TIMBERLAND BANCORP INC
Form 8-K
April 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): April 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 April 22, 2008, Timberland Bancorp, Inc. issued its earnings release for the quarter ended March 31, 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

(c) Exhibits

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

By: /s/Dean J. Brydon

Dean J. Brydon
Chief Financial Officer

Exhibit 99.1

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

Timberland Bancorp Earns $1.6 Million or $0.24 per Share in Fiscal Second Quarter 2008

HOQUIAM, WA--Apr 22, 2008 -- Timberland Bancorp, Inc. (NASDAQ:TSBK) ("Timberland"), the holding company for Timberland Bank ("Bank"), today reported solid fiscal second quarter profits of $1.6 million after a $700,000 addition to its loan loss reserves as a result of continued loan growth and the reclassification of certain loans. In the second quarter of fiscal 2008, Timberland earned $1.6 million, or $0.24 per diluted share, compared to $1.9 million, or $0.27 per diluted share, in the second quarter one year ago. 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 Second Quarter 2008 Highlights: (quarter ended March 31, 2008 compared to the quarter ended March 31, 2007)

* The loan portfolio increased 14% to $548 million from $480 million.
* Total deposits increased by $9 million with an increase of $7 million in savings and N.O.W. checking account balances.
* Total assets increased 6% to $655 million from $618 million.
* Revenue increased 4% due to solid loan growth.
* Loan loss reserves increased to 1.21% of loans.
* Capital levels remain strong with a 10.4% tangible equity to assets ratio.
* Completed 15th share repurchase program and announced another 5% repurchase program.

"While the Northwest economy has slowed we are seeing encouraging signs in our core markets," said Michael R. Sand, President and Chief Executive Officer. "The recent announcement by the State of Washington that a site in Grays Harbor County was chosen to facilitate the construction of pontoons for Seattle's Evergreen Point floating bridge is good news for our local economy. The project should bring 250 construction and 75 to 100 manufacturing jobs to the Grays Harbor market."

"We are also pleased with the increase in good quality commercial and industrial ("C&I") loans being produced by our lenders in the Pierce County market. Our C&I portfolio has increased by 32% during the past year and we anticipate the continued growth of this loan segment. The quality of these loans validates our ability to compete in a competitive C&I market. We have also recently observed an increase in the sale of spec homes in eastern Pierce County. During the past several weeks one of our spec builders sold five of his inventory of seven homes with closings scheduled for late April and mid to late May. We are encouraged to see the increased sales activity in this market."

"We have continued to build our reserve for loan losses during this time of economic uncertainty," Sand also stated. "While our history of recovering principal on defaulted loans is excellent we believe it is prudent to build a strong reserve position consistent with results of our quarterly loan loss reserve analysis in addition to maintaining a strong capital position." The increase in non-performing loans ("NPLs") of approximately $2.5 million for the quarter was due primarily to placing Timberland's one-eighth participation interest of $1.9 million in a Clark County residential land development loan on non-accrual as noted below. The plat which is east of Vancouver Washington is finished and lots are currently being marketed. Total NPLs of $6.4 million represent 0.98% of total assets.

Operating Results

Fiscal second quarter revenue (net interest income before provision for loan losses plus non-interest income) increased 4% to $8.2 million from $7.9 million in the like quarter one year ago. Net interest income before the provision for loan losses increased 3% to $6.7 million compared to the like quarter one year ago with interest and dividend income increasing 7% and interest expense increasing 16%. Strong loan growth contributed to the increase in net interest income and offset increased funding costs.



Timberland's net interest margin remained strong at 4.44%, a reduction of 15 basis points from the 4.59% reported for the quarter ended December 31, 2007. "The substantial Fed rate cuts during the quarter affected margins but stimulated residential loan activity," said Dean Brydon, Chief Financial Officer. The other factor influencing margin compression was the reversal of interest on loans placed on non-accrual during the quarter which reduced the margin by approximately eight basis points. The Bank's net interest margin was 4.75% for the same quarter one year ago.

In the second fiscal quarter Timberland increased its loan loss provision by $544,000 when compared to the like quarter in the prior fiscal year. "With continuing loan portfolio growth, the reclassification of certain loans and a generally slower Northwest economy we made prudent additions to loan loss reserves this quarter," Brydon noted. While there were no charge offs during the quarter ended March 31, 2008, the reserve for principal impairments on non-accrual loans was increased by $329,000 to $623,000. Impairments may result in actual charge offs against the impairment reserves in the future. The Bank's largest non-accrual loan is a $1.9 million participation interest in a land development loan secured by property located in Clark County, east of Vancouver, Washington. Lot sales have been occurring, however at a rate indicating a longer than anticipated absorption period.

