 2005, the last trading date before we printed this prospectus/proxy statement, the price of Rurban shares closed at \$12.96 per share on Nasdaq. Based on that price, 1.555 Rurban shares would be valued at \$20.15.

The exchange ratio (*i.e.*, the number of Rurban shares to be received in exchange for each Exchange share) may be adjusted, depending upon the average market price of a Rurban share during a measuring period prior to closing. Therefore, the total value of the merger consideration will depend upon the value of a Rurban share during the measuring period, which is the twenty trading days ending ten trading days immediately preceding the closing date.

If the average market price of a Rurban share during the measuring period is greater than \$16.27, then the exchange ratio will be reduced to a ratio equal to: (1) 115% of the per share cash amount, divided by (2) the average market price of a Rurban share during the measuring period.

If the average market price of a Rurban share during the measuring period is less than \$12.02 *and* the decline in the market price of a Rurban share during the measuring period exceeds the decline, if any, in the SNL Bank Index during the period beginning on April 13, 2005 and ending ten trading days immediately preceding the closing date by more than 15%, then the Board of Directors of Exchange may elect to terminate the merger agreement and abandon the merger. If the Board of Directors of Exchange elects to terminate the merger agreement, Rurban will have five days in which to elect to increase the exchange ratio so that the exchange ratio multiplied by the average market price of a Rurban share during the measuring period equals 85% of the per share cash amount. If Rurban elects to increase the exchange ratio, then the election by the Board of Directors to terminate the merger agreement will be of no further force and effect and the merger agreement will remain in effect.

The market price of the Rurban shares may fall after the end of the measuring period and before the closing of the merger. Further, you will not receive your merger consideration until several weeks after the closing of the merger, and the market price of the Rurban shares may fall during the post-closing period when Exchange shareholders are given an opportunity to elect the form of consideration they would like to receive and while allocations are determined by Rurban. You will not be able to sell your Rurban stock to avoid losses resulting from any decline in the trading prices of Rurban shares during this period.

On the day the merger closes, the market price of a share of Rurban stock may be higher or lower than the market price on the date the merger agreement was signed, on the date this document was mailed to you, or on the date of the special meeting of shareholders of Exchange. Therefore, you cannot be assured of receiving any specific market value of Rurban shares.

The consideration you receive in the merger may be reduced as a result of a decline in the shareholders' equity of Exchange.

The per share merger consideration to be received by Exchange shareholders in the merger will be reduced if the shareholders' equity of Exchange as of the month-end immediately preceding the closing date is less than \$8,100,000, excluding any changes, adjustments, or charges requested by Rurban, transaction expenses, certain

Table of Contents

fees paid to Rurban, and unrealized gains or losses on Exchange's investment portfolio since January 1, 2005. If Exchange's shareholders' equity, as adjusted, is less than \$8,100,000, the per share merger consideration will be reduced by an amount equal to (1) 150% of the amount by which the shareholders' equity falls below \$8,100,000, divided by (2) the number of Exchange shares outstanding immediately prior to the effective time. As a result, each Exchange share that is exchanged for cash will receive an amount equal to \$22.00 less the per share reduction amount. Further, each Exchange share that is exchanged for Rurban shares will receive a number of Rurban shares that is equal to (1) \$22.00 less the per share reduction amount, divided by (2) \$14.15.

At December 31, 2004, Exchange's shareholders' equity was \$8,298,000. At June 30, 2005, Exchange's shareholders' equity, as adjusted in accordance with the terms of the merger agreement, was \$8,109,000.

You may receive a form of consideration different from the form of consideration you elect.

The consideration you receive in the merger is subject to the requirement that the aggregate cash consideration that will be paid to Exchange shareholders, including cash paid to shareholders who properly exercise dissenters' rights and cash paid in lieu of the issuance of fractional shares, will be an amount equal to one-half of the total number of Exchange shares outstanding immediately prior to the effective time of the merger multiplied by \$22.00 (subject to certain adjustments). The merger agreement contains proration and allocation methods to achieve this result. If you elect to receive all cash and the available cash is oversubscribed, then you may receive a portion of the merger consideration in the form of Rurban shares, provided that shareholders who own 100 or fewer Exchange shares will receive all cash. If you elect all stock and the available stock is oversubscribed, then you may receive a portion of the merger consideration in cash. If you elect a combination of cash and Rurban shares, you may not receive the specific combination of cash and Rurban shares that you request.

