TIMBERLAND BANCORP INC
Form 8-K
November 05, 2008

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 4, 2008

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

Washington	0-23333	91-1863696
State or other jurisdiction Of incorporation	Commission File Number	(I.R.S. Employer Identification No.)

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

On November 4, 2008, Timberland Bancorp, Inc. issued its earnings release for the quarter ended September 30, 2008. 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

(d) Exhibits

99.1 Press Release of Timberland Bancorp, Inc. dated November 4, 2008

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 5, 2008 By:/s/Dean J. Brydon

Dean J. Brydon
Chief Financial Officer

Exhibit 99.1

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

Timberland Bancorp Earns $1.35 Million in Fiscal Fourth Quarter 2008

HOQUIAM, WA--November 4, 2008 -- Timberland Bancorp, Inc. (NASDAQ:TSBK) ("Timberland"), the holding company for Timberland Bank ("Bank"), today reported fiscal fourth quarter profits of $1.35 million, or $0.21 per diluted share after a $1.50 million addition to its loan loss reserves, compared to earnings of $2.16 million, or $0.32 per diluted share for the fiscal fourth quarter of 2007. For the fiscal year ended September 30, 2008, Timberland reported earnings of $4.01 million, or $0.61 per diluted share compared to earnings of $8.16 million, or $1.17 per diluted share for the fiscal year ended September 30, 2007. Profit for the year ended September 30, 2008 reflects the non-recurring charge of $2.59 million ($0.39 per diluted share) taken in June as a result of the Company's withdrawal of its investment in the AMF family of mutual funds. All per share data has been adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend paid on June

5, 2007.

Fiscal Fourth Quarter 2008 Highlights: (quarter ended September 30, 2008 compared to the quarter ended September 30, 2007)

-- Capital levels remain well above the regulatory threshold for a well capitalized designation with a 13.62% total risk based capital ratio.
-- Net interest margin remained strong at 4.36% (an increase of 13 basis points from prior quarter).
-- Non-interest income increased 30%.
-- Quarterly cash dividend of $0.11 per share announced on October 29, 2008. This represents the 43rd consecutive quarter that Timberland has paid a cash dividend.
-- The loan portfolio increased 8% to $558 million from $515 million.
-- Total deposits increased 7% to $499 million from $467 million
-- Total assets increased 6% to $682 million from $645 million.
-- The one-to-four family speculative construction portfolio decreased by 16% from the prior quarter, accounting for only 5% of the total loan portfolio.

"While the economic environment in our markets along Washington's coast continue to be relatively stable, we are seeing considerable stress in some parts of the Puget Sound market," said Michael R. Sand, President and CEO. "We are continuing to monitor our loan portfolio and to work with builders who have inventory on the market. At September 30th, speculative one-to-four family residential construction loans represented only 5% of the Bank's loan portfolio, residential land development loans represented 5% of the portfolio, and condominium construction loans represented 6% of the portfolio. We are making appropriate provisions to loan loss reserves in accordance with the results of our loan loss reserve analysis. An article in the Wall Street Journal on October 28, 2008 indicated that the Seattle Metro area was judged to have an 8.8 month supply of home inventory on the market. This compares quite favorably to many parts of the country some of which appear to have a supply in excess of 15 months. The Bank's core business remains strong. We continue to look for opportunities to prudently grow the loan portfolio, to control operating costs and to reduce our interest expense. The recent news that the Boeing machinist strike is settled is a welcome development for the regional outlook, with more than 27,000 workers returning to work."

Capital Ratios and Asset Quality

Timberland remains well capitalized with total risk based capital of 13.62%, equity to assets of 10.98% and tangible equity to assets of 10.00%. "While we are well capitalized and have a strong capital base, we are evaluating the opportunity to increase capital through the Treasury's TARP program to provide for additional loan growth in accordance with the intent of the program," Sand noted. "We are currently weighing the costs and benefits of participation."

