Timberland Bancorp Earns $0.08 per Share in Fiscal Third Quarter

Local News

Posted by: David Haviland

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HOQUIAM, Wash. - Timberland Bancorp, Inc. (NASDAQ: TSBK) ("Timberland" or "the Company") today reported net income of $804,000 for its fiscal third quarter ended June 30, 2010. Net income available to common shareholders after adjusting for the preferred stock dividend and the preferred stock discount accretion was $543,000, or $0.08 per diluted common share. This compares to a net loss to common shareholders of $(3.44 million), or $(0.51) per diluted common share for the quarter ended March 31, 2010 and net income available to common shareholders of $769,000, or $0.12 per diluted common share, for the quarter ended June 30, 2009.

Fiscal Third Quarter 2010 Highlights:

* Capital levels remain very strong: Total Risk Based Capital of 15.96%; Tier 1 Leverage Capital Ratio of 11.15%; Tangible Capital to Tangible Assets Ratio of 10.94%, all solidly above well capitalized levels

* Non-performing loans ("NPLs") decreased 20% and represented 3.74% of total loans at June 30, 2010

* Non-performing assets ("NPAs") decreased by $5.6 million during the quarter

* NPAs decreased to 5.12% of assets at June 30, 2010 from 5.95% three months earlier

* Construction and land development loans decreased 53% year over year and 34% during the quarter, and now account for 12% of total loans

* Net interest margin for the current quarter remained strong at 3.85%

* Deposits increased 17% year over year with no brokered funds

* N.O.W. checking account balances increased to 27% of deposits compared to 21% of deposits one year prior

"Our fiscal third quarter performance demonstrates the progress we have made during the past few quarters toward improving the risk profile of the Bank. Asset quality, asset mix, deposit mix and our already strong Risk Based Capital ratios improved during the quarter," stated Michael Sand, the Company's President and CEO. "We have relentlessly reduced our exposure to speculative single family construction loans which at June 30, 2010, comprised less than 1% of the total loan portfolio.

Total construction credits at June 30, 2010, exclusive of our owner builder segment, represented less than 7% of our loan portfolio," Sand also stated. "Loan demand remained soft during the quarter which is reflected by a 1% reduction in net loans receivable at quarter end relative to the end of the prior quarter. We were also pleased to have completed our annual regulatory examination," added Sand.

Capital Ratios and Asset Quality

Timberland Bancorp remains very well capitalized with a total risk-based capital ratio of 15.96%, a Tier 1 leverage capital ratio of 11.15% and a tangible capital to tangible assets ratio of 10.94% at June 30, 2010.

The NPAs to total assets ratio decreased to 5.12% at June 30, 2010 from 5.95% at March 31, 2010. "We charged off a total of $6.5 million in loans in the third fiscal quarter. This total included $5.1 million of previously identified impairments that were provisioned for in prior quarters. Due to improving credit metrics and appropriate provisioning in prior periods for potential charge-offs, a $750,000 provision for the quarter was appropriate based on our detailed allowance for loan loss analysis," Sand stated. The allowance for loan losses of $10.9 million represented 2.00% of loans receivable and loans held for sale at June 30, 2010. Net charge-offs for the quarter ended June 30, 2010 totaled $6.5 million compared to $3.4 million for the quarter ended March 31, 2010 and $609,000 for the quarter ended June 30, 2009.

NPLs decreased 20% to $21.0 million at June 30, 2010 from $26.4 million at March 31, 2010 and were comprised of 66 loans and 44 credit relationships. NPLs were comprised of the following at June 30, 2010:

* Seven commercial real estate loans totaling $4.96 million (of which the largest had a balance of $2.84 million)

* 22 land loans totaling $4.85 million (of which the largest had a balance of $835,000)

* 12 single family home loans totaling $3.46 million (of which the largest had a balance of $722,000)

* Seven land development loans totaling $3.21 million (of which the largest had a balance of $1.49 million)

