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TIMBERLAND BANCORP INC
Form 8-K
November 07, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 6, 2007

Timberland Bancorp, Inc.
(Exact name of registrant as specified in its charter)

| | | |
|--|---|--|
| Washington ----- State or other jurisdiction Of incorporation | 0-23333 ----- Commission File Number | 91-1863696 ----- (I.R.S. Employer Identification No.) |
| 624 Simpson Avenue, Hoquiam, Washington ----- (Address of principal executive offices) | | 98550 ----- (Zip Code) |

Registrant's telephone number (including area code) (360) 533-4747

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

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On November 6, 2007, Timberland Bancorp, Inc. issued its earnings release for the quarter ended September 30, 2007. A copy of the earnings release is attached hereto as Exhibit 99.1, which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release of Timberland Bancorp, Inc. dated September 30, 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

TIMBERLAND BANCORP, INC.

DATE: November 6, 2007

By: /s/Dean J. Brydon

Dean J. Brydon
Chief Financial Officer

Exhibit 99.1

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TIMBERLAND BANCORP, INC

Contact: Michael R. Sand,
President & CEO
Dean J. Brydon, CFO
(360) 533-4747
www.timberlandbank.com

TIMBERLAND BANCORP, INC. EARNINGS PER SHARE INCREASE 10% TO RECORD \$0.32

HOQUIAM, WA----November 6, 2007 -- Timberland Bancorp, Inc. (NASDAQ:TSBK), ("Timberland") the holding company for Timberland Bank, ("Bank") today reported record fourth quarter earnings per share led by strong loan growth, solid asset quality, improving efficiency and ongoing share repurchases. Timberland increased its diluted earnings per share 10% to \$0.32 compared to \$0.29 per share in the fourth quarter one year ago. Timberland also reported record diluted earnings per share for the fiscal year ended September 30, 2007 of \$1.17 compared to \$1.12 for the fiscal year ended September 30, 2006. All per share data has been adjusted to reflect the 2-for-1 stock split in the form of a 100% stock dividend paid on June 5, 2007.

Fiscal Fourth Quarter (September 30, 2007) Highlights -

- * Diluted earnings per share increased 10% compared to 4Q06
- * Return on equity increased to 11.66%.
- * Loan portfolio increased 21% to \$515 million during the past 12 months.
- * Asset quality remained strong, with non-performing assets at 0.23% of total assets and a net charge-off of only \$2,000 during the quarter.

"We continue to benefit from a strong Northwest economy," stated Michael Sand, Timberland's President and CEO. "Although markets in the Puget Sound area are experiencing higher inventory levels and longer sales cycles, housing prices have risen during the first nine months of this year compared to the same period last year. While we retain an optimistic view of our region's economic prospects, recent sales statistics indicate that the sales of new homes slowed in King and Pierce Counties on a year-to-date basis. Residential sales transactions decreased by 12% and 31% in King and Pierce Counties respectively through September of this year as compared to the prior year. We continue to closely monitor our builders and their inventory levels in this economic environment. Our loan portfolio is well diversified by geography and by loan type. We are pleased with the improvement in our earnings per share and in our return on equity this past quarter," Sand also stated.

Operating Results

Fiscal fourth quarter revenue (net interest income before provision for loan losses plus non-interest income) increased 5% to \$8.3 million from \$7.9 million in the like quarter one year ago. Net interest income before the provision for loan losses for the fourth quarter of fiscal 2007 increased 8% to \$6.7 million compared to the like quarter one year ago with interest income increasing 21% and interest expense increasing 47%. For the fiscal year ended September 30, 2007, revenues increased 4% to \$32.1 million from \$30.9 million the year before. Net interest income before provision for loan losses increased 6% to \$26.2 million, with interest income increasing 18% and interest expenses increasing 46%. Loan growth contributed to the increase in net interest income and offset

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increased funding costs.

