

TIMBERLAND BANCORP INC
Form 10-Q
May 11, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____.

Commission file number 0-23333

TIMBERLAND BANCORP, INC.
(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of incorporation or organization) 91-1863696
(IRS Employer Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated Filer Non-accelerated filer Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	SHARES OUTSTANDING AT April 30, 2012
Common stock, \$.01 par value	7,045,036

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2012 and September 30, 2011

(Dollars in thousands, except per share amounts)

(Unaudited)

	March 31, 2012	September 30, 2011
Assets		
Cash and cash equivalents:		
Cash and due from financial institutions	\$ 11,154	\$ 11,455
Interest-bearing deposits in banks	100,467	100,610
Total cash and cash equivalents	111,621	112,065
Certificates of deposit ("CDs") held for investment (at cost which approximates fair value)	20,180	18,659
Mortgage-backed securities ("MBS") and other investments - held to maturity, at amortized cost (estimated fair value \$3,828 and \$4,229)	3,706	4,145
MBS and other investments - available for sale	5,261	6,717
Federal Home Loan Bank of Seattle ("FHLB") stock	5,705	5,705
Loans receivable	545,961	535,926
Loans held for sale	1,296	4,044
Less: Allowance for loan losses	(12,264)	(11,946)
Net loans receivable	534,993	528,024
Premises and equipment, net	17,640	17,390
Other real estate owned ("OREO") and other repossessed assets, net	8,024	10,811
Accrued interest receivable	2,369	2,411
Bank owned life insurance ("BOLI")	16,228	15,917
Goodwill	5,650	5,650
Core deposit intangible ("CDI")	323	397
Mortgage servicing rights ("MSRs"), net	2,284	2,108
Prepaid Federal Deposit Insurance Corporation ("FDIC") insurance assessment	1,643	2,103
Other assets	7,082	6,122
Total assets	\$742,709	\$738,224
Liabilities and shareholders' equity		
Liabilities:		
Deposits: Non-interest-bearing demand	\$ 69,633	\$ 64,494
Deposits: Interest-bearing	534,963	528,184

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Total deposits	604,596	592,678
FHLB advances	45,000	55,000
Repurchase agreements	948	729
Other liabilities and accrued expenses	4,181	3,612
Total liabilities	654,725	652,019
Shareholders' equity		
Preferred stock, \$.01 par value; 1,000,000 shares authorized;		
16,641 shares, Series A, issued and outstanding;	16,107	15,989
\$1,000 per share liquidation value		
Common stock, \$.01 par value; 50,000,000 shares authorized;	10,480	10,457
7,045,036 shares issued and outstanding		
Unearned shares - Employee Stock Ownership Plan ("ESOP")	(1,851)	(1,983)
Retained earnings	63,826	62,270
Accumulated other comprehensive loss	(578)	(528)
Total shareholders' equity	87,984	86,205
Total liabilities and shareholders' equity	\$742,709	\$738,224

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the three and six months ended March 31, 2012 and 2011
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Interest and dividend income				
Loans receivable	\$7,607	\$8,240	\$15,412	\$16,774
MBS and other investments	109	162	234	344
Dividends from mutual funds	7	8	20	16
Interest-bearing deposits in banks	81	83	170	170
Total interest and dividend income	7,804	8,493	15,836	17,304
Interest expense				
Deposits	1,035	1,591	2,204	3,342
FHLB advances	496	550	1,058	1,279
Total interest expense	1,531	2,141	3,262	4,621
Net interest income	6,273	6,352	12,574	12,683
Provision for loan losses	1,050	700	1,700	1,600
Net interest income after provision for loan losses				
Losses	5,223	5,652	10,874	11,083
Non-interest income				
Other than temporary impairment ("OTTI")				
on MBS and other investments	(94)	(9)	(123)	(154)
Adjustment for portion recorded as other comprehensive loss (before taxes)	--	(26)	(30)	(17)
Net OTTI on MBS and other investments	(94)	(35)	(153)	(171)
Realized losses on MBS and other investments	--	(2)	--	(2)
Gain on sales of MBS and other investments	20	--	20	79
Service charges on deposits	890	898	1,860	1,882
ATM transaction fees	540	458	1,057	869

