

2/25/2010

**BEO Bancorp**  
PO Box 39  
Heppner, OR 97836

# NEWS RELEASE

## **BEO Bancorp Reports 2009 Profit**

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**Heppner, Oregon, (February 25, 2010)** BEO Bancorp (OTCBB:BEOB) and its subsidiary, Bank of Eastern Oregon, announced consolidated 2009 earnings of \$387,000. “BEO Bancorp remains profitable for 2009 despite charging \$4.158 million during the year to income to add to the provision for loan losses and a \$1.275 million charge to account for a decrease in collateral value in other real estate,” said Chief Financial Officer, Mark Lemmon. He went on to say, “Our net interest margin is in the upper echelon of banks in the nation. This is caused by securing low cost sources of funding and maintaining a strong liquidity position.”

“In the current banking environment, showing a profit for 2009 is something that many banks were not able to do. Our core earnings remain strong and provide a solid base for the bank to build upon,” according to President and CEO Jeff Bailey. “As has been stated on numerous occasions, 2009 was a very challenging year for banks in general and this was true for Bank of Eastern Oregon. We continue to make sure our provision for loan losses is funded at an appropriate level to weather possible prolonged deterioration in the national and regional economy,” added Bailey.

Chief Operations Officer Gary Prophet said, “Total deposits ended the year at \$204.4 million, up 8.2% year over year. Deposit growth is indicative of customer trust in the stability of the bank, and the quality of service and professionalism delivered by our banking teams. The board of directors and employees take great pride in the fact that this year marks the 65<sup>th</sup> year that Bank of Eastern Oregon has been serving our rural eastern Oregon communities. Other institutions have come and gone, but we remain constant and committed to the economic prosperity of eastern Oregon.”

“Bank of Eastern Oregon has a net interest margin that ranks in the 98<sup>th</sup> percentile among our peers,” said Chief Credit Officer, E. George Koffler. “Total (net) loans are down 4.2% year over year. This has come about due to economic factors that have temporarily decreased loan demand in our markets and the structuring of our balance sheet.” Koffler went on to say, “We are pleased with the progress we have made during 2009 in managing problem credits.”

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“Total assets grew 5.2% year over year to just under \$240 million and shareholders’ equity increased 6.1% over the same period. We are well capitalized by all industry standards and have a Tier One capital ratio of 9.5%,” said Bailey. “BEO Bancorp launched a subordinated debt offering late in 4<sup>th</sup> quarter which bolstered our capital levels at the bank. We are pleased with the results of the debt offering, but still have concerns over the economic recovery in our trade area along with Oregon as a whole. National economic indicators tell us things appear to be improving, but high unemployment levels and low consumer confidence in the overall economy are still issues, as are concerns in the global financial markets. The board of directors will continue the safe and prudent course of building capital through retained earnings during these uncertain economic times. Therefore, the board of directors has voted not to pay a cash dividend for fourth 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](http://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.

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- (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

	<u>12/31/09</u>	<u>12/31/08</u>	<u>% Change</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 16,357	\$ 3,975	311.5%
Federal funds sold	5,275	485	987.6%
Securities, at fair value	32,262	33,423	-3.5%
Net loans	168,379	175,791	-4.2%
Premises and equipment	6,575	5,880	11.8%
Other real estate owned	1,868	1,519	23.0%
Other assets	<u>9,125</u>	<u>6,921</u>	31.8%
<b>TOTAL ASSETS</b>	<b><u>\$239,841</u></b>	<b><u>\$227,994</u></b>	5.2%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Deposits			
Noninterest bearing	\$ 36,146	\$ 33,358	8.4%
Interest bearing	<u>168,263</u>	<u>155,600</u>	8.1%
Total deposits	204,409	188,958	8.2%
Borrowed funds/Repurchase Accounts	10,000	16,701	-40.1%
Junior Subordinated Debentures	9,947	7,217	37.8%
Other liabilities	<u>999</u>	<u>1,461</u>	-31.6%
<b>TOTAL LIABILITIES</b>	225,355	214,337	5.1%
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	2,297	2,202	4.3%
Additional Paid in Capital and Retained earnings	11,516	11,017	4.5%
Accumulated other comprehensive income	<u>673</u>	<u>438</u>	53.7%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>14,486</u>	<u>13,657</u>	6.1%
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b><u>\$239,841</u></b>	<b><u>\$227,994</u></b>	5.2%

### CONDENSED STATEMENT OF INCOME

	Results of Operation Three Months Ending			Results of Operation Year to Date		
	<u>12/31/09</u>	<u>12/31/08</u>	<u>% Change</u>	<u>12/31/09</u>	<u>12/31/08</u>	<u>% Change</u>
Interest income	\$ 3,686	\$ 3,691	-0.1%	\$ 14,288	\$ 14,578	-2.0%
Interest expense	<u>627</u>	<u>923</u>	-32.1%	<u>2,759</u>	<u>3,971</u>	-30.5%
Net interest income	3,059	2,768	10.5%	11,529	10,607	8.7%
Provision for loan losses	<u>1,433</u>	<u>1,138</u>	25.9%	<u>4,158</u>	<u>1,778</u>	133.9%
Net interest income after provision for loan loss	1,626	1,630	-0.2%	7,371	8,829	-16.5%
Noninterest income	537	518	3.7%	2,333	2,061	13.2%
OREO Chargeoff	242	-	-	1,275	-	-
Noninterest expense	<u>2,058</u>	<u>1,988</u>	3.5%	<u>8,396</u>	<u>8,348</u>	0.6%
Income before taxes	(137)	160	-185.6%	33	2,542	-98.7%
Income taxes	<u>(86)</u>	<u>(57)</u>	50.9%	<u>(354)</u>	<u>495</u>	-171.5%
<b>NET INCOME</b>	<b><u>\$ (51)</u></b>	<b><u>\$ 217</u></b>	-123.5%	<b><u>\$ 387</u></b>	<b><u>\$ 2,047</u></b>	-81.1%
Earnings per share	-\$0.06	\$0.25	-123.0%	\$0.43	\$2.32	-81.5%
Return on Average Assets	-0.02%	0.39%	-0.4%	0.17%	0.94%	-0.8%
Return on Average Equity	-0.35%	6.50%	-6.9%	2.75%	16.16%	-13.4%