Non-interest income increased 9% to $1.55 million for the second quarter from $1.42 million for the second quarter of fiscal 2007, primarily due to increased income from loan sales (gain on sale of loans and servicing income on loans sold). The sale of fixed rate one-to-four family mortgage loans totaled $11.6 million for the second quarter of fiscal 2008 compared to $6.6 million for the same period one year prior. Moderate interest rates for 30-year fixed rate loans has increased the demand for financing one-to-four family properties which increases revenues associated with the sale of such loans.

Timberland's total operating (non-interest) expenses increased to $5.21 million for the second quarter from $4.94 million for the second quarter of fiscal 2007 primarily due to a $220,000 increase in salaries and employee benefits expense and a $67,000 increase in advertising expenses. The increased salary and benefit expense was primarily the result of annual salary adjustments (effective October 1, 2007) and the addition of several employees. The increased advertising expenses were primarily attributable to marketing costs designed to gather new deposits. As a result of the increased expenses, the efficiency ratio increased to 63.29% for the current quarter compared to 62.42% for the same quarter one year ago.

Asset Quality
The non-performing assets ("NPAs") to total assets ratio was 0.98% at March 31, 2008, with no charge-offs during the quarter. The allowance for loan losses totaled $6.7 million at March 31, 2008, or 1.21% of loans receivable and 105% of non-performing loans. The allowance for loan losses was $6.0 million, or 1.11% of loans receivable and $4.3 million, or 0.89% at December

31, 2007 and March 31, 2007, respectively.

NPLs totaled $6.4 million at March 31, 2008, and were comprised of 17 loans including 11 single family speculative home loans located in Pierce County totaling $4.0 million (which included one $1.0 million loan, one $522,000 loan, eight loans with loan balances ranging from $245,000 to $344,000, and one loan with an outstanding balance of $63,000), a $1.9 million participation interest in a land development loan located in Clark County, two home equity consumer loans totaling $183,000 on which losses, if any, incurred on the disposition of the underlying collateral are recoverable from title insurance proceeds, one commercial real estate loan for $152,000 that is well secured, one commercial business loan for $119,000 that is well secured, and one land loan for $22,000 the security for which has a tax assessed value of $134,000. These non-performing loans represent eight credit relationships.

Balance Sheet Management

Total assets increased 6% year over year, to $654.5 million at March 31, 2008, from $646.6 million at December 31, 2007 and $617.8 million one year ago primarily due to strong loan portfolio growth.

LOAN PORTFOLIO

| ($ in thousands) | March 31, 2008 | | Dec. 31, 2007 | | March 31, 2007 | |
|---|---|---|---|---|---|---|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Mortgage Loans: | | | | | | |
| One-to-four family (1) | $ 108,117 | 18% | $ 101,971 | 17% | $ 104,697 | 19% |
| Multi family | 37,932 | 6 | 38,828 | 6 | 17,156 | 3 |
| Commercial | 136,112 | 22 | 126,003 | 21 | 137,474 | 25 |
| Construction and land development | 197,384 | 32 | 206,105 | 34 | 179,350 | 32 |
| Land | 55,158 | 9 | 57,033 | 9 | 48,331 | 9 |
| Total mortgage loans | 534,703 | 87 | 529,940 | 87 | 487,008 | 88 |
| Consumer Loans: | | | | | | |
| Home equity and second mortgage | 47,003 | 8 | 47,071 | 8 | 41,357 | 7 |
| Other | 10,888 | 2 | 10,627 | 2 | 11,543 | 2 |
| | 57,891 | 10 | 57,698 | 10 | 52,900 | 9 |
| Commercial business loans | 20,177 | 3 | 18,642 | 3 | 15,289 | 3 |
| Total loans | $ 612,771 | 100% | $ 606,280 | 100% | $ 555,197 | 100% |
| Less: | | | | | | |
| Undisbursed portion of construction loans in process | (55,447) | | (60,708) | | (68,034) | |
| Unearned income | (2,782) | | (2,928) | | (3,003) | |
| Allowance for loan losses | (6,697) | | (5,997) | | (4,272) | |

| | | | |
|---|---|---|---|
| Total loans receivable, net | $ 547,845 | $ 536,647 | $ 479,888 |

