RURBAN FINANCIAL CORP
Form 10-Q
November 16, 2009

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

FORM 10-Q

x 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.

(Exact name of registrant as specified in its charter)

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

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

(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 x No ¨

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

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

RURBAN FINANCIAL CORP.

FORM 10-Q

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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
Assets		
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
Total assets	$ 673,749,126	$ 657,618,909

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
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
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
Total deposits	492,292,213	484,220,584
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
Total liabilities	609,081,022	595,956,905
Commitments and Contingent Liabilities		
Stockholders' Equity		
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)
Total stockholders' equity	64,668,104	61,662,004
Total liabilities and stockholders' equity	$ 673,749,126	$ 657,618,909

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
Interest Income		
Loans		
Taxable	$ 6,884,515	$ 6,736,100
Tax-exempt	20,944	22,125
Securities		
Taxable	944,579	1,135,931
Tax-exempt	294,716	109,805
Other	41,621	17,635
Total interest income	8,186,375	8,021,596
Interest Expense		
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
Total interest expense	2,849,660	3,573,107
Net Interest Income	5,336,715	4,448,489
Provision for Loan Losses	898,050	146,173
Net Interest Income After Provision for Loan Losses	4,438,665	4,302,316
Non-interest Income		
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
Total non-interest income	$ 7,075,711	$ 6,988,712

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
Non-interest Expense		
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
Income Before Income Tax	60,261	2,012,130
(Credit) Provision for Income Taxes	(99,421)	588,090
Net Income	$ 159,682	$ 1,424,040
Basic Earnings Per Share	$ 0.03	$ 0.29
Diluted Earnings Per Share	$ 0.03	$ 0.29
Dividends Declared Per Share	$ 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
Interest Income		
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
Total interest income	24,623,644	24,462,337
Interest Expense		
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
Total interest expense	8,909,677	11,764,474
Net Interest Income	15,713,967	12,697,863
Provision for Loan Losses	2,192,042	551,388
Net Interest Income After Provision for Loan Losses	13,521,925	12,146,475
Non-interest Income		
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
Total non-interest income	$ 22,421,007	$ 21,305,383

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	1,908,592	1,535,564
Total non-interest expense	33,037,196	27,990,604
Income Before Income Tax	2,905,736	5,461,254
Provision for Income Taxes	638,915	1,572,034
Net Income	$ 2,266,821	$ 3,889,220
Basic Earnings Per Share	$ 0.46	$ 0.79
Diluted Earnings Per Share	$ 0.46	$ 0.79
Dividends Declared Per Share	$ 0.27	$ 0.25

See notes to condensed consolidated financial statements (unaudited)

RURBAN FINANCIAL CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Balance at beginning of period	$ 63,412,713	$ 59,361,729	$ 61,662,004	$ 59,325,235
Cumulative effect adjustment for split dollar BOLI	-	-	-	(116,303)
Net Income	159,682	1,424,040	2,266,821	3,889,220
Unrealized gains (losses) on securities				
Unrealized holding gains (losses) arising during the year, net of tax	1,520,345	(183,016)	2,402,777	(1,026,753)
Less: reclassification adjustment for gains realized in net income, net of tax	-	-	282,210	-
Total comprehensive income	1,680,027	1,241,024	4,387,388	2,862,467
Cash dividend	(437,641)	(442,254)	(1,314,932)	(1,235,524)
Purchase of treasury shares	(16,797)	(74,758)	(156,291)	(791,358)
Share-based compensation	29,802	31,392	89,935	72,616
Balance at end of period	$ 64,668,104	$ 60,117,133	$ 64,668,104	$ 60,117,133

See notes to condensed consolidated financial statements (unaudited)

