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TIMBERLAND BANCORP INC  
Form 8-K  
July 26, 2007

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 24, 2007

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

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

|  |                |
|--|----------------|
| 624 Simpson Avenue, Hoquiam, Washington<br>----- | 98550<br>----- |
| (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  
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On July 24, 2007, Timberland Bancorp, Inc. issued its earnings release for

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the quarter ended June 30, 2007. 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  
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(c) Exhibits

99.1 Press Release of Timberland Bancorp, Inc. dated July 24, 2007

SIGNATURES  
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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 25, 2007

By: /s/Dean J. Brydon  
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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  
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Timberland Bancorp, Inc. Announces Record Earnings Per Share

- \* Diluted Earnings Per Share Increases 11% to \$0.31
- \* Loan Portfolio Increases 25%

HOQUIAM, Wash. - July 24, 2007 - Timberland Bancorp, Inc. (NASDAQ: TSBK), ("Company") the holding company for Timberland Bank, ("Bank") today reported record third quarter earnings per share led by strong loan growth, ongoing share repurchases and excellent asset quality. Timberland increased its diluted earnings per share 11% to \$0.31 compared to \$0.28 per share in the third quarter of fiscal 2006. Net income for the quarter ended June 30, 2007, increased 4% year over year and 12% from the quarter immediately prior. Fiscal third quarter net income totaled \$2.14 million compared to \$2.06 million for the fiscal quarter a year ago and \$1.92 million for the quarter immediately prior. All per share data has been adjusted to reflect the 2 for 1 stock split in the form of a 100% dividend paid on June 5, 2007.

FISCAL THIRD QUARTER (JUNE 30, 2007) HIGHLIGHTS -

- \* Diluted earnings per share increased 11% compared to 3Q06 and increased 15% compared to 2Q07
- \* Return on equity increased to 11.2%.
- \* Loan portfolio increased 25% in the last 12 months to \$497 million.
- \* Quarterly cash dividend increased 11% to \$0.10 per share.
- \* Asset quality remained strong, with non-performing assets at 0.17% of total assets and a net charge-off of only \$2,000 during the quarter.

"We continue to benefit from the strong Northwest economy," stated Michael Sand, President and CEO. "We have continued to increase net interest income, control

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expenses and manage our capital. The results have been an increase in our earnings per share and in our return on equity. The economic strength in our area continues to provide ample opportunities for the profitable growth of our Company."

### OPERATING RESULTS

Fiscal third quarter revenue (net interest income before provision for loan losses plus non-interest income) increased 4% to \$8.2 million from \$7.8 million in the like quarter one year ago. Net interest income before the provision for loan losses for the quarter ended June 30, 2007 increased 6% to \$6.7 million compared to the like quarter one year ago with interest income increasing 19% and interest expense increasing 49%. For the first nine months of fiscal 2007, revenues increased 4% to \$23.8 million from \$23.0 million in the first nine months of fiscal 2006. Net interest income before provision for loan losses increased 6% to \$19.4 million, with interest income increasing 17% and interest expenses increasing 45%. Loan growth contributed to the increase in net interest income and offset increased funding costs.

"Our loan portfolio continues to perform well. The provision for loan losses made during the past two quarters is primarily due to the strong growth in the loan portfolio and changes in the portfolio's composition," said Sand. Timberland recorded a \$260,000 provision for loan losses in the third quarter, bringing the year-to-date provision to \$416,000, compared to no provision in the first three quarters of the prior fiscal year.

"As we have seen throughout the banking industry, the flat yield curve and intense competition for deposits has impacted margins," said Dean Brydon, Chief Financial Officer. "We have funded some of our loan growth this year with moderate deposit growth and are using other sources of borrowings to fund the strong loan demand in our market." Timberland's net interest margin was 4.67% for the third quarter compared to 4.75% for the quarter ended March 31, 2007 and 5.00% for the third quarter one year ago. Year to date, the net interest margin was 4.72% compared to 4.90% in the first nine months of fiscal 2006.

Non-interest income decreased 2% to \$1.50 million for the third quarter from \$1.53 million for the third fiscal quarter of 2006. Non-interest income for the first nine months of fiscal 2007 decreased 4% to \$4.41 million from \$4.59 million for the same period of 2006. These decreases were primarily due to a reduction in service charges on deposits.

