Timberland Bank Corp Reports Profit, Remains Cautiously Optimistic

Local News

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HOQUIAM, Wash. -- 07/28/09 -- Timberland Bancorp, Inc. (NASDAQ: TSBK) ("Timberland" or "the Company") today reported fiscal third quarter profits of $1.06 million. Third quarter income available to common shareholders after being adjusted for preferred stock dividends of $210,000 and preferred stock discount accretion of $79,000 was $769,000, or $0.12 per diluted common share. This compares to a net loss of $546,000, or ($0.08) per diluted common share, for the quarter ended June 30, 2008 and a net loss of $1.60 million, or ($0.24) per diluted common share, for the quarter ended March 31, 2009.

For the first nine months of fiscal 2009, the Company reported net income of $27,000. However, income available to common shareholders after adjusting for the preferred stock dividend and the preferred stock discount accretion was a loss of $489,000, or ($0.07) per diluted common share. This compares to net income of $2.66 million or $0.40 per diluted common share for the first nine months of fiscal 2008 when no preferred dividends were due. Fiscal Third Quarter 2009 Highlights: (quarter ended June 30, 2009 compared to the quarter ended June 30, 2008) -- Capital levels remain exceptionally strong: Tier 1 Capital Ratio at 12.30%; Total Risk Based Capital at 16.19% -- Revenues (excluding OTTI charges and the June 2008 loss on securities) increased 7% to $9.0 million from $8.4 million -- Non-interest income (excluding OTTI charges and the June 2008 loss on securities) increased 45% to $2.8 million -- Construction and land development loans decreased 30% year over year and 12% from the prior fiscal quarter -- Tangible book value per common share was $9.36 at quarter end -- Full service branch in Chehalis opened in May 2009 "The economic recession has significantly impacted the Pacific Northwest," said Michael R. Sand, President and CEO. "There are numerous opinions regarding the duration of this recession however, according to the July 13th Current Economic Indicators Letter produced by the Puget Sound Economic Forecaster, the Northwest may be seeing early signs of recovery." The newsletter states: '...we may be witnessing the first signs of the regional economic recovery. Over the three-month period ending in May, closed home sales increased at a 28.9 percent annual rate, while residential building permits rose at a 48.9 percent rate. Home prices fell at a 19.9 percent rate between February and May but increased at a 15.3 percent rate between March and May. More specifically, the average house price, after dropping from $368,600 in February to $341,500 in March, rose to $350,200 in May. It is too early to conclude that the housing market has found its way back, especially considering the extremely low volume of home sales and housing permits at the present time, but these are the kind of numbers that one would expect to see around the turning point.' "Possibly the authors of the above quote, the economists Conway and Pedersen, are correct in their analysis. We remain cautiously optimistic that our region will begin to climb out of one of the worst economic recessions this country has experienced," Sand continued. "The upturn in home sales is reducing the housing supply and low mortgage rates are contributing to better affordability. With that said, we continue to see stress in our loan portfolio, primarily in the construction and land related segments. We are well positioned from a capital and a potential earnings perspective to succeed during this downturn. Timberland retains excellent liquidity, substantial capital and a diversified deposit base not dependent on brokered deposits." Capital Ratios and Asset Quality Timberland

Bancorp remains very well capitalized with a total risk-based capital ratio of 16.19% and a Tier 1 capital ratio of 12.30% at June 30, 2009. The non-performing assets ("NPAs") to total assets ratio was 4.94% at June 30, 2009 compared to 3.32% at March 31, 2009. During the quarter ended March 31, 2009 net charge-offs were $609,000 compared to $1.17 million during the quarter ended March 31, 2009. The allowance for loan losses totaled $12.4 million at June 30, 2009, or 2.23% of total loans compared to $12.0 million, or 2.13% of loans receivable at March 31, 2009 and $7.1 million, or 1.26% of loans receivable one year ago. Non-performing loans ("NPLs") increased to $25.1 million at June 30, 2009 and were comprised of 46 loans and 38 credit