Rurban may fail to realize the anticipated benefits of the merger.

Rurban and Exchange may not be able to integrate their operations without encountering difficulties, including the loss of key employees and customers, the disruption of ongoing business or possible inconsistencies in standards, controls, procedures and policies. Additionally, in determining that the merger is in the best interests of Rurban and Exchange, each of the Rurban and the Exchange boards of directors considered enhanced earnings opportunities. There can be no assurance, however, that any enhanced earnings will result from the merger.

Changes in interest rates could reduce Rurban's income.

Rurban's net income depends to a great extent on the difference between the interest rates earned on interest-earning assets, such as loans and investment securities, and the interest rates paid on interest-bearing liabilities, such as deposits and borrowings. These rates are highly sensitive to many factors that are beyond Rurban's control, including general economic conditions and the policies of various governmental and regulatory agencies. Changes in interest rates influence the volume of loan originations, the generation of deposits, the yield on loans and investment securities and the cost of deposits and borrowings. Fluctuations in these areas may adversely affect Rurban.

Table of Contents**Comparative Share Prices**

Rurban common shares are listed on Nasdaq under the symbol RBNF. Exchange common shares are quoted on the OTC Bulletin Board under the symbol EBLO.OB

As of September 6, 2005, there were 4,575,702 Rurban common shares outstanding and held by approximately 1,372 holders of record. As of September 6, 2005, there were 586,644 Exchange common shares outstanding and held by approximately 778 holders of record.

The following table sets forth the closing sales prices per share of Rurban and Exchange common shares on the last full trading day prior to the announcement of the merger and on the last practicable trading day prior to printing this prospectus/proxy statement. The table also presents the equivalent price per share of Exchange, giving effect to the merger as of such dates. The Exchange equivalent per share price is determined by multiplying the exchange ratio of 1.555 by the indicated sales price per share of Rurban as of the dates presented.

	Rurban	Exchange	Exchange equivalent per share price
April 12, 2005	\$ 14.22	\$ 12.85	\$ 22.11
September 6, 2005	\$ 12.96	\$ 20.10	\$ 20.15

Table of Contents**Selected Consolidated Financial Data of Rurban**

The tables below contain information regarding the financial condition and earnings of Rurban for the five years ended December 31, 2004, and the six months ended June 30, 2005 and 2004. This information is based on information contained in Rurban's quarterly report on Form 10-Q and annual reports on Form 10-K filed with the Securities and Exchange Commission.

	At June 30,		At December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(Unaudited)		(In thousands)				
Rurban consolidated							
statement of financial condition:							
Total assets	\$ 451,048	\$ 415,026	\$ 415,349	\$ 435,312	\$ 742,317	\$ 746,209	\$ 700,818
Securities available-for-sale	108,719	98,097	108,720	107,699	115,109	101,140	85,760
FRB and FHLB stock	2,847	2,790	2,793	2,745	3,666	3,236	3,145
Loans held-for-sale	351	0	113	219	63,536	440	1,167
Loans, net of unearned income	271,827	270,692	264,481	284,104	487,475	600,291	576,636
Allowance for loan losses	5,210	6,923	4,899	10,181	17,694	9,239	7,215
Deposits	340,404	290,991	279,624	317,475	567,860	610,860	566,321
FHLB advances	38,000	54,000	56,000	39,000	47,850	54,275	52,164
Other borrowings	17,340	16,475	24,949	24,251	16,000	24,850	23,200
Stockholders' equity	50,600	48,227	50,306	48,383	36,382	50,829	50,140

