TIMBERLAND BANCORP INC
Form 10-Q/A
June 01, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
AMENDMENT NO. 1
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

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 X 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 _X_ 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 _X_

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 MAY 1, 2015
Common stock, $.01 par value	7,053,636

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (this “Amendment”) is being filed by Timberland Bancorp, Inc. (“Company”) to amend its Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed with the Securities and Exchange Commission on May 8, 2015 (the “Original Filing”). This Amendment is being filed solely to revise the Average Balances, Interest and Yields/Cost table for the six months ended March 31, 2015 and 2014 (the “Table”) on page 44 of the Original Filing included in Part I, Item 2, Management’s Discussion and Analysis of Financial Condition and Operations. The Company determined that several numbers in the Table included in the Original Filing were inadvertently represented as zeros. The Amendment is being filed to incorporate the corrections to the Table. Except for the foregoing, the Original Filing remains unchanged.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are filed herewith as exhibits to this Amendment.

This Amendment does not reflect any events that may have occurred subsequent to the Original Filing on May 8, 2015, nor does it modify or otherwise update in any way the disclosures made in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing.

PART I. FINANCIAL INFORMATION

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

As used in this Form 10-Q, the terms “we,” “our” and “Company” refer to Timberland Bancorp, Inc. and its consolidated subsidiaries, unless the context indicates otherwise. When we refer to “Bank” in this Form 10-Q, we are referring to Timberland Bank, a wholly-owned subsidiary of Timberland Bancorp, Inc. and the Bank’s wholly-owned subsidiary, Timberland Service Corporation.

The following analysis discusses the material changes in the condensed consolidated financial condition and results of operations of the Company at and for the three and six months ended March 31, 2015. This analysis as well as other sections of this report contains certain “forward-looking statements.”

Certain matters discussed in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning our future operations. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, are based on certain assumptions and often include the words “believes,” “expects,” “anticipates,” “estimates,” “forecasts,” “intends,” “plans,” “targets,” “potentially,” “pr “projects,” “outlook” or similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would” and “could.” Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited to: the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets which may lead to increased losses and non-performing assets in our loan portfolio, and may result in our allowance for loan losses not being adequate to cover actual losses, and require us to materially increase our loan loss reserves; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; secondary market conditions for loans and our ability to sell loans in the secondary market; results of examinations of us by the Board of Governors of the Federal Reserve System ("Federal Reserve") and of our bank subsidiary by the FDIC, the Washington State Department of Financial Institutions, Division of Banks or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, institute an informal or formal enforcement action against us or our bank subsidiary which could require us to increase our allowance for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits or impose additional requirements and restrictions on us, any of which could adversely affect our liquidity and earnings; legislative or regulatory changes that adversely affect our business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including as a result of Basel III; the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing regulations; our ability to attract and retain deposits; increases in premiums for deposit insurance; our ability to control operating costs and expenses; the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risk associated with the loans on our consolidated balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges; the failure or security breach of computer systems on which we depend; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; our ability to implement our business strategies; our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; our ability to manage loan delinquency rates; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; our ability to pay dividends on our common stock; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the FASB, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods; the economic impact of war or any terrorist activities; other economic, competitive, governmental, regulatory, and technological factors affecting our operations; pricing, products and services; and other risks detailed in our reports filed with the Securities and Exchange Commission, including our 2014 Form 10-K.

Any of the forward-looking statements that we make in this Form 10-Q and in the other public statements we make are based upon management’s beliefs and assumptions at the time they are made. We do not undertake and specifically disclaim any obligation to publicly update or revise any forward-looking statements included in this report or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. We caution readers not to place undue reliance on any forward-looking statements. These risks could cause our actual results for fiscal 2015 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of us, and could negatively affect the Company’s financial condition and results of operations as well as its stock price performance.

Overview

Timberland Bancorp, Inc., a Washington corporation, is the holding company for Timberland Bank. The Bank opened for business in 1915 and serves consumers and businesses across Grays Harbor, Thurston, Pierce, King, Kitsap and Lewis counties, Washington with a full range of lending and deposit services through its 22 branches (including its main office in Hoquiam). At March 31, 2015, the Company had total assets of $776.27 million and total shareholders' equity of $85.42 million. The Company's business activities generally are limited to passive investment activities and oversight of its investment in the Bank. Accordingly, the information set forth in this report relates primarily to the Bank's operations.

The profitability of the Company's operations depends primarily on its net interest income after provision for loan losses. Net interest income is the difference between interest income, which is the income that the Company earns on interest-earning assets, which are primarily loans and investments, and interest expense, the amount the Company pays on its interest-bearing liabilities, which are primarily deposits and borrowings. Net interest income is affected by changes in the volume and mix of interest earning assets, interest earned on those assets, the volume and mix of interest bearing liabilities and interest paid on those interest bearing liabilities. Management strives to match the re-pricing characteristics of the interest earning assets and interest bearing liabilities to protect net interest income from changes in market interest rates and changes in the shape of the yield curve.