"As we have seen throughout the banking industry, the relatively flat yield curve and intense competition for deposits has impacted margins," said Dean Brydon, Chief Financial Officer. "We have funded some of our loan growth this year with moderate core deposit growth, supplemented by wholesale funding sources." Timberland's net interest margin was 4.60% for the fourth quarter compared to 4.67% for the third quarter of fiscal 2007 and 4.91% for the fourth quarter one year ago. For the year ended September 30, 2007 the net interest margin was 4.69% compared to 4.91% for the year ended September 30, 2006.

The loan portfolio continued to perform well during the quarter with net charge-offs totaling only \$2,000. The fourth quarter provision for loan losses totaled \$270,000 compared to no provision made during the fourth quarter of fiscal 2006. For the full fiscal year, the provision for loan losses totaled \$686,000 compared to no provision for fiscal 2006.

Non-interest income decreased 6% to \$1.56 million for the fourth quarter from \$1.65 million for the fourth fiscal quarter of 2006. Non-interest income for fiscal 2007 decreased 5% to \$5.96 million from \$6.24 million for fiscal 2006. Non-interest income decreased primarily due to lower income from loan sales and a reduction in service charges on deposits accounts. On a linked quarter basis, non-interest income increased 4%. The increase in non-interest income was primarily due to an increase in service charges on deposit accounts and an increase in the gain on sale of loans.

Timberland Q4 Earnings
November 6, 2007
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"In fiscal 2007, total revenue growth outpaced the growth of operating overhead, which improved our efficiency ratio," Sand noted. The efficiency ratio for the fourth quarter was 58.47% compared to 60.03% for the same quarter one year ago. The efficiency ratio for fiscal 2007 improved to 60.54% from 61.19% for fiscal 2006. Primarily because of increased advertising expenses and increased premises and equipment expenses, Timberland's total operating (non-interest) expenses increased 2% to \$4.85 million for the current quarter from \$4.75 million for the fourth quarter one year ago. Operating expenses for fiscal 2007 increased 3% to \$19.45 million from \$18.90 million for fiscal 2006, primarily due to increased compensation expenses and higher advertising and ATM expenses.

"Our return on equity continued to improve as profitability increased and we returned excess capital to shareholders through regular dividends and share repurchase programs," Sand noted. Timberland's return on equity ("ROE") was 11.66% for the fourth quarter of fiscal 2007, compared to the prior quarter's 11.24% and 10.89% for the fourth quarter of fiscal 2006.

Timberland's return on assets ("ROA") was 1.36% for the fourth quarter of fiscal 2007, compared to the prior quarter's 1.38% and 1.53% for the same period one year ago. For the fiscal year ended September 30, 2007, ROE was 10.67% compared to 10.59% for fiscal 2006, and ROA was 1.34% compared to 1.47% one year ago.

Balance Sheet Management

Total assets increased to \$645 million at September 30, 2007, compared to \$624 million at June 30, 2007 and \$577 million one year ago primarily due to strong loan portfolio growth. Net loans receivable increased 14% on an annualized basis during the quarter to \$515 million at September 30, 2007, and increased 21% from

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\$425 million one year ago. During the past 12 months the portfolio has increased by \$91 million as construction and land development loans (net of the undisbursed portion) increased \$33 million, land loans increased \$31million, multi-family loans increased \$17 million, consumer loans increased \$10 million, and commercial business loans increased \$6 million.

LOAN PORTFOLIO (\$ in thousands)