relationships. Included in the NPLs are: -- 5 - Land development loans totaling $5.88 million of which the largest has a balance of $2.12 million -- 2 - Condominium construction loans totaling $5.68 million of which the largest has a balance of $4.29 million -- 8 - Commercial real estate loans totaling $5.50 million of which the largest has a balance of $1.65 million -- 13 - Land loans totaling $3.38 million of which the largest has a balance of $986,000 -- 7 - One-to-four family home loans totaling $2.32 million of which the largest loan has a balance of $995,000 -- 7 - One-to-four family spec construction loans totaling $2.17 million of which the largest loan has a balance of $546,000 -- 2 - Second mortgage loans secured by liens on one-to-four family homes totaling $92,000 of which the largest loan has a balance of $62,000 -- 1 - Commercial business loan with a balance of $78,000 secured by a lien on three condominium units -- 1 - Equipment loan with a balance of $15,000 Since June 30, 2009 one land loan with a balance of $81,000 was brought current and one condominium construction loan with a balance of $1.39 million became other real estate owned ("OREO"). The OREO total at June 30, 2009 was $7.70 million. The balance was comprised of 27 individual properties representing 11 relationships. Eight of the properties have accepted earnest money agreements on them which, if closed, will result in a $1.73 million reduction in the OREO balance. The largest OREO property has a balance of $2.26 million and consists of a 78 lot plat located in Richland, Washington. The Richland/Kennewick/Pasco market is currently one of Washington State's better performing economic areas. Timberland continues to actively manage the disposition of OREO properties and has seen increased buyer interest in OREO properties. Net charge-offs totaled $609,000 for the quarter ended June 30, 2009 and included the following: -- $340,000 on one land development loan -- $215,000 on eight speculative construction loans -- $39,000 on two single family home loans -- $11,000 on a consumer auto loan -- $4,000 on six land loans Balance Sheet Management Total assets decreased 2% during the quarter to $675.7 million at June 30, 2009 from $693.0 million at March 31, 2009. The $17.3 million decrease in total assets is primarily a result of a $12.9 million decrease in cash equivalents and an $8.6 million decrease in net loans receivable. During the quarter the Company used a portion of its excess liquidity to repay $26.0 million in brokered certificates of deposit. The Company continues to maintain a high level of liquidity, both on balance sheet and through off-balance sheet access to funds. Liquidity as measured by cash equivalents and available for sale investments securities to liabilities increased to 9.9% at June 30, 2009, from 7.2% one year ago. "We continue to work to improve the mix of loans in our portfolio, specifically by reducing our exposure to construction and land development loans, which have decreased more than $60 million year over year," said Dean Brydon, Chief Financial Officer. Although loan originations totaled $94.8 million during the current quarter, net loans receivable decreased 2% to $545.8 million at June 30, 2009, from $554.4 million at March 31, 2009. During the current quarter the one-to-four family speculative construction portfolio decreased by 21% and the land development portfolio decreased by 14%. "Combined, we have reduced our exposure to construction and land development loans by 30% from a year ago," Brydon added. LOAN PORTFOLIO ($ in thousands) June 30, 2009 March 31, 2009 June 30, 2008 Amount Percent Amount Percent Amount Percent -------- ------- -------- ------- -------- ------- Mortgage Loans: One-to-four family $110,338 19% $120,519 20% $105,791 17% Multi-family 25,702 4 22,472 4 37,465 6 Commercial 178,941 30 164,778 27

