

TIMBERLAND BANCORP INC
Form 10-Q
May 11, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____.

Commission file number 0-23333

TIMBERLAND BANCORP, INC.
(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of incorporation or organization) 91-1863696
(IRS Employer Identification No.)

624 Simpson Avenue, Hoquiam, Washington 98550
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated Filer Non-accelerated filer Smaller reporting company

Edgar Filing: TIMBERLAND BANCORP INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| CLASS | SHARES OUTSTANDING AT April 30, 2012 |
|-------------------------------|--------------------------------------|
| Common stock, \$.01 par value | 7,045,036 |

INDEX

| | Page |
|---|-----------|
| PART I. FINANCIAL INFORMATION | |
| Item 1. Financial Statements (unaudited) | |
| Condensed Consolidated Balance Sheets | 3 |
| Condensed Consolidated Statements of Income | 4-5 |
| Condensed Consolidated Statements of Comprehensive Income | 6 |
| Condensed Consolidated Statements of Shareholders' Equity | 7 |
| Condensed Consolidated Statements of Cash Flows | 8-9 |
| Notes to Unaudited Condensed Consolidated Financial Statements | 10-37 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 37-54 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 55 |
| Item 4. Controls and Procedures | 55 |
| PART II. OTHER INFORMATION | |
| Item 1. Legal Proceedings | 55 |
| Item 1A. Risk Factors | 55 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 56 |
| Item 3. Defaults Upon Senior Securities | 56 |
| Item 4. Mine Safety Disclosures | 56 |
| Item 5. Other Information | 56 |
| Item 6. Exhibits | 56-57 |
| SIGNATURES | 58 |
| Certifications | |

Exhibit 31.1

Exhibit 31.2

Exhibit 32

2

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2012 and September 30, 2011

(Dollars in thousands, except per share amounts)

(Unaudited)

| | March 31, 2012 | September 30, 2011 |
|---|-------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents: | | |
| Cash and due from financial institutions | \$ 11,154 | \$ 11,455 |
| Interest-bearing deposits in banks | 100,467 | 100,610 |
| Total cash and cash equivalents | 111,621 | 112,065 |
| Certificates of deposit ("CDs") held for investment (at cost which approximates fair value) | 20,180 | 18,659 |
| Mortgage-backed securities ("MBS") and other investments - held to maturity, at amortized cost (estimated fair value \$3,828 and \$4,229) | 3,706 | 4,145 |
| MBS and other investments - available for sale | 5,261 | 6,717 |
| Federal Home Loan Bank of Seattle ("FHLB") stock | 5,705 | 5,705 |
| Loans receivable | 545,961 | 535,926 |
| Loans held for sale | 1,296 | 4,044 |
| Less: Allowance for loan losses | (12,264) | (11,946) |
| Net loans receivable | 534,993 | 528,024 |
| Premises and equipment, net | 17,640 | 17,390 |
| Other real estate owned ("OREO") and other repossessed assets, net | 8,024 | 10,811 |
| Accrued interest receivable | 2,369 | 2,411 |
| Bank owned life insurance ("BOLI") | 16,228 | 15,917 |
| Goodwill | 5,650 | 5,650 |
| Core deposit intangible ("CDI") | 323 | 397 |
| Mortgage servicing rights ("MSRs"), net | 2,284 | 2,108 |
| Prepaid Federal Deposit Insurance Corporation ("FDIC") insurance assessment | 1,643 | 2,103 |
| Other assets | 7,082 | 6,122 |
| Total assets | \$742,709 | \$738,224 |
| Liabilities and shareholders' equity | | |
| Liabilities: | | |
| Deposits: Non-interest-bearing demand | \$ 69,633 | \$ 64,494 |
| Deposits: Interest-bearing | 534,963 | 528,184 |

Edgar Filing: TIMBERLAND BANCORP INC - Form 10-Q

| | | |
|--|-----------|-----------|
| Total deposits | 604,596 | 592,678 |
| FHLB advances | 45,000 | 55,000 |
| Repurchase agreements | 948 | 729 |
| Other liabilities and accrued expenses | 4,181 | 3,612 |
| Total liabilities | 654,725 | 652,019 |
| Shareholders' equity | | |
| Preferred stock, \$.01 par value; 1,000,000 shares authorized; | | |
| 16,641 shares, Series A, issued and outstanding; | 16,107 | 15,989 |
| \$1,000 per share liquidation value | | |
| Common stock, \$.01 par value; 50,000,000 shares authorized; | 10,480 | 10,457 |
| 7,045,036 shares issued and outstanding | | |
| Unearned shares - Employee Stock Ownership Plan ("ESOP") | (1,851) | (1,983) |
| Retained earnings | 63,826 | 62,270 |
| Accumulated other comprehensive loss | (578) | (528) |
| Total shareholders' equity | 87,984 | 86,205 |
| Total liabilities and shareholders' equity | \$742,709 | \$738,224 |

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the three and six months ended March 31, 2012 and 2011
(Dollars in thousands, except per share amounts)
(Unaudited)

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|--|---------------------------------|---------|-------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Interest and dividend income | | | | |
| Loans receivable | \$7,607 | \$8,240 | \$15,412 | \$16,774 |
| MBS and other investments | 109 | 162 | 234 | 344 |
| Dividends from mutual funds | 7 | 8 | 20 | 16 |
| Interest-bearing deposits in banks | 81 | 83 | 170 | 170 |
| Total interest and dividend income | 7,804 | 8,493 | 15,836 | 17,304 |
| Interest expense | | | | |
| Deposits | 1,035 | 1,591 | 2,204 | 3,342 |
| FHLB advances | 496 | 550 | 1,058 | 1,279 |
| Total interest expense | 1,531 | 2,141 | 3,262 | 4,621 |
| Net interest income | 6,273 | 6,352 | 12,574 | 12,683 |
| Provision for loan losses | 1,050 | 700 | 1,700 | 1,600 |
| Net interest income after provision for loan losses | | | | |
| Losses | 5,223 | 5,652 | 10,874 | 11,083 |
| Non-interest income | | | | |
| Other than temporary impairment ("OTTI") | | | | |
| on MBS and other investments | (94) | (9) | (123) | (154) |
| Adjustment for portion recorded as other comprehensive loss (before taxes) | -- | (26) | (30) | (17) |
| Net OTTI on MBS and other investments | (94) | (35) | (153) | (171) |
| Realized losses on MBS and other investments | -- | (2) | -- | (2) |
| Gain on sales of MBS and other investments | 20 | -- | 20 | 79 |
| Service charges on deposits | | | | |