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Total operating (non-interest) expenses decreased \$30,000 to \$4.76 million for the current quarter from \$4.79 million for the third quarter of fiscal 2006. The decrease in expenses for the current quarter was primarily due to a \$59,000 gain (\$38,000 net of tax) on the sale of a land parcel that was recorded in the premises and equipment expense category. Operating expenses in the first nine months of fiscal 2007 increased 3% to \$14.60 million from \$14.15 million for the same period one year ago, primarily due to increased salary and benefit related expenses and higher advertising and ATM expenses. The efficiency ratio for the third quarter improved to 58.35% from 62.42% in the quarter immediately prior and from 61.30% for the same quarter one year ago. Year-to-date the efficiency ratio improved to 61.26% from 61.59% for the first nine months of fiscal 2006. "Strong topline growth and overall cost controls throughout the organization are producing solid improvements in productivity and efficiency this year," said Brydon.

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"Our return on equity continues to improve as we return excess capital to shareholders through regular dividends and share repurchase programs," Sand noted. Return on equity ("ROE") was 11.24% for the third quarter of fiscal 2007, compared to the prior quarter's 9.91% and 10.57% for the third quarter of fiscal 2006. Timberland's return on assets ("ROA") was 1.38% compared to the prior quarter's 1.28% and 1.45% for the same period one year ago. For the first nine months of fiscal 2007, ROE was 10.36% compared to 10.48% of fiscal 2006, and ROA was 1.34% compared to 1.45% one year ago.

### BALANCE SHEET MANAGEMENT

Total assets increased to \$624 million at June 30, 2007 compared to \$618 million at March 31, 2007 and \$557 million one year ago primarily due to strong loan portfolio growth. Net loans receivable increased 14% on an annualized basis to \$497 million at June 30, 2007 from \$480 million at March 31, 2007, and increased 25% from \$398 million one year ago. During the past 12 months the portfolio has increased by \$99 million with a majority of the increase in higher yielding loans: Construction and land development loans (net of undisbursed portion) increased \$32 million; land loans increased \$24 million; multi-family loans increased \$13 million; consumer loans increased \$10 million; one-to four family loans increased \$8 million; commercial business loans increased \$6 million; and commercial real estate loans increased \$6 million. Timberland's construction portfolio is well diversified geographically and by type.

"We have no direct exposure to the subprime market," stated Sand. "The local housing markets in our trade areas remain healthy and it appears that regional population, personal income and employment growth will continue to provide support for the sales of new and existing homes.

### LOAN PORTFOLIO

(\$ in thousands)

|  | June 30, 2007 |         | March 31, 2007 |         | June 30, 2006 |         |
|--|---------------|---------|----------------|---------|---------------|---------|
|  | Amount        | Percent | Amount         | Percent | Amount        | Percent |
| <b>Mortgage Loans:</b>                               |               |         |                |         |               |         |
| One-to-four family(1)                                | \$103,883     | 18%     | \$104,697      | 19%     | \$ 95,828     | 21%     |
| Multi family   | 31,719        | 6       | 17,156         | 3       | 18,582        | 4       |
| Commercial   | 128,118       | 22      | 137,474        | 25      | 121,966       | 27      |
| Construction and land development                    | 181,157       | 32      | 179,350        | 32      | 133,977       | 29      |
| Land   | 53,794        | 9       | 48,331         | 9       | 29,259        | 7       |
|  | -----         | --      | -----          | --      | -----         | --      |
| Total mortgage loans                                 | 498,671       | 87      | 487,008        | 88      | 399,612       | 88      |
| <b>Consumer Loans:</b>                               |               |         |                |         |               |         |
| Home equity and second mortgage                      | 44,347        | 8       | 41,357         | 7       | 35,935        | 8       |
| Other  | 11,735        | 2       | 11,543         | 2       | 10,239        | 2       |
|  | -----         | --      | -----          | --      | -----         | --      |
|  | 56,082        | 10      | 52,900         | 9       | 46,174        | 10      |
| Commercial business loans                            | 16,625        | 3       | 15,289         | 3       | 10,158        | 2       |
|  | -----         | --      | -----          | --      | -----         | --      |
| Total loans  | \$571,378     | 100%    | \$555,197      | 100%    | \$455,944     | 100%    |
| <b>Less:</b>   |               |         |                |         |               |         |
| Undisbursed portion of construction loans in process | (66,598)      |         | (68,034)       |         | (51,333)      |         |
| Unearned income                                      | (2,921)       |         | (3,003)        |         | (2,573)       |         |
| Allowance for loan losses                            | (4,529)       |         | (4,272)        |         | (4,120)       |         |
|  | -----         |         | -----          |         | -----         |         |
| Total loans receivable, net                          | \$497,330     |         | \$479,888      |         | \$397,918     |         |
|  | =====         |         | =====          |         | =====         |         |