140,785 23 Construction and land development 142,006 24 160,980 26 202,029 32 Land 65,736 11 67,388 11 56,489 9 -------- ------- -------- ------- -------- ------- Total mortgage loans 522,723 88 536,137 88 542,559 87 Consumer Loans: Home equity and second mortgage 41,950 7 43,948 7 46,771 7 Other 10,107 2 10,767 2 11,292 2 -------- ------- -------- ------- -------- ------- Total consumer loans 52,057 9 54,715 9 58,063 9 Commercial business loans 15,199 3 15,624 3 23,307 4 -------- ------- -------- ------- -------- ------- Total loans $589,979 100% $606,476 100% $623,929 100% Less: Undisbursed portion of construction loans in process (29,447) (37,543) (57,335) Unearned income (2,326) (2,511) (2,865) Allowance for loan losses (12,440) (12,049) (7,076) -------- -------- -------- Total loans receivable, net $545,766 $554,373 $556,653 ======== ======== ======== (1) Includes loans held for sale CONSTRUCTION LOAN COMPOSITION ($ in thousands) June 30, 2009 March 31, 2009 June 30, 2008 Percent Percent Percent of Loan of Loan of Loan Amount Portfolio Amount Portfolio Amount Portfolio -------- ------- -------- ------- -------- ------- Custom and owner / builder $ 34,373 6% $ 35,061 6% $ 48,384 8% Speculative 19,332 3 24,393 4 36,979 6 Commercial real estate 42,056 7 47,642 8 66,846 10 Multi-family (including condominium) 25,631 4 29,979 5 19,044 3 Land development 20,614 4 23,905 4 30,776 5 -------- -------- -------- Total construction loans $142,006 $160,980 $202,029 Loan demand remained strong as loan originations totaled $94.8 million for the quarter ended June 30, 2009 compared to $98.3 million for the preceding quarter and $80.1 million for the quarter ended one year ago. Increased loan originations in the past two quarters were primarily a result of increased demand to refinance one-to-four family mortgage loans at historically low interest rates. Timberland Bank 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, 2009, fixed-rate one-to-four family mortgage loan sales totaled $69.6 million compared to $60.7 million for the preceding quarter and $16.0 million for the quarter ended one year ago. Timberland's investment securities decreased by $837,000 during the quarter to $24.5 million at June 30, 2009 from $25.3 million at March 31, 2009, primarily as a result of regular amortization and prepayments and a $125,000 credit related other-than-temporary impairment ("OTTI") charge on 17 private label mortgage-backed securities that were acquired in the in-kind redemption from the AMF family of mutual funds in June 2008. DEPOSIT BREAKDOWN ($ in thousands) June 30, 2009 March 31, 2009 June 30, 2008 Amount Percent Amount Percent Amount Percent -------- ------- -------- ------- -------- ------- Non-interest bearing $ 50,153 10% $ 53,783 11% $ 50,701 11% N.O.W. checking 102,186 21 95,093 19 90,476 19 Savings 56,303 11 54,525 11 58,604 12 Money market 61,992 13 62,940 12 48,082 10 Certificates of deposit under $100 140,924 29 139,863 28 128,791 27 Certificates of deposit $100 and over 75,861 16 73,703 14 77,343 16 Certificates of deposit - brokered -- -- 25,991 5 25,937 5 -------- ------- -------- ------- -------- ------- Total deposits $487,419 100% $505,898 100% $479,934 100% ======== ======= ======== ======= ======== ======= Total deposits decreased 4% to $487.4 million at June 30, 2009, from $505.9 million at March 31, 2009 primarily as a result of a $26.0 million decrease in brokered certificate of deposit ("CDs") accounts. Excluding brokered CDs, deposits increased 2% to $487.4 million at June 30, 2009, from $479.9 million at March 31, 2009. This increase was primarily due to an increase in N.O.W. checking account balances. Total shareholders' equity increased $644,000 to $89.0 million at June 30, 2009, from $88.3 million at March 31, 2009 primarily due to net income of $1.06 million and a $474,000 reduction in accumulated other comprehensive loss. These increases to shareholders' equity were partially offset by dividends to common and preferred shareholders. Operating Results Fiscal third quarter operating revenue (net interest income before provision for loan losses, plus non-interest income excluding OTTI charges and the June 2008 loss on the redemption of mutual funds) increased 7% to $9.0 million compared to $8.4 million in the like quarter a year ago. The increase was primarily a result of increased non-interest income from loan sales (gain on sale of loans and servicing income recorded) and increased non-interest income from service charges on deposits. For the first nine months of fiscal 2009, operating revenues (excluding OTTI charges and loss on redemption of mutual funds) increased 7% to $26.9 million from $25.1 million in the first nine months of fiscal 2008. The increase was primarily a result of increased non-interest income from loan sales, increased fee income on deposit accounts and a $134,000 non-recurring gain from a change in the Bank's investment in bank owned life insurance ("BOLI"). Net interest income before the provision for loan losses decreased 5% to $6.2 million for the quarter ended June 30, 2009, from $6.5 million for the like quarter one year ago with interest and dividend income decreasing 7% and interest expense decreasing 