The provision for loan losses is dependent on changes in the loan portfolio and management's assessment of the collectability of the loan portfolio as well as prevailing economic and market conditions. The provision for loan losses reflects the amount that the Company believes is adequate to cover estimated credit losses in its loan portfolio.

Net income is also affected by non-interest income and non-interest expenses. For the three and six month period ended March 31, 2015, non-interest income consisted primarily of service charges on deposit accounts, gain on sale of loans, ATM and debit card interchange transaction fees, an increase in the cash surrender value of BOLI and other operating income. Non-interest income is reduced by net OTTI losses on investment securities and losses on the sale of investment securities. Non-interest expenses consisted primarily of salaries and employee benefits, premises and equipment, advertising, ATM and debit card processing expenses, OREO and other repossessed asset expenses, postage and courier expenses, state and local taxes, professional fees, deposit insurance premiums, other insurance premiums, state and local taxes, loan administration and foreclosure expenses, deposit operation expenses and data processing expenses and telecommunication expenses. Non-interest income and non-interest expenses are affected by the growth of our operations and growth in the number of loan and deposit accounts.

Results of operations may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

The Bank is a community-oriented bank which has traditionally offered a variety of savings products to its retail customers while concentrating its lending activities on real estate mortgage loans. Lending activities have been focused primarily on the origination of loans secured by real estate, including residential construction loans, one- to four-family residential loans, multi-family loans and commercial real estate loans. The Bank originates adjustable-rate residential mortgage loans that do not qualify for sale in the secondary market. The Bank also originates commercial business loans and other consumer loans.

Critical Accounting Policies and Estimates

The Company has identified several accounting policies that as a result of judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's Condensed Consolidated Financial Statements. Critical accounting policies and estimates are discussed in the Company's 2014 Form 10-K under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies and Estimates." That discussion highlights estimates the Company makes that involve uncertainty or potential for substantial change. There have been no material changes in the Company's critical accounting policies and estimates as previously disclosed in the Company's 2014 Form 10-K.

Comparison of Financial Condition at March 31, 2015 and September 30, 2014

The Company's total assets increased by $30.70 million, or 4.1%, to $776.27 million at March 31, 2015 from $745.57 million at September 30, 2014. The increase in total assets was primarily due to increases in net loans receivable, total cash and cash equivalents and CDs held for investment, which were partially offset by decreases in investment securities and OREO and other repossessed assets.

Net loans receivable increased by $18.52 million, or 3.3%, to $584.27 million at March 31, 2015 from $565.75 million at September 30, 2014. The increase was primarily due to increases in one-to four-family loans, construction and land development loans and commercial business loans. These increases to net loans receivable were partially offset by decreases in land loans and consumer loans.

Total deposits increased by $28.16 million, or 4.6%, to $643.27 million at March 31, 2015 from $615.12 million at September 30, 2014. The increase was primarily a result of increases in savings account, non-interest bearing account, money market account and N.O.W. account balances, which were partially offset by decreases and certificates of deposit account balances.

Shareholders’ equity increased by $2.65 million, or 3.2%, to $85.42 million at March 31, 2015 from $82.78 million at September 30, 2014. The increase in shareholders' equity was primarily due to net income of $3.18 million for the six months ended March 31, 2015, which was partially offset by dividend payments of $775,000 to common shareholders.

A more detailed explanation of the changes in significant balance sheet categories follows:

Cash and Cash Equivalents and CDs Held for Investment: Cash and cash equivalents and CDs held for investment increased by $15.76 million, or 14.6%, to $123.96 million at March 31, 2015 from $108.20 million at September 30, 2014. The increase was primarily due to a $9.74 million increase in cash and cash equivalents and a $6.02 million increase in CDs held for investment.

Investment Securities: Investment securities decreased by $1.56 million, or 19.2%, to $6.59 million at March 31, 2015 from $8.16 million at September 30, 2014, primarily due to the sale of $1.22 million in agency mortgaged-backed securities and scheduled amortization and prepayments. The sale of the investment securities resulted in a $45,000 gain during the six months ended March 31, 2015. For additional information on investment securities, see Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements contained in “Item 1, Financial Statements.”

Loans: Net loans receivable increased by $18.52 million, or 3.3%, to $584.27 million at March 31, 2015 from $565.75 million at September 30, 2014. The increase in the portfolio was primarily a result of a $9.29 million increase in one- to four-family loans, an $8.95 million increase in construction and land development loans (mostly multi-family construction loans), a $4.35 million increase in commercial business loans, a $2.44 million increase in multi-family loans and a $1.98 million increase in commercial real estate loans. These increases in net loans receivable were partially offset by a $1.13 million decrease in land loans and a $691,000 decrease in total consumer loans. In addition, there was a $6.57 million increase in the undisbursed portion of construction loans in process.

