TIMBERLAND BANCORP INC
Form 8-K
July 23, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 22, 2008

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

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

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

Registrant's telephone number (including area code) (360) 533-4747

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On July 22, 2008, Timberland Bancorp, Inc. issued its earnings release for the quarter ended June 30, 2008. A copy of the earnings release is attached hereto as Exhibit 99.1, which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release of Timberland Bancorp, Inc. dated July 22, 2008

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

TIMBERLAND BANCORP,INC.

DATE: July 23, 2008

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 Announces Fiscal Third Quarter 2008 Results

HOQUIAM, WA--Jul 22, 2008 -- Timberland Bancorp, Inc. (TSBK News)

("Timberland"), the holding company for Timberland Bank ("Bank"), today reported core operating earnings of $2.05 million, or $0.31 per diluted share for the fiscal third quarter ended June 30, 2008, exclusive of the previously announced non-recurring impairment charge of $2.82 million ($2.59 million after tax) resulting from the withdrawal of its investment in the AMF family of mutual funds. The non-recurring impairment charge of $0.39 per diluted share resulted in a net loss of $0.08 per diluted shares for the fiscal third quarter. In the fiscal second quarter ended March 31, 2008, Timberland earned $1.59 million, or $0.24 per diluted share and in the quarter ended June 30, 2007, it earned $2.14 million, or $0.31 per diluted share. Timberland's non-performing assets to total assets ratio was 1.55% at June 30, 2008. All per share data has been adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend paid on June 5, 2007.

Fiscal Third Quarter 2008 Highlights: (quarter ended June 30, 2008 compared to the quarter ended June 30, 2007)

* Core earnings per diluted share were $0.31.
* Capital levels remain strong with an 11.3% equity-to-assets ratio and a 10.3% tangible-equity-to-assets ratio.
* Non-interest income (exclusive of the non-recurring impairment charge) increased 29%.
* Quarterly cash dividend of $0.11 per share announced on July 8, 2008. This represents the 42nd consecutive quarter that Timberland will have paid a cash dividend.
* The loan portfolio increased 12% to $557 million from $497 million.
* Total assets increased 6% to $664 million from $624 million.
* Timberland consistently earns top honors for strong performance and financial stability.
    * In April 2008, SNL Financial, a leading bank research firm, released their 2007 performance ratings of the nation's 100 largest thrifts. Timberland Bancorp, Inc. ranked seventh overall in the nation.
    * Timberland Bank also earned a five-star "Superior" rating from Bauer Financial.

"Operationally our third quarter performance reflects the underlying strength of our franchise," said Michael R. Sand, President and Chief Executive Officer.

Operating Results

Fiscal third quarter revenue (net interest income before provision for loan losses plus non-interest income), excluding the non-recurring impairment charge, increased 3% to $8.4 million compared with $8.2 million in the like quarter one year ago. Solid growth in fee income more than offset marginally lower net interest income. Net interest income before the provision for loan losses decreased 2% to $6.5 million from $6.7 million compared to the like quarter one year ago with interest and dividend income decreasing 4% and interest expense decreasing 7%. Fiscal year to date core operating revenue increased 5% to $25.1 million from $23.8 million in the first nine months one year ago with net interest income up 3% and non-interest income increasing 13%. During this challenging interest rate environment, Timberland's net interest margin remained solid at 4.23%, a reduction of 21 basis points from the 4.44% reported for the quarter ended March 31, 2008. The 25 basis point interest rate cut by the Federal Reserve at the end of April 2008 combined with a full quarter's impact from the 200 basis points in cuts during the quarter ended March 31, 2008 compressed margins during the current quarter. The reversal of interest on loans placed on non-accrual status during the quarter accounted for eight basis points of the 21 basis point decrease in the net interest margin. The Company's net interest margin was 4.67% for the same quarter one year ago. Year to date, Timberland's net interest margin was 4.42% compared to 4.72% one year ago.

In the third fiscal quarter Timberland made a provision of $500,000 to its allowance for loan losses. This represented a decrease of $200,000 from the provision made in the quarter immediately prior and an increase of $240,000 as compared to the like quarter in the prior fiscal year. Net charge-offs for the quarter ended June 30, 2008 totaled $121,000. Timberland's Safety

and Soundness Regulatory examination was conducted and concluded in mid May. Timberland's annual independent third party loan review was also conducted and concluded in May.

