

RURBAN FINANCIAL CORP  
Form 10-Q  
November 16, 2009

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-13507

RURBAN FINANCIAL CORP.

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(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 43512  
(Address of principal executive offices)  
(Zip Code)

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

None &# 160;  
(Former name, former address and former fiscal year, if changed since last report.)

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  No

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

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

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company” in Rule 12b-2 of the Exchange Act. Large Accelerate Filer  Accelerated Filer  Non-Accelerated Filer   
Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Shares, without par value  
(class)

4,861,779 shares  
(Outstanding at November 16, 2009)

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RURBAN FINANCIAL CORP.

FORM 10-Q

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements	3
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	44
Item 4T.	Controls and Procedures	45

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	46
Item 1A.	Risk Factors	46
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 3.	Defaults Upon Senior Securities	49
Item 4.	Submission of Matters to a Vote of Security Holders	49
Item 5.	Other Information	49
Item 6.	Exhibits	49
Signatures		50

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim condensed consolidated financial statements of Rurban Financial Corp. (“Rurban” or the “Company”) are unaudited; however, the information contained herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of financial condition and results of operations for the interim periods presented. All adjustments reflected in these financial statements are of a normal recurring nature in accordance with Rule 10-01 of Regulation S-X. Results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of results for the complete year.

Rurban Financial Corp.  
Condensed Consolidated Balance Sheets  
September 30, 2009 and December 31, 2008

	(Unaudited) September 30, 2009	December 31, 2008
<b>Assets</b>		
Cash and due from banks	\$ 31,055,035	\$ 18,059,532
Federal funds sold	-	10,000,000
Cash and cash equivalents	31,055,035	28,059,532
Available-for-sale securities	111,561,500	102,606,475
Loans held for sale	11,370,884	3,824,499
Loans, net of unearned income	448,392,963	450,111,653
Allowance for loan losses	(5,934,165)	(5,020,197)
Premises and equipment	17,217,039	17,621,262
Purchased software	5,273,311	5,867,395
Federal Reserve and Federal Home Loan Bank stock	3,748,250	4,244,100
Foreclosed assets held for sale, net	1,748,376	1,384,335
Interest receivable	2,851,934	2,964,663
Goodwill	21,414,790	21,414,790
Core deposits and other intangibles	5,177,508	5,835,936
Cash value of life insurance	12,953,972	12,625,015
Other	6,917,729	6,079,451
<b>Total assets</b>	<b>\$ 673,749,126</b>	<b>\$ 657,618,909</b>

See notes to condensed consolidated financial statements (unaudited)

Note: The balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date

Rurban Financial Corp.  
Condensed Consolidated Balance Sheets  
September 30, 2009 and December 31, 2008

	(Unaudited) September 30, 2009	December 31, 2008
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Demand	\$ 54,149,280	\$ 52,242,626
Savings, interest checking and money market	213,738,928	189,461,755
Time	224,404,005	242,516,203
<b>Total deposits</b>	<b>492,292,213</b>	<b>484,220,584</b>
Notes payable	2,357,816	1,000,000
Federal Home Loan Bank advances	39,868,884	36,646,854
Repurchase agreements	46,138,646	43,425,978
Trust preferred securities	20,620,000	20,620,000
Interest payable	1,382,015	1,965,842
Other liabilities	6,421,448	8,077,647
<b>Total liabilities</b>	<b>609,081,022</b>	<b>595,956,905</b>
<b>Commitments and Contingent Liabilities</b>		
<b>Stockholders' Equity</b>		
Common stock, \$2.50 stated value; authorized 10,000,000 shares; issued 5,027,433 shares; outstanding September 2009 – 4,861,779 shares, December 2008 – 4,881,452 shares	12,568,583	12,568,583
Additional paid-in capital	15,132,715	15,042,781
Retained earnings	36,737,207	35,785,317
Accumulated other comprehensive income (loss)	1,998,910	(121,657)
Treasury Stock, at cost		
Common; September 2009 – 165,654 shares, December 2008 – 145,981 shares	(1,769,311)	(1,613,020)
<b>Total stockholders' equity</b>	<b>64,668,104</b>	<b>61,662,004</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 673,749,126</b>	<b>\$ 657,618,909</b>

See notes to condensed consolidated financial statements (unaudited)

Note: The balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date.