The non-performing assets ("NPAs") to total assets ratio was 1.83% at September 30, 2008, with $526,000 in net charge-offs during the quarter and $648,000 in net charge-offs for the fiscal year. The allowance for loan losses totaled $8.1 million at September 30, 2008, or 1.42% of loans receivable and 67% of non-performing loans. The allowance for loan losses was $7.1

million, or 1.26% of loans receivable and $4.8 million, or 0.92% of loans receivable at June 30, 2008 and September 30, 2007, respectively.

Non-performing loans ("NPLs") increased to $11.99 million at September 30, 2008, and were comprised of 34 loans and 17 credit relationships. Included in NPLs are 17 single family speculative loans totaling $5.4 million (of which the largest has a balance of $408,000), a $3.1 million land development loan in Kennewick, Washington, a $1.4 million participation interest in a land development loan located in Clark County, Washington, seven individual lot (land) loans totaling $726,000, one commercial real estate loan in Kitsap County, Washington for $714,000, three single family home loans totaling $300,000, three home equity consumer loans totaling $160,000 and one commercial business loan for $250,000.

Loans with an aggregate balance of $316,000 that were non-performing at the end of the prior quarter were brought current during the September quarter. "We sold the property held at June 30, 2008 as other real estate owned ("OREO") for $970,000 and added a single residential property to OREO during the quarter ended September 30, 2008," Sand stated. OREO and other repossessed assets decreased to $511,000 at September 30, 2008 and consisted of one single-family residence in Pierce County and two vehicles.

Balance Sheet Management

Total assets increased 11% on an annualized basis during the quarter to $681.9 million at September 30, 2008, and increased 6% from $644.8 million one year ago. The increase in assets during the current quarter was a result of an increase in liquid assets as cash equivalents increased to $42.9 million at September 30, 2008 from $23.5 million at June 30, 2008.

LOAN PORTFOLIO

($ in thousands)	Sept. 30, 2008 Amount	Sept. 30, 2008 Percent	June 30, 2008 Amount	June 30, 2008 Percent	Sept. 30, 2007 Amount	Sept. 30, 2007 Percent
Mortgage Loans:						
One-to-four family (1)	$112,299	18%	$105,791	17%	$102,434	17%
Multi-family	25,927	4	37,465	6	35,157	6
Commercial	146,223	24	140,785	23	127,866	22
Construction and land development	186,344	31	202,029	32	186,261	32
Land	60,701	10	56,489	9	60,706	10
Total mortgage loans	531,494	87	542,559	87	512,424	87
Consumer Loans:						
Home equity and second mortgage	48,690	8	46,771	7	47,269	8
Other	10,635	2	11,292	2	10,922	2
Total consumer loans	59,325	10	58,063	9	58,191	10
Commercial business loans	21,018	3	23,307	4	18,164	3
Total loans	$611,837	100%	$623,929	100%	$588,779	100%
Less:						
Undisbursed portion of construction loans in process	(43,353)		(57,335)		(65,673)	
Unearned income	(2,747)		(2,865)		(2,968)	
Allowance for loan losses	(8,050)		(7,076)		(4,797)	
Total loans receivable, net	$557,687		$556,653		$515,341	

(1) Includes loans held for sale

CONSTRUCTION LOAN COMPOSITION
($ in thousands)

	Sept. 30, 2008		June 30, 2008		Sept. 30, 2007	
	Amount	Percent of Loan Portfolio	Amount	Percent of Loan Portfolio	Amount	Percent of Loan Portfolio
Custom and owner / builder	$ 47,168	8%	$ 48,384	8	$ 52,375	9%
Speculative	30,895	5	36,979	6	43,012	7
Commercial real estate	39,620	7	47,215	8	40,998	7

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Condominium	39,196	6	36,538	6	27,584	5
Multi-family	1,313	-	2,137	-	-	-
Land development	28,152	5	30,776	5	22,292	4
Total construction loans	$186,344		$202,029		$186,261	

Net loans receivable increased 8% year-over-year to $557.7 million at September 30, 2008, from $515.3 million one year ago. During the quarter the loan portfolio increased by $1.0 million as one-to-four family loans increased by $6.5 million, commercial real estate loans increased by $5.4 million, land loans increased by $4.2 million and consumer loans increased by $1.3 million. These increases were partially offset by an $11.5 million decrease in multi-family loans, a $2.3 million decrease in commercial business loans and a $1.7 million decrease in construction and land development loans (net of the undisbursed portion).