Loan originations increased $20.67 million, or 24.4% to $105.55 million for the six months ended March 31, 2015 from $84.88 million for the six months ended March 31, 2014. The Company continued to sell longer-term fixed rate loans for asset liability management purposes and to generate non-interest income. Sales of fixed rate one- to four-family mortgage loans increased $5.46 million, or 35.3%, to $20.93 million for the six months ended March 31, 2015 compared to $15.47 million for the six months ended March 31, 2014 as refinance demand for single family loans increased.

For additional information, see Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements contained in “Item 1, Financial Statements.”

Premises and Equipment: Premises and equipment decreased by $257,000, or 1.5%, to $17.42 million at March 31, 2015 from $17.68 million at September 30, 2014. The decrease was primarily due to depreciation.

OREO (Other Real Estate Owned): OREO and other repossessed assets decreased by $1.23 million, or 13.5%, to $7.87 million at March 31, 2015 from $9.09 million at September 30, 2014. The decrease was primarily due to the disposition of ten OREO properties totaling $1.46 million and OREO fair value write-downs of $405,000, partially offset by the addition of $640,000 in OREO properties and other repossessed assets. At March 31, 2015, total OREO and other repossessed assets consisted of 35 individual properties and one other repossessed asset. The properties consisted of 22 land parcels totaling $3.57 million, four commercial real estate properties totaling $2.07 million, nine single-family homes totaling $2.15 million and one manufactured home with a book value of $67,000.

Goodwill and CDI: The recorded amount of goodwill of $5.65 million at March 31, 2015 was unchanged from September 30, 2014. The recorded amount of the CDI decreased $3,000, or 100.0%, to none at March 31, 2015 from $3,000 at September 30, 2014. The decrease was due to scheduled amortization of the CDI.

Deposits: Deposits increased by $28.16 million, or 4.6%, to $643.27 million at March 31, 2015 from $615.12 million at September 30, 2014. The increase was primarily a result of a $11.06 million increase in non-interest bearing accounts, an $8.58 million increase in savings accounts, a $7.70 million increase in N.O.W. checking accounts and a $2.80 million increase in money market accounts. These increases were partially offset by a $1.99 million decrease in certificates of deposit accounts.

FHLB Advances: The Company has short- and long-term borrowing lines with the FHLB with total credit available on the lines equal to 25% of the Bank's total assets, limited by available collateral. Borrowings are considered short-term when the original maturity is less than one year. At March 31, 2015 FHLB advances and other borrowings consisted of long-term FHLB advances with scheduled maturities at various dates in fiscal 2017 which bear interest at rates ranging from 3.69% to 4.34%. A portion of these advances may be called by the FHLB at a date earlier than the scheduled maturity date. FHLB advances remained unchanged at $45.00 million at March 31, 2015 and September 30, 2014.

Shareholders’ Equity: Total shareholders’ equity increased by $2.65 million, or 3.2%, to $85.42 million at March 31, 2015 from $82.78 million at September 30, 2014. The increase was primarily due to net income of $3.18 million for the six months ended March 31, 2015, which was partially offset by the payment of $775,000 in dividends on the Company's common stock.

Comparison of Operating Results for the Three and Six Months Ended March 31, 2015 and 2014

Net income increased $292,000, or 25.2%, to $1.45 million for the quarter ended March 31, 2015 from $1.16 million for the quarter ended March 31, 2014. Net income to common shareholders increased $292,000 or 25.2%, to $1.45 million for the quarter ended March 31, 2015 from $1.16 million for the quarter ended March 31, 2014. Net income per diluted common share increased $0.05, or 31.3%, to $0.21 for the quarter ended March 31, 2015 from $0.16 for the quarter ended March 31, 2014. The increase in net income was primarily due to increases in non-interest income and, to a lesser extent, net interest income and a decrease in non-interest expense.

Net income increased $408,000, or 14.7%, to $3.18 million for the six months ended March 31, 2015 from $2.77 million for the six months ended March 31, 2014. Net income to common shareholders increased $614,000, or 23.9%, to $3.18 million for the six months ended March 31, 2015 from $2.56 million for the six months ended March 31, 2014. Net income per diluted common share increased $0.08, or 21.6%, to $0.45 for the six months ended March 31, 2015 from $0.37 for the six months ended March 31, 2014. The increase in net income was primarily due increases in net interest income and, to a lesser extent, non-interest income and a decrease in non-interest expense.

For the six months ended March 31, 2014 net income available to common shareholders was net of a dividend accrual and discount accretion related to the Series A Preferred Stock of $206,000, or approximately $0.03 per diluted common share. These preferred stock adjustments were not required in the six months ended March 31, 2015 due to the redemption of the remaining Series A Preferred Stock in December 2013.

A more detailed explanation of the income statement categories is presented below.