* Seven single family speculative home loans totaling $2.08 million (of which the largest had a balance of $767,000)

* Two condominium construction loans totaling $1.93 million (of which the largest had a balance of $1.60 million)

* One single family construction loan with a balance of $274,000

* Four home equity loans totaling $114,000

* Two commercial business loans totaling $98,000

* Two consumer loans totaling $62,000

Net charge-offs totaled $6.54 million during the quarter ended June 30, 2010 and were comprised of the following:

* $3.99 million on six land development loans (of which $3.57 million had already been specifically reserved for in previous quarters)

* $1.74 million on 14 land loans (of which $1.37 million had already been specifically reserved for in previous quarters)

* $189,000 on two commercial real estate properties

* $176,000 on two multi-family construction loans

* $144,000 on home equity and consumer loans

* $133,000 on three single family construction loans

* $116,000 on three single family loans

* $47,000 on two single family speculative construction loans

Other real estate owned ("OREO") and other repossessed items decreased to $12.96 million at June 30, 2010 from $13.48 million at March 31, 2010. At June 30, 2010 the OREO portfolio consisted of 28 individual properties and two other repossessed assets. The properties consisted of two condominium projects totaling $3.9 million, three land development projects totaling $3.6 million, ten single family homes totaling $2.9 million, ten land parcels totaling $1.3 million and three commercial real estate properties totaling $1.3 million. During the quarter ended June 30, 2010 seven OREO properties and three other repossessed assets totaling $1.1 million were sold for a net book gain of $73,000. In addition to these sales, 23 residential building lots were closed in the Clark County, Washington OREO subdivision during the quarter ended June 30, 2010 with three pending sales at quarter end. The Bank has a 12.5% participation interest in the plat. Also at quarter end, there were eight pending sales in the Bank's Richland, Washington OREO plat with four sales closing during the

quarter.

Balance Sheet Management

Total assets increased 1% to $732.4 million at June 30, 2010 from $724.8 million at March 31, 2010. The increase in total assets was primarily the result of a $16.9 million increase in cash equivalents and certificates of deposits ("CDs") held for investment, which was partially offset by a decrease in net loans receivable. "We continue to build and maintain a high level of liquidity, both on balance sheet and through off-balance sheet sources," said Dean Brydon, Chief Financial Officer. Liquidity as measured by cash equivalents, CDs held for investment and available for sale investments increased to 18.9% of total liabilities at June 30, 2010 from 16.5% at March 31, 2010 and 9.9% one year ago.

Net loans receivable decreased 1% to $533.1 million at June 30, 2010 from $538.7 million at March 31, 2010. "The mix of loans in our portfolio continues to improve," said Brydon. "Overall, we have reduced our total exposure to construction and land development loans by 34% during the last quarter and by 53% from one year ago." During the current quarter the one-to-four family speculative construction portfolio decreased by 50%, the land development portfolio decreased by 49% and the multi-family construction portfolio decreased by 35%.

LOAN PORTFOLIO

($ in thousands)	June 30, 2010		March 31, 2010		June 30, 2009	
	Amount	Percent	Amount	Percent	Amount	Percent
Mortgage Loans:						
One-to-four family	$116,805	21%	$113,295	20%	$110,338	19%
Multi-family	33,127	6	33,236	6	25,702	4
Commercial	215,336	38	198,171	34	178,941	30
Construction and land development	66,248	12	100,938	18	142,006	24
Land	63,684	11	63,856	11	65,736	11
Total mortgage loans	495,200	88	509,496	89	522,723	88
Consumer Loans:						
Home equity and second mortgage	39,215	7	39,303	7	41,950	7
Other	9,514	2	9,477	1	10,107	2
Total consumer						

loans	48,729	9	48,780	8	52,057	9
Commercial business loans	18,114	3	18,173	3	15,199	3
Total loans	562,043	100%	576,449	100%	589,979	100%
Less:						
Undisbursed portion of construction loans in process	(15,780)		(18,824)		(29,447)	
Unearned income	(2,232)		(2,286)		(2,326)	
Allowance for loan losses	(10,900)		(16,687)		(12,440)	
Total loans receivable, net	$533,131		$538,652		$545,766	