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

	September 30, 2009	September 30, 2008
Operating Activities		
Net income	$ 2,266,821	$ 3,889,220
Items not requiring (providing) cash		
Depreciation and amortization	3,077,533	2,752,284
Provision for loan losses	2,192,042	551,388
Expense of share-based compensation plan	89,935	72,616
Amortization of premiums and discounts on securities	476,693	91,901
Amortization of intangible assets	658,428	520,144
Deferred income taxes	(1,231,352)	528,933
FHLB Stock Dividends	-	(127,200)
Proceeds from sale of loans held for sale	258,045,357	31,021,863
Originations of loans held for sale	(262,853,116)	(30,259,691)
Gain from sale of loans	(2,738,626)	(590,747)
Gain on sale of available for sale securities	(477,591)	-
Loss on sale of foreclosed assets	66,116	5,066
Gain on sale of branch office building	-	(243,000)
Loss on sales of fixed assets	29,274	86,541
Changes in		
Interest receivable	112,729	173,416
Other assets	(1,017,991)	1,491,304
Interest payable and other liabilities	(2,101,088)	(957,768)
Net cash provided by (used in) operating activities	(3,404,836)	9,006,270
Investing Activities		
Purchases of available-for-sale securities	(49,982,386)	(46,231,265)
Proceeds from maturities of available-for-sale securities	28,400,454	42,808,714
Proceeds from sales of available-for-sale securities	15,790,787	-
Proceeds from sales of Fed Stock	700,000	-
Purchase of FHLB Stock	(204,150)	-
Net change in loans	(494,016)	(12,983,338)
Purchase of premises and equipment and software	(2,167,462)	(6,843,233)
Proceeds from sales of premises and equipment	58,962	2,041,511
Proceeds from sale of foreclosed assets	405,230	174,722
Net cash used in investing activities	$ (7,492,581)	$ (21,032,889)

See notes to condensed consolidated financial statements (unaudited)

Rurban Financial Corp.
Condensed Consolidated Statements of Cash Flows (Unaudited) (continued)
Nine Months Ended

	September 30, 2009	September 30, 2008
Financing Activities		
Net increase in demand deposits, money market, interest checking and savings accounts	$ 26,183,827	$ 18,604,838
Net decrease in certificates of deposit	(18,112,198)	(18,181,676)
Net increase in securities sold under agreements to repurchase	2,712,668	1,547,417
Net increase in federal funds purchased	-	5,000,000
Proceeds from Federal Home Loan Bank advances	7,500,000	24,000,000
Repayment of Federal Home Loan Bank advances	(4,277,970)	(7,770,077)
Proceeds from notes payable	4,200,000	-
Repayment of notes payable	(2,842,184)	(922,457)
Purchase of treasury stock	(156,291)	(791,358)
Dividends paid	(1,314,932)	(1,235,524)
Net cash provided by financing activities	13,892,920	20,251,163
Increase in Cash and Cash Equivalents	2,995,503	8,224,544
Cash and Cash Equivalents, Beginning of Year	28,059,532	17,183,627
Cash and Cash Equivalents, End of Period	$ 31,055,035	$ 25,408,171
Supplemental Cash Flows Information		
Interest paid	$ 9,493,504	$ 12,722,242
Transfer of loans to foreclosed assets	$ 822,113	$ 1,856,977
Income Taxes Paid	$ -	$ 556,000

See notes to condensed consolidated financial statements (unaudited)

RURBAN FINANCIAL CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A—BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments. Results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of results for the complete year.

The condensed consolidated balance sheet of the Company as of December 31, 2008 has been derived from the audited consolidated balance sheet of the Company as of that date.

For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

NOTE B—EARNINGS PER SHARE

Earnings per share (EPS) have been computed based on the weighted average number of shares outstanding during the periods presented. For the periods ended September 30, 2009 and 2008, share based awards totaling 311,713 and 316,263 common shares, respectively, were not considered in computing EPS as they were anti-dilutive. The number of shares used in the computation of basic and diluted earnings per share were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Basic earnings per share	4,862,574	4,911,015	4,868,800	4,935,804
Diluted earnings per share	4,866,563	4,911,015	4,871,574	4,935,881

NOTE C – LOANS, RISK ELEMENTS AND ALLOWANCE FOR LOAN LOSSES

Total loans on the balance sheet are comprised of the following classifications at:

	September 30, 2009	December 31, 2008
Commercial	$ 82,147,159	$ 83,645,408
Commercial real estate	174,944,881	161,566,005
Agricultural	44,683,395	43,641,132
Residential real estate	91,840,233	107,905,198
Consumer	54,708,658	53,338,523
Lease financing	354,110	266,348
Total loans	448,678,436	450,362,614
Less		
Net deferred loan fees, premiums and discounts	(285,473)	(250,961)

