

BEO Bancorp earnings up 87%

BEO Bancorp, parent company of Bank of Eastern Oregon, reported an 87% increase in earnings in the first quarter of 2007.

Earnings for 1Q2007 at \$455,000 compared to \$243,000 1Q2006. Loan growth up 8% year over year. Total revenue increases 16% year over year. Loan quality strong with past due loans at 0.06% of outstanding loans. Loss Reserve increases to 1.26% of outstanding loans.

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

Financial Performance

BEO Bancorp delivered record earnings in the first quarter of 2007 with net income of \$455,000. This is an 87% increase over the \$243,000 earned in 1Q2006. Earnings per share for the first quarter were \$1.03 compared to earnings per share of \$.55 in 1Q2006. "We are very pleased that the company is performing at this level. Our employees are delivering the impressive results you see in this release," said President and CEO, E. George Koffler.

ROAA improved from .57% in the first quarter of 2006 to .98% in 2007 on an annualized basis. ROAE also improved year over year increasing from 12.37% to 18.93%.

Revenue and Expense

Total revenue growth was a bright spot with total income of \$3,658,000 in 1Q2007 compared to \$3,154,000 in 1Q2006, an increase of 16%. Leading the way was total fee income, which grew from \$171,000 to \$237,000, a 39% increase. Both the mortgage division and the financial services division had good results adding to that total.

Expenses grew at a slower pace, increasing from \$2,911,000 to \$3,203,000, a 10% increase. Salaries, employee benefits, and interest expense show the largest increases.

Loan Growth and Credit Quality

The loan portfolio showed steady growth year over year growing from \$108,954,000 to \$117,968,000, an 8% increase. "There was some softness in loan growth we didn't anticipate in the first quarter and some unexpected loan payoffs stunting totals. However, our pipeline is improving and we are hopeful we will perform at budget numbers for the next three quarters," said EVP and CCO, Jeff Bailey. Credit quality remained strong with past due loans at 0.06% as a percentage of loans at quarter end compared to no past due loans at the same time last year. Charge offs for the first quarter were minimal at \$1,280. The loan loss revenue continued to strengthen with \$260,000 added to the LLR in the past year and the LLR to total loans ending at 1.26% of loans or \$1,507,000. Non-accrual loans were at \$121,000 at the end of the quarter.

Deposit Growth and Operations

Deposits increased at a modest pace year over year, growing from \$162,910,000 to \$165,226,000. "We continue to look for efficiencies in the operation and negotiate terms with vendors to obtain pricing advantages. We have also launched a debit card usage campaign that we believe will add to the bottom line," said Gary Propheeter, EVP and COO.

Net Interest Margin and Interest Rate Risk

The bank's interest rate risk is very manageable with RSA to RSL ratios within policy limits. Regarding net interest margin, the bank is bucking the trend of NIM compression experienced by many banks. 1Q2007 NIM was 5.15%. This compares to NIM of 4.59% in 1Q2006. "We have been on a year long cost of funds reduction initiative and it is paying dividends. We are hopeful that any market changes in the future can be managed to preserve the margin we now have," said Mark Lemmon, EVP and CFO.

Capital and Equity

All measures of capital ratios at the bank and the holding company improved year over year and linked quarters. At the bank level, Tier 1 capital improved from 7.87% to 8.55% year over year.

The equity of the company has grown from \$8,206,000 to \$9,879,000,

BEO Bancorp

Consolidated Financial Highlights
(Dollar amounts in thousands — except earnings per share)

Condensed Balance Sheet (Un-audited)

	3/31/07	3/31/06	%Change
Assets			
Cash and due from banks	\$10,385	\$13,269	-21.70%
Federal funds sold	6,620	3,945	67.80%
Securities, at fair value	42,250	45,873	-7.90%
Net loans	117,968	108,954	8.30%
Premises and equipment	5,120	5,012	2.20%
Other real estate owned	-	104	-100.00%
Other assets	6,000	5,965	0.60%
Total Assets	\$1,883,436	\$183,122	2.90%
Liabilities and Shareholders' Equity			
Liabilities			
Deposits			
Noninterest bearing	\$25,963	\$25,497	1.80%
Interest bearing	139,263	137,413	1.30%
Total deposits	165,226	162,910	1.40%
Borrowed funds/Repurchase Account	4,676	4,032	16.00%
Other liabilities	8,562	7,974	7.40%
Total liabilities	178,464	174,916	2.00%
Shareholders' Equity			
Common stock	2,202	2,202	0.00%
Additional paid-in capital	1,487	1,487	0.00%
Retained earnings and accumulated ot	6,190	4,517	37.00%
Total shareholders' equity	9,879	8,206	20.40%
Total liabilities & shareholders' equity	\$188,343	\$183,122	2.90%

Condensed Statement of Income (Un-audited)