Net Interest Income: Net interest income increased by $130,000, or 2.0%, to $6.57 million for the quarter ended March 31, 2015 from $6.44 million for the quarter ended March 31, 2014. The net interest margin decreased to 3.69% for the quarter ended March 31, 2015 from 3.85% for the quarter ended March 31, 2014 primarily due to a decrease in the average yield on interest-bearing assets.

Total interest and dividend income increased by $115,000, or 1.6%, to $7.53 million for the quarter ended March 31, 2015 from $7.41 million for the quarter ended March 31, 2014 primarily due to $43.49 million increase in the average balance of total interest-bearing assets to $712.12 million from $668.63 million, which was partially offset by a decrease in the average yield on interest-bearing assets to 4.23% from 4.43%. Total interest expense decreased by $15,000, or 1.5%, to $960,000 for the quarter ended March 31, 2015 from $975,000 for the quarter ended March 31, 2014 as the average rate paid on interest-bearing liabilities decreased to 0.69% for the quarter ended March 31, 2015 from 0.72% for the quarter ended March 31, 2014, and the average balance of interest-bearing liabilities increased by $15.68 million. The decrease in funding costs was primarily a result of CDs repricing at lower market rates.

Net interest income increased by $373,000, or 2.9%, to $13.27 million for the six months ended March 31, 2015 from $12.90 million for the six months ended March 31, 2014. The net interest margin for the six months ended March 31, 2015 decreased to 3.78% from 3.81% for the six months ended March 31, 2014.

Total interest and dividend income increased by $320,000, or 2.1%, to $15.21 million for the six months ended March 31, 2015 from $14.89 million for the six months ended March 31, 2014 primarily due to a $25.24 million increase in the average balance of total interest-bearing assets to $701.66 million from $676.42 million, which was partially offset by a decrease in the average yield on interest-bearing assets to 4.34% for the six months ended March 31, 2015 from 4.40% for the six months ended March 31, 2014. Total interest expense decreased by $53,000, or 2.7%, to $1.94 million for the six months ended March 31, 2015 from $2.00 million for the six months ended March 31, 2014 as the average rate paid on interest bearing liabilities decreased to 0.70% for the six months ended March 31, 2015 from 0.72% for the six months ended March 31, 2014.

Average Balances, Interest and Average Yields/Cost
The following tables set forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-bearing assets and interest expense on average interest-bearing liabilities and average yields and costs. Such yields and costs for the periods indicated are derived by dividing income or expense by the average daily balance of assets or liabilities, respectively, for the periods presented. (Dollars in thousands)

	Three Months Ended March 31,							
	2015				2014			
	Average Balance	Interest and Dividends	Yield/ Cost		Average Balance	Interest and Dividends	Yield/ Cost	
Interest-bearing assets: (1)								
Loans receivable (2)	$592,000	$7,352	4.97	%	$568,448	$7,255	5.10	%
Investment securities (2)	5,679	55	3.87		6,497	64	3.94	
Dividends from mutual funds and FHLB stock	6,144	6	0.39		6,355	6	0.45	
Interest-bearing deposits	108,298	114	0.42		87,328	87	0.40	
Total interest-bearing assets	712,121	7,527	4.23		668,628	7,412	4.43	
Non-interest-bearing assets	58,224				63,885			
Total assets	$770,345				$732,513			
Interest-bearing liabilities:								
Savings accounts	$100,997	13	0.05		$94,478	11	0.05	
Money market accounts	92,683	61	0.26		91,216	60	0.27	
N.O.W. checking accounts	165,314	109	0.26		157,312	113	0.29	
Certificates of deposit	162,446	312	0.76		162,750	330	0.85	
Long-term borrowings (3)	45,000	465	4.19		45,000	461	4.15	
Total interest-bearing liabilities	566,440	960	0.69		550,756	975	0.72	
Non-interest-bearing liabilities	119,269				102,260			
Total liabilities	685,709				653,016			
Shareholders' equity	84,636				79,497			
Total liabilities and shareholders' equity	$770,345				$732,513			
Net interest income		$6,567				$6,437		
Interest rate spread			3.54	%			3.72	%
Net interest margin (4)			3.69	%			3.85	%
Ratio of average interest-bearing assets to average interest-bearing liabilities			125.72	%			121.40	%