Loans, net of unearned income	$ 448,392,963	$ 450,111,653
Allowance for loan losses	$ (5,934,165)	$ (5,020,197)

The following is a summary of the activity in the allowance for loan losses account for the three and nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Balance, beginning of period	$ 5,873,146	$ 4,246,794	$ 5,020,197	$ 3,990,455
Provision charged to expense	898,050	146,173	2,192,042	551,388
Recoveries	45,528	64,475	127,443	123,472
Loans charged off	(882,559)	(400,229)	(1,405,517)	(608,103)
Balance, end of period	$ 5,934,165	$ 4,057,213	$ 5,934,165	$ 4,057,213

The following schedule summarizes nonaccrual, past due and impaired loans at:

	September 30, 2009	December 31, 2008
Non-accrual loans	$ 9,645,886	$ 5,177,694
Accruing loans which are contractually past due 90 days or more as to interest or principal payments	161	-
Total non-performing loans	$ 9,646,047	$ 5,177,694

In addition to the above mentioned non-performers, management was very proactive in reaching out to customers to restructure loans. On September 30, 2009, approximately $6.90 million in loans were restructured and are currently paying under the new terms. At December 31, 2008, $151,000 in loans were restructured and paying under the new terms.

Individual loans determined to be impaired were as follows:

	September 30, 2009	December 31, 2008
Loans with no allowance for loan losses allocated	$ 7,940,000	$ 1,857,000
Loans with allowance for loan losses allocated	6,688,000	866,000
Total impaired loans	$ 14,628,000	$ 2,723,000
Amount of allowance allocated	$ 2,023,000	$ 322,000

NOTE D – REGULATORY MATTERS

The Company and The State Bank and Trust Company ("State Bank") are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional, discretionary actions by regulators. If undertaken, these actions could have a direct material adverse effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and State Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and State Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined in the regulations), and of Tier I capital to average assets (as defined in the regulations). As of September 30, 2009 and December 31, 2008, the Company and State Bank exceeded all "well-capitalized" requirements to which they were subject.

As of December 31, 2008, the most recent notification to the regulators categorized State Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, State Bank must maintain capital ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed State Bank's categorization as well-capitalized.

The Company's consolidated, and State Bank's actual, capital amounts (in millions) and ratios, as of September 30, 2009 and December 31, 2008, are also presented in the following table.

	Actual		Minimum Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2009						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 61.9	13.1%	$ 37.9	8.0%	$ —	N/A
State Bank	52.0	11.3	36.7	8.0	45.9	10.0
Tier I Capital (to Risk-Weighted Assets)						
Consolidated	57.7	12.2	18.9	4.0	—	N/A
State Bank	46.2	10.1	18.3	4.0	27.5	6.0
Tier I Capital (to Average Assets)						
Consolidated	57.7	8.7	26.6	4.0	—	N/A
State Bank	46.2	7.2	25.7	4.0	32.2	5.0
As of December 31, 2008						
Total Capital						

(to Risk-Weighted Assets)									
Consolidated	$	59.5	13.0%	$	36.5	8.0%	$	—	N/A
State Bank		50.0	11.3		35.4	8.0		44.3	10.0
Tier I Capital (to Risk-Weighted Assets)									
Consolidated		54.5	11.9		18.3	4.0		—	N/A
State Bank		45.0	10.2		17.7	4.0		26.6	6.0
Tier I Capital (to Average Assets)									
Consolidated		54.5	9.5		23.1	4.0		—	N/A
State Bank		45.0	7.7		23.5	4.0		29.3	5.0

NOTE E – CONTINGENT LIABILITIES

There are various contingent liabilities that are not reflected in the consolidated financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the Company's consolidated financial condition or results of operations.

NOTE F - NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC" 105), Generally Accepted Accounting Principles ("GAAP"), which established the FASB Accounting Standards Codification (the "Codification" or "ASC") as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative. The Codification was made effective by the FASB for periods ending on or after September 15, 2009. This quarterly report reflects the guidance in the Codification.