Loan originations decreased to $50.0 million for the quarter ended September 30, 2008 from $80.1 million for the quarter ended June 30, 2008 and from $66.3 million for the quarter ended September 30, 2007. The Bank continues to sell fixed rate one-to four-family mortgage loans into the secondary market for asset-liability management purposes. During the quarter ended September 30, 2008, fixed rate one-to four-family mortgage loan sales totaled $9.4 million.

Timberland's investment securities decreased by $2.2 million during the quarter to $31.3 million at September 30, 2008 from $33.5 million at June 30, 2008, primarily as a result of regular amortization and prepayments on mortgage-backed securities.

DEPOSIT BREAKDOWN
($ in thousands)

	Sept. 30, 2008		June 30, 2008		Sept. 30, 2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest bearing	$ 51,955	11%	$ 50,701	11%	$ 54,962	12%
N.O.W. checking	90,468	18	90,476	19	80,372	17

Savings	56,391	11	58,604	12	56,412	12
Money market	70,379	14	48,082	10	48,068	10
Certificates of deposit under $100	130,313	26	128,791	27	135,528	29
Certificates of deposit $100 and over	73,107	15	77,343	16	67,316	15
Certificates of deposit - brokered	25,959	5	25,937	5	24,077	5
Total deposits	$498,572	100%	$479,934	100%	$466,735	100%

Total deposits increased $18.7 million to $498.6 million at September 30, 2008 from $479.9 million at June 30, 2008 primarily as a result of a $22.3 million increase in money market accounts and a $1.3 million increase in non-interest bearing checking accounts. These increases were partially offset by a $2.7 million decrease in non-brokered certificates of deposit accounts and a $2.2 million decrease in savings accounts. The increase in money market accounts was partially a result of a $10.5 million short-term deposit by a commercial customer that was transferred from the deposit base into the Bank's Certificate of Deposit Registry Service (CDARS) program in early October 2008.

Total shareholders' equity increased $66,000 to $74.84 million at September 30, 2008 from $74.78 million at June 30, 2008. The increase in shareholders' equity was primarily due to net income of $1.35 million, which was partially offset by cash dividends of $762,000 paid to shareholders and a $481,000 change in the accumulated other comprehensive loss category as a result of market value declines in the Company's available for sale investment portfolio.

Operating Results

Fiscal fourth quarter revenue (net interest income before provision for loan losses plus non-interest income), increased 7% to $8.9 million compared with $8.3 million in the like quarter one year ago. The increase was a result of a $462,000 increase in non-interest income and a $91,000 increase in net interest income. Net interest income before the provision for loan losses increased 1% to $6.8 million for the quarter ended September 30, 2008 from $6.7 million compared to the like quarter one year ago with interest and dividend income decreasing 6% and interest expense decreasing 16%. Fiscal 2008 core operating revenue (excluding the non-recurring impairment charge incurred in June 2008) increased 6% to $33.9 million from $32.1 million in

fiscal 2007, with net interest income up 3% and non-interest income increasing 17%. During this challenging interest rate environment, Timberland's net interest margin remained solid at 4.36% for the current quarter, an increase of 13 basis points from the 4.23% reported for the quarter ended June 30, 2008 and a decrease of 24 basis points from the 4.60% reported for the quarter ended September 30, 2007. For fiscal 2008 Timberland's net interest margin was 4.41% compared to 4.69% for fiscal 2007.

In the fourth fiscal quarter Timberland made a provision of $1.5 million to its allowance for loan losses, up from $500,000 in the quarter immediately prior and $270,000 in the like quarter in the prior fiscal year. Net charge-offs for the quarter ended September 30, 2008 totaled $526,000, compared to $121,000 in the immediately prior quarter and $2,000 in the like quarter one year ago. Total net charge-offs in fiscal 2008 were $648,000 compared to $11,000 in fiscal 2007.