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	Six Months Ended March 31,							
	2015				2014			
	Average Balance	Interest and Dividends	Yield/ Cost		Average Balance	Interest and Dividends	Yield/ Cost	
Interest-bearing assets: (1)								
Loans receivable (2)	$ 586,853	$ 14,861	5.06	%	$ 565,541	$ 14,573	5.15	%
Investment securities (2)	6,383	120	3.76		6,123	124	4.05	
Dividends from mutual funds and FHLB stock	6,170	13	0.42		6,377	15	0.47	
Interest-bearing deposits	102,258	219	0.43		98,381	181	0.37	
Total interest-bearing assets	701,664	15,213	4.34		676,422	14,893	4.40	
Non-interest-bearing assets	59,072				61,669			
Total assets	$ 760,736				$ 738,091			
Interest-bearing liabilities:								
Savings accounts	$ 91,455	25	0.05		$ 96,161	23	0.05	
Money market accounts	98,801	123	0.25		91,320	123	0.27	
N.O.W. checking accounts	162,374	220	0.27		156,130	226	0.29	
Certificates of deposit	162,734	636	0.78		166,311	692	0.83	
Long-term borrowings (3)	45,000	940	4.19		45,000	933	4.16	
Total interest-bearing liabilities	560,364	1,944	0.70		554,922	1,997	0.72	
Non-interest-bearing liabilities	116,412				99,044			
Total liabilities	676,776				653,966			
Shareholders' equity	83,960				84,125			
Total liabilities and shareholders' equity	$ 760,736				$ 738,091			
Net interest income		$ 13,269				$ 12,896		
Interest rate spread			3.64	%			3.68	%
Net interest margin (4)			3.78	%			3.81	%
Ratio of average interest-bearing assets to average interest-bearing liabilities			125.22	%			121.89	%

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(1) Interest yield on loans and investment securities is calculated assuming a 30/360 basis; interest yield on all other categories is based on 365/365 interest basis.
(2) Average balances include loans and investment securities on non-accrual status.
(3) Includes FHLB advances with original maturities of one year or greater.
(4) Net interest income divided by total average interest-bearing assets, annualized.

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Rate Volume Analysis
The following table sets forth the effects of changing rates and volumes on the net interest income of the Company. Information is provided with respect to the (i) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate), and (ii) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) the net change (sum of the prior columns). Changes in rate/volume have been allocated to rate and volume variances based on the absolute values of each. (In thousands)

	Three months ended March 31, 2015 compared to three months ended March 31, 2014 increase (decrease) due to			Six months ended March 31, 2015 compared to six months ended March 31, 2014 increase (decrease) due to		
	Rate	Volume	Net Change	Rate	Volume	Net Change
Interest-bearing assets:						
Loans receivable (1)	$(198)	$295	$97	$(25)	$313	$288
Investment securities	(1)	(8)	(9)	(4)	—	(4)
Dividends from mutual funds and FHLB stock	—	—	—	(2)	—	(2)
Interest-bearing deposits	5	22	27	31	7	38
Total net (decrease) increase in income on interest-bearing assets	(194)	309	115	—	320	320
Interest-bearing liabilities:						
Savings accounts	1	1	2	2	—	2
N.O.W. checking accounts	(11)	7	(4)	(8)	2	(6)
Money market accounts	—	1	1	(4)	4	—
Certificates of deposit accounts	(18)	—	(18)	(37)	(19)	(56)
Long term FHLB borrowings	4	—	4	7	—	7
Total net increase (decrease) in expense on interest-bearing liabilities	(24)	9	(15)	(40)	(13)	(53)
Net (decrease) increase in net interest income	$(170)	$300	$130	$40	$333	$373

(1) Includes loans originated for sale.

Provision for Loan Losses: There was no provision for loan losses for the quarters ended March 31, 2015 and 2014. There were net recoveries for the quarter ended March 31, 2015 of $60,000 compared to net recoveries of $4,000 for the quarter ended March 31, 2014.

There was no provision for loan losses for the six months ended March 31, 2015 and 2014. Net charge-offs for the six months ended March 31, 2015 were $45,000 compared to $387,000 for the six months ended March 31, 2014.

The Company has established a comprehensive methodology for determining the provision for loan losses. On a quarterly basis the Company performs an analysis that considers pertinent factors underlying the quality of the loan portfolio. The factors include changes in the amount and composition of the loan portfolio, historic loss experience for various loan segments, changes in economic conditions, delinquency rates, a detailed analysis of impaired loans, and other factors to determine an appropriate level of allowance for loan losses. Based on its comprehensive analysis, management believes the allowance for loan losses of $10.38 million at March 31, 2015 (1.75% of loans receivable and loans held for sale and 95% of non-performing loans) was adequate to provide for probable losses based on an evaluation of known and inherent risks in the loan portfolio at that date. Impaired loans are subjected to an impairment analysis to determine an appropriate reserve amount to be allocated to each loan. The aggregate principal impairment reserve amount determined at March 31, 2015 was $2.68 million compared to $2.89 million at March 31, 2014. The allowance for loan losses was $10.75 million (1.90% of loans receivable and loans held for sale and 85% of non-performing loans) at March 31, 2014.

While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proved incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact the Company’s consolidated financial condition and results of operations. In addition, the determination of the amount of the Company’s allowance for loan losses is subject to review by bank regulators as part of the routine examination process, which may result in the establishment of additional reserves based upon their analysis of information available to them at the time of their examination. Any material increase in the allowance for loan losses would adversely affect the Company’s financial condition and results of operations. For additional information, see Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements contained in “Item 1, Financial Statements.”

