

TIMBERLAND BANCORP INC
Form 10-Q
August 09, 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 June 30, 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
(Address of principal executive offices)

98550
(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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 July 31, 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

June 30, 2012 and September 30, 2011

(Dollars in thousands, except per share amounts)

(Unaudited)

	June 30, 2012	September 30, 2011
Assets		
Cash and cash equivalents:		
Cash and due from financial institutions	\$12,489	\$11,455
Interest-bearing deposits in banks	80,499	100,610
Total cash and cash equivalents	92,988	112,065
Certificates of deposit ("CDs") held for investment (at cost which approximates fair value)	22,781	18,659
Mortgage-backed securities ("MBS") and other investments - held to maturity, at amortized cost (estimated fair value \$3,651 and \$4,229)	3,503	4,145
MBS and other investments - available for sale	5,113	6,717
Federal Home Loan Bank of Seattle ("FHLB") stock	5,705	5,705
Loans receivable	544,708	535,926
Loans held for sale	4,064	4,044
Less: Allowance for loan losses	(11,603)	(11,946)
Net loans receivable	537,169	528,024
Premises and equipment, net	17,723	17,390
Other real estate owned ("OREO") and other repossessed assets, net	9,997	10,811
Accrued interest receivable	2,161	2,411
Bank owned life insurance ("BOLI")	16,374	15,917
Goodwill	5,650	5,650
Core deposit intangible ("CDI")	286	397
Mortgage servicing rights ("MSRs"), net	2,150	2,108
Prepaid Federal Deposit Insurance Corporation ("FDIC") insurance assessment	1,415	2,103
Other assets	6,121	6,122
Total assets	\$729,136	\$738,224
Liabilities and shareholders' equity		
Liabilities:		
Deposits: Non-interest-bearing demand	\$70,004	\$64,494
Deposits: Interest-bearing	520,362	528,184
Total deposits	590,366	592,678
FHLB advances	45,000	55,000
Repurchase agreements	826	729
Other liabilities and accrued expenses	3,669	3,612

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Total liabilities	639,861	652,019
Shareholders' equity		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; 16,641 shares, Series A, issued and outstanding; \$1,000 per share liquidation value	16,168	15,989
Common stock, \$.01 par value; 50,000,000 shares authorized; 7,045,036 shares issued and outstanding	10,500	10,457
Unearned shares - Employee Stock Ownership Plan ("ESOP")	(1,785)	(1,983)
Retained earnings	64,905	62,270
Accumulated other comprehensive loss	(513)	(528)
Total shareholders' equity	89,275	86,205
Total liabilities and shareholders' equity	\$729,136	\$738,224

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended June 30, 2012 and 2011

(Dollars in thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Interest and dividend income				
Loans receivable	\$7,842	\$8,192	\$23,254	\$24,966
MBS and other investments	89	141	323	486
Dividends from mutual funds	6	8	26	23
Interest-bearing deposits in banks	82	90	252	260
Total interest and dividend income	8,019	8,431	23,855	25,735
Interest expense				
Deposits	925	1,463	3,128	4,805
FHLB advances	466	556	1,525	1,835
Total interest expense	1,391	2,019	4,653	6,640
Net interest income	6,628	6,412	19,202	19,095
Provision for loan losses	900	3,400	2,600	5,000
Net interest income after provision for loan losses	5,728	3,012	16,602	14,095
Non-interest income				
Other than temporary impairment ("OTTI") on MBS and other investments	(60)	(70)	(182)	(224)
Adjustment for portion recorded as transferred from other comprehensive income (loss) before taxes	23	(95)	(8)	(112)
Net OTTI on MBS and other investments	(37)	(165)	(190)	(336)
Realized losses on MBS and other investments	--	--	--	(2)
Gain on sales of MBS and other investments	2	--	22	79
Service charges on deposits	955	993	2,815	2,875
ATM and debit card interchange transaction fees	564	515	1,621	1,384
BOLI net earnings	146	121	457	361
Gain on sales of loans, net	567	247	1,722	1,214
Escrow fees	30	16	79	55
Valuation recovery (allowance) on MSR	(82)	(137)	144	703

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Fee income from non-deposit investment sales	20	25	58	73
Other	176	146	550	414
Total non-interest income, net	2,341	1,761	7,278	6,820

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the three and nine months ended June 30, 2012 and 2011
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June		Nine Months Ended June	
	2012	30, 2011	2012	30, 2011
Non-interest expense				
Salaries and employee benefits	\$ 3,006	\$ 3,150	\$ 8,989	\$ 9,393
Premises and equipment	647	640	1,979	1,967
Advertising	173	235	553	604
OREO and other repossessed assets,	363	496	1,299	930
net				
ATM expenses	206	203	598	583
Postage and courier	124	139	381	400
Amortization of CDI	37	42	111	125
State and local taxes	159	155	460	475
Professional fees	217	190	628	567
FDIC insurance	237	248	703	919
Other insurance	51	56	161	299
Loan administration and foreclosure	82	345	615	711
Data processing and	303	285	918	847
telecommunications				
Deposit operations	177	202	593	447
Other	315	396	903	1,069
Total non-interest expense	6,097	6,782	18,891	19,336
Income (loss) before federal and state				
income				
taxes	1,972	(2,009)	4,989	1,579
Provision (benefit) for federal and state				
income				
taxes	624	(729)	1,551	417
Net income (loss)	1,348	(1,280)	3,438	1,162
Preferred stock dividends	(208)	(208)	(624)	(624)
Preferred stock discount accretion	(61)	(57)	(179)	(168)
Net income (loss) to common	\$ 1,079	\$ (1,545)	\$ 2,635	\$ 370
shareholders				
Net income (loss) per common share				
Basic	\$ 0.16	\$ (0.23)	\$ 0.39	\$ 0.05

