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TIMBERLAND BANCORP INC
Form 8-K
April 26, 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): April 24, 2007

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

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On April 24, 2007, Timberland Bancorp, Inc. issued its earnings release for the quarter ended March 31, 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 April 24, 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: April 25, 2007

By: /s/Dean J. Brydon

Dean J. Brydon
Chief Financial Officer

Exhibit 99.1

Timberland Bancorp, Inc.

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

Timberland Bancorp, Inc. Announces Strong Fiscal Second Quarter Earnings of
\$0.54 Per Share Led by Solid Loan Growth and Strong Net Interest Margin

HOQUIAM, Wash. - April 24, 2007 - Timberland Bancorp, Inc. (NASDAQ: TSBK), ("Company") the holding company for Timberland Bank, ("Bank") today reported that loan portfolio growth and a strong net interest margin contributed to solid fiscal second quarter 2007 results. Net income for the quarter ended March 31, 2007 totaled \$1.92 million, or \$0.54 per diluted share compared to net income of \$1.95 million, or \$0.53 per diluted share, for the quarter ended March 31, 2006.

Quarterly Highlights -

- * Loan portfolio increased 22% year-over year and increased \$28 million during quarter to \$480 million.
- * Total assets increased 11% year-over year to \$618 million.
- * Loan originations for quarter increased 96% to \$86 million compared to same period a year ago.
- * Net interest margin remained strong at 4.75%, an increase of 1 basis point from the preceding quarter.
- * Asset quality remained strong, with non-performing assets at just 0.06% of total assets.

"Our presence in the fast growing Pierce and South King County markets with a seasoned team of lenders has generated steady growth in our loan portfolio and contributed to solid margins," said Michael Sand, President and CEO. "While the yield curve continues to be challenging we are pleased to be operating in a region of the country where the prospects for continued economic and population growth appear bright."

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Operating Results

Fiscal second quarter revenue (net interest income before provision for loan losses plus non-interest income) increased 5% to \$7.9 million from \$7.6 million for the second fiscal quarter of 2006. Net interest income before the provision for loan losses increased 7% to \$6.5 million with interest income increasing 18% and interest expense increasing 42%. For the first half of fiscal 2007, revenues increased 3% to \$15.7 million from \$15.2 million in the first half of fiscal 2006. Net interest income before provision for loan losses increased 6% to \$12.8 million, with interest income increasing 17% and interest expenses increasing 43%. Loan growth contributed to the increase in net interest income and helped offset increased funding costs.

"Despite excellent asset quality, we made a \$156,000 provision for loan losses in the second quarter due to the growth in our loan portfolio. This is the first time in six quarters we have added to our allowance for loan loss reserves," said Dean Brydon, Chief Financial Officer. "We remain confident that our underwriting standards are strong."

Despite the challenging yield curve environment, Timberland's net interest margin increased to 4.75% for the second quarter from 4.74% in the first quarter of fiscal 2007 and decreased 9 basis points from the second quarter one year ago. Year-to-date, the net interest margin was 4.74% compared to 4.85% in the first half of fiscal 2006.

Non-interest income decreased 6% to \$1.4 million for the second quarter from \$1.5 million for the second fiscal quarter of 2006, primarily due to a reduction in service charges on deposits and a reduction in the gain on sale of loans. Non-interest income for the first six months of fiscal 2007 declined 5% to \$2.9 million from \$3.1 million for the same period of 2006.

Total operating (non-interest) expenses increased 5% to \$4.9 million for the current quarter from \$4.7 million for the second quarter of fiscal 2006. Operating expenses in the first half of fiscal 2007 increased 5% to \$9.8 million from \$9.4 million a year ago. "We continue to invest in our franchise and in technology to improve service and build customer relationships," said Sand. The efficiency ratio for the second quarter improved to 62.42% from 63.13% in the immediate prior quarter and increased 9 basis points from the same quarter one year ago. Year-to-date the efficiency ratio was 62.78% compared to 61.74% for the first half of fiscal 2006.