(1) Includes loans held for sale

CONSTRUCTION LOAN COMPOSITION

| ($ in thousands) | March 31, 2008 Amount | March 31, 2008 Percent | Dec. 31, 2007 Amount | Dec. 31, 2007 Percent | March 31, 2007 Amount | March 31, 2007 Percent |
|---|---|---|---|---|---|---|
| Custom and owner / builder | $ 46,311 | 23% | $ 50,748 | 25% | $ 46,723 | 26% |
| Speculative | 42,582 | 22 | 41,251 | 20 | 36,753 | 20 |
| Commercial real estate | 56,964 | 29 | 66,949 | 32 | 57,191 | 32 |
| Multi-family | 21,941 | 11 | 22,060 | 11 | 17,756 | 10 |
| Land development | 29,586 | 15 | 25,097 | 12 | 20,927 | 12 |
| Total construction loans | $ 197,384 | 100% | $ 206,105 | 100% | $ 179,350 | 100% |

Net loans receivable increased 8% on an annualized basis during the quarter to $547.8 million at March 31, 2008, and increased 14% from $479.9 million one year ago. During the quarter the portfolio increased by $11.2 million as commercial real estate loans increased by $10.1 million, one-to-four family mortgage loans increased by $6.2 million (including $4.9 million that are held for sale), and commercial business loans increased by $1.5 million. These increases were partially offset by a $3.5 million decrease in construction and land development loans (net of the undisbursed portion) and a $1.9 million decrease in land loans. Loan originations decreased to $59.0 million for the quarter ended March 31, 2008 from $65.5 million for the quarter ended December 31, 2007 and from $86.2 million for the quarter ended March 31, 2007. The Bank continues to sell fixed rate one-to-four family mortgage loans into the secondary market for asset-liability management purposes.

Timberland's investment securities decreased by $2.2 million during the quarter to $42.9 million at March 31, 2008 from $45.1 million at December 31, 2007 primarily due to the maturity or call of U.S. agency securities, regular amortization and prepayments on mortgaged backed securities, and a decrease in market value on mutual funds. At March 31, 2008, the mutual funds had gross unrealized losses of $1.5 million as the market value ($31.4 million) was below the amortized cost ($32.9 million). These mutual funds invest primarily in highly rated mortgage-backed securities and U.S. agency securities and their net asset values have been negatively impacted by the unusually large spreads in the market for mortgage-related products. The credit ratings and quality of underlying securities in the funds remain solid and Timberland believes that the risk of principal loss is low. The two largest mutual funds (ASARX and AULTX) in the portfolio comprise over 83% of the total mutual fund balance and currently have three star ratings from Morningstar. We continue to believe that the market value of the underlying securities will recover as spreads narrow on mortgage-related securities. However, if the wide pricing spreads on mortgage-related products continues to persist or we find that the narrowing spreads do not positively affect the market value of these funds in the manner we anticipate, we may deem the funds to be other than temporarily impaired and a non-cash charge to income may occur. In accordance with accounting rules, the reduction in market value of these mutual funds continues to be reflected as a reduction in Timberland's capital which, as noted previously, remains strong with a tangible equity to assets ratio of 10.40%.

DEPOSIT BREAKDOWN
($ in thousands)

| | March 31, 2008 Amount | Percent | Dec. 31, 2007 Amount | Percent | March 31, 2007 Amount | Percent |
|---|---|---|---|---|---|---|
| Non-interest bearing | $ 50,068 | 11% | $ 50,590 | 11% | $ 53,321 | 12% |
| N.O.W. checking | 88,350 | 19 | 83,594 | 18 | 83,945 | 19 |
| Savings | 57,212 | 12 | 54,738 | 12 | 62,169 | 14 |
| Money market | 47,244 | 10 | 47,102 | 10 | 45,950 | 10 |
| Certificates of deposit under $100 | 137,529 | 29 | 133,676 | 29 | 129,986 | 29 |
| Certificates of deposit $100 and over | 74,376 | 16 | 68,527 | 15 | 68,751 | 16 |
| Certificates of deposit - brokered | 15,058 | 3 | 23,020 | 5 | -- | -- |
| Total deposits | $ 469,837 | 100% | $ 461,247 | 100% | $ 444,122 | 100% |

Total deposits increased $8.6 million to $469.8 million at March 31, 2008 from $461.2 million at December 31, 2007 primarily due to a $9.7 million increase in certificate of deposit accounts, a $4.8 million increase in N.O.W. checking accounts, and a $2.5 million increase in savings accounts. These increases were partially offset by an $8.0 million decrease in brokered deposits.