| | Sept. 30, 2007 | | June 30, 2007 | | Sept. 30, 2006 | |
|--|------------------|---------|------------------|---------|------------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Mortgage Loans: | | | | | | |
| One-to-four family (1) | \$102,434 | 17% | \$103,883 | 18% | \$ 98,709 | 20% |
| Multi family | 35,157 | 6 | 31,719 | 6 | 17,689 | 4 |
| Commercial | 127,866 | 22 | 128,118 | 22 | 137,609 | 28 |
| Construction and land development | 186,261 | 32 | 181,157 | 32 | 146,855 | 30 |
| Land | 60,706 | 10 | 53,794 | 9 | 29,598 | 6 |
| | 512,424 | 87 | 498,671 | 87 | 430,460 | 88 |
| Consumer Loans: | | | | | | |
| Home equity and second mortgage | 47,269 | 8 | 44,347 | 8 | 37,435 | 8 |
| Other | 10,922 | 2 | 11,735 | 2 | 11,127 | 2 |
| | 58,191 | 10 | 56,082 | 10 | 48,562 | 10 |
| Commercial business loans | 18,164 | 3 | 16,625 | 3 | 11,803 | 2 |
| | 588,779 | 100% | 571,378 | 100% | 490,825 | 100% |
| Total loans | | | | | | |
| Less: | | | | | | |
| Undisbursed portion of construction loans in process | (65,673) | | (66,598) | | (59,260) | |
| Unearned income | (2,968) | | (2,921) | | (2,798) | |
| Allowance for loan losses | (4,797) | | (4,529) | | (4,122) | |
| | 515,341 | | 497,330 | | 424,645 | |
| Total loans receivable, net | \$515,341 | | \$497,330 | | \$424,645 | |

(1) Includes loans held for sale

Timberland Q4 Earnings
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CONSTRUCTION LOAN COMPOSITION (\$ in thousands)

| | Sept. 30, 2007 | | June 30, 2007 | | Sept. 30, 2006 | |
|--|----------------|---------|---------------|---------|----------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |

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| | | | | | | |
|----------------------------|-----------|-------|-----------|-------|-----------|-------|
| Custom and owner / builder | \$ 52,375 | 28% | \$ 48,894 | 27% | \$ 46,346 | 32% |
| Speculative | 43,012 | 23 | 43,655 | 24 | 34,363 | 23 |
| Commercial real estate | 50,518 | 27 | 50,729 | 28 | 42,398 | 29 |
| Multi-family | 18,064 | 10 | 19,801 | 11 | 7,662 | 5 |
| Land development | 22,292 | 12 | 18,078 | 10 | 16,086 | 11 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total construction loans | \$186,261 | 100% | \$181,157 | 100% | \$146,855 | 100% |

Loan originations of \$66.3 million for the quarter were nearly identical to the \$66.4 million in loan originations for the quarter ended June 30, 2007. Loan originations decreased 23% to \$66.3 million for the quarter ended September 30, 2007 compared to \$86.5 million for the same quarter one year ago. In fiscal 2007 loan originations increased 17% to \$299.7 million from \$256.3 million for fiscal 2006. The Bank also continued to sell fixed rate one-to-four family mortgage loans into the secondary market for asset-liability management purposes. Fixed rate one-to-four family mortgage loan sales totaled \$8.3 million for the fourth quarter of fiscal 2007 compared to \$8.8 million for the same period one year ago. In fiscal 2007 loan sales increased by 13% to \$29.9 million from \$26.4 million for fiscal 2006.

Total deposits increased \$33.2 million to \$466.7 million at September 30, 2007 from \$433.5 million at June 30, 2007 primarily due to the addition of \$24.1 million in brokered deposits which were used to help fund loan portfolio growth. Balances in money market accounts and certificates of deposit accounts showed strong increases during the quarter and year-over-year.

DEPOSIT BREAKDOWN (\$ in thousands)

| | Sept. 30, 2007 | | June 30, 2007 | | Sept. 30, 2006 | |
|-------------------------------|----------------|---------|---------------|---------|----------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Non-interest bearing | \$ 54,962 | 12% | \$ 50,580 | 12% | \$ 57,905 | 13% |
| N.O.W. checking | 80,372 | 17 | 80,290 | 18 | 89,509 | 21 |
| Savings | 56,412 | 12 | 59,558 | 14 | 60,235 | 14 |
| Money market accounts | 48,068 | 10 | 46,446 | 11 | 42,378 | 10 |
| Certificates of deposit | | | | | | |
| under \$100 | 135,528 | 29 | 131,803 | 30 | 128,183 | 30 |
| Certificates of deposit \$100 | | | | | | |
| and over | 67,316 | 15 | 64,837 | 15 | 52,851 | 12 |
| Certificates of deposit - | | | | | | |
| brokered | 24,077 | 5 | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total deposits | \$466,735 | 100% | \$433,514 | 100% | \$431,061 | 100% |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Total shareholders' equity increased \$555,000 to \$74.5 million at September 30, 2007 from \$74.0 million at June 30, 2007. Timberland continued to manage its capital ratio through asset growth, stock repurchases and dividends. During the quarter Timberland repurchased 72,000 shares for \$1.2 million (an average price of \$16.56 per share). There are 144,950 shares remaining to be repurchased in the current stock repurchase plan. Cumulatively, Timberland has repurchased 7.6 million shares at an average price of \$8.89 per share. The share repurchases equal approximately 58% of the 13.2 million shares that were issued in Timberland's initial public offering in January 1998. A cash dividend of \$0.10 per share was paid during the quarter, which represented the 38th consecutive quarter a cash dividend was paid to shareholders. On October 30, 2007 the Company announced a quarterly cash dividend of \$0.10 per share, payable on November 27, 2007 to shareholders of record on November 13, 2007.

