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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

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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

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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

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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.

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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

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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

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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
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)	

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

(1) Includes loans held for sale

CONSTRUCTION LOAN COMPOSITION

(\$ in thousands)	March 31, 2008		Dec. 31, 2007		March 31, 2007	
	Amount	Percent	Amount	Percent	Amount	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%.

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DEPOSIT BREAKDOWN
 (\$ in thousands)

	March 31, 2008		Dec. 31, 2007		March 31, 2007	
	Amount	Percent	Amount	Percent	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 its 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.

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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

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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

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TIMBERLAND BANCORP INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(\$ in thousands, except per share)
 (unaudited)

	Six Months Ended	
	March 31, 2008	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

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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

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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

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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
	=====	=====	=====

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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
	-----	-----

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	-----	-----
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

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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.