CONSTRUCTION LOAN COMPOSITION

($ in thousands)	June 30, 2010		March 31, 2010		June 30, 2009	
	Amount	Percent of Loan Portfolio	Amount	Percent of Loan Portfolio	Amount	Percent of Loan Portfolio
Custom and owner / builder	$ 29,080	5%	$ 29,101	5%	$ 34,373	6%
Speculative	5,071	1	10,070	2	19,332	3
Commercial real estate	20,363	4	40,369	7	42,056	7
Multi-family (including condominium)	4,014	1	6,135	1	25,631	4
Land development	7,720	1	15,263	3	20,614	4
Total construction and land development loans	$ 66,248	12%	$100,938	18%	$142,006	24%

Total loan originations were $36.5 million for the quarter ended June 30, 2010 compared to $42.6 million for the preceding quarter and $94.8 million for the comparable quarter one year ago.

Timberland continues to sell fixed rate one-to-four family mortgage loans into the secondary market for asset-liability management purposes and to generate non-interest income. During the quarter ended June 30, 2010, $11.4 million one-to-four family fixed-rate mortgage loans were sold on the secondary market compared to $13.5 million for the preceding quarter and $69.6 million for the quarter ended one year ago.

Timberland's mortgage-backed securities and other investments decreased by $1.0 million during the quarter to $17.2 million at June 30, 2010 from $18.2 million at March 31, 2010, primarily as a result of prepayments, regular amortization and impairment related write-downs. During the quarter ended June 30, 2010, other-than-temporary-impairment ("OTTI") credit related write-downs and realized losses of $152,000 were recorded on the private label mortgage-backed securities that were acquired in the in-kind redemption from the AMF family of mutual funds in June 2008. At June 30, 2010 the Bank's remaining private label mortgage-backed securities portfolio had been reduced to $5.4 million from an original acquired balance of $15.3 million.

DEPOSIT BREAKDOWN

($ in thousands)	June 30, 2010		March 31, 2010		June 30, 2009	
	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest bearing	$ 52,018	9%	49,870	9%	$ 50,153	10%
N.O.W. checking	154,753	27	141,119	26	102,186	21
Savings	66,134	12	64,800	12	56,303	11
Money market	54,506	10	57,716	10	61,992	13
Certificates of deposit under $100	148,864	26	144,957	26	140,924	29
Certificates of deposit $100 and over	91,710	16	89,262	16	75,861	16
Certificates of deposit - brokered	--	--	4,000	1	--	--
Total deposits	$567,985	100%	$551,724	100%	$487,419	100%

Total deposits increased by 3% to $568.0 million at June 30, 2010, from $551.7 million at March 31, 2010 primarily as a result of a $13.6 million increase in N.O.W. checking account balances, a $2.1 million increase in non-interest bearing account balances, a $6.4 million increase in CD account balances and a $1.3 million increase in savings account balances. These increases were partially offset by a $3.2 million decrease in money market account balances.

Total shareholders' equity increased $810,000 to $85.68 million at June 30, 2010, from $84.87 million at March 31, 2010. The increase in equity was primarily a result of net income for the quarter and a reduction in the accumulated other comprehensive loss equity component. Timberland continues to remain very well capitalized with a total risk based capital ratio of 15.96% and a Tier 1 leverage capital of 11.15%. Book value per common share was $9.93 and tangible book value per common share was $9.04 at June 30, 2010.