Asset Quality

Asset quality remained strong as the non-performing assets to total assets ratio

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was 0.23% at September 30, 2007, with a net charge-off of only \$2,000 during the quarter. The allowance for loan losses totaled \$4.8 million at September 30, 2007, or 0.92% of loans receivable and 322% of non-performing loans. The allowance for loan losses was \$4.5 million, or 0.90% of loans receivable at June 30, 2007. The Bank's non-performing loans totaled \$1.49 million at September 30, 2007 and were

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comprised of a \$159,000 single family loan, a \$28,000 land loan and \$1.30 million in loans to a construction company. The \$1.30 million in loans to the construction entity were secured by two single family homes and a land parcel in Pierce County.

About Timberland Bancorp, Inc.

Timberland Bancorp, Inc. stock trades on the NASDAQ global market under the symbol "TSBK." The Bank operates 21 branches in the state of Washington in Hoquiam, Aberdeen, Ocean Shores, Montesano, Elma, Olympia, Lacey, Tumwater, Yelm, Puyallup, Edgewood, Tacoma, Spanaway (Bethel Station), Gig Harbor, Poulsbo, Silverdale, Auburn, Winlock, and Toledo.

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TIMBERLAND BANCORP INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(\$ in thousands, except per share)
(unaudited)

| | Three Months Ended | | |
|--|--------------------|------------------|-------------------|
| | Sept. 30, 2007 | June 30, 2007 | Sept. 30, 2006 |
| | ----- | ----- | ----- |
| Interest and dividend income | | | |
| Loans receivable | \$ 10,335 | \$ 9,981 | \$ 8,252 |
| Investments and mortgage-backed securities | 344 | 350 | 510 |
| Dividends | 433 | 426 | 401 |
| Federal funds sold | 69 | 49 | 97 |
| Interest bearing deposits in banks | 16 | 8 | 23 |
| | ----- | ----- | ----- |
| Total interest and dividend income | 11,197 | 10,814 | 9,283 |
| Interest expense | | | |
| Deposits | 3,180 | 2,866 | 2,351 |
| Federal Home Loan Bank ("FHLB") advances | 1,262 | 1,278 | 659 |

