

News Release July 25, 2012

SIUSLAW REPORTS SECOND QUARTER EARNINGS

Florence, OR: (BUSINESS WIRE) Siuslaw Financial Group (SFGP) today announced operating results for the second quarter, ending June 30, 2012, including after tax net income of \$656,700. This is comparable to net income of \$556,500 reported for the same period last year. Earnings per diluted common share totaled \$0.16 for the quarter.

Year-to-date after tax earnings for the company totaled \$1,393,200, compared to \$1,368,400 reported on June 30, 2011.

In view of the continuing economic environment, Siuslaw continued to fund its reserve for loan losses by \$950,000 during the first half of 2012. The bank loans on non-accrual status were reported at \$10.9 million on June 30, 2012 of which 61% is represented by one borrower in a Chapter 11 Plan.

Despite the continued allocation for future loan losses, the reported after tax net income represented a return on shareholder equity (ROE) of 8.19%. This ROE is significantly above the 5.27% industry average for insured commercial banks in Oregon according to Johan Mehlum, Chairman and CEO.

Siuslaw reported \$328.3 million in total assets, deposits of \$281.2 million and loans of \$213.9 million on June 30, 2012.

"The Board of Directors announced a \$0.05 per share quarterly dividend to common shareholders and a \$0.055 per share dividend to preferred shareholders. The dividend is payable to shareholders of record as of August 6, 2012 and payable on or before August 10, 2012.

Siuslaw Financial Group (SFGP) is quoted on the NASDAQ over-the-counter bulletin board. Its stock closed yesterday at \$6.80 and has a 52-week price range of \$5.10-8.50.

Headquartered in Florence, Siuslaw Financial Group is the parent company of Siuslaw Bank, with offices in Cottage Grove, Creswell, Eugene, Florence, Mapleton, Oakridge, Pleasant Hill, Springfield and Veneta, all in Lane County.

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