	At June 30,		At December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(Unaudited)		(In thousands, except for per share data)				
Rurban consolidated operating results:							
Interest income	\$ 10,177	\$ 9,963	\$ 20,028	\$ 27,774	\$ 48,591	\$ 56,519	\$ 56,023
Interest expense	4,253	4,069	7,951	13,972	24,813	30,778	29,635
Net interest income	5,924	5,894	12,077	13,802	23,778	25,741	26,388
Provision for loan losses	352	(190)	(399)	1,202	27,531	8,733	2,100
Non-interest income	8,829	8,418	16,691	34,687	13,779	14,162	11,273
Non-interest expense	13,765	12,854	25,324	28,678	30,479	28,018	26,754
Income (loss) before income taxes	637	1,648	3,843	18,608	(20,452)	3,152	8,807
Income taxes	112	327	1,109	6,303	(7,044)	899	2,721
Net income (loss)	525	1,321	2,734	12,305	(13,408)	2,253	6,086
Basic earnings (loss) per share	0.11	0.29	0.60	2.71	(2.95)	0.50	1.35
Diluted earnings (loss) per share	0.11	0.29	0.60	2.70	(2.95)	0.50	1.35
Cash dividends per share	0.10	N/A	N/A	N/A	0.26	0.47	0.42
Book value at period end	11.07	10.56	11.01	10.63	8.01	11.14	10.98
Weighted average shares outstanding basic	4,569	4,555	4,559	4,545	4,540	4,526	4,511
Weighted average shares outstanding diluted	4,579	4,572	4,572	4,552	4,540	4,544	4,511

	At June 30,		At December 31,				
	2005	2004	2004	2003	2002	2001	2000

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

	(Unaudited)			(In thousands, except for per share data)			
Other data:							
Return on average assets	0.25%	0.62%	0.65%	2.24%	(1.69)%	0.31%	0.91%
Return on average shareholders' equity	2.08	5.43	5.55	27.59	(30.01)	4.27	13.05
Dividend payout ratio	90.91	N/A	N/A	N/A	N/A	95.80	31.02
Net interest margin, fully-taxable equivalent	3.18	3.10	3.19	2.72	3.20	3.80	4.23
Average loans to average deposits	91.50	89.07	105.68	98.24	105.54	106.82	109.65
Average equity to average assets	12.08	11.49	11.79	8.12	5.65	7.29	7.01
Allowance for loan losses to period end loans	1.92	2.56	1.85	3.58	3.21	1.54	1.25
Allowance for loan losses to total non-performing loans	38.52	41.82	34.03	55.43	94.65	62.59	81.82
Non-performing loans to period end loans	4.97	6.10	5.44	6.48	3.39	2.45	1.53
Net charge-offs to average loans	0.02	1.13	1.80	2.26	3.27	1.15	0.20
Avg Loans	265,152	273,424	271,503	385,153	627,685	583,239	542,412
Net Charge-offs	41	3,068	4,883	8,715	20,503	6,709	1,079

Table of Contents**Selected Consolidated Financial Data of Exchange**

The tables below contain information regarding the financial condition and earnings of Exchange for the five years ended December 31, 2004, and the six months ended June 30, 2005 and 2004. This information is based on information contained in Exchange's quarterly report on Form 10-QSB and annual reports on Form 10-KSB filed with the Securities and Exchange Commission.

	At June 30,		At December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(Unaudited)		(In thousands)				
Exchange consolidated statement of financial condition:							
Total assets	\$ 85,230	\$ 97,987	\$ 90,719	\$ 101,819	\$ 110,688	\$ 106,456	\$ 103,155
Securities available-for-sale	18,605	22,258	22,258	22,416	16,987	14,150	14,770
FRB and FHLB stock	698	686	686	665	665	665	665
Loans, net of unearned income	60,397	64,421	62,274	68,555	72,512	81,182	79,279
Allowance for loan losses	1,130	1,140	1,106	1,395	1,417	844	756
Deposits	75,328	89,045	82,007	92,249	100,845	95,231	90,108
FHLB advances	565	76	74	86	100	115	2,632
Other borrowings	150						
Shareholders' equity	7,926	8,436	8,298	9,069	9,222	10,452	9,933
Six months ended							
	June 30,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(Unaudited)		(In thousands, except per share data)				
Exchange consolidated statement of operations:							
Interest income	\$ 2,256	\$ 2,527	\$ 4,950	\$ 5,880	\$ 7,035	\$ 8,287	\$ 8,261
Interest expense	544	749	1,399	1,965	2,872	4,075	3,878
Net interest income	1,712	1,778	3,551	3,915	4,163	4,212	4,383
Provision for loan losses	213	454	542	250	2,019	15	75
Non-interest income	253	239	492	622	768	680	552
Non-interest expense	2,099	1,980	4,065	4,045	4,587	4,016	3,864
Income (loss) before income taxes	(347)	(417)	(564)	242	(1,675)	861	996
Income taxes				70	(585)	269	320
Net income (loss)	(347)	(417)	(564)	172	(1,090)	592	676
Earnings (loss) per share	(0.59)	(0.71)	(0.96)	0.29	(1.86)	1.01	1.16
Cash dividends per share				0.25	0.25	0.50	0.49
Book value at period end	13.51	14.38	14.14	15.46	15.72	17.82	16.96
Weighted average shares outstanding	586,644	586,644	586,644	586,644	586,644	585,553	583,870