12%. The decrease in net interest income was primarily due to an increase in non-accrual interest and margin compression due to the lower interest rate environment. In spite of the challenging interest rate environment, Timberland's net interest margin remained strong at 3.86% for the current quarter, a decrease of 20 basis points from 4.06% for the quarter ended March 31, 2009 and a decrease of 37 basis points from 4.23% for the quarter a year ago. The reversal of interest income on loans placed on non-accrual status during the quarter ended June 30, 2009 reduced the net interest margin by approximately 22 basis points. For the first nine months of fiscal 2009, net interest income before the provision for loan losses decreased 5% to $19.1 million from $20.1 million in the like period a year ago. Net interest margin year to date was 4.03%, down 39 basis points from a year ago. In the third fiscal quarter Timberland recorded a provision of $1.0 million to its allowance for loan losses, compared to $5.2 million in the preceding quarter and $500,000 in the like quarter in the prior fiscal year. For the first nine months of fiscal 2009, the provision for loan losses totaled $7.5 million, compared to $2.4 million in the first nine months of fiscal 2008. Net charge-offs for the quarter ended June 30, 2009 totaled $609,000 compared to $1.17 million for the quarter ended March 31, 2009 and $121,000 for the quarter ended June 30, 2008. Year to date, net charge-offs were $3.0 million compared to $121,000 in the first nine months one year ago. Timberland's total operating (non-interest) expenses increased 30% to $6.4 million for the third fiscal quarter from $4.9 million from the like quarter one year ago and increased 17% from $5.4 million from the immediately prior quarter. The increased expenses during the current quarter were primarily due to increased FDIC insurance expenses (including a special FDIC assessment of $300,000), increased OREO related expenses and increased loan monitoring and collection related expenses. Year to date, total operating expenses increased 16% to $17.4 million from $15.0 million in the first nine months of fiscal 2008. About Timberland Bancorp, Inc. Timberland Bancorp operates 22 branches in the state of Washington in Hoquiam, Aberdeen, Ocean Shores, Montesano, Elma, Olympia, Lacey, Tumwater, Yelm, Puyallup, Edgewood, Tacoma, Spanaway (Bethel Station), Gig Harbor, Poulsbo, Silverdale, Auburn, Chehalis, Winlock, and Toledo. Timberland Bank received a four-star rating from Bauer Financial, a widely recognized independent bank rating agency. TIMBERLAND BANCORP INC. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT Three Months Ended ($ in thousands, except per share amounts) June 30, March 31, June 30, (unaudited) 2009 2009 2008 --------- --------- --------- Interest and dividend income Loans receivable $ 9,240 $ 9,419 $ 9,825 Investments and mortgage-backed securities 322 347 235 Dividends from mutual funds and FHLB stock 9 9 272 Federal funds sold

8   5   28   Interest bearing deposits in banks   32   21   8
--------- --------- ---------   Total interest and dividend   income
9,611   9,801   10,368   Interest expense   Deposits   2,440
2,385   2,703   FHLB advances   979   999   1,161   Other borrowings
--   --   4   --------- --------- ---------   Total
interest expense   3,419   3,384   3,868   --------- --------- ---------
Net interest income   6,192   6,417   6,500   Provision for loan losses
1,000   5,176   500   --------- --------- ---------   Net interest
income after   provision for loan losses   5,192   1,241   6,000   Non-interest
income   Total OTTI on securities   (522)   (1,742)   --   Less: portion recorded as
other   comprehensive loss   397   749   --   ---------
--------- ---------   Net OTTI loss recognized   (125)   (993)   --   Service charges
on deposits   1,066   1,009   948   Gain on sale of loans, net   414   340
127   Loss on redemption of mutual funds   --   --   (2,822)   Bank owned life
insurance ("BOLI")   net earnings   123   256   121   Servicing income
on loans sold   607   703   234   ATM transaction fees   326   306
329   Other   263   291   170   ---------
--------- ---------   Total non-interest income   2,674   1,912   (893)   Non-interest
expense   Salaries and employee benefits   2,919   2,826   2,812   Premises and
equipment   719   696   519   Advertising   252   229   228
OREO and other repossessed items   expense   391   99   --
ATM expenses   162   161   136   FDIC insurance expense   400