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(1) Includes loans held for sale

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CONSTRUCTION LOAN COMPOSITION  
 (\$ in thousands)

|                          | June 30, 2007 |         | March 31, 2007 |         | June 30, 2006 |         |
|--------------------------|---------------|---------|----------------|---------|---------------|---------|
|                          | Amount        | Percent | Amount         | Percent | Amount        | Percent |
| Custom and owner/builder | \$ 48,894     | 27%     | \$ 46,723      | 26%     | \$ 44,552     | 33%     |
| Speculative              | 43,655        | 24      | 36,753         | 20      | 37,306        | 28      |
| Commercial real estate   | 50,729        | 28      | 57,191         | 32      | 32,990        | 25      |
| Multi-family             | 19,801        | 11      | 17,756         | 10      | 7,388         | 5       |
| Land development         | 18,078        | 10      | 20,927         | 12      | 11,741        | 9       |
|                          | -----         | ---     | -----          | ---     | -----         | ---     |
| Total construction loans | \$181,157     | 100%    | \$179,350      | 100%    | \$133,977     | 100%    |

Loan originations increased 10% to \$66.4 million for the third quarter of fiscal 2007 from \$60.1 million for the same quarter one year ago. In the first nine months of fiscal 2007, loan originations increased 37% to \$233.4 million from \$169.8 million in the first nine months of fiscal 2006. Timberland also continued to sell fixed rate one-to-four family mortgage loans into the secondary market for asset-liability management purposes. Fixed rate one-to-four family mortgage loan sales totaled \$7.8 million for the third quarter of fiscal 2007 compared to \$4.5 million for the same period one year ago.

"We continue to expand our deposit gathering capabilities, both with our branch expansion over the past few years and with new products," Sand noted. "A new checking account program that offers an attractive yield is scheduled for introduction later this summer. We believe this innovative product will not only help us attract new accounts, but encourage our current customers to build their deposit balances with us. We believe the long-term benefits of expanding the deposit customer base will outweigh the initial expenses." Total deposits decreased \$10.6 million to \$433.5 million at June 30, 2007 from \$444.1 million at March 31, 2007 as balances in checking accounts, savings accounts and certificate of deposit accounts of \$100,000 and over decreased.

DEPOSIT BREAKDOWN  
 (\$ in thousands)

|   | June 30, 2007 |         | March 31, 2007 |         | June 30, 2006 |         |
|---|---------------|---------|----------------|---------|---------------|---------|
|   | Amount        | Percent | Amount         | Percent | Amount        | Percent |
| Non-interest bearing                      | \$ 50,580     | 12%     | \$ 53,321      | 12%     | \$ 54,372     | 13%     |
| N.O.W. checking                           | 80,290        | 18      | 83,945         | 19      | 91,694        | 22      |
| Savings                                   | 59,558        | 14      | 62,169         | 14      | 60,878        | 14      |
| Money market accounts                     | 46,446        | 11      | 45,950         | 10      | 37,962        | 9       |
| Certificates of deposit<br>under \$100    | 131,803       | 30      | 129,986        | 29      | 125,085       | 30      |
| Certificates of deposit<br>\$100 and over | 64,837        | 15      | 68,751         | 16      | 49,393        | 12      |
|   | -----         | ---     | -----          | ---     | -----         | ---     |
| Total deposits                            | \$433,514     | 100%    | \$444,122      | 100%    | \$419,384     | 100%    |
|   | =====         | ===     | =====          | ===     | =====         | ===     |