Non-interest income increased 30% to $2.0 million for the fourth fiscal quarter from $1.6 million for the fourth quarter of fiscal 2007, primarily due to increased service charges on deposits. "We continue to benefit from the overdraft decisioning software installed this year," stated Sand. For fiscal 2008 non-interest income (excluding the non-recurring impairment charge incurred in June 2008) increased 17% to $7.0 million from $6.0 million for fiscal 2007.

Timberland's total operating (non-interest) expenses increased by $543,000 to $5.40 million for the fourth fiscal quarter from $4.85 million for the fourth quarter of fiscal 2007 primarily due to a $228,000 increase in salaries and employee benefits expense, a $224,000 increase in deposit related expenses and an $86,000 increase in professional fees. The increased salary and benefit expense was primarily the result of annual salary adjustments (effective October 1, 2007) and increased employee insurance expenses. The increased deposit related expenses were primarily a result of expenses associated with several new deposit related programs implemented during the year and an increase in FDIC insurance expense recorded as the Bank's credit with the FDIC was fully depleted during the quarter ended June 30, 2008. Timberland's fiscal 2008 total operating expenses increased 5% to $20.4 million from $19.5 million for fiscal year 2007 primarily due to increased salaries and employee benefits expense and increased deposit related expenses. Timberland's efficiency ratio was 60.96% for the quarter ended September 30, 2008 compared to 58.47% for the quarter ended September 30, 2007. Timberland's efficiency ratio (excluding the non-recurring impairment charge) was 60.06% for the year ended September 30, 2008 compared to 60.54% for the year ended September 30, 2007.

About Timberland Bancorp, Inc.
Timberland Bancorp 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.

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

	Three Months Ended		
	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007
Interest and dividend income			
Loans receivable	$ 9,977	$ 9,825	$ 10,335
Investments and mortgage-backed securities	439	235	344
Dividends from mutual funds and Federal Home Loan Bank ("FHLB") stock	33	272	433
Federal funds sold	104	28	69
Interest bearing deposits in banks	14	8	16

Total interest and dividend income	10,567	10,368	11,197
Interest expense			
Deposits	2,609	2,703	3,180
FHLB advances	1,121	1,161	1,262
Other borrowings	2	4	11
Total interest expense	3,732	3,868	4,453
Net interest income	6,835	6,500	6,744
Provision for loan losses	1,500	500	270
Net interest income after provision for loan losses	5,335	6,000	6,474
Non-interest income			
Service charges on deposits	1,201	948	715
Gain on sale of loans, net	68	127	106
Loss on redemption of mutual funds	--	(2,822)	--
Bank owned life insurance ("BOLI") net earnings	126	121	120
Servicing income on loans sold	138	234	133
ATM transaction fees	321	329	307
Other	165	170	176
Total non-interest income (loss)	2,019	(893)	1,557
Non-interest expense			
Salaries and employee benefits	2,852	2,812	2,624
Premises and equipment	674	519	625
Advertising	218	228	274
Loss (gain) from other real estate operations	(4)	--	1
ATM expenses	150	136	143
Postage and courier	138	129	131
Amortization of core deposit intangible	62	62	71
State and local taxes	175	149	152
Professional fees	211	175	125
Other	921	709	708
Total non-interest expense	5,397	4,919	4,854
Income before federal income taxes	1,957	188	3,177
Federal income taxes	607	734	1,022
Net income (loss)	$ 1,350	$ (546)	$ 2,155
Earnings (loss) per common share:			
Basic	$ 0.21	$ (0.08)	$ 0.33
Diluted	$ 0.21	$ (0.08)	$ 0.32
Weighted average shares outstanding:			
Basic	6,475,385	6,446,303	6,516,381
Diluted	6,570,492	6,524,818	6,690,048