99   25   Postage and courier   203   126   129   Amortization of
core deposit   intangible   54   54   62   State and local taxes
152   154   149   Professional fees   199   213   175   Other
922   785   684   --------- --------- ---------
Total non-interest expense   6,373   5,442   4,919   Income (loss) before federal and
state income taxes   1,493   (2,289)   188   Provision (benefit) for federal and
state income taxes   435   (896)   734   --------- ---------
---------   Net income (loss) $ 1,058 $ (1,393) $ (546)
========= ========= =========   Preferred stock dividends $ 210 $ 208 $
--   Preferred stock discount accretion   79   --   --   ---------
--------- ---------   Net income (loss) avail. to common   shareholders: $ 769 $
(1,601) $ (546)   ========= ========= =========   Earnings
(loss) per common share: Basic $ 0.12 $ (0.24) $ (0.08)   Diluted
$ 0.12 $ (0.24) $ (0.08)   Weighted average common shares   outstanding:
Basic   6,645,229 6,614,216 6,446,303   Diluted
6,645,229 6,614,216 6,524,818   TIMBERLAND BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT   Nine Months Ended   ($ in thousands, except
per share) June 30,   June 30,   (unaudited)   2009   2008
---------   ---------   Interest and dividend income   Loans receivable
$ 28,229 $ 30,947   Investments and mortgage-backed   securities
1,081   625   Dividends from mutual funds and   FHLB stock
29   1,090   Federal funds sold   36   87   Interest bearing
deposits in banks   62   22   ---------   ---------
Total interest and dividend   income   29,437   32,771   Interest
expense   Deposits   7,321   9,153   FHLB advances
3,042   3,510   Other borrowings   1   18
---------   ---------   Total interest expense   10,364   12,681

--------- --------- Net interest income 19,073 20,090
Provision for loan losses 7,491 2,400 ---------
--------- Net interest income after provision for loan losses 11,582
17,690 Non-interest income Total OTTI on securities (2,685) --
Less: portion recorded as other comprehensive loss 397 --
--------- --------- Net OTTI loss recognized (2,288) --
Service charges on deposits 3,224 2,292 Gain on sale of loans, net
918 364 Loss on redemption of mutual funds -- (2,822) BOLI net
earnings 501 360 Servicing income on loans sold 1,460
531 ATM transaction fees 920 930 Other
756 504 --------- --------- Total non-interest
income 5,491 2,159 Non-interest expense Salaries and employee benefits
8,818 8,718 Premises and equipment 2,079 1,634
Advertising 672 678 OREO and other repossessed items
expense 552 -- ATM expenses 448
426 FDIC insurance expense 586 51 Postage and courier
448 376 Amortization of core deposit intangible 163
186 State and local taxes 449 447 Professional fees
547 467 Other 2,589 1,993
--------- --------- Total non-interest expense 17,351 14,976
Income (loss) before federal and state income taxes (278) 4,873
Provision (benefit) for federal and state income taxes (305) 2,218
--------- --------- Net income $ 27 $ 2,655
========= ========= Preferred stock dividends $ 437
$ -- Preferred stock discount accretion 79 --
--------- --------- Net income (loss) avail. to common shareholders $
(489) $ 2,655 Earnings (loss) per common share: Basic $
(0.07) $ 0.41 Diluted $ (0.07) $ 0.40 Weighted average
common shares outstanding: Basic 6,609,915 6,467,874
Diluted 6,609,915 6,587,120 TIMBERLAND BANCORP, INC.
CONSOLIDATED BALANCE SHEET ($ in thousands, except per share amounts) (unaudited)
June 30, March 31, June 30, 2009 2009
2008 Assets --------- --------- --------- Cash equivalents: Cash and due from
financial institutions $ 12,118 $ 10,001 $ 14,776 Interest-bearing deposits in other banks
31,853 46,892 3,196 Federal funds sold -- -- 5,565
--------- --------- --------- 43,971 56,893 23,537
Investments and mortgage-backed securities: Held to maturity 10,554 10,726
14,684 Available for sale 13,898 14,563 18,828 FHLB stock
5,705 5,705 5,705 --------- --------- ---------
30,157 30,994 39,217 Loans receivable 555,961 558,644 562,664
Loans held for sale 2,245 7,778 1,065 Less: Allowance for loan losses
(12,440) (12,049) (7,076) --------- --------- --------- Net loans receivable
545,766 554,373 556,653 Accrued interest receivable 2,918
2,913 2,932 Premises and equipment 18,174 17,698 16,286 OREO and other
repossessed items 7,698 2,827 879 BOLI 13,403
13,280 12,775 Goodwill 5,650 5,650 5,650 Core deposit intangible
809 863 1,034 Mortgage servicing rights 2,366 1,912 1,277
Other assets 4,812 5,601 3,514 ---------
--------- --------- Total Assets $ 675,724 $ 693,004 $ 663,754