Non-interest Income: Total non-interest income increased $201,000, or 10.0%, to $2.21 million for the quarter ended March 31, 2015 from $2.01 million for the quarter ended March 31, 2014. The increase in non-interest income was primarily due to a $176,000 increase in gain on sale of loans and a $70,000 increase in ATM and debit card interchange transaction fees, which was partially offset by a $90,000 reduction in the net recoveries on investment securities and a $31,000 decrease in service charges on deposits. The increase in gain on sale of loans was primarily due to an increase in the dollar volume of fixed-rate on-to four family loans sold during the current quarter. The increase in ATM and debit card interchange transaction fees was primarily due to an increase in debit card transactions. The decrease in service charges on deposits was primarily due to a decreased number of checking account overdrafts.

Total non-interest income increased $130,000, or 3.1%, to $4.34 million for the six months ended March 31, 2015 from $4.21 million for the six months ended March 31, 2014. This increase in non-interest income was primarily due to a $115,000 increase in ATM and debit card interchange transaction fees and a $110,000 increase in gain on sale of loans and smaller increases in several other categories, which was partially offset by a $137,000 decrease in service charges on deposits.

Non-interest Expense: Total non-interest expense decreased by $100,000, or 1.5%, to $6.65 million for the quarter ended March 31, 2015 from $6.75 million for the quarter ended March 31, 2014. The decreased expenses were primarily due to a $150,000 decrease in salaries and employee benefit expense, a $103,000 decrease in ATM and debit card interchange fee expense, a $62,000 decrease in loan administration and foreclosure expense and smaller decreases in several other categories. These decreases were partially offset by a $142,000 increase in data processing and telecommunications expense and a $104,000 increase in premises and equipment expense. The decrease in salaries and employee benefit expense was primarily due to an increase in loan originations and a decrease in overtime expense. Under GAAP, the portion of a loan origination fee that is attributable to the estimated employee costs to generate the loan is recorded as a reduction of salaries and employee benefits expense. With the increase in loan originations, the loan originations fees that reduced salaries and employee benefit expense increased by $96,000. The decrease in ATM and debit card interchange fee expense was primarily related to the Company's conversion to MasterCard from Visa for its ATM and debit card platform. The decrease in loan administration and foreclosure expense was primarily due to a reduction of the number loans in foreclosure. The increase in data processing and telecommunications expense was primarily due to upgrading data line capacity and higher data processing and internet banking costs based on usage and asset size. The increase in premises and equipment expense was primarily due to increased depreciation expense from capitalized technology equipment implemented during the past twelve months, increased equipment maintenance expense and increased real estate taxes.

Total non-interest expense decreased $67,000, or 0.5%, to $12.93 million for the six months ended March 31, 2015 from $13.00 million for the six months ended March 31, 2014. The decreased expenses were primarily due to a $133,000 decrease in salaries and employee benefit expense, a $130,000 decrease in OREO and other repossessed assets expense and a $129,000 decrease in loan administration and foreclosure expense. These decreases were partially offset by a $191,000 increase in data processing and telecommunications expense and a $136,000 increase in premises and equipment expense.

Provision for Federal Income Taxes: The provision for federal income taxes increased by $139,000, or 25.9%, to $676,000 for the quarter ended March 31, 2015 from $537,000 for the quarter ended March 31, 2014, primarily as a result of increased income before federal income taxes. The Company's effective tax rate was 31.78% for the quarter ended March 31, 2015 and 31.66% for the quarter ended March 31, 2014.

The provision for federal income taxes increased by $162,000, or 12.1%, to $1.50 million for the six months ended March 31, 2015 from $1.34 million for the six months ended March 31, 2014. The Company's effective tax rate was 32.08% for the six months ended March 31, 2015 and 32.59% for the six months ended March 31, 2014.

Liquidity

The Company's primary sources of funds are customer deposits, proceeds from principal and interest payments on loans and investment securities, proceeds from the sale of loans, proceeds from maturing securities and maturing CDs held for investment, FHLB advances, and other borrowings. While maturities and the scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

Liquidity management is both a short and long-term responsibility of the Bank's management. The Bank adjusts its investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) projected loan sales, (iii) expected deposit flows, and (iv) yields available on interest-bearing deposits. Excess liquidity is invested generally in interest-bearing overnight deposits and other short-term investments.

The Bank generally maintains sufficient cash and short-term investments to meet short-term liquidity needs. At March 31, 2015, the Bank's regulatory liquidity ratio (net cash, and short-term and marketable assets, as a percentage of net deposits and short-term liabilities) was 18.81%.