Rurban Financial Corp.  
Condensed Consolidated Statements of Income (Unaudited)  
Three Months Ended

	September 30, 2009	September 30, 2008
<b>Interest Income</b>		
<b>Loans</b>		
Taxable	\$ 6,884,515	\$ 6,736,100
Tax-exempt	20,944	22,125
<b>Securities</b>		
Taxable	944,579	1,135,931
Tax-exempt	294,716	109,805
Other	41,621	17,635
<b>Total interest income</b>	<b>8,186,375</b>	<b>8,021,596</b>
<b>Interest Expense</b>		
Deposits	1,559,730	2,258,470
Other borrowings	43,745	16,803
Repurchase agreements	437,419	465,452
Federal Home Loan Bank advances	417,359	416,696
Trust preferred securities	391,407	415,686
<b>Total interest expense</b>	<b>2,849,660</b>	<b>3,573,107</b>
<b>Net Interest Income</b>	<b>5,336,715</b>	<b>4,448,489</b>
<b>Provision for Loan Losses</b>	<b>898,050</b>	<b>146,173</b>
<b>Net Interest Income After Provision for Loan Losses</b>	<b>4,438,665</b>	<b>4,302,316</b>
<b>Non-interest Income</b>		
Data service fees	4,806,359	4,947,727
Trust fees	644,427	780,726
Customer service fees	700,042	626,008
Net gains on loan sales	722,234	132,999
Loan servicing fees	126,265	57,356
Gain (loss) on sale of assets	(52,976)	222,815
Other	129,360	221,081
<b>Total non-interest income</b>	<b>\$ 7,075,711</b>	<b>\$ 6,988,712</b>

See notes to condensed consolidated financial statements (unaudited)

Rurban Financial Corp.  
Condensed Consolidated Statements of Income (Unaudited)  
Three Months Ended

	September 30, 2009	September 30, 2008
<b>Non-interest Expense</b>		
Salaries and employee benefits	\$ 5,422,005	\$ 4,239,578
Net occupancy expense	752,532	526,301
Equipment expense	2,041,339	1,553,188
Data processing fees	151,320	120,151
Professional fees	705,415	489,910
Marketing expense	232,294	247,120
Printing and office supplies	104,036	115,667
Telephone and communications	406,673	415,120
Postage and delivery expense	511,525	511,522
State, local and other taxes	235,067	235,647
Employee expense	293,634	272,315
Other	598,275	552,379
Total non-interest expense	11,454,115	9,278,898
<b>Income Before Income Tax</b>	60,261	2,012,130
(Credit) Provision for Income Taxes	(99,421)	588,090
<b>Net Income</b>	\$ 159,682	\$ 1,424,040
<b>Basic Earnings Per Share</b>	\$ 0.03	\$ 0.29
<b>Diluted Earnings Per Share</b>	\$ 0.03	\$ 0.29
<b>Dividends Declared Per Share</b>	\$ 0.09	\$ 0.09

See notes to condensed consolidated financial statements (unaudited)



Rurban Financial Corp.  
Condensed Consolidated Statements of Income (Unaudited)  
Nine Months Ended

	September 30, 2009	September 30, 2008
<b>Interest Income</b>		
Loans		
Taxable	\$ 20,554,775	\$ 20,567,604
Tax-exempt	71,791	63,944
Securities		
Taxable	3,158,649	3,266,395
Tax-exempt	766,931	433,970
Other	71,498	130,424
<b>Total interest income</b>	<b>24,623,644</b>	<b>24,462,337</b>
<b>Interest Expense</b>		
Deposits	5,115,379	7,973,962
Other borrowings	91,548	43,792
Repurchase agreements	1,296,242	1,376,767
Federal Home Loan Bank advances	1,221,487	1,096,178
Trust preferred securities	1,185,021	1,273,775
<b>Total interest expense</b>	<b>8,909,677</b>	<b>11,764,474</b>
<b>Net Interest Income</b>	<b>15,713,967</b>	<b>12,697,863</b>
<b>Provision for Loan Losses</b>	<b>2,192,042</b>	<b>551,388</b>
<b>Net Interest Income After Provision for Loan Losses</b>	<b>13,521,925</b>	<b>12,146,475</b>
<b>Non-interest Income</b>		
Data service fees	14,734,942	15,161,075
Trust fees	1,869,083	2,451,567
Customer service fees	1,923,744	1,825,040
Net gains on loan sales	2,738,626	590,747
Net realized gain on securities	477,591	-
Net proceeds from VISA IPO	-	132,106
Investment securities recoveries	-	197,487
Loan servicing fees	298,001	175,516
Gain (Loss) on sale of assets	(95,390)	151,393
Other	474,410	620,452
<b>Total non-interest income</b>	<b>\$ 22,421,007</b>	<b>\$ 21,305,383</b>

See notes to condensed consolidated financial statements (unaudited)

Rurban Financial Corp.  
Condensed Consolidated Statements of Income (Unaudited)  
Nine Months Ended

	September 30, 2009	September 30, 2008
Non-interest Expense		
Salaries and employee benefits	\$ 15,644,731	\$ 13,113,999
Net occupancy expense	2,336,652	1,603,496
Equipment expense	5,353,637	4,746,533
Data processing fees	495,782	321,510
Professional fees	1,846,458	1,345,133
Marketing expense	655,597	584,957
Printing and office supplies	435,913	421,405
Telephone and communications	1,212,901	1,258,907
Postage and delivery expense	1,635,037	1,649,969
State, local and other taxes	701,120	602,833
Employee expense	810,776	806,298
Other		