Return on equity ("ROE") was 9.91% for the second quarter of fiscal 2007, compared to 10.18% for the second quarter of fiscal 2006. Return on average assets ("ROA") was 1.28% for the second quarter compared to 1.41% for the same period one year ago. For the first half of fiscal 2007, ROE was 9.92% compared to 10.44 % one year ago and ROA was 1.32% compared to 1.44% in the first half of fiscal 2006.

Timberland Q2 Earnings

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Balance Sheet Management

Total assets increased 16% on an annualized basis during the quarter and 11% year-over-year. Assets increased to \$618 million at March 31, 2007 compared to \$577 million at the end of fiscal 2006 and \$557 million one year ago due to strong loan portfolio growth. Total loans increased 25% on an annualized basis to \$480 million at March 31, 2007 from \$452 million at December 31, 2006, and

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increased 22% from the \$393 million reported one year ago.

Loan originations increased 96% to \$86.2 million for the second quarter of fiscal 2007 from \$44.0 million for the same period one year ago. In the first half of fiscal 2007, loan originations increased 52% to \$167.0 million from \$109.8 million in the first half of fiscal 2006. Timberland 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 \$6.6 million for the second quarter of fiscal 2007 compared to \$5.5 million for the same period one year ago.

LOAN PORTFOLIO (\$ in thousands)

| | March 31, 2007 | | December 31, 2006 | | March 31, 2006 | |
|--|------------------|-------------|-------------------|-------------|------------------|-------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Mortgage Loans: | | | | | | |
| One-to-four family (1) | \$104,697 | 19% | \$100,204 | 19% | \$ 96,300 | 21% |
| Multi family | 17,156 | 3 | 18,391 | 4 | 22,058 | 5 |
| Commercial | 137,474 | 25 | 139,700 | 27 | 123,480 | 27 |
| Construction and land development | 179,350 | 32 | 170,788 | 32 | 128,951 | 29 |
| Land | 48,331 | 9 | 34,986 | 7 | 28,314 | 6 |
| | ----- | - | ----- | - | ----- | -- |
| Total mortgage loans | 487,008 | 88 | 464,069 | 89 | 399,103 | 88 |
| Consumer Loans: | | | | | | |
| Home equity and second mortgage | 41,357 | 7 | 38,434 | 7 | 34,704 | 8 |
| Other | 11,543 | 2 | 11,051 | 2 | 9,669 | 2 |
| | ----- | - | ----- | - | ----- | -- |
| | 52,900 | 9 | 49,485 | 9 | 44,373 | 10 |
| Commercial business loans | 15,289 | 3 | 12,136 | 2 | 9,436 | 2 |
| | ----- | - | ----- | - | ----- | -- |
| Total loans | \$555,197 | 100% | \$525,690 | 100% | \$452,912 | 100% |
| Less: | | | | | | |
| Undisbursed portion of construction loans in process | (68,034) | | (66,810) | | (52,869) | |
| Unearned income | (3,003) | | (2,889) | | (2,687) | |
| Allowance for loan losses | (4,272) | | (4,121) | | (4,119) | |
| | ----- | | ----- | | ----- | |
| Total loans receivable, net | \$479,888 | | \$451,870 | | \$393,237 | |
| | ===== | | ===== | | ===== | |

(1) Includes loans held for sale

Timberland Q2 Earnings
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CONSTRUCTION LOAN COMPOSITION
(\$ in thousands)

