

10/23/2009

BEO Bancorp
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NEWS RELEASE

BEO Bancorp maintains profitability in 2009

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Heppner, Oregon, (October 6, 2009) BEO Bancorp (OTCBB:BEOB) and its subsidiary, Bank of Eastern Oregon, announced consolidated year to date earnings of \$437,000. “BEO Bancorp remains profitable for 2009 despite charging \$2.7 million year to date to income to buttress the allowance for potential loan losses along with a \$1.034 million charge to account for a decrease in collateral value in other real estate,” said Chief Financial Officer Mark Lemmon.

“Total assets grew 3.5% year over year to just over \$230 million; net loans increased 3.5% year over year to \$179 million; and shareholders’ equity increased 12.2% over the same period,” according to President and CEO Jeff Bailey. “The third quarter itself was a challenging quarter. Our strong core earnings allowed us to take some aggressive steps to address potential future charges to the loan loss reserve as well as writing down other real estate. The total charge to income for the quarter was \$3.172 million. These unusual charges to income along with our bank’s share of the FDIC special assessment, which amounts to \$234,000, contributed to a third quarter loss of \$306,000, or \$0.34 per share at the Bancorp,” added Bailey.

“Our deposit base continues to grow within our market area and regularly exceeds \$200 million,” said COO Gary Propheter. “Total deposits ended the quarter at \$197.8 million, up 10.9% from third quarter 2008. The strength and professionalism of our branch teams allows us to continue building trust with our customers and continue our long-held commitment to our rural eastern Oregon communities,” continued Propheter.

“The Board of Directors continues to aggressively address challenges to the loan portfolio brought on by the global recession and regional economic factors. We continue to make sure the provision for loan loss is funded at an appropriate level to address potential future loan losses,” said President and CEO Jeff Bailey. “Our core earnings remain strong and we are pleased to show a profit year to date 2009,” added Bailey.

Bailey went on to say “The Board of Directors will continue the safe and prudent course of building capital and aggressively addressing problem credits. While we read that the national economy is growing and recovering from the global recession, the banking

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industry continues to work through the effects of the past two years. National, and more critically, local unemployment levels in the counties we serve will continue to hamper regional economic recovery. I expect during the balance of 2009 and into 2010 challenges in our market will crop up. Turbulent economic times call for conservative approaches to how the bank is run and a huge part of this conservative tone is to grow capital. In light of this, the board of directors has voted not to pay a cash dividend for third quarter 2009.”

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.

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>09/30/09</u>	<u>09/30/08</u>	<u>% Change</u>
ASSETS			
Cash and due from banks	\$ 4,415	\$ 3,850	14.7%
Federal funds sold	4,460	-	-
Securities, at fair value	26,999	32,398	-16.7%
Net loans	179,724	173,566	3.5%
Premises and equipment	6,252	5,637	10.9%
Other real estate owned	971	-	-
Other assets	<u>7,551</u>	<u>7,214</u>	4.7%
TOTAL ASSETS	<u>\$230,372</u>	<u>\$222,665</u>	3.5%
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits			
Noninterest bearing	\$ 33,696	\$ 30,262	11.3%
Interest bearing	<u>164,110</u>	<u>148,031</u>	10.9%
Total deposits	197,806	178,293	10.9%
Borrowed funds/Repurchase Accounts	10,000	22,479	-55.5%
Junior Subordinated Debentures	7,217	7,217	0.0%
Other liabilities	<u>707</u>	<u>1,627</u>	-56.5%
TOTAL LIABILITIES	215,730	209,616	2.9%
SHAREHOLDERS' EQUITY			
Common stock	2,288	2,202	3.9%
Additional Paid in Capital and Retained earnings	11,558	10,801	7.0%
Accumulated other comprehensive income	<u>796</u>	<u>46</u>	1630.4%
TOTAL SHAREHOLDERS' EQUITY	<u>14,642</u>	<u>13,049</u>	12.2%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>\$230,372</u>	<u>\$222,665</u>	3.5%

CONDENSED STATEMENT OF INCOME (Unaudited)

	Results of Operation Three Months Ending			Results of Operation Year to Date		
	<u>09/30/09</u>	<u>09/30/08</u>	<u>% Change</u>	<u>09/30/09</u>	<u>09/30/08</u>	<u>% Change</u>
Interest income	\$ 3,583	\$ 3,715	-3.6%	\$ 10,602	\$ 10,887	-2.6%
Interest expense	<u>671</u>	<u>1,006</u>	-33.3%	<u>2,133</u>	<u>3,048</u>	-30.0%
Net interest income	2,912	2,709	7.5%	8,469	7,839	8.0%
Provision for loan losses	<u>1,075</u>	<u>300</u>	258.3%	<u>2,725</u>	<u>640</u>	325.8%
Net interest income after provision for loan loss	1,837	2,409	-23.7%	5,744	7,199	-20.2%
Noninterest income	718	578	24.2%	1,727	1,537	12.4%
OREO Chargeoff	1,034	-	-	1,034	-	-
Noninterest expense	<u>2,138</u>	<u>2,182</u>	-2.0%	<u>6,268</u>	<u>6,353</u>	-1.3%
Income before taxes	(617)	805	-176.6%	169	2,383	-92.9%
Income taxes	<u>(311)</u>	<u>182</u>	-270.9%	<u>(268)</u>	<u>552</u>	-148.6%
NET INCOME	<u>\$ (306)</u>	<u>\$ 623</u>	-149.1%	<u>\$ 437</u>	<u>\$ 1,831</u>	-76.1%
Earnings per share	-\$0.34	\$0.71	-148.2%	\$0.49	\$2.08	-76.6%
Return on Average Assets	-0.18%	1.13%	-1.3%	0.25%	1.13%	-0.9%
Return on Average Equity	-2.80%	19.51%	-22.3%	4.12%	19.75%	-15.6%