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BEO Bancorp
PO Box 39
Heppner, OR 97836

NEWS RELEASE

BEO Bancorp reports strong 2008 earnings

CONTACT:

E. George Koffler, CEO (541) 676-0201

Jeff Bailey, President (541) 676-0204

Mark Lemmon, EVP & CFO, (541) 676-0201

Joey J. Warmenhoven, McAdams, Wright and Ragan, Market Maker, (866) 662-0351

Henry C. Stockman, Howe Barnes Hoefler & Arnett, Market Maker, (800) 346-5544

Heppner, Oregon, (January 26, 2009) BEO Bancorp (OTCBB:BEOB) and its subsidiary, Bank of Eastern Oregon, announced today net income for 2008 of \$2,047,000. This is the second year in a row that earnings have surpassed \$2 million.

Financial Highlights

Net Income for 2008 was \$2,047,000, 12% lower than the record profits of 2007 of \$2,325,000. Earnings per share were \$2.32, compared to the previous year's \$2.64 per share total. "We are very proud of the results our employees were able to deliver to the bottom line in these uncertain times," said CEO, E. George Koffler.

Considering the deterioration in the economy and potential weaknesses in the loan portfolio, the board of directors added \$1,778,000 during the year to reserve for loan losses. Year-end reserve for loan losses stood at \$3,635,074, or 2.03% of loans. "We continue to monitor the loan portfolio carefully. Non-performing assets have increased from .02% to 1.73% year over year. Non-accrual loans at year end totaled \$2,427,000. Other real estate stands at \$1,519,000. We have added staffing and resources to the special credits area as the need has dictated," said Jeff Bailey, President and Chief Credit Officer. "Current appraisals show sufficient collateral coverage to mitigate the impact of additional market declines," he concluded.

Growth

Loan levels increased to \$175,791,000 from \$148,274,000 year over year, an 18.6% increase. Deposit totals improved year over year from \$170,160,000 to \$188,958,000, an 11% increase. Total Assets increased 9.8% to \$227,994,000 at year end compared to \$207,636,000 at year end 2007.

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Capital

Capital ratios declined slightly year over year (see chart) due to strong asset growth in 2008. The bank continues to exceed FDIC guidelines for well-capitalized banks in all respects.

Bank of Eastern Oregon Capital Ratios	2008	2007	FDIC Guidelines for a Well-Capitalized Bank
Tier 1 Leveraged Capital	8.51%	8.70%	5.00%
Tier 1 Risk-Based Capital	9.75%	10.03%	6.00%
Total Risk-Based Capital	11.00%	11.00%	10.00%

“We are considering several alternatives for building capital to support future growth and to provide an additional cushion should the economy worsen or the recession be prolonged,” said Koffler. “During 2009, we expect organic growth in our traditional markets and continued growth from our new branch location in Enterprise, Oregon,” he added.

For further information on the Company or to access internet banking, please visit our website at <http://www.beobank.com>.

About BEO Bancorp

BEO Bancorp is the holding company for Bank of Eastern Oregon, which operates 12 branches and two loan production offices in nine eastern Oregon counties. Branches are located in Arlington, Ione, Heppner, Condon, Irrigon, Boardman, Burns, John Day, Prairie City, Fossil, Moro and Enterprise; loan production offices are located in Hermiston and Ontario. Bank of Eastern Oregon also operates a mortgage division and offers brokerage services through BEO Financial Services. The bank’s website is www.beobank.com.

Forward-Looking Statements

The statements contained in this release that are not historical facts are forward-looking statements based upon management’s current expectations and beliefs concerning future developments and their potential effect on BEO Bancorp. There can be no assurances that future developments affecting BEO Bancorp will be the same as those anticipated by management.

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Actual results may differ from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties. These risks and uncertainties include, but are not limited to:

- (1) Competitive pressures in the banking and financial industries.
- (2) Changes in interest rate environment.
- (3) General economic conditions, nationally, regionally, and in operating markets.
- (4) Changes in regulatory environment.
- (5) Changes in business conditions and inflation.
- (6) Changes in securities markets.
- (7) Future credit loss experience.

BEO BANCORP

CONSOLIDATED FINANCIAL HIGHLIGHTS

(DOLLAR AMOUNTS IN THOUSANDS--except earnings per share)

CONDENSED BALANCE SHEET (Unaudited)

	<u>12/31/08</u>	<u>12/31/07</u>	<u>% Change</u>
ASSETS			
Cash and due from banks	\$ 3,975	\$ 6,186	-35.7%
Federal funds sold	485	-	-
Securities, at fair value	33,423	41,271	-19.0%
Net loans	175,791	148,274	18.6%
Premises and equipment	5,880	5,367	9.6%
Other real estate owned	1,519	-	-
Other assets	<u>6,921</u>	<u>6,538</u>	5.9%
TOTAL ASSETS	<u>\$227,994</u>	<u>\$207,636</u>	9.8%
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits			
Noninterest bearing	\$ 33,358	\$ 29,842	11.8%
Interest bearing	<u>155,600</u>	<u>140,318</u>	10.9%
Total deposits	188,958	170,160	11.0%
Borrowed funds/Repurchase Accounts	16,701	9,706	72.1%
Junior Subordinated Debentures	7,217	7,217	0.0%
Other liabilities	<u>1,461</u>	<u>8,873</u>	-83.5%
TOTAL LIABILITIES	214,337	195,956	9.4%
SHAREHOLDERS' EQUITY			
Common stock	2,202	2,202	0.0%
Additional Paid in Capital and Retained earnings	11,017	9,366	17.6%
Accumulated other comprehensive income	<u>438</u>	<u>112</u>	291.1%
TOTAL SHAREHOLDERS' EQUITY	<u>13,657</u>	<u>11,680</u>	16.9%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>\$227,994</u>	<u>\$207,636</u>	9.8%

CONDENSED STATEMENT OF INCOME (Unaudited)

	Results of Operation Three Months Ending			Results of Operation Year to Date		
	<u>12/31/08</u>	<u>12/31/07</u>	<u>% Change</u>	<u>12/31/08</u>	<u>12/31/07</u>	<u>% Change</u>
Interest income	\$ 3,691	\$ 3,661	0.8%	\$ 14,578	\$ 13,944	4.5%
Interest expense	<u>923</u>	<u>1,172</u>	-21.2%	<u>3,971</u>	<u>4,711</u>	-15.7%
Net interest income	2,768	2,489	11.2%	10,607	9,233	14.9%
Provision for loan losses	<u>1,138</u>	<u>60</u>	1796.7%	<u>1,778</u>	<u>240</u>	640.8%
Net interest income after provision for loan loss	1,630	2,429	-32.9%	8,829	8,993	-1.8%
Noninterest income	518	502	3.2%	2,061	2,000	3.1%
Noninterest expense	<u>1,988</u>	<u>2,042</u>	-2.6%	<u>8,348</u>	<u>7,850</u>	6.3%
Income before taxes	160	889	-82.0%	2,542	3,143	-19.1%
Income taxes	<u>(57)</u>	<u>181</u>	-131.5%	<u>495</u>	<u>818</u>	-39.5%
NET INCOME	<u>\$ 217</u>	<u>\$ 708</u>	-69.4%	<u>\$ 2,047</u>	<u>\$ 2,325</u>	-12.0%
Earnings per share	\$0.25	\$0.80	-69.4%	\$2.32	\$2.64	-12.0%
Return on Average Assets	0.39%	1.39%	-72.3%	0.94%	1.19%	-21.0%
Return on Average Equity	6.50%	25.02%	-74.0%	16.16%	22.20%	-27.2%