Operating Results

Fiscal third quarter operating revenue (net interest income before provision for loan losses, plus

non-interest income excluding OTTI charges), increased 1% to $8.5 million from $8.4 million for the immediately prior quarter and decreased 6% compared to $9.0 million in the comparable quarter one year ago. The decrease in operating revenue from the comparable quarter one year ago was primarily the result of a decrease in gains on sale of loans as mortgage banking activity slowed. For the first nine months of fiscal 2010, operating revenue decreased 5% to $25.6 million compared to $26.9 million for the first nine months of fiscal 2009 primarily due to a decrease in gains on sale of loans. Also affecting the comparison to the first nine months of fiscal 2009 was a $134,000 non-recurring gain on the Bank's investment in bank owned life insurance ("BOLI") recorded during the quarter ended March 31, 2009.

Net interest income before the provision for loan losses increased to $6.39 million for the quarter ended June 30, 2010, from $6.20 million for the comparable quarter one year ago with interest and dividend income decreasing by 5% and interest expense decreasing by 21%. The increase in net interest income was primarily due to a decrease in funding costs and an increased level of average interest earnings assets for the current quarter. In spite of the challenging interest rate environment and elevated liquidity levels, Timberland's net interest margin remained strong at 3.85% for the current quarter compared to 3.93% for the quarter ended March 31, 2010 and 3.86% for the quarter one year ago. The net interest margin was reduced by approximately eight basis points for the quarter ended June 30, 2010 by the reversal of interest income on loans placed on non-accrual during the quarter. For the first nine months of fiscal 2010, net interest income before the provision for loan losses increased 1% to $19.2 million compared to $19.1 million for the first nine months of fiscal 2009. Timberland's net interest margin for the first nine months of fiscal 2010 was 3.91% compared to 4.03% for the first nine months of fiscal 2009.

Timberland recorded a $750,000 provision to its allowance for loan losses for the quarter ended June 30, 2010, compared to $5.2 million in the preceding quarter and $1.0 million in the comparable quarter one year prior. Net charge-offs during the current quarter exceeded the quarterly provision expense primarily due to the charge-off of $5.1 million in impairments previously identified and factored into prior quarters' provisions. Net charge-offs for the quarter ended June 30, 2010 totaled $6.5 million compared to $3.4 million for the quarter ended March 31, 2010 and $609,000 for the quarter ended June 30, 2009. For the first nine months of fiscal 2010, the provision for loan losses totaled $8.5 million compared to $7.5 million in the first nine months of fiscal 2009. Year to date, net charge-offs were $11.8 million compared to $3.0 million in the first nine months of fiscal 2009.

Total operating (non-interest) expenses increased 1% to $6.42 million for the third fiscal quarter from $6.37 million from the comparable quarter one year ago and decreased 4% from $6.69 million for the immediately prior quarter. Year to date, total operating expenses increased 7% to $18.61 million from $17.35 million for the first nine months of fiscal 2009. Increased insurance expenses (FDIC and D&O), increased OREO expenses and increased salaries and employee benefits expenses accounted for the majority of the increased expense.

About Timberland Bancorp, Inc. Timberland Bancorp, Inc., a Washington corporation, is the holding company for Timberland Bank ("Bank"). The Bank opened for business in 1915 and serves consumers and businesses across Grays Harbor, Thurston, Pierce, King, Kitsap and Lewis counties, Washington with a full range of lending and deposit services through its 22 branches (including its main office in Hoquiam).

Disclaimer Certain matters discussed in this press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact and often include the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future performance. These

forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results anticipated, including, but not limited to: the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets and may lead to increased losses and non-performing assets in our loan portfolio, and may result in our allowance for loan losses not being adequate to cover actual losses, and require us to materially increase our reserves; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; secondary market conditions for loans and our ability to sell loans in the secondary market; results of examinations of us by the Federal Reserve and our bank subsidiary by the Federal Deposit Insurance Corporation, the Washington State Department of Financial Institutions, Division of Banks or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; our compliance with regulatory enforcement actions, including regulatory memoranda of understandings ("MOUs") to which we are subject; legislative or regulatory changes that adversely affect our business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules; our ability to attract and retain deposits; further increases in premiums for deposit insurance; our ability to control operating costs and expenses; the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risk associated with the loans on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges; computer systems on which we depend could fail or experience a security breach; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may in the future acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; our ability to manage loan delinquency rates; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; legislative or regulatory changes that adversely affect our business including changes in regulatory policies and principles, the interpretation of regulatory capital or other rules and any changes in the rules applicable to institutions participating in the TARP Capital Purchase Program; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods; the economic impact of war or any terrorist activities; other economic, competitive, governmental, regulatory, and technological factors affecting our operations; pricing, products and services; and other risks detailed in our reports filed with the Securities and Exchange Commission.