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Diluted	\$ 0.16	\$ (0.23)	\$ 0.39	\$ 0.05
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	6,745,487

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 For the three and nine months ended June 30, 2012 and 2011
 (In thousands)
 (Unaudited)

	Three Months Ended June		Nine Months Ended June	
	30,		30,	
	2012	2011	2012	2011
Comprehensive income (loss):				
Net income (loss)	\$ 1,348	\$ (1,280)	\$ 3,438	\$ 1,162
Unrealized holding gain (loss) on securities				
available for sale, net of tax	39	50	(17)	2
Change in OTTI on securities held to maturity, net of tax:				
Additions	--	(9)	(27)	(65)
Additional amount recognized related to credit loss for which OTTI was previously recognized	5	5	1	15
Amount reclassified to credit loss for previously recorded market loss	10	67	21	124
Accretion of OTTI securities held to maturity, net of tax	11	8	37	27
Total comprehensive income (loss)	\$ 1,413	\$ (1,159)	\$ 3,453	\$ 1,265

See notes to unaudited condensed consolidated financial statements

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

(Unaudited)

	Number of Shares		Amount		Unearned Shares ESOP	Retained Earnings	Accumulated	Total
	Preferred Stock	Common Stock	Preferred Stock	Common Stock			Other 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	--	--	--	7	--	--	--	7
Unrealized holding gain on securities available for sale, net of tax	--	--	--	--	--	--	14	14
Change in OTTI on securities held to maturity, net of tax	--	--	--	--	--	--	139	139
Accretion of OTTI on securities held to maturity, net of tax	--	--	--	--	--	--	43	43
Balance, September 30, 2011	16,641	7,045,036	15,989	10,457	(1,983)	62,270	(528)	86,205
Net income	--	--	--	--	--	3,438	--	3,438
Accretion of preferred stock discount	--	--	179	--	--	(179)	--	--
5% preferred stock dividend	--	--	--	--	--	(624)	--	(624)
Earned ESOP shares	--	--	--	(53)	198	--	--	145
	--	--	--	85	--	--	--	85

MRDP compensation expense									
Stock option compensation expense	--	--	--	11	--	--	--	--	11
Unrealized holding loss on securities available for sale, net of tax	--	--	--	--	--	--	--	(17)	(17)
Change in OTTI on securities held to maturity, net of tax	--	--	--	--	--	--	--	(5)	(5)
Accretion of OTTI on securities held to maturity, net of tax				--	--	--		37	37
Balance, June 30, 2012	16,641	7,045,036	\$16,168	\$10,500	\$(1,785)	\$64,905		\$(513)	\$89,275

(1) 1998 Management Recognition and Development Plan ("MRDP").

See notes to unaudited condensed consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended June 30, 2012 and 2011

(Dollars in thousands)

(Unaudited)

	Nine Months Ended June 30,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 3,438	\$ 1,162
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,600	5,000
Depreciation	684	743
Deferred federal income taxes	366	(412)
Amortization of CDI	111	125
Earned ESOP shares	198	198
MRDP compensation expense	85	129
Stock option compensation expense	11	5
Loss (gain) on sales of OREO and other repossessed assets, net	290	(527)
Provision for OREO losses	609	973
Loss on disposition of premises and equipment	--	3
BOLI net earnings	(457)	(361)
Gain on sales of loans, net	(1,722)	(1,214)
Decrease in deferred loan origination fees	(181)	(241)
Net OTTI on MBS and other investments	190	336
Gain on sales of MBS and other investments	(22)	(79)
Realized losses on held to maturity securities	--	2
Valuation recovery on MSRs	(144)	(703)
Loans originated for sale	(67,112)	(44,266)
Proceeds from sales of loans	68,814	47,684
Increase (decrease) in other assets, net	622	(15)
Increase in other liabilities and accrued expenses, net	433	177
Net cash provided by operating activities	8,813	8,719
Cash flows from investing activities		
Net increase in CDs held for investment	(4,122)	(40)
Proceeds from maturities and prepayments of MBS and other investments available for sale	829	1,248
Proceeds from maturities and prepayments of MBS and other investments held to maturity	574	697
Proceeds from sales of MBS and other investments	743	2,272
Increase in loans receivable, net	(12,676)	(3,476)
Additions to premises and equipment	(1,017)	(344)
Proceeds from sales of OREO and other repossessed assets	1,047	2,883
Net cash (used in) provided by investing activities	(14,622)	3,240
Cash flows from financing activities		
(Decrease) increase in deposits, net	(2,312)	10,629
Repayment of FHLB advances	(10,000)	(20,000)

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Increase (decrease) in repurchase agreements	97	(24)
ESOP tax effect	(53)	(47)
Dividends paid	(1,000)	- -
Net cash used in financing activities	(13,268)	(9,442)

See notes to unaudited condensed consolidated financial statements