FASB ASC 805-10 concerning business combinations seeks to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. This guidance introduces new accounting concepts, and several of these changes have the potential to generate greater earnings volatility, in connection with and after an acquisition. Some of the more significant changes include:

- Transaction costs and restructuring charges will now be expensed.
- The accounting for certain assets acquired and liabilities assumed will change significantly. The most significant to the Company being that allowance for loan losses at acquisition date will be eliminated.
- Contingent consideration will be measured at fair value until settled.
- Equity issued in an acquisition will be valued at the closing date, as opposed to the announcement date.
- Material adjustments made to the initial acquisition will be recorded back to the acquisition date.

FASB ASC 805-10 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and may not be applied before that date. The Company adopted FASB ASC 805-10 effective January 1, 2009, as required, without material effect on the Company's financial position or results of operations.

In May 2009, the FASB issued guidance establishing principles and requirements for subsequent events accounting and disclosure, setting forth general principles of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide specific guidance on the accounting treatment for subsequent events or transactions. This guidance is effective prospectively for interim or annual financial periods ending after June 15, 2009. We adopted this guidance, and it did not have a material impact on our consolidated financial statements.

FASB ASC 820-10 concerns determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly. The guidance was issued on April 9, 2009 and provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. FASB ASC 820-10 also includes guidance on identifying circumstances that indicate a transaction is not orderly. Even if there has been a significant decrease in the volume and level of activity regardless of valuation technique, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FASB ASC 820-10 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, only if FASB ASC 320-10 and FASB ASC 825-10 are adopted concurrently. FASB ASC 820-10 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. The Company adopted FASB ASC 820-10 effective June 30, 2009, as required, without material effect on the Company's financial position or results of operations.

On June 16, 2008, the FASB issued guidance on whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of this guidance has not impacted the Corporation's consolidated financial statements.

FASB ASC 815-10 concerning disclosures about derivative instruments and hedging activities was issued in March 2008 and amends and expands the disclosure requirements of previous guidance to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under FASB ASC 815-10 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, FASB ASC 815-10 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. FASB ASC 815-10 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company adopted FASB ASC 815-10 effective January 1, 2009, as required, without material effect on the Company's financial position or results of operations.

FASB ASC 810-10 concerning noncontrolling interests in consolidated financial statements establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Before this statement was issued, limited guidance existed for reporting noncontrolling interests. As a result, considerable diversity in practice existed. So called minority interests were reported in the consolidated statement of financial position as liabilities or in the mezzanine section between liabilities and equity. This guidance improves comparability by eliminating that diversity. The FASB ASC 810-10 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company adopted FASB ASC 810-10 effective January 1, 2009, as required, without material effect on the Company's financial position or results of operations.

FASB ASC 805-20 concerns accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies and clarifies previous guidance regarding the initial recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilities arising from contingencies in a business combination. FASB ASC 805-20 eliminates the distinction between contractual and noncontractual contingencies discussed in FASB ASC 805-10, specifies whether contingencies should be measured at fair value or in accordance with FASB ASC 450-10, provides application guidance on subsequent accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies and establishes new disclosure requirements. FASB ASC 805-20 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted FASB ASC 805-20 effective January 1, 2009, as required, without material effect on the Company's financial position or results of operations.

FASB ASC 320-10 concerns recognition and presentation of other-than-temporary impairments and was issued on April 9, 2009. The guidance requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FASB ASC 320-10 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, only if FASB ASC 820-10 and FASB ASC 825-10 are adopted concurrently. FASB ASC 320-10 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. The Company adopted FASB ASC 320-10 effective June 30, 2009, as required, without material effect on the Company's financial position or results of operations.

FASB ASC 825-10 concerning interim disclosures about fair value of financial instruments was issued on April 9, 2009 and amends the other-than-temporary guidance in United States generally accepted accounting principles for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FASB ASC 825-10 does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities and does not require disclosures for earlier periods presented for comparative purposes at initial adoption. Effective for interim reporting periods ending after June 15, 2009, early adoption is permitted for periods ending after March 15, 2009, only if FASB ASC 820-10 and FASB ASC 320-10 are adopted concurrently. The Company adopted FASB ASC 825-10 effective June 30, 2009, as required, without material effect on the Company's financial position or results of operations.