During the quarter Timberland recognized a non-recurring impairment charge of $2.82 million on its investment in the AMF family of mutual funds. Due to a continuing decline in the net asset value ("NAV") of the funds primarily as a result of uncertainty in spreads in the bond market for mortgage-related securities and downgrades to a small percentage of the underlying securities, Timberland determined that the funds should be classified as "other than temporarily impaired." "Subsequently, we elected to redeem our $29.1 million mutual fund investment and received both cash and the underlying securities from the redemption," said Sand. Only $317,000 were cash charges and the remaining $2.5 million were non-cash charges to income. It is currently anticipated that a portion of the non-cash charge will be partially offset in each subsequent quarter as principal payments are made to the underlying securities. The redemption of the mutual funds resulted in a capital loss which can only be deducted for tax purposes to the extent that capital gains are realized within a three year carry back period and a five year carry forward period. Timberland has estimated that it will have $679,000 in capital gains during the allowable tax period to offset the capital loss. The after tax impact of the non-recurring impairment charge is $2.59 million, or $0.39 per diluted share.

Non-interest income (excluding the non-recurring impairment charge) increased 29% to $1.93 million for the third quarter from $1.50 million for the third quarter of fiscal 2007, primarily due to increased service charges on deposits and increased income from loan sales (gain on sale of loans and servicing income on loans sold). "Our operating income continues to build as we introduce new products and services to our customers. The success of the automated overdraft decisioning system implemented during the quarter increased fee income," said Sand. The increased income from loan sales was primarily a result of an increase in the dollar value of residential mortgage loans sold in the secondary market during the quarter. The sale of fixed rate one-to-four family mortgage loans totaled $16.0 million for the third quarter of fiscal 2008 compared to $7.8 million for the same period one year prior.

Timberland's total operating (non-interest) expenses increased by $158,000 to $4.92 million for the third quarter from $4.76 million for the third quarter of fiscal 2007 primarily due to a $60,000 increase in salaries and employee benefits expense, a $49,000 increase in deposit related expenses, a $38,000 increase in advertising expenses and smaller increases in several other categories. The increased salary and benefit expense was primarily the result of annual salary adjustments (effective October 1, 2007). The increased deposit related expenses were primarily a result of expenses associated with several new deposit related programs. The increased advertising expenses were primarily attributable to marketing costs designed to gather new deposits. Partially offsetting these increased expenses was a $38,000 decrease in premises and equipment expense as compared to the like quarter one year ago. The decrease in premises and equipment expense was primarily due to the sale of a building that previously served as a branch facility. The gain on the sale of the building resulted in a $123,000 decrease to premises and equipment expenses during the quarter. Timberland's efficiency ratio (exclusive of the non-recurring impairment charge) was 58.36% for the quarter ended June 30, 2008 compared to 58.35% for the quarter ended June 30, 2007.

Asset Quality

The non-performing assets ("NPAs") to total assets ratio was 1.55% at June 30, 2008, with $121,000 in net charge-offs during the quarter. The allowance for loan losses totaled $7.1 million at June 30, 2008, or 1.26% of loans receivable and 75% of non-performing loans. The allowance for loan losses was $6.7 million, or 1.21% of loans receivable and $4.5 million, or 0.90% of loans receivable at March 31, 2008 and June 30, 2007, respectively.

Non-performing loans increased by $3.0 million during the quarter to $9.4 million at June 30, 2008, and were comprised of 31 loans including 16 single family speculative loans totaling $5.6 million (of which the largest has a balance of $522,000), a $1.8 million participation interest in a land development loan located in Clark County, eight land loans totaling $933,000, one commercial real estate loan for $717,000, three home equity consumer loans totaling $233,000, one single family home loan for $101,000 and one commercial business loan for $14,000. These non-performing loans represent 13 credit relationships. The increase in non-performing loans as compared to the quarter immediately prior was attributable to seven credit relationships which are discussed below.

1. The largest of these seven relationships is with a long-time builder of Timberland's that has five single family speculative loans, four land loans each zoned for the construction of one single family dwelling and one home equity loan outstanding for an aggregate total of $2.57 million. The collateral for all these loans except the home equity loan is located in rural Thurston County.