At or for the six
months ended

Year ended December 31,

June 30,

Edgar Filing: RURBAN FINANCIAL CORP - Form 424B3

	2005	2004	2004	2003	2002	2001	2000
	(Unaudited)						
(In thousands)							
Other data:							
Return on average assets	(0.80)%	(0.83)%	(0.57)%	0.16%	(1.01)%	0.55%	0.67%
Return on average shareholders equity	(8.66)	(9.41)	(6.57)	1.85	(10.51)	5.93	7.18
Dividend payout ratio				84.88	n/a	49.49	42.16
Net interest margin, fully-taxable equivalent	4.24	3.78	3.85	3.95	4.12	4.16	4.63
Average loans to average deposits	77.41	72.78	72.48	71.52	82.55	81.29	89.12
Average equity to average assets	9.26	8.85	8.73	8.69	9.60	9.26	9.27
Allowance for loan losses to period end loans	1.87	1.77	1.78	2.03	1.95	1.04	0.95
Allowance for loan losses to total non-performing loans	78.97	96.12	118.42	68.65	67.00	49.01	136.96
Non-performing loans to period end loans	2.37	1.84	1.50	2.96	2.92	2.12	0.70
Net charge-offs to average loans	0.62	1.93	1.21	0.39	1.81	(0.09)	0.42
Average loans	\$ 60,849	\$ 66,478	\$ 64,668	\$ 69,281	\$ 79,717	\$ 78,724	\$ 77,012
Net charge-offs	189	643	781	272	1,446	(73)	327

Table of Contents**Comparative Per Share Data**

Presented below are the book value per share and net earnings per share of (a) Rurban on a historical basis, (b) Exchange on a historical basis, (c) Rurban on a pro forma basis and (d) Exchange on an equivalent pro forma basis, adjusted to reflect the completion of the merger as of the beginning of each of the periods indicated. The information in the following table is not necessarily indicative of the results which actually would have been obtained if we had completed the merger before the periods indicated.

	Six months ended June 30, 2005	Year ended December 31, 2004
Rurban historical		
Earnings (loss) per share:		
Basic	\$.11	\$.60
Diluted	.11	.60
Book value per share	11.07	11.01
Cash dividends paid per share	.10	N/A
Exchange historical		
Earnings (loss) per share:		
Basic	\$ (.59)	\$ (.96)
Diluted	(.59)	(.96)
Book value per share	13.51	14.14
Cash dividends paid per share	N/A	N/A
Rurban pro forma		
Earnings (loss) per share:		
Basic (1)	\$ (.02)	\$.34
Diluted (1)	(.02)	.34
Book value per share (2)	11.29	11.20
Cash dividends paid per share (3)	.10	N/A
Exchange pro forma equivalent		
Earnings (loss) per share:		
Basic (4)	\$ (.03)	\$.53
Diluted (4)	(.03)	.53
Book value per share (4)	17.55	17.42
Cash dividends paid per share (4)	.16	N/A

- (1) The pro forma earnings per basic/diluted common share is computed by dividing pro forma income by the applicable weighted average pro forma common shares of Rurban.
- (2) The pro forma book value per share is computed by dividing the pro forma shareholders' equity by total pro forma common shares of Rurban.
- (3) Rurban pro forma cash dividends declared per share represent historical cash dividends declared per share by Rurban.
- (4) Exchange equivalent pro forma per share amounts are computed by multiplying the Rurban pro forma amounts by the calculated exchange ratio of 1.555.

