

OREGON COAST BANK

909 SE Bay Boulevard
PO Box 2280
Newport, OR 97365

Oregon Coast Bank Successfully Converts To Subchapter S Corporation

For Immediate Release

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Contact: Fred Postlewait
Oregon Coast Bank
541-265-9000

Newport, OR – Since 1986 more than 2,300 independent American banks have elected to convert into Subchapter S Corporations. That total represents more than 25% of the entire industry and the percentage continues to grow. In December, more than 90% of Oregon Coast Bank's 237,000 shares participated in an election on the question of whether to add Oregon Coast Bank to the list of Subchapter S banks. Of the shares voting, 95.8% voted in favor of the conversion and the creation of a new holding company, Oregon Coast Bancshares, Inc. The conversion, which has no effect on the day to day operations of Oregon Coast Bank, became official as of January 1, 2006.

Nationwide, Subchapter S banks range from \$5 million to over \$9 billion in total assets, with an average of approximately \$143 million. Oregon Coast Bank's assets currently exceed \$75 million. The primary reason that so many banks have converted from "C Corporations" to Subchapter S status is to avoid the double taxation common to "C Corporations." In "C Corporations" all bank profits are taxed at high corporate rates and dividends (payments from bank profits to shareholders) are taxed at the shareholder level a second time. Subchapter S Corporations generally pay no corporate income tax because corporate income is passed on to the shareholders on a pro rata basis and each shareholder then adds the income to his individual tax return and pays taxes at the individual level.

“This is an important step for us to remain competitive in the financial industry,” bank president Fred Postlewait stated. “We need to provide a fair return to our shareholders; and, in a competitive environment where elements of our competition pay no taxes at any level, the double taxation issue was a real disadvantage.”

“From a financial point of view, this is a healthy development for the communities we serve and our shareholders,” Postlewait added. “The bank will be able to continue to grow and expand, which allows us to continue to lend more money to families and businesses in our local areas. Our shareholders’ investments should continue to increase in value in addition to providing a cash dividend.”

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