Timberland Bank Corp Reports Profit, Remains Cautiously Optimistic

Local News

Posted by: David Haviland

Posted on : July 28, 2009 at 5:30 pm

HOQUIAM, WA -- 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, 2009	March 31, 2009	June 30, 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, 2009	June 30, 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.