Total shareholders' equity decreased $147,000 to $74.8 million at March 31, 2008 from $75.0 million at December 31, 2007. Timberland continued to manage its capital ratio through asset growth, stock repurchases and dividends. During the quarter Timberland repurchased 94,950 shares for $1.22 million (an average price of $12.83 per share) and completed it 15th share repurchase program. Shortly after completing this repurchase program, Timberland announced that it had authorized an additional 5% (or 343,468 shares) repurchase program. No shares have been repurchased under the current share repurchase program. Cumulatively, Timberland has repurchased 7.8 million shares at an average price of $8.98 per share. The share repurchases equal approximately 59% of the 13.2 million shares that were issued in Timberland's January 1998 initial public offering. A cash dividend of $0.11 per share was paid during the quarter, which represented the 40th consecutive quarter a cash dividend was paid to shareholders.

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.

Page 5

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

| | Three Months Ended | | |
|---|---|---|---|
| | March 31, 2008 | Dec. 31, 2007 | March 31, 2007 |
| Interest and dividend income | | | |
| Loans receivable | $ 10,358 | $ 10,764 | $ 9,283 |
| Investments and mortgage-backed securities | 142 | 249 | 381 |
| Dividends from mutual funds and Federal Home Loan Bank ("FHLB") stock | 395 | 423 | 413 |
| Federal funds sold | 27 | 31 | 77 |
| Interest bearing deposits in banks | 4 | 10 | 14 |
| Total interest and dividend income | 10,926 | 11,477 | 10,168 |
| Interest expense | | | |
| Deposits | 3,117 | 3,334 | 2,657 |
| FHLB advances | 1,132 | 1,216 | 1,013 |
| Other borrowings | 6 | 8 | 10 |
| Total interest expense | 4,255 | 4,558 | 3,680 |
| Net interest income | 6,671 | 6,919 | 6,488 |
| Provision for loan losses | 700 | 1,200 | 156 |
| Net interest income after provision for loan losses | 5,971 | 5,719 | 6,332 |
| Non-interest income | | | |
| Service charges on deposits | 648 | 696 | 663 |
| Gain on sale of loans, net | 144 | 92 | 64 |
| Bank owned life insurance ("BOLI") net earnings | 119 | 120 | 114 |
| Servicing income on loans sold | 179 | 118 | 115 |
| ATM transaction fees | 302 | 299 | 272 |
| Other | 162 | 172 | 196 |
| Total non-interest income | 1,554 | 1,497 | 1,424 |
| Non-interest expense | | | |
| Salaries and employee benefits | 2,986 | 2,920 | 2,766 |
| Premises and equipment | 650 | 464 | 660 |
| Advertising | 268 | 182 | 201 |
| Loss (gain) from other real estate operations | -- | -- | (11) |
| ATM expenses | 142 | 148 | 107 |
| Postage and courier | 130 | 118 | 130 |
| Amortization of core deposit intangible | 62 | 62 | 71 |
| State and local taxes | 147 | 151 | 133 |
| Professional fees | 145 | 147 | 172 |
| Other | 676 | 659 | 710 |
| Total non-interest expense | 5,206 | 4,851 | 4,939 |
| Income before federal income taxes | 2,319 | 2,365 | 2,817 |
| Federal income taxes | 734 | 750 | 901 |
| Net income | $ 1,585 | $ 1,615 | $ 1,916 |

| | | | |
|---|---|---|---|
| Earnings per common share: | | | |
| Basic | $ 0.25 | $ 0.25 | $ 0.28 |
| Diluted | $ 0.24 | $ 0.24 | $ 0.27 |
| Weighted average shares outstanding: | | | |
| Basic | 6,441,367 | 6,515,428 | 6,866,664 |
| Diluted | 6,560,806 | 6,674,773 | 7,083,420 |