At its September 2006 meeting, the Emerging Issues Task Force ("EITF") reached a final consensus on the Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. The consensus stipulates that an agreement by an employer to share a portion of the proceeds of a life insurance policy with an employee during the postretirement period is a postretirement benefit arrangement. The consensus concludes that the purchase of a split-dollar life insurance policy does not constitute a settlement and, therefore, a liability for the postretirement obligation must be recognized if the benefit is offered under an arrangement that constitutes a plan. This guidance is effective for annual or interim reporting periods beginning after December 15, 2007. The Company has endorsement split-dollar life insurance policies. A liability has been recorded through a cumulative-effect adjustment to retained earnings as of January 1, 2008 in the amount of $116,303. There was no material impact to the financial position and results of operations as a result of the implementation of the consensus.

FASB ASC 860-10 concerning accounting for transfers of financial assets was issued in June 2009 and changes the derecognition guidance for transferors of financial assets, including entities that sponsor securitizations, to align that guidance with the original intent of previous guidance. FASB ASC 860-10 also eliminates the exemption from consolidation for qualifying special-purpose entities (QSPEs). As a result, all existing QSPEs need to be evaluated to determine whether the QSPE should be consolidated in accordance with FASB ASC 860-10.

FASB ASC 860-10 is effective as of the beginning of a reporting entity's first annual reporting period beginning after November 15, 2009 (January 1, 2010, as to the Company), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The recognition and measurement provisions of FASB ASC 860-10 must be applied to transfers that occur on or after the effective date. Early application is prohibited. FASB ASC 860-10 also requires additional disclosures about transfers of financial assets that occur both before and after the effective date. The Company does not believe that the adoption of FASB ASC 860-10 will have a significant effect on its consolidated financial statements.

FASB ASC 860-10 also improves how enterprises account for and disclose their involvement with variable interest entities (VIE's), which are special-purpose entities, and other entities whose equity at risk is insufficient or lack certain characteristics. Among other things, FASB ASC 860-10 changes how an entity determines whether it is the primary beneficiary of a variable interest entity (VIE) and whether that VIE should be consolidated. FASB ASC 860-10 requires an entity to provide significantly more disclosures about its involvement with VIEs. As a result, the Company must comprehensively review its involvements with VIEs and potential VIEs, including entities previously considered to be qualifying special purpose entities, to determine the effect on its consolidated financial statements and related disclosures. FASB ASC 860-10 is effective as of the beginning of a reporting entity's first annual reporting period that begins after November 15, 2009 (January 1, 2010, as to the Company), and for interim periods within the first annual reporting period. Earlier application is prohibited. The Company does not believe that the adoption of FASB ASC 860-10 will have a significant effect on its consolidated financial statements.

NOTE G – COMMITMENTS AND CREDIT RISK

As of September 30, 2009, loan commitments and unused lines of credit totaled $82,216,000, standby letters of credit totaled $279,000 and no commercial letters of credit were outstanding. At December 31, 2008, loan commitments and unused lines of credit totaled $67,785,000, standby letters of credit totaled $5,436,000 and no commercial letters of credit were outstanding.

NOTE H – SEGMENT INFORMATION

The reportable segments are determined by the products and services offered, primarily distinguished between banking and data processing operations. “Other” segment information includes the accounts of the holding company, Rurban, which combined, provides management and operational services to its subsidiaries. Information reported internally for performance assessment follows.

NOTE H — SEGMENT INFORMATION (Continued)

As of and for the three months ended September 30, 2009

Income statement information:	Banking	Data Processing	Other	Total Segments	Intersegment Elimination	Consolidated Totals
Net interest income (expense)	$ 5,771,303	$ (43,344)	$ (391,244)	$ 5,336,715		$ 5,336,715
Non-interest income - external customers	2,249,206	4,806,359	20,146	7,075,711		7,075,711
Non-interest income - other segments	23,560	395,071	388,747	807,378	(807,378)	-
Total revenue	8,044,069					