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| | | | |
|--|-----------|-----------|-----------|
| Other borrowings | 11 | 12 | 13 |
| | ----- | ----- | ----- |
| Total interest expense | 4,453 | 4,156 | 3,023 |
| | ----- | ----- | ----- |
| Net interest income | 6,744 | 6,658 | 6,260 |
| Provision for loan losses | 270 | 260 | -- |
| | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 6,474 | 6,398 | 6,260 |
| Non-interest income | | | |
| Service charges on deposits | 715 | 692 | 755 |
| Gain on sale of loans, net | 106 | 79 | 122 |
| BOLI net earnings | 120 | 116 | 116 |
| Escrow fees | 14 | 22 | 33 |
| Servicing income on loans sold | 133 | 127 | 160 |
| ATM transaction fees | 307 | 295 | 284 |
| Other | 162 | 170 | 183 |
| | ----- | ----- | ----- |
| Total non-interest income | 1,557 | 1,501 | 1,653 |
| Non-interest expense | | | |
| Salaries and employee benefits | 2,624 | 2,752 | 2,650 |
| Premises and equipment | 625 | 557 | 590 |
| Advertising | 274 | 190 | 187 |
| Loss (gain) from other real estate operations | 1 | 1 | (77) |
| ATM expenses | 143 | 128 | 129 |
| Postage and courier | 131 | 113 | 116 |
| Amortization of core deposit intangible | 71 | 71 | 82 |
| State and local taxes | 152 | 148 | 138 |
| Professional fees | 125 | 175 | 265 |
| Other | 708 | 626 | 670 |
| | ----- | ----- | ----- |
| Total non-interest expense | 4,854 | 4,761 | 4,750 |
| Income before federal income taxes | 3,177 | 3,138 | 3,163 |
| Federal income taxes | 1,022 | 1,000 | 1,019 |
| | ----- | ----- | ----- |
| Net income | \$ 2,155 | \$ 2,138 | \$ 2,144 |
| | ===== | ===== | ===== |
| Earnings per common share: | | | |
| Basic | \$ 0.33 | \$ 0.32 | \$ 0.30 |
| Diluted | \$ 0.32 | \$ 0.31 | \$ 0.29 |
| Weighted average shares outstanding: | | | |
| Basic | 6,516,381 | 6,713,777 | 7,034,754 |
| Diluted | 6,690,048 | 6,910,165 | 7,290,954 |

Timberland Q4 Earnings

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TIMBERLAND BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(\$ in thousands, except per share)
(unaudited)

Year Ended
September 30, September 30,
2007 2006

| | | |
|------------------------------|-----------|-----------|
| Interest and dividend income | | |
| Loans receivable | \$ 38,386 | \$ 31,397 |

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| | | |
|--|-----------|-----------|
| Investments and mortgage-backed securities | 1,529 | 2,152 |
| Dividends | 1,692 | 1,436 |
| Federal funds sold | 260 | 389 |
| Interest bearing deposits in banks | 77 | 78 |
| | ----- | ----- |
| Total interest and dividend income | 41,944 | 35,452 |
| Interest expense | | |
| Deposits | 11,292 | 7,905 |
| Federal Home Loan Bank ("FHLB") advances | 4,436 | 2,860 |
| Other borrowings | 50 | 49 |
| | ----- | ----- |
| Total interest expense | 15,778 | 10,814 |
| | ----- | ----- |
| Net interest income | 26,166 | 24,638 |
| Provision for loan losses | 686 | -- |
| | ----- | ----- |
| Net interest income after provision for loan losses | 25,480 | 24,638 |
| Non-interest income | | |
| Service charges on deposits | 2,776 | 2,981 |
| Gain on sale of loans, net | 356 | 386 |
| BOLI net earnings | 464 | 449 |
| Escrow fees | 92 | 120 |
| Servicing income on loans sold | 505 | 425 |
| ATM transaction fees | 1,138 | 1,026 |
| Other | 631 | 857 |
| | ----- | ----- |
| Total non-interest income | 5,962 | 6,244 |
| Non-interest expense | | |
| Salaries and employee benefits | 10,928 | 10,744 |
| Premises and equipment | 2,452 | 2,403 |
| Advertising | 843 | 688 |
| Loss (gain) from other real estate operations | (13) | (156) |
| ATM expenses | 497 | 428 |
| Postage and courier | 478 | 486 |
| Amortization of core deposit intangible | 285 | 328 |
| State and local taxes | 571 | 564 |
| Professional fees | 650 | 876 |
| Other | 2,760 | 2,535 |
| | ----- | ----- |
| Total non-interest expense | 19,451 | 18,896 |
| Income before federal income taxes | 11,991 | 11,986 |
| Federal income taxes | 3,828 | 3,829 |
| | ----- | ----- |
| Net income | \$ 8,163 | \$ 8,157 |
| | ===== | ===== |
| Earnings per common share: | | |
| Basic | \$ 1.20 | \$ 1.16 |
| Diluted | \$ 1.17 | \$ 1.12 |
| Weighted average shares outstanding: | | |
| Basic | 6,775,822 | 7,032,662 |
| Diluted | 6,982,107 | 7,281,896 |