Any of the forward-looking statements that we make in this press release and in the other public statements we make are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements

included in this report or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. We caution readers not to place undue reliance on any forward-looking statements. We do not undertake and specifically disclaim any obligation to revise any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. These risks could cause our actual results for 2010 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of us, and could negatively affect the Company's operations and stock price performance.

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

	Three Months Ended		
	June 30, 2010	March 31, 2010	June 30, 2009
Interest and dividend income			
Loans receivable	$ 8,764	$ 8,832	$ 9,240
Mortgage-backed securities and other investments	239	239	322
Dividends from mutual funds	9	9	9
Federal funds sold	--	--	8
Interest bearing deposits in banks	90	77	32
Total interest and dividend income	9,102	9,157	9,611
Interest expense			
Deposits	1,951	1,958	2,440
FHLB advances and other borrowings	760	753	979
Total interest expense	2,711	2,711	3,419
Net interest income	6,391	6,446	6,192
Provision for loan losses	750	5,195	1,000
Net interest income after provision for loan losses	5,641	1,251	5,192
Non-interest income			
OTTI loss, net	(152)	(1,556)	(125)
Realized loss on investment securities	--	(1)	--
Service charges on deposits	1,066	1,022	1,066
Gain on sale of loans, net	238	300	1,170
Bank owned life insurance ("BOLI") net earnings	120	115	123
Servicing income on loans sold	32	25	20
Valuation recovery (allowance)			

on mortgage servicing rights ("MSRs")	22	(22)	(169)
ATM transaction fees	439	386	326
Other	176	161	263
Total non-interest income	1,941	430	2,674
Non-interest expense			
Salaries and employee benefits	3,117	2,921	2,919
Premises and equipment	717	702	719
Advertising	235	220	252
OREO and other repossessed items expense, net	373	344	391
ATM expenses	164	171	162
FDIC insurance	317	806	400
Postage and courier	130	142	203
Amortization of core deposit intangible	48	48	54
State and local taxes	159	153	152
Professional fees	193	196	199
Other	969	989	922
Total non-interest expense	6,422	6,692	6,373
Income (loss) before income taxes	1,160	(5,011)	1,493
Provision (benefit) for income taxes	356	(1,833)	435
Net income (loss)	$ 804	$ (3,178)	$ 1,058
Preferred stock dividends accrued	$ 208	$ 208	$ 210
Preferred stock discount accretion	53	52	79
Net income (loss) to common shareholders	$ 543	$ (3,438)	$ 769
Earnings (loss) per common share:			
Basic	$ 0.08	$ (0.51)	$ 0.12
Diluted	$ 0.08	$ (0.51)	$ 0.12
Weighted average common shares outstanding:			
Basic	6,715,410	6,713,958	6,645,229
Diluted	6,715,410	6,713,958	6,645,229

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

	Nine Months Ended	
	June 30, 2010	June 30, 2009
Interest and dividend income		
Loans receivable	$ 26,661	$ 28,229
Mortgage-backed securities and other investments	695	1,081
Dividends from mutual funds	27	29
Federal funds sold	--	36
Interest bearing deposits in banks	218	62
Total interest and dividend income	27,601	29,437
Interest expense		
Deposits	5,986	7,321
FHLB advances and other borrowings	2,387	3,043
Total interest expense	8,373	10,364
Net interest income	19,228	19,073
Provision for loan losses	8,545	7,491
Net interest income after provision for loan losses	10,683	11,582
Non-interest income		
OTTI loss, net	(2,028)	(2,288)
Realized loss on investment securities	(17)	--
Service charges on deposits	3,218	3,224
Gain on sale of loans, net	987	2,471
BOLI net earnings	369	501
Servicing income on loans sold	86	76
Valuation allowance on MSRs	--	(169)
ATM transaction fees	1,187	920
Other	538	756
Total non-interest income	4,340	5,491
Non-interest expense		
Salaries and employee benefits	9,019	8,818
Premises and equipment	2,120	2,079
Advertising	626	672
OREO and other repossessed items expense, net	767	552
ATM expenses	490	448

