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BEO Bancorp
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NEWS RELEASE

BEO Bancorp Reports 2017 Earnings

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Heppner, Oregon, (January 26, 2018) BEO Bancorp (OTCBB:BEOB) and its subsidiary, Bank of Eastern Oregon, announced consolidated year end 2017 earnings of \$3,094,000 a decrease of 8.7% when compared to \$3,389,000 in 2016. Average earnings per share were down 7.18% at \$2.60. Total assets increased 8.5% from \$382.2 million to \$414.5 million. Net loans were up 5.5% at \$318.9 million and deposits increased 9.0% year over year to \$370.7 million.

“Pre-tax earnings were at an all-time high for the bank, but year-end after tax net income was impacted by a one-time GAAP (Generally Accepted Accounting Principles) adjustment to our deferred tax asset brought about by the Tax Cut and Jobs Act signed into law in December 2017. The Act adjusts the corporate income tax rate beginning in 2018 from 34% to 21%; while this should bode well for future earnings, it impacted 2017 earnings by about \$364,000 in 4th quarter,” said President and CEO, Jeff Bailey.

“Even with the tax consequences realized in 2017 this is the 2nd best net income that BEO Bancorp has ever had,” said Chief Financial Officer, Mark Lemmon. “2017 Return on Average Assets is 0.78% compared to 0.92% in 2016. Return on Average Equity is at 10.06% compared to 11.77% in 2016”.

Chief Operations Officer, Gary Propheter said, “In 2017 we opened a new branch in Athena, OR and a loan production office in Pomeroy, WA. We also expanded our deposit taking ATM network in selected Oregon locations. These events expanded our footprint across the region and we look forward to future opportunities in the region”.

“2017 was a solid year for the bank. While earnings per share were down 7.1% year over year at \$2.60, we also made progress in addressing some of our long-term problem credits”, added Bailey. “As an agricultural based bank, we are subject to the cyclical nature of the ag economy. 2017 was a decent year from a production standpoint, but grain prices have dropped considerably over the past few operating cycles. Cattle prices have recovered somewhat, but rising costs associated with production agriculture are a challenge for our ag borrowers”.

“It is gratifying to see the growth across our branch and loan production office network. I truly appreciate the work our banking team puts forth to provide the customer service that

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our customers and communities want and deserve. We are honored to be placed in a position of trust by our shareholders and customers. We look forward to serving the banking needs of eastern Oregon and Washington for many years to come,” concluded Bailey.

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 14 branches and 6 loan production offices in twelve eastern Oregon and 2 eastern Washington counties. Branches are located in Arlington, Ione, Heppner, Condon, Irrigon, Boardman, Burns, John Day, Prairie City, Fossil, Moro, Enterprise, Athena, OR, and Pasco, WA; loan production offices are located in Ontario, Pendleton, Island City, Lakeview, Madras, OR and Pomeroy, WA. Bank of Eastern Oregon also operates a mortgage division, and operates the Pasco branch and Pomeroy office under the name of Bank of Eastern Washington. 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.