TIMBERLAND BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

($ in thousands, except per share) (unaudited)	Year Ended Non-GAAP* Sept. 30, 2008	GAAP Sept. 30, 2008	GAAP Sept. 30, 2007
Interest and dividend income			
Loans receivable	$ 40,924	$ 40,924	$ 38,386
Investments and mortgage-backed securities	1,064	1,064	1,529
Dividends from mutual funds and FHLB stock	1,123	1,123	1,692
Federal funds sold	191	191	260
Interest bearing deposits in banks	36	36	77
Total interest and dividend income	43,338	43,338	41,944
Interest expense			
Deposits	11,763	11,763	11,292
FHLB advances	4,628	4,628	4,437
Other borrowings	22	22	49
Total interest expense	16,413	16,413	15,778
Net interest income	26,925	26,925	26,166
Provision for loan losses	3,900	3,900	686
Net interest income after provision for loan losses	23,025	23,025	25,480
Non-interest income			
Service charges on deposits	3,493	3,493	2,776
Gain on sale of loans, net	432	432	356
Loss on redemption of mutual funds	--	(2,822)	--
BOLI net earnings	486	486	464
Servicing income on loans sold	669	669	505
ATM transaction fees	1,251	1,251	1,138
Other	669	669	723
Total non-interest income	7,000	4,178	5,962
Non-interest expense			
Salaries and employee benefits	11,569	11,569	10,928
Premises and equipment	2,307	2,307	2,452
Advertising	897	897	843
Loss (gain) from other real estate operations	(3)	(3)	(13)
ATM expenses	576	576	497
Postage and courier	514	514	478
Amortization of core deposit intangible	249	249	285
State and local taxes	622	622	571
Professional fees	678	678	650
Other	2,965	2,965	2,760
Total non-interest expense	20,374	20,374	19,451
Income before federal income taxes	9,651	6,829	11,991
Federal income taxes	3,055	2,824	3,828
Net income	$ 6,596	$ 4,005	$ 8,163

Earnings per common share:

Basic	$ 1.02	$ 0.62	$ 1.20
Diluted	$ 1.00	$ 0.61	$ 1.17
Weighted average shares outstanding:			
Basic	6,475,385	6,475,385	6,775,822
Diluted	6,570,492	6,570,492	6,982,107

* Non-GAAP column excludes non-recurring loss on redemption of mutual funds.

TIMBERLAND BANCORP, INC.
CONSOLIDATED BALANCE SHEET

($ in thousands) (unaudited) Assets	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007
Cash and due from financial institutions:			
Non-interest bearing	$ 14,013	$ 14,776	$ 10,813
Interest-bearing deposits in banks	3,431	3,196	2,082
Federal funds sold	25,430	5,565	3,775
	42,874	23,537	16,670
Investments and mortgage-backed securities:			
Held to maturity	14,233	14,684	71
Available for sale	17,098	18,828	63,898
FHLB stock	5,705	5,705	5,705
	37,036	39,217	69,674
Loans receivable	563,964	562,664	519,381
Loans held for sale	1,773	1,065	757
Less: Allowance for loan losses	(8,050)	(7,076)	(4,797)
Net loans receivable	557,687	556,653	515,341
Accrued interest receivable	2,870	2,932	3,424
Premises and equipment	16,884	16,286	16,575
Other real estate owned ("OREO") and other repossessed items	511	879	--
BOLI	12,902	12,775	12,415
Goodwill	5,650	5,650	5,650
Core deposit intangible	972	1,034	1,221
Mortgage servicing rights	1,306	1,277	1,051
Other assets	3,191	3,514	2,827
Total Assets	$ 681,883	$ 663,754	$ 644,848

Liabilities and Shareholders' Equity			
Non-interest-bearing deposits	$ 51,955	$ 50,697	$ 54,962