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

| | Six Months Ended March 31, 2008 | Six Months Ended March 31, 2007 |
|---|---|---|
| Interest and dividend income | | |
| Loans receivable | $ 21,121 | $ 18,070 |
| Investments and mortgage-backed securities | 391 | 835 |
| Dividends from mutual funds and FHLB stock | 818 | 833 |
| Federal funds sold | 58 | 142 |
| Interest bearing deposits in banks | 14 | 53 |
| Total interest and dividend income | 22,402 | 19,933 |
| Interest expense | | |
| Deposits | 6,450 | 5,247 |
| FHLB advances | 2,348 | 1,895 |
| Other borrowings | 14 | 27 |
| Total interest expense | 8,812 | 7,169 |
| Net interest income | 13,590 | 12,764 |
| Provision for loan losses | 1,900 | 156 |
| Net interest income after provision for loan losses | 11,690 | 12,608 |
| Non-interest income | | |
| Service charges on deposits | 1,344 | 1,369 |
| Gain on sale of loans, net | 237 | 171 |
| BOLI net earnings | 239 | 227 |
| Servicing income on loans sold | 297 | 246 |
| ATM transaction fees | 601 | 535 |
| Other | 334 | 356 |
| Total non-interest income | 3,052 | 2,904 |
| Non-interest expense | | |
| Salaries and employee benefits | 5,906 | 5,551 |
| Premises and equipment | 1,114 | 1,283 |
| Advertising | 450 | 379 |
| Loss (gain) from real estate operations | -- | (29) |
| ATM expenses | 291 | 226 |
| Postage and courier | 247 | 235 |
| Amortization of core deposit intangible | 124 | 143 |

| | | |
|---|---|---|
| State and local taxes | 298 | 272 |
| Professional fees | 292 | 349 |
| Other | 1,335 | 1,426 |
| Total non-interest expense | 10,057 | 9,835 |
| Income before federal income taxes | 4,685 | 5,677 |
| Federal income taxes | 1,484 | 1,807 |
| Net income | $ 3,201 | $ 3,870 |
| Earnings per common share: | | |
| Basic | $ 0.49 | $ 0.56 |
| Diluted | $ 0.48 | $ 0.54 |
| Weighted average shares outstanding: | | |
| Basic | 6,478,600 | 6,937,990 |
| Diluted | 6,618,101 | 7,165,698 |

Timberland Q1 Earnings
April 22, 2008
Page 7

TIMBERLAND BANCORP, INC.
CONSOLIDATED BALANCE SHEET

| ($ in thousands) (unaudited) | March 31, 2008 | Dec. 31, 2007 | March 31, 2007 |
|---|---|---|---|
| Assets | | | |
| Cash and due from financial institutions: | | | |
| Non-interest bearing | $ 12,165 | $ 15,301 | $ 14,604 |
| Interest-bearing deposits in banks | 883 | 502 | 659 |
| Federal funds sold | 1,220 | 1,015 | 6,655 |
| | 14,268 | 16,818 | 21,918 |
| Investments and mortgage-backed securities: | | | |
| Held to maturity | 60 | 67 | 72 |
| Available for sale | 42,868 | 45,037 | 67,221 |
| FHLB stock | 5,705 | 5,705 | 5,705 |
| | 48,633 | 50,809 | 72,998 |
| Loans receivable | 549,593 | 542,644 | 482,226 |
| Loans held for sale | 4,949 | -- | 1,934 |
| Less: Allowance for loan losses | (6,697) | (5,997) | (4,272) |
| Net loans receivable | 547,845 | 536,647 | 479,888 |
| Accrued interest receivable | 3,055 | 3,407 | 3,177 |
| Premises and equipment | 16,470 | 16,512 | 16,736 |
| Other real estate owned ("OREO") and other repossessed items | -- | -- | 71 |
| BOLI | 12,654 | 12,535 | 12,178 |
| Goodwill | 5,650 | 5,650 | 5,650 |
| Core deposit intangible | 1,096 | 1,158 | 1,363 |
| Mortgage servicing rights | 1,145 | 1,071 | 986 |