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| | March 31, 2007 | | December 31, 2006 | | March 31, 2006 | |
|--------------------------|----------------|---------|-------------------|---------|----------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Custom and owner/builder | \$ 46,723 | 26% | \$ 47,556 | 28% | \$ 43,725 | 34% |
| Speculative | 36,753 | 20 | 37,178 | 22 | 36,936 | 29 |
| Commercial real estate | 57,191 | 32 | 55,536 | 32 | 35,135 | 27 |
| Multi-family | 17,756 | 10 | 13,822 | 8 | 2,419 | 2 |
| Land development | 20,927 | 12 | 16,696 | 10 | 10,736 | 8 |
| | ----- | - | ----- | -- | ----- | --- |
| Total construction loans | \$179,350 | 100% | \$170,788 | 100% | \$128,951 | 100% |

Total deposits increased \$10 million to \$444 million at March 31, 2007, compared to \$434 million at December 31, 2006, and increased \$30 million or 7% from one year ago. Core deposits (which exclude jumbo certificate of deposit accounts) comprised 84% of Timberland's total deposits at March 31, 2007.

DEPOSIT BREAKDOWN

(\$ in thousands)

| | March 31, 2007 | | December 31, 2006 | | March 31, 2006 | |
|---|----------------|---------|-------------------|---------|----------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Non-interest bearing | \$ 53,321 | 12% | \$ 55,121 | 13% | \$ 50,677 | 12% |
| N.O.W. checking | 83,945 | 19 | 88,428 | 21 | 93,470 | 23 |
| Savings | 62,169 | 14 | 61,324 | 14 | 62,890 | 15 |
| Money market accounts | 45,950 | 10 | 44,660 | 10 | 41,961 | 10 |
| Certificates of deposit under \$100 | 129,986 | 29 | 126,819 | 29 | 120,668 | 29 |
| Certificates of deposit \$100 and over | 68,751 | 16 | 57,897 | 13 | 44,369 | 11 |
| | ----- | - | ----- | -- | ----- | --- |
| Total deposits | \$444,122 | 100% | \$434,249 | 100% | \$414,035 | 100% |
| | ===== | === | ===== | === | ===== | === |

Total shareholders' equity was \$77.8 million at March 31, 2007, compared to \$77.3 million at December 31, 2006, as Timberland continued to manage its capital through asset growth, stock buybacks and dividends. During the quarter Timberland repurchased 40,000 shares for \$1.5 million (an average price of \$36.69 per share). There are 85,266 shares remaining to repurchase in the current stock buyback plan. Cumulatively, Timberland has repurchased 3.6 million shares or 55% of the 6.6 million shares that were issued in its initial public offering in January 1998 at an average price of \$16.86 per share. The Company also paid an \$0.18 per share dividend during the quarter, which represents the 36th consecutive quarter a cash dividend has been paid to shareholders.

Asset Quality

Asset quality remained excellent as the non-performing assets to total assets ratio was 0.06% at March 31, 2007, with only \$6,000 in net charge-offs during the quarter. The allowance for loan losses totaled \$4.3 million at March 31, 2007, or 0.89% of loans receivable and 1,327% of non-performing loans. The allowance for loan losses was \$4.1 million, or 0.91% of loans receivable and 1,724% of non-performing loans at December 31, 2006, and at March 31, 2006 the allowance for loan losses was \$4.1 million, or 1.04% of loans receivable and 202% of non-performing loans. The Company's non-performing loans totaled only \$322,000 at March 31, 2007, and consisted of a \$200,000 commercial business loan, a \$34,000 single-family mortgage loan, two land loans totaling \$86,000 and a \$2,000 consumer loan.

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

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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
 March 31, 2007 December 31, 2006 March 31, 2006