Table of Contents

Pro Forma Financials

The following unaudited pro forma condensed combined consolidated balance sheet and statement of income are based on the historical consolidated financial statements of Rurban and Exchange, giving effect to the merger to be accounted for under the purchase method of accounting.

Under the purchase method of accounting, the tangible and identifiable assets and liabilities of Exchange will be recorded at estimated fair values at the time the merger is consummated. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets will be recorded as goodwill. The adjustments necessary to record tangible and identifiable intangible assets and liabilities at fair value will be amortized to income and expense over the estimated remaining lives of the related assets and liabilities. At a minimum, goodwill will be subject to an annual test for impairment and the amount impaired, if any, will be charged to expense at the time of impairment.

The following unaudited pro forma combined consolidated balance sheet as of June 30, 2005 and the unaudited pro forma condensed combined statement of income for the year ended December 31, 2004 and the six months ended June 30, 2005 have been prepared to reflect Rurban's acquisition of Exchange as if the acquisition had occurred on June 30, 2005 with respect to the balance sheet, as of January 1, 2004 with respect to the statement of income for the year ended December 31, 2004, and as of January 1, 2005 with respect to the statement of income for the six months ended June 30, 2005, in each case giving effect to the pro forma adjustments described in the accompanying notes.

The pro forma adjustments are based on estimates made for the purpose of preparing these pro forma financial statements. The actual adjustments to the accounts of Rurban will be made based on the underlying historical financial data and fair value of Exchange's assets and liabilities at the time of the transaction. Rurban's management believes that the estimates used in these pro forma financial statements are reasonable under the circumstances.

The proforma condensed combined consolidated balance sheet and statements of income include an estimate for core deposit premium of 3% of selected deposit balances and the related income statement impact for the periods presented. A deposit premium study will be performed and the core deposit intangible will be appropriately adjusted.

The pro forma condensed combined consolidated balance sheet and statements of income have been prepared based on the purchase method of accounting assuming 456,116 Rurban shares will be issued. For a discussion of the number of shares that may be issued in the merger, see "The Merger" Merger consideration. For a discussion of the purchase method of accounting, see "The Merger" Accounting treatment.

The unaudited pro forma condensed combined consolidated balance sheet as of June 30, 2005 is not necessarily indicative of the combined financial position had the merger been effective at that date. The unaudited pro forma condensed combined consolidated statements of income are not necessarily indicative of the results of operations that would have occurred had the merger been effective at the beginning of the periods indicated, or of the future results of Rurban. These pro forma financial statements should be read in conjunction with the historical financial statements and the related notes incorporated elsewhere in this document.

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet

June 30, 2005

			Combined		
	Rurban historical	Exchange historical	Rurban and Exchange	Pro Forma adjustments	Combined pro forma
			(In Thousands)		
Assets					
Cash and due from banks	\$ 8,044	\$ 2,322	\$ 10,366	\$ 3,547 ⁽¹⁾ (832) ⁽²⁾	\$ 13,081
Fed funds sold	23,200		23,200		23,200
Securities available for sale	108,719	18,605	127,324		127,324
Loans, net of unearned income	271,827	60,397	332,224		332,224
Allowance for loan losses	(5,210)	(1,130)	(6,340)		(6,340)
Premises and equipment	9,405	3,205	12,610		12,610
Goodwill	6,506		6,506	3,745 ⁽¹⁾ 420 ⁽³⁾ 832 ⁽²⁾	11,503
Core deposit intangible	1,069		1,069	1,235 ⁽³⁾ (137) ⁽¹⁾	2,167
Other assets	27,488	1,813	29,319		29,319
Total Assets	\$ 451,048	\$ 85,230	\$ 536,278	\$ 8,810	\$