FDIC insurance	1,323	586
Postage and courier	400	448
Amortization of core deposit intangible	143	163
State and local taxes	453	449
Professional fees	561	547
Other	2,710	2,589
Total non-interest expense	18,612	17,351
Loss before income taxes	(3,589)	(278)
Benefit for income taxes	(1,439)	(305)
Net income (loss)	$ (2,150)	$ 27
Preferred stock dividends accrued	$ 624	$ 437
Preferred stock discount accretion	156	79
Net loss to common shareholders	$ (2,930)	$ (489)
Loss per common share:		
Basic	$ (0.44)	$ (0.07)
Diluted	$ (0.44)	$ (0.07)
Weighted average common shares outstanding:		
Basic	6,713,103	6,609,915
Diluted	6,713,103	6,609,915

TIMBERLAND BANCORP, INC.
CONSOLIDATED BALANCE SHEET
($ in thousands, except per share amounts) (unaudited)

	June 30, 2010	March 31, 2010	June 30, 2009
Assets			
Cash equivalents:			
Cash and due from financial institutions	$ 11,748	$ 9,883	$ 12,118
Interest-bearing deposits in other banks	83,507	65,574	31,853
	95,255	75,457	43,971
Certificate of deposits ("CDs") held			

for investment, at cost	15,188	18,108	--
Mortgage-backed securities and other investments:			
Held to maturity, at amortized cost	5,604	5,982	10,196
Available for sale, at fair value	11,578	12,225	13,898
FHLB stock	5,705	5,705	5,705
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	22,887	23,912	29,799
Loans receivable	542,577	554,880	555,961
Loans held for sale	1,454	459	2,245
Less: Allowance for loan losses	(10,900)	(16,687)	(12,440)
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Net loans receivable	533,131	538,652	545,766
Premises and equipment	17,529	17,751	18,174
OREO and other repossessed items	12,957	13,477	7,698
BOLI	13,278	13,158	13,403
Accrued interest receivable	2,709	2,996	2,918
Goodwill	5,650	5,650	5,650
Core deposit intangible	612	659	809
Mortgage servicing rights, net	2,683	2,678	2,366
Prepaid FDIC insurance assessment	3,569	3,863	--
Other assets	6,970	8,415	4,938
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Total Assets	$ 732,418	$ 724,776	$ 675,492
	=========	=========	=========
Liabilities and Shareholders' Equity			
Non-interest-bearing deposits	$ 52,018	$ 49,870	$ 50,153
Interest-bearing deposits	515,967	501,854	437,266
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Total deposits	567,985	551,724	487,419
FHLB advances	75,000	75,000	95,000
Federal Reserve Bank of San Francisco advances	--	10,000	--
Repurchase agreements	713	445	666
Other liabilities and accrued expenses	3,041	2,738	3,652
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Total Liabilities	646,739	639,907	586,737
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Shareholders' Equity			
Preferred stock - $.01 par value; 1,000,000 shares authorized; 16,641 shares, Series A, issued and outstanding	15,710	15,657	15,487
Series A shares: $1,000 per share			

liquidation value			
Common stock - $.01 par value; 50,000,000 shares authorized; 7,045,036 shares issued and outstanding	10,373	10,357	10,328
Unearned shares - Employee Stock Ownership Plan	(2,313)	(2,379)	(2,578)
Retained earnings	62,641	62,098	66,802
Accumulated other comprehensive loss	(732)	(864)	(1,284)
Total Shareholders' Equity	85,679	84,869	88,755
Total Liabilities and Shareholders' Equity	$ 732,418	$ 724,776	$ 675,492