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Total shareholders' equity decreased \$3.8 million to \$74.0 million at June 30, 2007 from \$77.8 million at March 31, 2007, as Timberland continued to manage its capital through asset growth, stock repurchases and dividends. During the quarter Timberland repurchased 310,532 shares (adjusted for stock split) for \$5.6 million (an average price of \$18.02 per share). There are 216,950 shares remaining to be repurchased in the current stock repurchase plan. Cumulatively, Timberland has repurchased 7.6 million shares or 57% of the 13.2 million shares that were issued in its initial public offering in January 1998 at an average price of \$8.82 per share. A cash dividend of \$0.09 per share was paid during the quarter, which represented the 37th consecutive quarter a cash dividend was paid to shareholders. On July 12, 2007 the Company announced an 11% increase in the quarterly cash dividend to \$0.10 per share. The dividend will be paid on August 23, 2007 to shareholders of record on August 9, 2007.

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### ASSET QUALITY

Asset quality remained strong as the non-performing assets to total assets ratio was 0.17% at June 30, 2007, with a net charge-off of only \$2,000 during the quarter. The allowance for loan losses totaled \$4.5 million at June 30, 2007, or 0.90% of loans receivable and 461% of non-performing loans. The allowance for loan losses was \$4.3 million, or 0.89% of loans receivable at March 31, 2007. The Company's non-performing loans totaled \$982,000 at June 30, 2007, and consisted of a \$347,000 commercial real estate loan, four single family mortgage loans totaling \$351,000, a \$250,000 single-family construction loan and a \$34,000 land loan.

### ABOUT TIMBERLAND BANCORP, INC.

Timberland Bancorp, Inc. stock trades on the NASDAQ global market under the symbol "TSBK." The Bank 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.

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### TIMBERLAND BANCORP INC. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT

| (\$ in thousands, except per share)<br>(unaudited) | Three Months Ended |                   |                  |
|--|--------------------|-------------------|------------------|
|  | June 30,<br>2007   | March 31,<br>2007 | June 30,<br>2006 |
| Interest and dividend income                       |                    |                   |                  |
| Loans receivable                                   | \$ 9,981           | \$ 9,283          | \$ 8,036         |
| Investments and mortgage-backed securities         | 350                | 381               | 529              |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| Dividends  | 426       | 413       | 370       |
| Federal funds sold                                     | 49        | 77        | 121       |
| Interest bearing deposits in banks                     | 8         | 14        | 18        |
|  | -----     | -----     | -----     |
| Total interest and dividend income                     | 10,814    | 10,168    | 9,074     |
| Interest expense                                       |           |           |           |
| Deposits   | 2,866     | 2,657     | 2,058     |
| Federal Home Loan Bank ("FHLB") advances               | 1,278     | 1,013     | 718       |
| Other borrowings                                       | 12        | 10        | 10        |
|  | -----     | -----     | -----     |
| Total interest expense                                 | 4,156     | 3,680     | 2,786     |
|  | -----     | -----     | -----     |
| Net interest income                                    | 6,658     | 6,488     | 6,288     |
| Provision for loan losses                              | 260       | 156       | --        |
| Net interest income after provision<br>for loan losses | 6,398     | 6,332     | 6,288     |
| Non-interest income                                    |           |           |           |
| Service charges on deposits                            | 692       | 663       | 769       |
| Gain on sale of loans, net                             | 79        | 64        | 60        |
| BOLI net earnings                                      | 116       | 114       | 112       |
| Escrow fees  | 22        | 24        | 32        |
| Servicing income on loans sold                         | 127       | 115       | 80        |
| ATM transaction fees                                   | 295       | 272       | 266       |
| Other  | 170       | 172       | 209       |
|  | -----     | -----     | -----     |
| Total non-interest income                              | 1,501     | 1,424     | 1,528     |
| Non-interest expense                                   |           |           |           |
| Salaries and employee benefits                         | 2,752     | 2,766     | 2,727     |
| Premises and equipment                                 | 557       | 647       | 583       |
| Advertising  | 190       | 201       | 185       |
| Loss from other real estate operations                 | 1         | 2         | 5         |
| ATM expenses   | 128       | 107       | 105       |
| Postage and courier                                    | 113       | 130       | 123       |
| Amortization of core deposit intangible                | 71        | 71        | 82        |
| State and local taxes                                  | 148       | 133       | 138       |
| Professional fees                                      | 175       | 172       | 222       |
| Other  | 626       | 710       | 621       |
|  | -----     | -----     | -----     |
| Total non-interest expense                             | 4,761     | 4,939     | 4,791     |
| Income before federal income taxes                     | 3,138     | 2,817     | 3,025     |
| Federal income taxes                                   | 1,000     | 901       | 964       |
|  | -----     | -----     | -----     |
| Net income   | \$ 2,138  | \$ 1,916  | \$ 2,061  |
|  | =====     | =====     | =====     |
| Earnings per common share:                             |           |           |           |
| Basic  | \$ 0.32   | \$ 0.28   | \$ 0.29   |
| Diluted  | \$ 0.31   | \$ 0.27   | \$ 0.28   |
| Weighted average shares outstanding:                   |           |           |           |
| Basic  | 6,713,777 | 6,866,664 | 7,141,700 |
| Diluted  | 6,910,165 | 7,083,420 | 7,382,876 |