Interest-bearing deposits	446,617	429,237	411,773
Total deposits	498,572	479,934	466,735
FHLB advances	104,628	104,645	99,697
Other borrowings: repurchase agreements	758	1,007	595
Other liabilities and accrued expenses	3,084	3,393	3,274
Total Liabilities	607,042	588,979	570,301
Shareholders' Equity			
Common stock - $.01 par value; 50,000,000 shares authorized; Sept. 30, 2008 - 6,967,579 shares issued and outstanding June 30, 2008 - 6,901,453 shares issued and outstanding Sept. 30, 2007 - 6,953,360 shares issued and outstanding	70	69	70
Additional paid in capital	8,602	8,706	9,923
Unearned shares - Employee Stock Ownership Plan	(2,776)	(2,842)	(3,040)
Retained earnings	69,406	68,822	68,378
Accumulated other comprehensive income (loss)	(461)	20	(784)
Total Shareholders' Equity	74,841	74,775	74,547
Total Liabilities and Shareholders' Equity	$ 681,883	$ 663,754	$ 644,848

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

	Three Months Ended			
	GAAP Sept. 30, 2008	Core Results June 30, 2008(a)	GAAP June 30, 2008	GAAP Sept. 30, 2007
PERFORMANCE RATIOS:				
Return (loss) on average assets (b)	0.80%	1.24%	(0.33%)	1.36%
Return (loss) on average equity (b)	7.22%	10.91%	(2.91%)	11.66%
Net interest margin (b)	4.36%	4.23%	4.23%	4.60%
Efficiency ratio	60.96%	58.36%	87.73%	58.47%

Year Ended

	Core Results Sept. 30, 2008(a)	GAAP Sept. 30, 2008	GAAP Sept. 30, 2007
Return on average assets (b)	1.00%	0.61%	1.34%
Return on average equity (b)	8.81%	5.35%	10.67%
Net interest margin (b)	4.41%	4.41%	4.69%
Efficiency ratio	60.06%	65.50%	60.54%

	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007
ASSET QUALITY RATIOS:			
Non-performing loans	$ 11,990	$ 9,391	$ 1,490
OREO and other repossessed assets	511	879	--
Total non-performing assets	$ 12,501	$ 10,270	$ 1,490
Non-performing assets to total assets	1.83%	1.55%	0.23%
Allowance for loan losses to non-performing loans	67%	75%	322%
Restructured loans	$ 272	$ --	$ --
CAPITAL RATIOS:			
Tier 1 leverage capital	10.28%	10.41%	10.73%
Tier 1 risk based capital	12.37%	12.10%	12.73%
Total risk based capital	13.62%	13.35%	13.64%
Equity to assets	10.98%	11.27%	11.56%
Tangible equity to assets (e)	10.00%	10.26%	10.49%
Book value per share (c)	$ 10.74	$ 10.83	$ 10.72
Book value per share (d)	$ 11.34	$ 11.46	$ 11.39
Tangible book value per share (c) (e)	$ 9.79	$ 9.87	$ 9.73
Tangible book value per share (d) (e)	$ 10.34	$ 10.44	$ 10.34

(a) Calculation excludes non-recurring loss on redemption of mutual funds that occurred during 6/30/2008 quarter
(b) Annualized
(c) Calculation includes ESOP shares not committed to be released
(d) Calculation excludes ESOP shares not committed to be released
(e) Calculation subtracts goodwill and core deposit intangible from the equity component

AVERAGE BALANCE SHEET:	Three Months Ended		
	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007
Average total loans	$ 564,145	$ 560,515	$ 509,166

Average total interest earning assets	626,574	614,383	586,056
Average total assets	674,354	659,998	634,762
Average total interest bearing deposits	438,496	415,495	405,078
Average FHLB advances and other borrowings	106,074	110,903	96,442
Average shareholders' equity	74,803	74,956	73,916

	Year Ended	
	Sept. 30, 2008	Sept. 30, 2007
Average total loans	$ 552,318	$ 477,029
Average total interest earning assets	611,135	558,298
Average total assets	658,221	607,781
Average total interest bearing deposits	419,338	387,505
Average FHLB advances and other borrowings	108,858	85,599
Average shareholders' equity	74,875	76,497

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.