| | | | |
|---|---|---|---|
| Other assets | 3,697 | 1,987 | 2,836 |
| Total Assets | $ 654,513 | $ 646,594 | $ 617,801 |
| Liabilities and Shareholders' Equity | | | |
| Non-interest-bearing deposits | $ 50,068 | $ 50,590 | $ 53,321 |
| Interest-bearing deposits | 419,769 | 410,657 | 390,801 |
| Total deposits | 469,837 | 461,247 | 444,122 |
| FHLB advances | 105,663 | 106,380 | 92,230 |
| Other borrowings: repurchase agreements | 815 | 611 | 588 |
| Other liabilities and accrued expenses | 3,356 | 3,367 | 3,048 |
| Total Liabilities | 579,671 | 571,605 | 539,988 |
| Shareholders' Equity | | | |
| Common stock- $.01 par value; 50,000,000 shares authorized; March 31, 2008 6,876,653 shares issued and outstanding December 31, 2007 6,917,675 shares issued and outstanding March 31, 2007 3,649,190 shares issued and outstanding on a pre-split basis | 69 | 69 | 36 |
| Additional paid-in capital | 8,527 | 9,314 | 16,439 |
| Unearned shares- Employee Stock Ownership Plan | (2,908) | (2,974) | (3,392) |
| Retained earnings | 70,125 | 69,300 | 65,465 |
| Accumulated other comprehensive loss | (971) | (720) | (735) |
| Total Shareholders' Equity | 74,842 | 74,989 | 77,813 |
| Total Liabilities and Shareholders' Equity | $ 654,513 | $ 646,594 | $ 617,801 |

Timberland Q1 Earnings
April 22, 2008
Page 8

| KEY FINANCIAL RATIOS AND DATA ($ in thousands, except per share) (unaudited) | Three Months Ended March 31, 2008 | Dec. 31, 2007 | March 31, 2007 |
|---|---|---|---|
| PERFORMANCE RATIOS: | | | |
| Return on average assets (a) | 0.98% | 0.99% | 1.28% |
| Return on average equity (a) | 8.48% | 8.61% | 9.91% |
| Net interest margin (a) | 4.44% | 4.59% | 4.75% |
| Efficiency ratio | 63.29% | 57.64% | 62.42% |

| | Six Months Ended March 31, 2008 | March 31, 2007 |
|---|---|---|
| | | |

| | | | |
|---|---|---|---|
| Return on average assets | 0.99% | | 1.32% |
| Return on average equity | 8.55% | | 9.92% |
| Net interest margin | 4.52% | | 4.74% |
| Efficiency ratio | 60.43% | | 62.78% |

| | March 31, 2008 | Dec. 31, 2007 | March 31, 2007 |
|---|---|---|---|
| ASSET QUALITY RATIOS: | | | |
| Non-performing loans | $ 6,388 | $ 3,908 | $ 322 |
| OREO and other repossessed assets | -- | -- | 71 |
| Total non-performing assets | $ 6,388 | $ 3,908 | $ 393 |
| Non-performing assets to total assets | 0.98% | 0.60% | 0.06% |
| Allowance for loan losses to non-performing loans | 105% | 153% | 1,327% |
| Restructured loans | $ 2,491 | $ 2,462 | $ -- |
| Book value per share (b) | $ 10.88 | $ 10.84 | $ 10.66 |
| Book value per share (c) | $ 11.53 | $ 11.50 | $ 11.32 |
| Tangible book value per share (b) (d) | $ 9.90 | $ 9.86 | $ 9.70 |
| Tangible book value per share (c) (d) | $ 10.49 | $ 10.46 | $ 10.30 |

(a) Annualized
(b) Calculation includes ESOP shares not committed to be released
(c) Calculation excludes ESOP shares not committed to be released
(d) Calculation subtracts goodwill and core deposit intangible from the equity component

| AVERAGE BALANCE SHEET: | Three Months Ended | | |
|---|---|---|---|
| | March 31, 2008 | Dec. 31, 2007 | March 31, 2007 |
| Average total loans | $ 546,349 | $ 538,284 | $ 465,460 |
| Average total interest earning assets | 600,872 | 602,628 | 546,870 |
| Average total assets | 647,851 | 650,893 | 597,015 |
| Average total interest bearing deposits | 411,465 | 411,766 | 380,916 |
| Average FHLB advances and other borrowings | 107,572 | 106,937 | 81,578 |
| Average shareholders' equity | 74,741 | 75,002 | 77,340 |

| | Six Months Ended | |
|---|---|---|
| | March 31, 2008 | March 31, 2007 |
| Average total loans | $ 542,295 | $ 452,232 |
| Average total interest earning assets | 601,754 | 538,115 |
| Average total assets | 649,225 | 588,470 |
| Average total interest bearing deposits | 410,542 | 378,614 |
| Average FHLB advances and other borrowings | 107,253 | 73,688 |
| Average shareholders' equity | 74,873 | 78,002 |

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.