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| TIMBERLAND BANCORP INC. AND SUBSIDIARIES      |  | Nine Months Ended |           |
|---|--|-------------------|-----------|
| CONSOLIDATED INCOME STATEMENT                 |  | June 30,          | June 30,  |
| (\$ in thousands, except per share)           |  | 2007              | 2006      |
| (unaudited)                                   |  | -----             | -----     |
| Interest and dividend income                  |  |                   |           |
| Loans receivable                              |  | \$ 28,050         | \$ 23,144 |
| Investments and mortgage-backed securities    |  | 1,185             | 1,642     |
| Dividends                                     |  | 1,259             | 1,036     |
| Federal funds sold                            |  | 192               | 292       |
| Interest bearing deposits in banks            |  | 61                | 54        |
|   |  | -----             | -----     |
| Total interest and dividend income            |  | 30,747            | 26,168    |
| Interest expense                              |  |                   |           |
| Deposits                                      |  | 8,113             | 5,554     |
| Federal Home Loan Bank ("FHLB") advances      |  | 3,173             | 2,201     |
| Other borrowings                              |  | 39                | 36        |
|   |  | -----             | -----     |
| Total interest expense                        |  | 11,325            | 7,791     |
|   |  | -----             | -----     |
| Net interest income                           |  | 19,422            | 18,377    |
| Provision for loan losses                     |  | 416               | --        |
| Net interest income after provision           |  | -----             | -----     |
| for loan losses                               |  | 19,006            | 18,377    |
| Non-interest income                           |  |                   |           |
| Service charges on deposits                   |  | 2,061             | 2,226     |
| Gain on sale of loans, net                    |  | 250               | 264       |
| BOLI net earnings                             |  | 343               | 333       |
| Escrow fees                                   |  | 77                | 87        |
| Servicing income on loans sold                |  | 373               | 266       |
| ATM transaction fees                          |  | 830               | 742       |
| Other   |  | 471               | 674       |
|   |  | -----             | -----     |
| Total non-interest income                     |  | 4,405             | 4,592     |
| Non-interest expense                          |  |                   |           |
| Salaries and employee benefits                |  | 8,303             | 8,095     |
| Premises and equipment                        |  | 1,827             | 1,814     |
| Advertising                                   |  | 569               | 501       |
| Loss (gain) from other real estate operations |  | (14)              | (79)      |
| ATM expenses                                  |  | 354               | 299       |
| Postage and courier                           |  | 347               | 370       |
| Amortization of core deposit intangible       |  | 214               | 246       |
| State and local taxes                         |  | 420               | 427       |
| Professional fees                             |  | 524               | 611       |
| Other   |  | 2,052             | 1,863     |
|   |  | -----             | -----     |
| Total non-interest expense                    |  | 14,596            | 14,147    |
| Income before federal income taxes            |  | 8,815             | 8,822     |
| Federal income taxes                          |  | 2,806             | 2,809     |
|   |  | -----             | -----     |
| Net income                                    |  | \$ 6,009          | \$ 6,013  |
|   |  | =====             | =====     |
| Earnings per common share:                    |  |                   |           |
| Basic   |  | \$ 0.88           | \$ 0.85   |
| Diluted                                       |  | \$ 0.85           | \$ 0.82   |
| Weighted average shares outstanding:          |  |                   |           |
| Basic   |  | 6,863,253         | 7,058,116 |
| Diluted                                       |  | 7,080,530         | 7,305,004 |