2. Another builder has two loans totaling $605,000 that are secured by single family speculative homes in Pierce County.
3. A commercial real estate loan of $717,000 is secured by a medical office building in Kitsap County. The assessed value of the collateral is $1.02 million and the property is currently listed for sale at $1.24 million.
4. A loan of $101,000 is well secured by a house with an assessed value of $166,000. The collateral is located in Kitsap County.
5. A loan of $78,000 is partially secured by a building lot. The borrower is an owner builder that is involved in personal litigation which has prevented him from building on the lot. The collateral is located in Grays Harbor County.
6. A loan of $31,000 is secured by a residential building lot in Grays Harbor County with an assessed value of $50,000.
7. A $14,000 loan is secured by a lift truck.

Loans with an aggregate balance of $173,000 that were non-performing at the end of the prior quarter were brought current during the quarter ended June 30, 2008 and one loan was transferred to other real estate owned ("OREO"). OREO increased to $879,000 at June 30, 2008 and consisted of one single-family residence in Pierce County. Balance Sheet Management Total assets increased 6% on an annualized basis during the quarter to $663.8 million at June 30, 2008, and increased 6% from $624.1 million one year ago primarily due to loan portfolio growth.

LOAN PORTFOLIO
($ in thousands)

	June 30, 2008		March 31, 2008		June 30, 2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Mortgage Loans:						
One-to-four family (1)	$105,791	17%	$108,117	18%	$103,883	18%
Multi-family	37,465	6	37,932	6	31,719	6
Commercial	140,785	23	136,112	22	128,118	22
Construction and land development	202,029	32	197,384	32	181,157	32
Land	56,489	9	55,158	9	53,794	9
Total mortgage loans	542,559	87	534,703	87	498,671	87
Consumer Loans:						
Home equity and second mortgage	46,771	7	47,003	8	44,347	8
Other	11,292	2	10,888	2	11,735	2
	58,063	9	57,891	10	56,082	10
Commercial business loans	23,307	4	20,177	3	16,625	3
Total loans	$623,929	100%	$612,771	100%	$571,378	100%
Less:						
Undisbursed portion of construction loans in process	(57,335)		(55,447)		(66,598)	
Unearned income	(2,865)		(2,782)		(2,921)	
Allowance for loan losses	(7,076)		(6,697)		(4,529)	
Total loans receivable, net	$556,653		$547,845		$497,330	

(1) Includes loans held for sale

CONSTRUCTION LOAN COMPOSITION
($ in thousands)

	June 30, 2008		March 31, 2008		June 30, 2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Custom and						

owner / builder	$ 48,384	24%	$ 46,311	23%	$ 48,894	27%
Speculative	36,979	18	42,582	22	43,655	24
Commercial real estate	66,846	33	56,964	29	50,729	28
Multi-family	19,044	10	21,941	11	19,801	11
Land development	30,776	15	29,586	15	18,078	10
Total construction loans	$202,029	100%	$197,384	100%	$181,157	100%

Net loans receivable increased 12% year-over-year to $556.7 million at June 30, 2008, from $497.3 million one year ago. During the quarter the loan portfolio increased by $8.8 million as commercial real estate loans increased by $4.7 million, commercial business loans increased by $3.1 million, construction and land development loans (net of the undisbursed portion) increased by $2.8 million and land loans increased by $1.3 million. These increases were partially offset by a $2.3 million

decrease in one-to four-family mortgage loans and a $467,000 decrease in multi-family mortgage loans. The Bank's speculative construction portfolio decreased by 13% from the prior quarter.

Loan originations increased 36% to $80.1 million for the quarter ended June 30, 2008 from $59.0 million for the quarter ended March 31, 2008 and from $66.4 million for the quarter ended June 30, 2007. The Bank participated out $14.5 million of its loan production during the quarter and continues to sell fixed rate one-to four-family mortgage loans into the secondary market for asset-liability management purposes. During the quarter ended June 30, 2008, fixed rate one-to four-family mortgage loan sales totaled $16.0 million. Timberland's investment securities decreased by $9.4 million during the quarter to $33.5 million at June 30, 2008 from $42.9 million at March 31, 2008 primarily due to the redemption of mutual funds held with the AMF family of mutual funds. During the quarter Timberland redeemed $29.1 million in mutual funds and received $22.2 million in underlying securities and $6.9 million in cash. The investment securities balance also decreased during the quarter as a result of regular amortization and prepayments on mortgage-backed securities.

