

4/23/2010

BEO Bancorp
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NEWS RELEASE

BEO Bancorp Reports 1ST Quarter Earnings

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Heppner, Oregon, (April 23, 2010) BEO Bancorp (OTCBB:BEOB) and its subsidiary, Bank of Eastern Oregon, announced 1st quarter 2010 consolidated net income of \$443,990 or \$0.49 per share, compared to \$179,586 or \$0.20 per share for first quarter 2009. Total assets were \$238.5 million up 4.7% year over year. Net loans of \$175.39 million were down 1.0% from the same period in 2009, while deposits were at \$206.28 million up 13.5% year over year.

“We are very pleased with our first quarter results. Our staff has worked extremely hard to control expenses during the past year. Our core earnings are strong and we are making gains on our non-performing assets,” said President and CEO, Jeff Bailey. “During February, we celebrated our 65th anniversary of providing banking services to eastern Oregon. We are very proud of this milestone and look forward to many more years of serving our communities.”

Chief Financial Officer, Mark Lemmon, said, “Return on Average Assets is 0.74% and Return on Average Equity is 11.96% compared to 0.31% and 5.15%, respectively, year over year.” Lemmon went on to say, “Our low cost source of funds is adding to the bottom line in a favorable manner.”

Chief Operations Officer, Gary Propheeter, said, “Total deposits remain strong even in the existing rate environment. This new record level of deposits is indicative of the faith our customers have in our employees and institution.”

“We continue to see improvement in our credit quality and overall performance of the loan portfolio,” said EVP and Chief Credit Officer, E. George Koffler. “We are seeing increased loan demand and opportunities throughout our trade area,” added Koffler.

“We are well capitalized by all industry standards and have a Tier One capital ratio of 10.18%. Capital retention through sustained profitability will be key over the next year. The strength and speed of the economic recovery in our trade area remains to be seen as high unemployment is disconcerting. Therefore, the board of directors has voted not to pay a cash dividend for first quarter 2010,” added Bailey.

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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>03/31/10</u>	<u>03/31/09</u>	<u>% Change</u>
ASSETS			
Cash and due from banks	\$ 13,466	\$ 4,930	173.1%
Federal funds sold	5,060	-	-
Securities, at fair value	26,665	31,569	-15.5%
Net loans	175,393	177,205	-1.0%
Premises and equipment	6,706	5,891	13.8%
Other real estate owned	2,307	1,618	42.6%
Other assets	<u>8,949</u>	<u>6,725</u>	33.1%
TOTAL ASSETS	<u>\$238,546</u>	<u>\$227,938</u>	4.7%
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits			
Noninterest bearing	\$ 33,821	\$ 28,426	19.0%
Interest bearing	<u>172,458</u>	<u>153,279</u>	12.5%
Total deposits	206,279	181,705	13.5%
Borrowed funds/Repurchase Accounts	5,000	23,897	-79.1%
Junior Subordinated Debentures	11,322	7,217	56.9%
Other liabilities	<u>1,121</u>	<u>983</u>	14.0%
TOTAL LIABILITIES	223,722	213,802	4.6%
SHAREHOLDERS' EQUITY			
Common stock	2,349	2,253	4.3%
Additional Paid in Capital and Retained earnings	12,013	11,265	6.6%
Accumulated other comprehensive income	<u>462</u>	<u>618</u>	-25.2%
TOTAL SHAREHOLDERS' EQUITY	<u>14,824</u>	<u>14,136</u>	4.9%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>\$238,546</u>	<u>\$227,938</u>	4.7%

CONDENSED STATEMENT OF INCOME (Unaudited)

	Results of Operation		
	Three Months Ending		
	<u>03/31/10</u>	<u>03/31/09</u>	<u>% Change</u>
Interest income	\$ 3,131	\$ 3,455	-9.4%
Interest expense	<u>634</u>	<u>758</u>	-16.4%
Net interest income	2,497	2,697	-7.4%
Provision for loan losses	<u>75</u>	<u>1,050</u>	-92.9%
Net interest income after provision for loan loss	2,422	1,647	47.1%
Noninterest income	498	462	7.8%
OREO Chargeoff	31	-	-
Noninterest expense	<u>2,325</u>	<u>1,998</u>	16.4%
Income before taxes	564	111	408.1%
Income taxes	<u>120</u>	<u>(68)</u>	-276.5%
NET INCOME	<u>\$ 444</u>	<u>\$ 179</u>	148.0%
Earnings per share	\$0.49	\$0.20	143.9%
Return on Average Assets	0.74%	0.31%	0.4%
Return on Average Equity	11.96%	5.15%	6.8%