The Company's total cash and cash equivalents increased by $9.74 million, or 13.5% to $82.09 million at March 31, 2015 from $72.35 million at September 30, 2014. If the Bank requires funds that exceed its ability to generate them internally, it has additional borrowing capacity with the FHLB, the Federal Reserve Bank of San Francisco ("FRB") and Pacific Coast Bankers' Bank ("PCBB"). At March 31, 2015 the Bank maintained an uncommitted credit facility with the FHLB that provided for immediately available advances up to an aggregate amount equal to 25% of total assets, limited by available collateral. The Bank also has a Variable Amount Letter of Credit ("VLOC") of up to $8 million with the FHLB for the purpose of collateralizing Washington State public deposits. Any amount pledged for public deposit under the VLOC reduces the Bank's available borrowing amount under the FHLB advance agreement. At March 31, 2015, the Bank had $45 million in advances outstanding and $8 million pledged under the VLOC, which left $133.14 million available for additional borrowings. The Bank maintains a short-term borrowing line with the FRB with available total credit based on eligible collateral. At March 31, 2015, the Bank had $43.75 million available for borrowings with the FRB and there was no outstanding balance on this borrowing line. The Bank also maintains a $10 million overnight borrowing line with PCBB. At March 31, 2015, the Bank did not have an outstanding balance on this borrowing line.

The Bank's primary investing activity is the origination of one- to four-family mortgage loans, commercial mortgage loans, construction loans, consumer loans, and commercial business loans. At March 31, 2015, the Bank had loan commitments totaling $60.70 million and undisbursed construction loans in process totaling $35.99 million. The Bank anticipates that it will have sufficient funds available to meet current loan commitments. CDs that are scheduled to mature in less than one year from March 31, 2015 totaled $99.5 million. Historically, the Bank has been able to retain a significant amount of its non-brokered CDs as they mature. At March 31, 2015, the Bank had $3.19 million in brokered CDs.

Capital Resources

Timberland Bank, as a state-chartered, federally insured savings bank, is subject to the capital requirements established by the FDIC.

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank became subject to new capital adequacy requirements. The capital adequacy requirements are quantitative measures established by regulation that require the Bank to maintain minimum amounts and ratios of capital.

The Bank is now subject to new capital requirements adopted by the FDIC, which create a new required ratio for common equity Tier 1 ("CET1") capital, increases the leverage and Tier 1 capital ratios, changes the risk-weightings of certain assets for purposes of the risk-based capital ratios, creates an additional capital conservation buffer over the required capital ratios and changes what qualifies as capital for purpose of meeting these various capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by bank regulators that if undertaken, could have a direct material effect on the Company's financial statements. The Bank is required to maintain additional levels of Tier 1 common equity over the minimum risk-based capital levels before it may pay dividends, repurchase shares or pay discretionary bonuses.

The new minimum requirements are a ratio of CET1 capital to total risk-weighted assets (the "CET1 risk-based ratio") of 4.5%, a Tier 1 capital ratio of 6.0%, a total capital ratio of 8.0%, and a leverage ratio of 4.0%

In addition to the capital requirements, there are a number of changes in what constitutes regulatory capital, subject to transition periods. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not have any of these instruments. Mortgage servicing and deferred tax assets over designated percentages of CET1 will be deducted from capital, subject to a four-year transition period. CET1 will consist of Tier 1 capital less all capital components that are not considered common equity. In addition, Tier 1 capital will include accumulated other comprehensive income, which includes all unrealized gains and losses on available for sale debt and equity securities, subject to a four-year transition period. Because of our asset size, we are not required to follow the advance approach and have elected to take the one-time option of deciding in the first quarter of calendar year 2015 to permanently opt-out of the inclusion of unrealized gains and losses on available for sale debt and equity securities in our capital calculations.

The new requirements also include changes in the risk-weighting of assets to better reflect credit risk and other risk exposure. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days or more past due or otherwise on non-accrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%); and a 250% risk weight (up from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital.

In addition to the minimum CET1, Tier 1 and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CET1 capital equal to 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained earnings that could be utilized for such actions. This new capital conservation buffer requirement is to be phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019.

Under the new standards, in order to be considered well-capitalized, the Bank must have a CET1 risk-based capital ratio of 6.5% (new), a Tier 1 risk-based capital ratio of 8.0% (increased from 6.0%), a total risk-based capital ratio of 10.0% (unchanged) and a Tier 1 leverage capital ratio of 5.0% (unchanged).

At March 31, 2015, the Bank exceeded all regulatory capital requirements. The Bank was categorized as "well capitalized" at March 31, 2015 under the regulations of the FDIC.