DEPOSIT BREAKDOWN
($ in thousands)

	June 30, 2008		March 31, 2008		June 30, 2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest bearing	$ 50,701	11%	$ 50,068	11%	$ 50,580	12%
N.O.W. checking	90,476	19	88,350	19	80,290	18
Savings	58,604	12	57,212	12	59,558	14
Money market	48,082	10	47,244	10	46,446	11
Certificates of deposit under $100	128,791	27	137,529	29	131,803	30
Certificates of deposit $100 and over	77,343	16	74,376	16	64,837	15
Certificates of deposit						

- brokered	25,937	5	15,058	3	--	--
Total deposits	$479,934	100%	$469,837	100%	$433,514	100%

Total deposits increased $10.1 million to $479.9 million at June 30, 2008 from $469.8 million at March 31, 2008 primarily due to a $10.9 million increase in brokered deposit accounts, a $2.1 million increase in N.O.W. checking accounts, a $1.4 million increase in savings accounts, an $838,000 increase in money market accounts and a $633,000 increase in non-interest bearing accounts. These increases were partially offset by a $5.8 million decrease in certificates of deposit accounts. Brokered deposits remain a very limited portion of the Bank's funding sources.

Total shareholders' equity decreased $67,000 to $74.78 million at June 30, 2008 from $74.84 million at March 31, 2008. The reduction in shareholders' equity was primarily due to cash dividends of $758,000 paid to shareholders and a net loss of $546,000 resulting from the non-recurring impairment charge noted above. These reductions to shareholders' equity were partially offset by a $991,000 decrease to the accumulated other comprehensive loss category. A significant portion ($976,000) of the non-recurring impairment charge on the mutual funds reflected in the current quarter's income statement had previously been accounted for as a reduction to shareholders' equity. This reduction was reflected in the accumulated other comprehensive loss line item in the balance sheet. Timberland did not repurchase any shares during the quarter. Timberland remains well capitalized with tier 1 risk based capital of 12.1%, equity to assets of 11.3% and tangible equity to assets of 10.3%.

About Timberland Bancorp, Inc.
Timberland Bancorp operates 21 branches in the state of Washington in Hoquiam, Aberdeen, Ocean Shores, Montesano, Elma, Olympia, Lacey, Tumwater, Yelm, Puyallup, Edgewood, Tacoma, Spanaway (Bethel Station), Gig Harbor, Poulsbo, Silverdale, Auburn, Winlock, and Toledo.

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

	Three Months Ended			
	Non-GAAP* June 30, 2008	GAAP June 30, 2008	GAAP March 31, 2008	GAAP June 30, 2007
Interest and dividend income				
Loans receivable	$ 9,825	$ 9,825	$ 10,358	$ 9,981
Investments and mortgage-backed securities	235	235	142	350
Dividends from mutual funds and Federal Home Loan Bank ("FHLB") stock	272	272	395	426
Federal funds sold	28	28	27	49
Interest bearing deposits				

in banks	8	8	4	8
Total interest and dividend income	10,368	10,368	10,926	10,814
Interest expense				
Deposits	2,703	2,703	3,117	2,866
FHLB advances	1,161	1,161	1,132	1,278
Other borrowings	4	4	6	12
Total interest expense	3,868	3,868	4,255	4,156
Net interest income	6,500	6,500	6,671	6,658
Provision for loan losses	500	500	700	260
Net interest income after provision for loan losses	6,000	6,000	5,971	6,398
Non-interest income				
Service charges on deposits	948	948	648	692
Gain on sale of loans, net	127	127	144	79
Loss on redemption of mutual funds	--	(2,822)	--	--
Bank owned life insurance ("BOLI") net earnings	121	121	119	116
Servicing income on loans sold	234	234	179	127
ATM transaction fees	329	329	302	295
Other	170	170	162	192
Total non-interest income (loss)	1,929	(893)	1,554	1,501
Non-interest expense				
Salaries and employee benefits	2,812	2,812	2,986	2,752
Premises and equipment	519	519	650	557
Advertising	228	228	268	190
Loss (gain) from other real estate operations	--	--	--	1
ATM expenses	136	136	142	128
Postage and courier	129	129	130	113
Amortization of core deposit intangible	62	62	62	71
State and local taxes	149	149	147	148
Professional fees	175	175	145	175
Other	709	709	676	626
Total non-interest expense	4,919	4,919	5,206	4,761
Income before federal income taxes	3,010	188	2,319	3,138
Federal income taxes	965	734	734	1,000
Net income (loss)	$ 2,045	$ (546)	$ 1,585	$ 2,138
Earnings (loss) per common share:				
Basic	$ 0.32	$ (0.08)	$ 0.25	$ 0.32
Diluted	$ 0.31	$ (0.08)	$ 0.24	$ 0.31
Weighted average shares outstanding:				
Basic	6,446,303	6,446,303	6,441,367	6,713,777
Diluted	6,524,818	6,524,818	6,560,806	6,910,165

