



**News Release**  
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**SIUSLAW FINANCIAL GROUP REPORTS FOURTH  
QUARTER AND YEAR-TO-DATE OPERATING RESULTS for 2009 AND  
ANNOUNCES QUARTERLY DIVIDEND**

Florence, OR: Siuslaw Financial Group (SFGP), parent company of Siuslaw Bank, announced year end financial results including net income for the fourth quarter of \$623,000 compared to \$617,000 in 2008. The company also announced a quarterly dividend of \$0.10 per share to common shareholders and \$0.105 per share to preferred shareholders. The dividend will be paid to shareholders of record February 1, 2010 payable on or before February 5, 2010.

Year to date after-tax-earnings totaled \$3,342,100 compared to \$4,065,800 in 2008. The earnings represent an 11.26% return on average shareholder equity (ROE) and 1.18% return on average assets (ROA). The earnings for the year resulted in payment of federal and state income taxes in 2009 of over \$1.7 million which is a significant difference in media portrayal of corporations not paying any taxes or only \$10.00 to the State of Oregon. In addition, the company also paid \$139,500 in property taxes to Lane County.

The company reported total assets of \$284.1 million and deposits of \$236.6 million at year end 2009 compared to \$273.2 million and \$220.7 million respectively in 2008. Net loans decreased slightly to \$218.7 million compared to \$220.8 million at year end 2008. The slight decrease masks the fact that the bank originated over \$103 million in new loans during 2009. \$44 million were 1-4 family residential loans sold into the secondary market with servicing retained by the bank.

The decrease in annual earnings is directly tied to an increased provision for loan losses in 2009. The bank made provisions to loan losses of \$1,550,000 versus \$250,000 in 2008. The bank charged off \$710,000 in loans during 2009 with a majority being commercial loans and loans secured by real estate. The reserves for future loan losses increased to 1.42% of total loans versus 1.03 at the end of 2008. The bank was also able to dispose of all but three Bank owned properties at the end of the year reducing that category to less than \$600,000, according to Lonnie Iholts, president of Siuslaw Bank.

The economic environment in Oregon continues to be of major concern with high unemployment and an abundance of residential foreclosures. Commercial bankruptcies climbed 74% in Oregon last year when 2,514 businesses declared bankruptcy compared to a national rate increase of 38%. Oregon's year-over-year climb was the fifth highest among the 94 federal bankruptcy courts. The legal profession predicts that 2010 may prove even more brutal.

Eleven of Oregon's banks operate under a cease and desist order, according to a recent article in the Register Guard and twenty banks reported combined losses of \$75 million during the third quarter of 2009, according to a report by McAdams, Wright, Ragen, a Portland brokerage firm. The 17 remaining profitable banks reported a combined total income of \$7.6 million, from the same report.

"With the above in mind it is understandable why we feel good about our performance in 2009 as we have been able to serve our Lane County communities and provide a double digit return on the shareholders investment in the company," stated Johan Mehlum, Chairman of the Board & Chief Executive.

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