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TIMBERLAND BANCORP, INC.  
 CONSOLIDATED BALANCE SHEET

| (\$ in thousands) (unaudited)   | June 30,<br>2007 | March 31,<br>2007 | June 30,<br>2006 |
|---|------------------|-------------------|------------------|
| <b>Assets</b>   |                  |                   |                  |
| Cash and due from financial institutions  | -----            | -----             | -----            |
| Non-interest bearing  | \$ 11,798        | \$ 14,604         | \$ 13,720        |
| Interest-bearing deposits in banks  | 1,188            | 659               | 2,565            |
| Federal funds sold  | 205              | 6,655             | 10,450           |
|   | -----            | -----             | -----            |
|   | 13,191           | 21,918            | 26,735           |
| Investments and mortgage-backed securities:   |                  |                   |                  |
| Held to maturity  | 72               | 72                | 86               |
| Available for sale  | 64,911           | 67,221            | 84,822           |
| FHLB Stock  | 5,705            | 5,705             | 5,705            |
|   | -----            | -----             | -----            |
|   | 70,688           | 72,998            | 90,613           |
| Loans receivable  | 500,694          | 482,226           | 401,014          |
| Loans held for sale   | 1,165            | 1,934             | 1,024            |
| Less: Allowance for loan losses   | (4,529)          | (4,272)           | (4,120)          |
|   | -----            | -----             | -----            |
| Net loans receivable  | 497,330          | 479,888           | 397,918          |
| Accrued interest receivable   | 3,177            | 3,177             | 2,416            |
| Premises and equipment  | 16,557           | 16,736            | 16,416           |
| Other Real estate owned ("OREO") and<br>other repossessed items   | 68               | 71                | 112              |
| Bank owned life insurance ("BOLI")  | 12,294           | 12,178            | 11,835           |
| Goodwill  | 5,650            | 5,650             | 5,650            |
| Core deposit intangible   | 1,292            | 1,363             | 1,588            |
| Mortgage servicing rights   | 1,018            | 986               | 888              |
| Other assets  | 2,881            | 2,836             | 2,373            |
|   | -----            | -----             | -----            |
| Total Assets  | \$624,146        | \$617,801         | \$556,544        |
|   | =====            | =====             | =====            |
| <b>Liabilities and Shareholders' Equity</b>   |                  |                   |                  |
| Non-interest-bearing deposits   | \$ 50,580        | \$ 53,321         | \$ 54,372        |
| Interest-bearing deposits   | 382,934          | 390,801           | 365,012          |
|   | -----            | -----             | -----            |
| Total deposits  | 433,514          | 444,122           | 419,384          |
| FHLB advances   | 112,463          | 92,230            | 53,776           |
| Other borrowings: repurchase agreements   | 775              | 588               | 1,152            |
| Other liabilities and accrued expenses  | 3,402            | 3,048             | 3,409            |
|   | -----            | -----             | -----            |
| Total Liabilities   | 550,154          | 539,988           | 477,721          |
|   | -----            | -----             | -----            |
| Shareholders' Equity  |                  |                   |                  |
| Common stock—\$.01 par value; 50,000,000<br>shares authorized;<br>June 30, 2007 - 7,025,360 shares issued |                  |                   |                  |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| and outstanding                                |           |           |           |
| March 31, 2007 - 3,649,190 shares issued       |           |           |           |
| and outstanding on a pre-split basis           |           |           |           |
| June 30, 2006 - 3,785,576 shares issued and    |           |           |           |
| outstanding on a pre-split basis               | 70        | 36        | 38        |
| Additional paid in capital                     | 11,425    | 16,439    | 22,111    |
| Unearned shares- Employee Stock Ownership Plan | (3,106)   | (3,172)   | (3,437)   |
| Unearned shares- Management Recognition and    |           |           |           |
| Development Plan                               | (415)     | (220)     | --        |
| Retained earnings                              | 66,915    | 65,465    | 61,471    |
| Accumulated other comprehensive loss           | (897)     | (735)     | (1,360)   |
|  | -----     | -----     | -----     |
| Total Shareholders' Equity                     | 73,992    | 77,813    | 78,823    |
|  | -----     | -----     | -----     |
| Total Liabilities and Shareholders' Equity     | \$624,146 | \$617,801 | \$556,544 |
|  | =====     | =====     | =====     |