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

	Three Months Ended		
	June 30, 2010	March 31, 2010	June 30, 2009
PERFORMANCE RATIOS:			
Return (loss) on average assets (a)	0.45%	(1.78)%	0.61%
Return (loss) on average equity (a)	3.78%	(14.56)%	4.79%
Net interest margin (a)	3.85%	3.93%	3.86%
Efficiency ratio	77.08%	97.32%	71.88%
Core efficiency ratio (b)	70.92%	68.46%	64.72%

	Nine Months Ended	
	June 30, 2010	June 30, 2009
Return (loss) on average assets (a)	(0.40)%	0.01%
Return (loss) on average equity (a)	(3.31)%	0.04%
Net interest margin (a)	3.91%	4.03%
Efficiency ratio	78.97%	70.64%
Core efficiency ratio (b)	67.11%	61.57%

	June 30, 2010	March 31, 2010	June 30, 2009
ASSET QUALITY RATIOS:			
Non-performing loans	$ 21,031	$ 26,351	$ 25,113
Non-performing investment securities	3,482	3,262	175
OREO and other repossessed assets	12,957	13,477	7,698
Total non-performing assets	$ 37,470	$ 43,090	$ 32,986
Non-performing assets to total assets (c)	5.12%	5.95%	4.88%
Allowance for loan losses to non-performing loans	52%	63%	50%
Allowance for loan losses to net loans receivable	2.00%	3.00%	--
Troubled debt restructured loans (d)	$ 14,359	$ 18,623	$ --
Past due 90 days and still accruing	$ 1,198	$ 5,216	$ 830
CAPITAL RATIOS:			
Tier 1 leverage capital	11.15%	11.27%	12.30%
Tier 1 risk based capital	14.70%	14.04%	14.93%
Total risk based capital	15.96%	15.31%	16.19%
Tangible capital to tangible assets	10.94%	10.93%	12.30%
BOOK VALUES:			
Book value per common share	$ 9.93	$ 9.82	$ 10.39
Tangible book value per common share (e)	$ 9.04	$ 8.93	$ 9.33

(a) Annualized

(b) Calculation excludes OTTI losses, OREO expenses, realized losses on investment securities, valuation allowance / recovery on MSRs and amortization of CDI. For the nine-month period ending June 30, 2010 the non-recurring FDIC insurance expense accrual adjustment ($512) has also been excluded.

(c) Non-performing assets include non-accrual loans, non-accrual investment securities, and other real estate owned and other repossessed assets

(d) At June 30, 2010, $5,464 of the $14,359 in troubled debt restructured loans were on non-accrual status and included in non-performing loans. At March 31, 2010, $10,265 of the $18,623 in troubled debt restructured loans were on non-accrual status and included in total non-performing loans.

(e) Calculation subtracts goodwill and core deposit intangible from the equity component

AVERAGE BALANCE SHEET:

	Three Months Ended		
	June 30, 2010	March 31, 2010	June 30, 2009
Average total loans	$ 552,055	$ 562,335	$ 562,105
Average total interest-earning assets (a)	663,511	655,357	641,468
Average total assets	721,001	712,205	688,411
Average total interest-bearing deposits	508,185	496,148	450,974
Average FHLB advances and other borrowings	75,859	76,561	95,612
Average shareholders' equity	85,101	87,333	88,433

	Nine Months Ended	
	June 30, 2010	June 30, 2009
Average total loans	$ 558,586	$ 565,274
Average total interest-earning assets (a)	655,847	630,421
Average total assets	711,551	676,809
Average total interest-bearing deposits	492,999	438,762
Average FHLB advances and other borrowings	79,352	97,954
Average shareholders' equity	86,732	85,445

(a) Includes loans on non-accrual status

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