| | 2007 ---- | 2006 ---- | 2006 ---- |
|--|--------------|--------------|--------------|
| Interest and dividend income | | | |
| Loans receivable | \$ 9,283 | \$ 8,786 | \$ 7,624 |
| Investments and mortgage-backed securities | 381 | 454 | 576 |
| Dividends | 413 | 420 | 342 |
| Federal funds sold | 77 | 65 | 95 |
| Interest bearing deposits in banks | 14 | 39 | 12 |
| | ----- | ----- | ----- |
| Total interest and dividend income | 10,168 | 9,764 | 8,649 |
| Interest expense | | | |
| Deposits | 2,657 | 2,589 | 1,809 |
| Federal Home Loan Bank ("FHLB") advances | 1,013 | 882 | 762 |
| Other borrowings | 10 | 17 | 16 |
| | ----- | ----- | ----- |
| Total interest expense | 3,680 | 3,488 | 2,587 |
| | ----- | ----- | ----- |
| Net interest income | 6,488 | 6,276 | 6,062 |
| Provision for loan losses | 156 | -- | -- |
| Net interest income after provision for loan losses | 6,332 | 6,276 | 6,062 |
| | ----- | ----- | ----- |
| Non-interest income | | | |
| Service charges on deposits | 663 | 706 | 737 |
| Gain on sale of loans, net | 64 | 107 | 88 |
| BOLI net earnings | 114 | 114 | 111 |
| Escrow fees | 24 | 31 | 24 |
| Servicing income on loans sold | 115 | 132 | 78 |
| ATM transaction fees | 272 | 263 | 240 |
| Other | 172 | 128 | 231 |
| | ----- | ----- | ----- |
| Total non-interest income | 1,424 | 1,481 | 1,509 |
| Non-interest expense | | | |
| Salaries and employee benefits | 2,766 | 2,785 | 2,737 |
| Premises and equipment | 660 | 624 | 631 |
| Advertising | 201 | 177 | 179 |
| Loss (gain) from real estate operations | (11) | (17) | (39) |
| ATM expenses | 107 | 119 | 97 |
| Postage and courier | 130 | 105 | 132 |
| Amortization of core deposit intangible | 71 | 72 | 82 |
| State and local taxes | 133 | 139 | 128 |
| Professional fees | 172 | 177 | 181 |
| Other | 710 | 716 | 591 |
| | ----- | ----- | ----- |
| Total non-interest expense | 4,939 | 4,897 | 4,719 |

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| | | | |
|--------------------------------------|-----------|-----------|-----------|
| Income before federal income taxes | 2,817 | 2,860 | 2,852 |
| Federal income taxes | 901 | 906 | 906 |
| | ----- | ----- | ----- |
| Net income | \$ 1,916 | \$ 1,954 | \$ 1,946 |
| | ===== | ===== | ===== |
| Earnings per common share: | | | |
| Basic | \$ 0.56 | \$ 0.56 | \$ 0.55 |
| Diluted | \$ 0.54 | \$ 0.54 | \$ 0.53 |
| Weighted average shares outstanding: | | | |
| Basic | 3,433,332 | 3,503,883 | 3,511,880 |
| Diluted | 3,541,710 | 3,623,108 | 3,640,612 |

Timberland Q2 Earnings
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TIMBERLAND BANCORP INC. AND SUBSIDIARIES
 CONSOLIDATED INCOME STATEMENT

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

| | Six Months Ended | |
|---|-------------------|-------------------|
| | March 31, 2007 | March 31, 2006 |
| | ----- | ----- |
| Interest and dividend income | | |
| Loans receivable | \$ 18,070 | \$ 15,108 |
| Investments and mortgage-backed securities | 835 | 1,113 |
| Dividends | 833 | 665 |
| Federal funds sold | 142 | 172 |
| Interest bearing deposits in banks | 53 | 36 |
| | ----- | ----- |
| Total interest and dividend income | 19,933 | 17,094 |
| Interest expense | | |
| Deposits | 5,247 | 3,497 |
| Federal Home Loan Bank ("FHLB") advances | 1,895 | 1,482 |
| Other borrowings | 27 | 26 |
| | ----- | ----- |
| Total interest expense | 7,169 | 5,005 |
| | ----- | ----- |
| Net interest income | 12,764 | 12,089 |
| Provision for loan losses | 156 | -- |
| | ----- | ----- |
| Net interest income after provision for loan losses | 12,608 | 12,089 |
| Non-interest income | | |
| Service charges on deposits | 1,369 | 1,457 |
| Gain on sale of loans, net | 171 | 204 |
| BOLI net earnings | 227 | 221 |
| Escrow fees | 55 | 55 |
| Servicing income on loans sold | 246 | 186 |
| ATM transaction fees | 535 | 476 |
| Other | 301 | 465 |
| | ----- | ----- |
| Total non-interest income | 2,904 | 3,064 |
| Non-interest expense | | |
| Salaries and employee benefits | 5,551 | 5,367 |
| Premises and equipment | 1,283 | 1,239 |
| Advertising | 379 | 315 |