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

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TIMBERLAND BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

($ in thousands, except per share) (unaudited)	Nine Months Ended		
	Non-GAAP* June 30, 2008	GAAP June 30, 2008	GAAP June 30, 2007
Interest and dividend income			
Loans receivable	$ 30,947	$ 30,947	$ 28,050
Investments and mortgage-backed securities	625	625	1,185
Dividends from mutual funds and FHLB stock	1,090	1,090	1,259
Federal funds sold	87	87	192
Interest bearing deposits in banks	22	22	61
Total interest and dividend income	32,771	32,771	30,747
Interest expense			
Deposits	9,153	9,153	8,113
FHLB advances	3,510	3,510	3,173
Other borrowings	18	18	39
Total interest expense	12,681	12,681	11,325
Net interest income	20,090	20,090	19,422
Provision for loan losses	2,400	2,400	416
Net interest income after provision for loan losses	17,690	17,690	19,006
Non-interest income			
Service charges on deposits	2,292	2,292	2,061
Gain on sale of loans, net	364	364	250
Loss on redemption of mutual funds	- -	(2,822)	- -
BOLI net earnings	360	360	343
Servicing income on loans sold	531	531	373
ATM transaction fees	930	930	830
Other	504	504	548
Total non-interest income	4,981	2,159	4,405
Non-interest expense			
Salaries and employee benefits	8,718	8,718	8,303
Premises and equipment	1,634	1,634	1,827
Advertising	678	678	569
Loss (gain) from real estate operations	- -	- -	(14)
ATM expenses	426	426	354
Postage and courier	376	376	347
Amortization of core deposit intangible	186	186	214
State and local taxes	447	447	420
Professional fees	467	467	524
Other	2,044	2,044	2,052

Total non-interest expense	14,976	14,976	14,596
Income before federal income taxes	7,695	4,873	8,815
Federal income taxes	2,449	2,218	2,806
Net income	$ 5,246	$ 2,655	$ 6,009
Earnings per common share:			
Basic	$ 0.81	$ 0.41	$ 0.88
Diluted	$ 0.80	$ 0.40	$ 0.85
Weighted average shares outstanding:			
Basic	6,467,874	6,467,874	6,863,253
Diluted	6,587,120	6,587,120	7,080,530

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

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

	June 30, 2008	March 31, 2008	June 30, 2007
Assets			
Cash and due from financial institutions:			
Non-interest bearing	$ 14,776	$ 12,165	$ 11,798
Interest-bearing deposits in banks	3,196	883	1,188
Federal funds sold	5,565	1,220	205
	23,537	14,268	13,191
Investments and mortgage-backed securities:			
Held to maturity	14,684	60	72
Available for sale	18,828	42,868	64,911
FHLB stock	5,705	5,705	5,705
	39,217	48,633	70,688
Loans receivable	562,664	549,593	500,694
Loans held for sale	1,065	4,949	1,165
Less: Allowance for loan losses	(7,076)	(6,697)	(4,529)
Net loans receivable	556,653	547,845	497,330
Accrued interest receivable	2,932	3,055	3,177
Premises and equipment	16,286	16,470	16,557
Other real estate owned ("OREO") and other repossessed items	879	--	68
BOLI	12,775	12,654	12,294
Goodwill	5,650	5,650	5,650
Core deposit intangible	1,034	1,096	1,292
Mortgage servicing rights	1,277	1,145	1,018
Other assets	3,514	3,697	2,881
Total Assets	$ 663,754	$ 654,513	$ 624,146