========= ========= ========= Liabilities and Shareholders' Equity Non-interest-bearing deposits $ 50,153 $ 53,783 $ 50,697 Interest-bearing deposits 437,266 452,115 429,237 --------- --------- --------- Total deposits 487,419 505,898 479,934 FHLB advances 95,000 95,000 104,645 Other borrowings: repurchase agreements 666 689 1,007 Other liabilities and accrued expenses 3,652 3,074 3,393 --------- --------- --------- Total Liabilities 586,737 604,661 588,979 --------- --------- --------- Shareholders' Equity Preferred stock - $.01 par value; 1,000,000 shares authorized; 15,487 15,437 -- June 30, 2009 - 16,641 shares issued and outstanding March 31, 2009 - 16,641 shares issued and outstanding Common stock - $.01 par value; 50,000,000 shares authorized; 10,328 10,301 8,775 June 30, 2009 - 7,045,036 shares issued and outstanding March 31, 2009 - 7,045,036 shares issued and outstanding June 30, 2008 - 6,901,453 shares issued and outstanding Unearned shares - Employee Stock Ownership Plan (2,578) (2,644) (2,842) Retained earnings 66,802 66,775 68,822 Accumulated other comprehensive income (loss) (1,052) (1,526) 20 --------- --------- --------- Total Shareholders' Equity 88,987 88,343 74,775 --------- --------- --------- Total Liabilities and Shareholders' Equity $ 675,724 $ 693,004 $ 663,754 ========= ========= ========= KEY FINANCIAL RATIOS AND DATA ($ in thousands, except per share amounts) (unaudited) Three Months Ended ------------------------------ June 30, March 31, June 30, 2009 2009 2008 --------- --------- --------- PERFORMANCE RATIOS: Return (loss) on average assets (a) 0.61% (0.82%) (0.33%) Return (loss) on average equity (a) 4.79% (6.10%) (2.91%) Net interest margin (a) 3.86% 4.06% 4.23% Efficiency ratio (b) 71.88% 65.34% 87.73% Nine Months Ended ------------------------------ June 30, June 30, 2009 2008 --------- --------- Return on average assets (a) 0.01% 0.54% Return on average equity (a) 0.04% 4.73% Net interest margin (a) 4.03% 4.42% Efficiency ratio (b) 70.64% 67.31% June 30, March 31, June 30, 2009 2009 2008 --------- --------- --------- ASSET QUALITY RATIOS: Non-performing loans $ 25,113 $ 19,867 $ 9,391 Non-performing investment securities 572 310 -- OREO and other repossessed assets 7,698 2,827 879 --------- --------- --------- Total non-performing assets $ 33,383 $ 23,004 $ 10,270 Non-performing assets to total assets (c) 4.94% 3.32% 1.55% Allowance for loan losses to non-performing loans 50% 61% 75% Troubled debt restructured loans $ -- $ -- $ -- Past due 90 days and still accruing $ 830 $ -- $ -- CAPITAL RATIOS: Tier 1 leverage capital 12.30% 12.47% 10.41% Tier 1 risk based capital 14.93% 15.01% 12.08% Total risk based capital 16.19% 16.27% 13.33% BOOK VALUES: Book value per common share (d) $ 10.42 $ 10.18 $ 10.83 Book value per common share (e) $ 10.80 $ 10.72 $ 11.46 Tangible book value per common share (d) (f) $ 9.36 $ 9.26 $ 9.87 Tangible book value per common share (e) (f) $ 9.84 $ 9.75 $ 10.44 (a) Annualized (b) Calculation includes the OTTI charge incurred during the periods ended March 31, 2009 and June 30, 2009. Excluding OTTI charges the efficiency ratio was 70.88% for three months ended June 30, 2009; 58.38% for the three months ended March 31, 2009; and 64.62% for the nine months ended June 30, 2009. (c) Non-performing assets include non-accrual loans, non-accrual investment securities, and other real estate owned and other repossessed assets (d) Calculation includes ESOP shares not committed to be released (e) Calculation excludes ESOP shares not committed to be released (f) Calculation subtracts goodwill and core deposit intangible from the equity component Three Months Ended AVERAGE BALANCE SHEET: ------------------------------- June 30, March 31, June 30, 2009 2009 2008 --------- --------- --------- Average total loans $ 562,105 $ 568,981 $ 560,515 Average total interest earning assets (a) 641,468 632,479 614,383 Average total assets 688,411 678,750 659,998 Average total interest bearing deposits 450,974 434,896 415,495 Average FHLB advances and other borrowings 95,612 97,786 110,903 Average shareholders' equity 88,433 91,368 74,956 Nine Months Ended ------------------------------- June 30, June 30, 2009 2008 --------- --------- Average total loans $ 565,274 $ 548,346 Average total interest earning assets (a) 630,421 605,949 Average total assets 676,809 652,804 Average total interest bearing deposits 438,762 412,904 Average FHLB advances and other borrowings 97,954 109,794 Average shareholders' equity 85,445 74,901 (a) Includes loans on non-accrual status 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.