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TIMBERLAND BANCORP, INC.
 CONSOLIDATED BALANCE SHEET
 (\$ in thousands) (unaudited)

| | Sept. 30, 2007 | June 30, 2007 | Sept. 30, 2006 |
|---|-------------------|------------------|-------------------|
| Assets | ----- | ----- | ----- |
| Cash and due from financial institutions | | | |
| Non-interest bearing | \$ 10,813 | \$ 11,798 | \$ 14,870 |
| Interest-bearing deposits in banks | 2,082 | 1,188 | 2,519 |
| Federal funds sold | 3,775 | 205 | 5,400 |
| | ----- | ----- | ----- |
| | 16,670 | 13,191 | 22,789 |
| Certificate of deposit held for investment | -- | -- | 100 |
| Investments and mortgage-backed securities: | | | |
| Held to maturity | 71 | 72 | 75 |
| Available for sale | 63,898 | 64,911 | 81,408 |
| FHLB Stock | 5,705 | 5,705 | 5,705 |
| | ----- | ----- | ----- |
| | 69,674 | 70,688 | 87,288 |
| Loans receivable | 519,381 | 500,694 | 426,318 |
| Loans held for sale | 757 | 1,165 | 2,449 |
| Less: Allowance for loan losses | (4,797) | (4,529) | (4,122) |
| | ----- | ----- | ----- |
| Net loans receivable | 515,341 | 497,330 | 424,645 |
| Accrued interest receivable | 3,424 | 3,177 | 2,806 |
| Premises and equipment | 16,575 | 16,557 | 16,730 |
| Other Real estate owned ("OREO") and other repossessed items | -- | 68 | 15 |
| Bank owned life insurance ("BOLI") | 12,415 | 12,294 | 11,951 |
| Goodwill | 5,650 | 5,650 | 5,650 |
| Core deposit intangible | 1,221 | 1,292 | 1,506 |
| Mortgage servicing rights | 1,051 | 1,018 | 932 |
| Other assets | 2,827 | 2,881 | 2,775 |
| | ----- | ----- | ----- |
| Total Assets | \$644,848 | \$624,146 | \$577,087 |
| | ===== | ===== | ===== |
| Liabilities and Shareholders' Equity | | | |
| Non-interest-bearing deposits | \$ 54,962 | \$ 50,580 | \$ 57,905 |
| Interest-bearing deposits | 411,773 | 382,934 | 373,156 |
| | ----- | ----- | ----- |
| Total deposits | 466,735 | 433,514 | 431,061 |
| FHLB advances | 99,697 | 112,463 | 62,761 |
| Other borrowings: repurchase agreements | 595 | 775 | 947 |
| Other liabilities and accrued expenses | 3,274 | 3,402 | 2,953 |
| | ----- | ----- | ----- |
| Total Liabilities | 570,301 | 550,154 | 497,722 |
| | ----- | ----- | ----- |
| Shareholders' Equity | | | |
| Common stock- \$.01 par value; 50,000,000 shares authorized; September 30, 2007 - 6,953,360 shares issued and outstanding June 30, 2007 - 7,025,360 shares issued and outstanding September 30, 2006 - 3,757,676 shares issued and outstanding | | | |

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| | | | |
|--|-----------|-----------|-----------|
| on a pre-split basis | 70 | 70 | 38 |
| Additional paid in capital | 10,315 | 11,425 | 20,888 |
| Unearned shares- Employee Stock Ownership Plan | (3,040) | (3,106) | (3,305) |
| Unearned shares- Management Recognition and Development Plan | (392) | (415) | (188) |
| Retained earnings | 68,378 | 66,915 | 62,933 |
| Accumulated other comprehensive loss | (784) | (897) | (1,001) |
| | ----- | ----- | ----- |
| Total Shareholders' Equity | 74,547 | 73,992 | 79,365 |
| | ----- | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$644,848 | \$624,146 | \$577,087 |
| | ===== | ===== | ===== |