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KEY FINANCIAL RATIOS AND DATA

| (\$ in thousands, except per share) (unaudited) | Three Months Ended |                   |                  |
|---|--------------------|-------------------|------------------|
|   | June 30,<br>2007   | March 31,<br>2007 | June 30,<br>2006 |
| PERFORMANCE RATIOS:                             | -----              | -----             | -----            |
| Return on average assets (a)                    | 1.38%              | 1.28%             | 1.49%            |
| Return on average equity (a)                    | 11.24%             | 9.91%             | 10.57%           |
| Net interest margin (a)                         | 4.67%              | 4.75%             | 5.00%            |
| Efficiency ratio                                | 58.35%             | 62.42%            | 61.30%           |

|                              | Nine Months Ended |                  |
|------------------------------|-------------------|------------------|
|                              | June 30,<br>2007  | June 30,<br>2006 |
|                              | -----             | -----            |
| Return on average assets (a) | 1.34%             | 1.45%            |
| Return on average equity (a) | 10.36%            | 10.48%           |
| Net interest margin (a)      | 4.72%             | 4.90%            |
| Efficiency ratio             | 61.26%            | 61.59%           |

|   | June 30,<br>2007 | March 31,<br>2007 | June 30,<br>2006 |
|---|------------------|-------------------|------------------|
|   | -----            | -----             | -----            |
| ASSET QUALITY RATIOS:                       |                  |                   |                  |
| Non-performing loans                        | \$ 982           | \$ 322            | \$ 1,935         |
| OREO & other repossessed assets             | 68               | 71                | 112              |
|   | -----            | -----             | -----            |
| Total non-performing assets                 | \$ 1,050         | \$ 393            | \$ 2,047         |
| Non-performing assets to total assets       | 0.17%            | 0.06%             | 0.37%            |
| Allowance for loan losses to non-performing |                  |                   |                  |
| loans                                       | 461%             | 1,327%            | 213%             |
|   |                  |                   |                  |
| Book value per share (b)                    | \$ 10.53         | \$ 10.66          | \$ 10.41         |
| Book value per share (c)                    | \$ 11.19         | \$ 11.32          | \$ 11.08         |
| Tangible book value per share (b) (d)       | \$ 9.54          | \$ 9.70           | \$ 9.46          |
| Tangible book value per share (c) (d)       | \$ 10.14         | \$ 10.30          | \$ 10.07         |

- (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

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AVERAGE BALANCE SHEET:

|  | Three Months Ended |                   |                  |
|--|--------------------|-------------------|------------------|
|  | June 30,<br>2007   | March 31,<br>2007 | June 30,<br>2006 |
| Average total loans                      | \$ 494,137         | \$ 465,460        | \$ 399,849       |
| Average total interest earning assets    | 570,597            | 546,870           | 502,804          |
| Average total assets                     | 619,120            | 597,015           | 554,716          |
| Average total interest bearing deposits  | 388,610            | 380,916           | 366,228          |
| Average FHLB advances & other borrowings | 98,467             | 81,578            | 55,597           |
| Average shareholders' equity             | 76,087             | 77,340            | 77,969           |

|  | Nine Months Ended |                  |
|--|-------------------|------------------|
|  | June 30,<br>2007  | June 30,<br>2006 |
| Average total loans                      | \$ 466,200        | \$ 396,141       |
| Average total interest earning assets    | 548,942           | 499,624          |
| Average total assets                     | 598,688           | 552,100          |
| Average total interest bearing deposits  | 381,946           | 363,246          |
| Average FHLB advances & other borrowings | 82,139            | 58,218           |
| Average shareholders' equity             | 77,364            | 76,478           |

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.