Liabilities and Shareholders' Equity			
Non-interest-bearing deposits	$ 50,697	$ 50,068	$ 50,580
Interest-bearing deposits	429,237	419,769	382,934
Total deposits	479,934	469,837	433,514
FHLB advances	104,645	105,663	112,463
Other borrowings: repurchase agreements	1,007	815	775
Other liabilities and accrued expenses	3,393	3,356	3,402
Total Liabilities	588,979	579,671	550,154
Shareholders' Equity			
Common stock- $.01 par value; 50,000,000 shares authorized; June 30, 2008 - 6,901,453 shares issued and outstanding March 31, 2008 - 6,876,653 shares issued and outstanding June 30, 2007 - 7,025,360 shares issued and outstanding	69	69	70
Additional paid in capital	8,706	8,527	11,425
Unearned shares- Employee Stock Ownership Plan	(2,842)	(2,908)	(3,521)
Retained earnings	68,822	70,125	66,915
Accumulated other comprehensive income (loss)	20	(971)	(897)
Total Shareholders' Equity	74,775	74,842	73,992
Total Liabilities and Shareholders' Equity	$ 663,754	$ 654,513	$ 624,146

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

	Three Months Ended			
	Core Results June 30, 2008 (a)	GAAP June 30, 2008	GAAP March 31, 2008	GAAP June 30, 2007
PERFORMANCE RATIOS:				
Return (loss) on average assets (b)	1.24%	(0.33%)	0.98%	1.38%
Return (loss) on average equity (b)	10.91%	(2.91%)	8.48%	11.24%
Net interest margin (b)	4.23%	4.23%	4.44%	4.67%
Efficiency ratio	58.36%	87.73%	63.29%	58.35%

Nine Months Ended

	Core Results June 30, 2008 (a)	GAAP June 30, 2008	GAAP June 30, 2007
Return on average assets (b)	1.07%	0.54%	1.34%
Return on average equity (b)	9.34%	4.73%	10.36%
Net interest margin (b)	4.42%	4.42%	4.72%
Efficiency ratio	59.73%	67.31%	61.26%

	June 30, 2008	March 31, 2008	June 30, 2007
ASSET QUALITY RATIOS:			
Non-performing loans	$ 9,391	$ 6,388	$ 982
OREO and other repossessed assets	879	--	68
Total non-performing assets	$ 10,270	$ 6,388	$ 1,050
Non-performing assets to total assets	1.55%	0.98%	0.17%
Allowance for loan losses to non-performing loans	75%	105%	461%
Restructured loans	$ --	$ 2,491	$ --
CAPITAL RATIOS:			
Tier 1 leverage capital	10.41%	10.53%	10.92%
Tier 1 risk based capital	12.10%	12.08%	13.08%
Total risk based capital	13.35%	13.28%	13.96%
Equity to assets	11.27%	11.43%	11.85%
Tangible equity to assets (e)	10.26%	10.40%	10.74%
Book value per share (c)	$ 10.83	$ 10.88	$ 10.53
Book value per share (d)	$ 11.46	$ 11.53	$ 11.19
Tangible book value per share (c) (e)	$ 9.87	$ 9.90	$ 9.54
Tangible book value per share (d) (e)	$ 10.44	$ 10.49	$ 10.14

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

AVERAGE BALANCE SHEET:

	Three Months Ended June 30, 2008	March 31, 2008	June 30, 2007
Average total loans	$ 560,515	$ 546,349	$ 494,137
Average total interest earning assets	614,383	600,872	570,597
Average total assets	659,998	647,851	619,120

Average total interest bearing deposits	415,495	411,465	388,610
Average FHLB advances and other borrowings	110,903	107,572	98,467
Average shareholders' equity	74,956	74,741	76,087

	Nine Months Ended	
	June 30, 2008	June 30, 2007
Average total loans	$ 548,346	$ 466,200
Average total interest earning assets	605,949	548,942
Average total assets	652,804	598,688
Average total interest bearing deposits	412,904	381,946
Average FHLB advances and other borrowings	109,794	82,139
Average shareholders' equity	74,901	77,364

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.