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| | | |
|---|-----------|-----------|
| Loss (gain) from real estate operations | (29) | (91) |
| ATM expenses | 226 | 194 |
| Postage and courier | 235 | 247 |
| Amortization of core deposit intangible | 143 | 164 |
| State and local taxes | 272 | 288 |
| Professional fees | 349 | 389 |
| Other | 1,426 | 1,243 |
| | ----- | ----- |
| Total non-interest expense | 9,835 | 9,355 |
| Income before federal income taxes | 5,677 | 5,798 |
| Federal income taxes | 1,807 | 1,846 |
| | ----- | ----- |
| Net income | \$ 3,870 | \$ 3,952 |
| | ===== | ===== |
| Earnings per common share: | | |
| Basic | \$ 1.12 | \$ 1.13 |
| Diluted | \$ 1.08 | \$ 1.09 |
| Weighted average shares outstanding: | | |
| Basic | 3,468,995 | 3,508,163 |
| Diluted | 3,582,849 | 3,633,034 |

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

| | March 31, 2007 | December 31, 2006 | September 30, 2006 |
|---|-------------------|----------------------|-----------------------|
| Assets | ----- | ----- | ----- |
| Cash and due from financial institutions | | | |
| Non-interest bearing | \$ 14,604 | \$ 17,764 | \$ 14,870 |
| Interest-bearing deposits in banks | 659 | 2,847 | 2,619 |
| Federal funds sold | 6,655 | 4,655 | 5,400 |
| | ----- | ----- | ----- |
| | 21,918 | 25,266 | 22,889 |
| Investments and mortgage-backed securities: | | | |
| Held to maturity | 72 | 73 | 75 |
| Available for sale | 67,221 | 69,772 | 81,408 |
| FHLB Stock | 5,705 | 5,705 | 5,705 |
| | ----- | ----- | ----- |
| | 72,998 | 75,550 | 87,188 |
| Loans receivable | 482,226 | 454,736 | 426,318 |
| Loans held for sale | 1,934 | 1,255 | 2,449 |
| Less: Allowance for loan losses | (4,272) | (4,121) | (4,122) |
| | ----- | ----- | ----- |
| Net loans receivable | 479,888 | 451,870 | 424,645 |
| Accrued interest receivable | 3,177 | 2,884 | 2,806 |
| Premises and equipment | 16,736 | 16,756 | 16,730 |
| Other Real estate owned ("OREO") and other repossessed items | 71 | 2 | 15 |
| Bank owned life insurance ("BOLI") | 12,178 | 12,065 | 11,951 |
| Goodwill | 5,650 | 5,650 | 5,650 |