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KEY FINANCIAL RATIOS AND DATA
(\$ in thousands, except per share)
(unaudited)

| | Three Months Ended | | |
|------------------------------|--------------------|------------------|-------------------|
| | Sept. 30, 2007 | June 30, 2007 | Sept. 30, 2006 |
| | ----- | ----- | ----- |
| PERFORMANCE RATIOS: | | | |
| Return on average assets (a) | 1.36% | 1.38% | 1.53% |
| Return on average equity (a) | 11.66% | 11.24% | 10.89% |
| Net interest margin (a) | 4.60% | 4.67% | 4.91% |
| Efficiency ratio | 58.47% | 58.35% | 60.03% |

| | Year Ended | |
|--------------------------|-------------------|-------------------|
| | Sept. 30, 2007 | Sept. 30, 2006 |
| | ----- | ----- |
| Return on average assets | 1.34% | 1.47% |
| Return on average equity | 10.67% | 10.59% |
| Net interest margin | 4.69% | 4.91% |
| Efficiency ratio | 60.54% | 61.19% |

| | Sept. 30, 2007 | June 30, 2007 | Sept. 30, 2006 |
|---|-------------------|------------------|-------------------|
| | ----- | ----- | ----- |
| ASSET QUALITY RATIOS: | | | |
| Non-performing loans | \$ 1,490 | \$ 982 | \$ 80 |
| OREO and other repossessed assets | -- | 68 | 15 |
| | ----- | ----- | ----- |
| Total non-performing assets | \$ 1,490 | \$ 1,050 | \$ 95 |
| Non-performing assets to total assets | 0.23% | 0.17% | 0.02% |
| Allowance for loan losses to non-performing loans | 322% | 461% | 5,153% |
| | ----- | ----- | ----- |
| Book value per share (b) | \$ 10.72 | \$ 10.53 | \$ 10.56 |
| Book value per share (c) | \$ 11.39 | \$ 11.19 | \$ 11.22 |
| Tangible book value per share (b) (d) | \$ 9.73 | \$ 9.54 | \$ 9.61 |
| Tangible book value per share (c) (d) | \$ 10.34 | \$ 10.14 | \$ 10.21 |

- (a) Annualized
- (b) Calculation includes ESOP shares not committed to be released
- (c) Calculation excludes ESOP shares not committed to be released
- (d) Calculation subtracts goodwill and core deposit intangible from the

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equity component

AVERAGE BALANCE SHEET

| | Three Months Ended | | |
|--|--------------------|------------------|-------------------|
| | Sept. 30, 2007 | June 30, 2007 | Sept. 30, 2006 |
| Average total loans | \$ 509,166 | \$ 494,137 | \$ 411,012 |
| Average total interest earning assets | 586,056 | 570,597 | 510,180 |
| Average total assets | 634,762 | 619,120 | 560,941 |
| Average total interest bearing deposits | 405,078 | 388,610 | 372,371 |
| Average FHLB advances and other borrowings | 96,442 | 98,467 | 48,518 |
| Average shareholders' equity | 73,916 | 76,087 | 78,724 |

| | Year Ended | |
|--|-------------------|-------------------|
| | Sept. 30, 2007 | Sept. 30, 2006 |
| Average total loans | \$ 477,029 | \$ 399,811 |
| Average total interest earning assets | 558,298 | 502,194 |
| Average total assets | 607,781 | 554,231 |
| Average total interest bearing deposits | 387,505 | 365,544 |
| Average FHLB advances and other borrowings | 85,599 | 55,773 |
| Average shareholders' equity | 76,497 | 77,044 |

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Disclaimer

This report contains certain "forward-looking statements." The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protection of such safe harbor with forward looking statements. These forward-looking statements may describe future plans or strategies and include the Company's expectations of future financial results. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results to differ materially from stated objectives. These risk factors include but are not limited to the effect of interest rate changes, competition in the financial services market for both deposits and loans as well as regional and general economic conditions. The words "believe," "expect," "anticipate," "estimate," "project," and similar expressions identify forward-looking statements. The Company's ability to predict results or the effect of future plans or strategies is inherently uncertain and undue reliance should not be placed on such statements.