The following table compares the Bank’s actual capital amounts at March 31, 2015 to its minimum regulatory capital requirements at that date (dollars in thousands):

	Actual Amount	Ratio		Regulatory Minimum To Be “Adequately Capitalized” Amount	Ratio		To Be “Well Capitalized” Under Prompt Corrective Action Provisions Amount	Ratio	
Leverage Capital Ratio:									
Tier 1 capital	$78,769	10.29	%	$30,622	4.00	%	$38,277	5.00	%
Risk-based Capital Ratios:									
Common equity tier 1 capital	78,769	13.51		26,232	4.50		37,890	6.50	
Tier 1 capital	78,769	13.51		34,975	6.00		46,634	8.00	

Total capital	86,096	14.77	46,634	8.00	58,292	10.00

Timberland Bancorp, Inc. is a bank holding company registered with the Federal Reserve. Bank holding companies are subject to capital adequacy requirements of the Federal Reserve under the Bank Holding Company Act of 1956, as amended, and the regulations of the Federal Reserve. For a bank holding company with less than $1.0 billion in assets, the capital guidelines apply on a bank only basis and the Federal Reserve expects the holding company's subsidiary bank to be well capitalized under the prompt corrective action regulations. If Timberland Bancorp, Inc. were subject to regulatory guidelines for bank holding companies with $1.0 billion or more in assets, at March 31, 2015, Timberland Bancorp, Inc. would have exceeded all regulatory requirements.

The following table presents the regulatory capital ratios for Timberland Bancorp, Inc. as of March 31, 2015 (dollars in thousands):

	Actual Amount	Ratio	
Leverage Capital Ratio:			
Tier 1 capital	$81,466	10.63	%
Risk-based Capital Ratios:			
Common equity tier 1 capital	81,466	13.97	
Tier 1 capital	81,466	13.97	
Total capital	88,795	15.23	

Key Financial Ratios and Data
(Dollars in thousands, except per share data)

	Three Months Ended March 31, 2015		2014		Six Months Ended March 31, 2015		2014	
PERFORMANCE RATIOS:								
Return on average assets (1)	0.75	%	0.63	%	0.84	%	0.75	%
Return on average equity (1)	6.86	%	5.83	%	7.57	%	6.59	%
Net interest margin (1)	3.69	%	3.85	%	3.78	%	3.81	%
Efficiency ratio	75.78	%	79.93	%	73.43	%	75.98	%

	At March 31, 2015	At September 30, 2014	At March 31, 2014
BOOK VALUES:			
Book value per common share	$12.11	$11.75	$11.36
Tangible book value per common share (2)	11.31	10.94	10.55

(1) Annualized

(2) Calculation subtracts goodwill and core deposit intangible from the equity component.

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PART II. OTHER INFORMATION
Item 6. Exhibits

(a) Exhibits

3.1	Articles of Incorporation of the Registrant (1)
3.3	Amended and Restated Bylaws of the Registrant (3)
4.1	Warrant to purchase shares of Company's common stock dated December 23, 2008 (2)
4.2	Letter Agreement (including Securities Purchase Agreement Standard Terms attached as Exhibit A) dated December 23, 2008 between the Company and the United States Department of the Treasury (2)
10.1	Employee Severance Compensation Plan, as revised (4)
10.2	Employee Stock Ownership Plan (4)
10.3	1999 Stock Option Plan (5)
10.4	Management Recognition and Development Plan (5)
10.5	2003 Stock Option Plan (6)
10.6	Form of Incentive Stock Option Agreement (7)
10.7	Form of Non-qualified Stock Option Agreement (7)
10.8	Form of Management Recognition and Development Award Agreement (7)
10.9	Employment Agreement with Michael R. Sand (8)
10.10	Employment Agreement with Dean J. Brydon (8)
10.11	Timberland Bancorp, Inc. 2014 Equity Incentive Plan (9)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes OxleyAct
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act
101	The following materials from Timberland Bancorp Inc's Quarterly Report 10-Q for the quarter ended March 31, 2015, formatted on Extensible Business Reporting Language (XBRL) (a) Condensed Consolidated Balance Sheets; (b) Condensed Consolidated Statements of Income; (c) Condensed Consolidated Statements of Comprehensive Income; (d) Condensed Consolidated Statements of Shareholders' Equity; (e) Condensed Consolidated Statements of Cash Flows; and (f) Notes to Unaudited Condensed Consolidated Financial Statements (10)*

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* Previously filed with the Original Filing.
(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (333- 35817).
(2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on December 23, 2008.
(3) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on April 29, 2010.
(4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997; and to the Registrant's Current Report on Form 8-K dated April 13, 2007.
(5) Incorporated by reference to the Registrant's 1999 Annual Meeting Proxy Statement dated December 15, 1998.
(6) Incorporated by reference to the Registrant's 2004 Annual Meeting Proxy Statement dated December 24, 2003.
(7) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended September 30, 2005.
(8) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on March 29, 2013.
(9) Attached as Appendix A to the Registrant's Annual Meeting Proxy Statement filed on December 19, 2014.
(10) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise not subject to liability under those sections.

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 thereunto duly authorized.

Timberland Bancorp, Inc.

Date: June 1, 2015	By: /s/Dean J. Brydon Dean J. Brydon Chief Financial Officer (Principal Financial Officer)

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EXHIBIT INDEX

Exhibit No.	Description of Exhibit
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act