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| | | | |
|--|-----------|-----------|-----------|
| Core deposit intangible | 1,363 | 1,434 | 1,506 |
| Mortgage servicing rights | 986 | 964 | 932 |
| Other assets | 2,836 | 1,737 | 2,775 |
| | ----- | ----- | ----- |
| Total Assets | \$617,801 | \$594,178 | \$577,087 |
| | ===== | ===== | ===== |
| Liabilities and Shareholders' Equity | | | |
| Non-interest-bearing deposits | \$ 53,321 | \$ 55,121 | \$ 57,905 |
| Interest-bearing deposits | 390,801 | 379,128 | 373,156 |
| | ----- | ----- | ----- |
| Total deposits | 444,122 | 434,249 | 431,061 |
| | | | |
| FHLB advances | 92,230 | 78,446 | 62,761 |
| Other borrowings: repurchase agreements | 588 | 1,322 | 947 |
| Other liabilities and accrued expenses | 3,048 | 2,881 | 2,953 |
| | ----- | ----- | ----- |
| Total Liabilities | 539,988 | 516,898 | 497,722 |
| | ----- | ----- | ----- |
| Shareholders' Equity | | | |
| Common stock- \$.01 par value; 50,000,000 shares authorized; | | | |
| March 31, 2007 - 3,649,190 shares issued and outstanding | | | |
| December 31, 2006 - 3,670,871 shares issued and outstanding | | | |
| September 30, 2006 - 3,757,676 shares issued and outstanding | | | |
| | 36 | 37 | 38 |
| Additional paid in capital | 16,439 | 17,380 | 20,888 |
| Unearned shares-Employee Stock Ownership Plan | (3,172) | (3,239) | (3,305) |
| Unearned shares-Management Recognition and Development Plan | (220) | (233) | (188) |
| Retained earnings | 65,465 | 64,209 | 62,933 |
| Accumulated other comprehensive loss | (735) | (874) | (1,001) |
| | ----- | ----- | ----- |
| Total Shareholders' Equity | 77,813 | 77,280 | 79,365 |
| | ----- | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$617,801 | \$594,178 | \$577,087 |
| | ===== | ===== | ===== |

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KEY FINANCIAL RATIOS AND DATA

| (\$ in thousands, except per share) (unaudited) | Three Months Ended | | |
|---|--------------------|-------------------|----------------|
| | March 31, 2007 | December 31, 2006 | March 31, 2006 |
| PERFORMANCE RATIOS: | | | |
| Return on average assets (a) | 1.28% | 1.35% | 1.41% |
| Return on average equity (a) | 9.91% | 9.94% | 10.18% |
| Net interest margin (a) | 4.75% | 4.74% | 4.84% |
| Efficiency ratio | 62.42% | 63.13% | 62.33% |
| | | | |
| | March 31, 2007 | December 31, 2006 | March 31, 2006 |
| ASSET QUALITY RATIOS: | | | |
| | ----- | ----- | ----- |

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| | | | |
|---|----------|----------|----------|
| Non-performing loans | \$ 322 | \$ 239 | \$ 2,040 |
| OREO & other repossessed assets | 71 | 2 | 110 |
| | --- | --- | --- |
| Total non-performing assets | \$ 393 | \$ 241 | \$ 2,150 |
| Non-performing assets to total assets | 0.06% | 0.04% | 0.39% |
| Allowance for loan losses to non-performing loans | 1,327% | 1,724% | 202% |
| | | | |
| Book value per share (b) | \$ 21.32 | \$ 21.05 | \$ 20.59 |
| Book value per share (c) | \$ 22.64 | \$ 22.37 | \$ 21.98 |
| Tangible book value per share (b) (d) | \$ 19.40 | \$ 19.12 | \$ 18.65 |
| Tangible book value per share (c) (d) | \$ 20.60 | \$ 20.32 | \$ 19.91 |

- (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 equity component

AVERAGE BALANCE SHEET:

| | Three Months Ended | | |
|--|--------------------|----------------------|-------------------|
| | March 31, 2007 | December 31, 2006 | March 31, 2006 |
| | ----- | ----- | ----- |
| Average total loans | \$465,460 | \$439,294 | \$397,880 |
| Average total interest earning assets | 546,870 | 529,572 | 500,835 |
| Average total assets | 597,015 | 580,114 | 553,210 |
| Average total interest bearing deposits | 380,916 | 376,365 | 361,893 |
| Average FHLB advances & other borrowings | 81,578 | 65,970 | 62,176 |
| Average shareholders' equity | 77,340 | 78,646 | 76,470 |

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.