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BOLI net earnings	154	118	311	240
Gain on sales of loans, net	596	266	1,155	967
Servicing income (expense) on loans	4	16	13	(20)
sold				
Escrow fees	22	18	49	39
Valuation recovery on MSRs	142	206	226	840
Fee income from non-deposit	26	17	38	48
investment sales				
Other	193	148	361	289
Total non-interest income, net	2,493	2,108	4,937	5,060

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME (continued)
 For the three and six months ended March 31, 2012 and 2011
 (Dollars in thousands, except per share amounts)
 (Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Non-Interest expense				
Salaries and employee benefits	\$ 3,055	\$ 3,115	\$ 5,983	\$ 6,243
Premises and equipment	682	658	1,332	1,328
Advertising	172	201	380	368
OREO and other repossessed assets,	434	6	936	434
net				
ATM expenses	197	206	392	380
Postage and courier	139	146	257	261
Amortization of CDI	37	42	74	83
State and local taxes	152	160	301	320
Professional fees	232	196	411	377
FDIC insurance	241	332	466	672
Other insurance	53	89	109	243
Loan administration and foreclosure	372	267	533	365
Data processing and	315	281	615	561
telecommunications				
Deposit operations	193	140	416	245
Other	298	339	589	674
Total non-interest expense	6,572	6,178	12,794	12,554
Income before federal and state income taxes	1,144	1,582	3,017	3,589
Provision for federal and state income taxes	336	499	927	1,147
Net income	808	1,083	2,090	2,442
Preferred stock dividends	(208)	(208)	(416)	(416)
Preferred stock discount accretion	(59)	(56)	(118)	(111)
Net income to common shareholders	\$ 541	\$ 819	\$ 1,556	\$ 1,915
Net income per common share				
Basic	\$ 0.08	\$ 0.12	\$ 0.23	\$ 0.28
Diluted	\$ 0.08	\$ 0.12	\$ 0.23	\$ 0.28

Weighted average common shares outstanding				
Basic	6,780,516	6,745,250	6,780,516	6,745,250
Diluted	6,780,516	6,745,250	6,780,516	6,745,250

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and six months ended March 31, 2012 and 2011
(In thousands)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Comprehensive income:				
Net income	\$ 808	\$ 1,083	\$ 2,090	\$ 2,442
Unrealized holding gain (loss) on securities				
available for sale, net of tax	(42)	27	(56)	(48)
Change in OTTI on securities held to maturity, net of tax:				
Additions	(13)	(8)	(27)	(55)
Additional amount recognized related to credit loss for which OTTI was previously recognized	8	13	(4)	9
Amount reclassified to credit loss for previously recorded market loss	5	12	11	57
Accretion of OTTI securities held to maturity, net of tax	15	13	26	19
Total comprehensive income	\$ 781	\$ 1,140	\$ 2,040	\$ 2,424

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 For the six months ended March 31, 2012 and the year ended September 30, 2011
 (Dollars in thousands)
 (Unaudited)

	Number of Shares		Amount		Unearned	Retained	Accumulated	
	Preferred	Common	Preferred	Common	Shares	Earnings	Other	Total
	Stock	Stock	Stock	Stock	ESOP		Compre- hensive Loss	
Balance, September 30, 2010	16,641	7,045,036	\$15,764	\$10,377	\$(2,247)	\$62,238	\$(724)	\$85,408
Net income	--	--	--	--	--	1,089	--	1,089
Accretion of preferred stock discount	--	--	225	--	--	(225)	--	--
5% preferred stock dividend	--	--	--	--	--	(832)	--	(832)
Earned ESOP shares	--	--	--	(61)	264	--	--	203
MRDP (1) compensation expense	--	--	--	134	--	--	--	134
Stock option compensation expense	--	--	--	--	--	--	--	--