	Results of Operation		
	Three Months Ending		
	3/31/07	3/31/06	% Change
Interest income	\$3,170	\$2,713	16.80%
Interest expense	1,146	1,061	8.00%
Net interest income	2,024	1,652	22.50%
Provision for possible loan losses	60	50	20.00%
Net interest income after provision for possible lo	1,964	1,602	22.60%
Noninterest income	488	441	10.70%
Noninterest expense	1,858	1,776	4.60%
Income before taxes	594	267	122.50%
Income taxes	139	24	497.20%
Net Income	\$455	\$243	87.20%
Earnings per share	\$1.03	\$0.55	87.20%
Return on Average Assets	0.98%	0.57%	71.30%
Return on Average Equity	18.93%	12.37%	53.00%

Sheriff's Report

The Morrow County Sheriff's Office reports handling the following business:

March 22:

Boardman Police Dept. officer cited Mario Martin Galvez Angulo, 43, for Driving while License Suspended and Driving Uninsured.

-Boardman Police Dept. received a report from a caller in Boardman that her vehicle was struck by an unknown vehicle while she was at the Shell station last night.

-Boardman Police Dept. officer cited Kathleen Marie Eldrige, 57, for Violation of the Speed Limit, 38 mph in a 25 mph zone.

-Boardman Police Dept. received a report from a caller in Boardman of an altercation; a male subject was getting "nose to nose" with the caller's husband. The male subject had been drinking. The caller wanted him to leave.

-Boardman Police Dept. received a report from a caller in Boardman of an elderly male subject walking down the road. This was second time the caller saw him out there; he was in the middle of the road and she almost hit him.

-Boardman Police Dept. officer cited Trena Michelle Roberts, 34, for Violation of the Speed Limit, 83 mph in a 65 mph zone.

-Boardman Fire Dept. received a report of an automatic fire alarm at a business in Boardman. It was determined to be a false alarm.

March 23: -MCSO deputy arrested Julio Ruelas Castellano, 25, was arrested on an Irrigon Justice Court warrant for Failure to Appear/Driving while License Suspended. He posted bail and was released.

-MCSO received a report from a caller in Irrigon that a male subject quit but refuses to give back keys.

-MCSO received a report from a caller in Irrigon that he is getting calls from someone saying they are from Qwest and are trying to get account numbers from the caller. When the caller does not give them account numbers, they hang up on him.

-MCSO received a report from a caller in Irrigon that a juvenile was caught stealing a Vault energy drink.

-MCSO received a report from a caller in Irrigon of kids shooting a BB gun.

-MCSO received a report of an abandoned vehicle. A deputy had seen the vehicle parked with the keys in it; the deputy wanted someone to check on it again. If it was still there in the morning, a deputy would go speak to the landowner about it.

-MCSO received a report from a caller in Irrigon that he came from Montana to pick up his sons but his ex-wife would not let the kids go. The caller did not have paperwork stating he has custody; he was advised to contact his attorney and the court.

-MCSO, Boardman Police Dept. received a report from a caller that his daughter's husband was calling from Boardman to a location in Washington threatening their lives; he was also possibly running from law enforcement. -MCSO received a report from the Umatilla Police Dept. that a male subject was putting up security cameras at his residence in Irrigon due to problem kids in the area.



Remember Mom on Mother's Day! Sunday, May 13th
We have lots of things to make her smile... cards, candy, flowers, wine and much more!

Happy Mother's Day!

Don't forget to order your flowers for the Heppner Prom on Saturday, May 5th!

We have Mustang Spirit Gear! Hats • T-Shirts Sweatshirts

Try a pair of Fancy Feet Gardening Shoes!

SPRING CLEANING SALE
Making room for new merchandise... Select items 25% - 75% OFF!



We have panini sandwiches and salad for lunch!
Just want a snack? Try a croissant, bagel, toaster muffin or muffin top!
We will accept lunch call-in orders from 11:30 a.m. - 2 p.m. (676-9158)



Murray's Drug

217 North Main • Heppner
Phone 676-9158 • Floral 676-9426
Serving Heppner, Lexington & Ione

DA's Report

Morrow County District Attorney Elizabeth Ballard has released the following report:

-Richard Peck was convicted of contempt, an unclassified misdemeanor—30 days in jail with 27 days suspended, credit for time served of three days, \$376 in fines, fees and assessments.

Divorces

Morrow County District Circuit Court has released the following report:

-Gonzalo Cervantes, 32, or Irrigon and Mireya Rios Lemus, 30, of Irrigon have filed for divorce.

Morrow County Community Clean-Up Event
FREE DUMPING at the North and South End Transfer Stations on May 5-6, 2007



For more information, please call (541) 989-9500

NORTH END TRANSFER STATION:
69900 Frontage Lane, Boardman, OR 97818. Saturday and Sunday, 9 a.m. - 4 p.m.

SOUTH END TRANSFER STATION:
57185 Hwy 74, Lexington, OR 97839. Saturday and Sunday, 9 a.m. - 4 p.m.